LANTRONIX, INC. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands)

AssetsS4,718S4,989Cash and cash equivalents\$4,718\$4,989Accounts receivable, net2,9702,658Inventories, net8,9889,503Contract manufacturers' receivable365369Prepaid expenses and other current assets315400Total current assets17,35617,919Property and equipment, net1,4761,471Goodwill9,4889,488Deferred tax assets6093Total assets6093Total assets528,822S29,413Liabilities and stockholders' equity700Current liabilities:442442Accounts payable\$2,922S3,633Line of credit700Account payable3,790Account payable3,790Other current liabilities9,781Total current liabilities9,781Total current liabilities308Adurent liabilities308Total liabilities308Total liabilities138Total liabilities10,227Commitments and contingencies206,543Stockholders' equity:2Commitments and contingenciesStockholders' equity:18,595Total iabilities in come371Total stockholders' equity3Total stockholders' equity18,709		Septemb 201		June 30, 2015				
Cash and cash equivalents\$4,718\$4,989Accounts receivable, net2,9702,658Inventories, net8,9889,503Contract manufacturers' receivable365369Prepaid expenses and other current assets315400Total current assets17,35517,919Property and equipment, net1,4761,471Goodwill9,4889,488Deferred tax assets6093Total assets528,822\$29,413Liabilities and stockholders' equity700700Current liabilities:700700Accounts payable\$2,922\$3,633Line of credit700700Accourd payroll and related expenses1,800Uher current liabilities9,781Other current liabilities9,781Other current liabilities3,7903,84910,227Total current liabilities308Border current liabilities308Commitments and contingenciesStockholders' equity:10,227Common stock2Common stock2Accumulated other comprehensive income37113711Total stockholders' equity18,59518,709	Assets							
Accounts receivable, net2,9702,658Inventories, net8,9889,503Contract manufacturers' receivable365369Prepaid expenses and other current assets315400Total current assets17,35617,919Property and equipment, net1,4761,471Goodwill9,4889,488Deferred tax assets6093Total assets528,822S29,413Liabilities and stockholders' equity52,922Current liabilities:700700Accounts payable\$2,978Liabilities1,8001,685Warranty reserve127163Deferred tax liabilities9,78110,472Long-term capital lease obligations138152Other non-current liabilities30880Total liabilities30880 <t< td=""><td>Current assets:</td><td></td><td></td><td></td><td></td></t<>	Current assets:							
Inventories, net $8,988$ $9,503$ Contract manufacturers' receivable 365 369 Prepaid expenses and other current assets 315 400 Total current assets $17,356$ $17,919$ Property and equipment, net $1,476$ $1,471$ Goodwill $9,488$ $9,488$ Deferred tax assets 442 442 Other assets 60 93 Total assets 5 $28,822$ $$$ Liabilities and stockholders' equity $$$ $2,922$ $$$ Current liabilities: 700 700 700 Accounts payable $$$ $2,922$ $$$ $3,633$ Line of credit 700 700 700 Accrued payroll and related expenses $1,800$ $1,685$ Warranty reserve 127 163 Deferred tax liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities 308 80 Total liabilities 308 80 Total liabilities $206,543$ $206,326$ Additional paid-in capital $206,543$ $206,326$ Accumulated other comprehensive income 371 371 Total stockholders' equity $18,595$ $18,709$	Cash and cash equivalents	\$	4,718	\$	4,989			
Contract manufacturers' receivable 365 369 Prepaid expenses and other current assets 315 400 Total current assets $17,356$ $17,919$ Property and equipment, net $1,476$ $1,471$ Goodwill $9,488$ $9,488$ Deferred tax assets 442 442 Other assets 60 93 Total assets 5 $28,822$ $$$ Qurrent liabilities $$$ $2,922$ $$$ Accounts payable $$$ $2,922$ $$$ Current liabilities 700 700 Accounts payable $$$ $2,922$ $$$ Uther current liabilities $1,800$ $1,685$ Warranty reserve 127 163 Deferred tax liabilities 442 442 Other current liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities 308 80 Total liabilities $206,543$ $206,326$ Accumulated deficit $(188,321)$ $(187,990)$ Accumulated deficit $(188,321)$ $(187,990)$ Accumulated other comprehensive income 371 371 Total stockholders' equity $18,595$ $18,709$	Accounts receivable, net		2,970		2,658			
Prepaid expenses and other current assets 315 400 Total current assets $17,356$ $17,919$ Property and equipment, net $1,476$ $1,471$ Goodwill $9,488$ $9,488$ Deferred tax assets 442 442 Other assets 60 93 Total assets 5 $28,822$ $$29,413$ 60 93 Accounts payable $$2,922$ $$3,633$ Line of credit 700 700 Accrued payroll and related expenses $1,800$ $1,685$ Warranty reserve 1277 163 Deferred tax liabilities $3,790$ $3,849$ Total current liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities 308 80 Total liabilities $206,543$ $206,326$ Accumulated deficit $(188,321)$ $(187,990)$ Accumulated deficit 3711 3711 Total stockholders' equity $18,595$ $18,709$	Inventories, net		8,988		9,503			
Total current assets $17,356$ $17,919$ Property and equipment, net $1,476$ $1,471$ Goodwill $9,488$ $9,488$ Deferred tax assets 442 442 Other assets 60 93 Total assets 5 $28,822$ $$$ Liabilities and stockholders' equity $$$ $2,922$ $$$ Current liabilities: $$$ $2,922$ $$$ $3,633$ Line of credit 700 700 700 Accounts payable $$$ $2,922$ $$$ $3,633$ Line of credit 700 700 700 Accounts payable $$$ $2,922$ $$$ $3,633$ Line of credit 700 700 700 Accounts payable $$$ $2,922$ $$$ $$,633$ Line of credit 700 700 700 Account payroll and related expenses $1,800$ $1,685$ Warranty reserve 127 163 Deferred tax liabilities $3,790$ $3,849$ Total current liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities $206,543$ $206,326$ Accumulated other comprehensive income 371 371 Accumulated deficit $(188,321)$ $(187,990)$ Accumulated deficit 371 371 Total stockholders' equity $18,595$ $18,709$	Contract manufacturers' receivable		365		369			
Property and equipment, net $1,476$ $1,471$ Goodwill $9,488$ $9,488$ Deferred tax assets 442 442 Other assets 60 93 Total assets $\frac{$}{28,822}$ $\frac{$}{29,913}$ Liabilities and stockholders' equityCurrent liabilities:Accounts payable $\frac{$}{2,922}$ $\frac{$}{3,633}$ Line of credit 700 700 Accounts payable $1,800$ $1,685$ Waranty reserve 127 163 Deferred tax liabilities 442 442 Other current liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities 308 80 Total liabilities $206,543$ $206,326$ Accumulated other comprehensive income 371 371 Total stockholders' equity $18,595$ $18,709$	Prepaid expenses and other current assets		315		400			
Goodwill9,4889,488Deferred tax assets 442 442 Other assets 60 93 Total assets $\frac{60}{93}$ $\frac{93}{5}$ Liabilities and stockholders' equity $\frac{5}{28,822}$ $\frac{5}{29,413}$ Current liabilities: $Accounts payable$ $\frac{5}{2,922}$ $\frac{5}{3,633}$ Line of credit 700 700 Accrued payroll and related expenses $1,800$ $1,685$ Warranty reserve 127 163 Deferred tax liabilities 442 442 Other current liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities $10,227$ $10,704$ Commitments and contingencies $206,543$ $206,326$ Stockholders' equity: 2 2 2 Additional paid-in capital $206,543$ $206,326$ Accumulated other comprehensive income 371 371 Total stockholders' equity $18,595$ $18,709$	Total current assets		17,356		17,919			
Deferred tax assets 442 442 Other assets 60 93 Total assets $\underline{\$}$ $28,822$ $\underline{\$}$ Liabilities and stockholders' equityCurrent liabilities:Accounts payable $\$$ $2,922$ $\$$ Line of credit700700Accrued payroll and related expenses $1,800$ $1,685$ Warranty reserve127163Deferred tax liabilities 442 442 Other current liabilities $3,790$ $3,849$ Total current liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities $10,227$ $10,704$ Commitments and contingencies $206,543$ $206,326$ Stockholders' equity: 2 2 2 Additional paid-in capital $206,543$ $206,326$ Accumulated deficit $(188,321)$ $(187,990)$ Accumulated other comprehensive income 371 371 Total stockholders' equity $18,595$ $18,709$	Property and equipment, net		1,476		1,471			
Other assets 60 93 Total assets\$28,822\$Liabilities and stockholders' equityCurrent liabilities:Accounts payable\$2,922\$Accounts payable\$2,922\$Liabilities:700700Accrued payroll and related expenses1,8001,685Warranty reserve127163Deferred tax liabilities442442Other current liabilities3,7903,849Total current liabilities9,78110,472Long-term capital lease obligations138152Other non-current liabilities30880Total liabilities10,22710,704Commitments and contingencies22Stockholders' equity:22Common stock22Additional paid-in capital206,543206,326Accumulated deficit(118,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	Goodwill		9,488		9,488			
Total assets $$ 28,822$ $$ 29,413$ Liabilities and stockholders' equityCurrent liabilities:Accounts payable\$ 2,922\$ 3,633Line of credit700700Accrued payroll and related expenses1,8001,685Warranty reserve127163Deferred tax liabilities442442Other current liabilities3,7903,849Total current liabilities9,78110,472Long-term capital lease obligations138152Other non-current liabilities30880Total liabilities10,22710,704Commitments and contingencies22Stockholders' equity:206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	Deferred tax assets		442		442			
Liabilities and stockholders' equityCurrent liabilities:Accounts payable\$ 2,922Accounts payableLine of creditAccrued payroll and related expensesNarranty reserve127163Deferred tax liabilities442Other current liabilities3,7903,849Total current liabilities9,78110,472Long-term capital lease obligations01,22710,704Commitments and contingenciesStockholders' equity:Common stock2Additional paid-in capital206,543206,543206,543206,526Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	Other assets							
Current liabilities: Accounts payable\$2,922\$3,633Line of credit700700Accrued payroll and related expenses1,8001,685Warranty reserve127163Deferred tax liabilities442442Other current liabilities3,7903,849Total current liabilities9,78110,472Long-term capital lease obligations138152Other non-current liabilities30880Total liabilities10,22710,704Commitments and contingencies22Stockholders' equity: Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	Total assets	\$	28,822	\$	29,413			
Accounts payable\$2,922\$3,633Line of credit700700Accrued payroll and related expenses1,8001,685Warranty reserve127163Deferred tax liabilities442442Other current liabilities3,7903,849Total current liabilities9,78110,472Long-term capital lease obligations138152Other non-current liabilities30880Total liabilities10,22710,704Commitments and contingencies10,22710,704Stockholders' equity: Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income 371 371 Total stockholders' equity18,59518,709	Liabilities and stockholders' equity							
Line of credit700700Accrued payroll and related expenses $1,800$ $1,685$ Warranty reserve 127 163 Deferred tax liabilities 442 442 Other current liabilities $3,790$ $3,849$ Total current liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities $10,227$ $10,704$ Commitments and contingencies $10,227$ $10,704$ Stockholders' equity: Common stock 2 2 Additional paid-in capital $206,543$ $206,326$ Accumulated deficit $(188,321)$ $(187,990)$ Accumulated other comprehensive income 371 371 Total stockholders' equity $18,595$ $18,709$								
Accrued payroll and related expenses $1,800$ $1,685$ Warranty reserve 127 163 Deferred tax liabilities 442 442 Other current liabilities $3,790$ $3,849$ Total current liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities $10,227$ $10,704$ Commitments and contingencies 2 2 Stockholders' equity: Common stock 2 2 Additional paid-in capital $206,543$ $206,326$ Accumulated deficit $(188,321)$ $(187,990)$ Accumulated other comprehensive income 371 371 Total stockholders' equity $18,595$ $18,709$	1.	\$,	\$,			
Warranty reserve127163Deferred tax liabilities 442 442 Other current liabilities $3,790$ $3,849$ Total current liabilities $9,781$ $10,472$ Long-term capital lease obligations 138 152 Other non-current liabilities 308 80 Total liabilities $10,227$ $10,704$ Commitments and contingencies 2 2 Stockholders' equity: Common stock 2 2 Additional paid-in capital $206,543$ $206,326$ Accumulated deficit $(188,321)$ $(187,990)$ Accumulated other comprehensive income 371 371 Total stockholders' equity $18,595$ $18,709$	Line of credit		700		700			
Deferred tax liabilities442442Other current liabilities3,7903,849Total current liabilities9,78110,472Long-term capital lease obligations138152Other non-current liabilities30880Total liabilities10,22710,704Commitments and contingencies10,22710,704Stockholders' equity: Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	Accrued payroll and related expenses		1,800		1,685			
Other current liabilities3,7903,849Total current liabilities9,78110,472Long-term capital lease obligations138152Other non-current liabilities30880Total liabilities10,22710,704Commitments and contingencies10,22710,704Stockholders' equity: Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	•							
Total current liabilities9,78110,472Long-term capital lease obligations138152Other non-current liabilities30880Total liabilities10,22710,704Commitments and contingencies10,2272Stockholders' equity: Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709			442		442			
Long-term capital lease obligations138152Other non-current liabilities30880Total liabilities10,22710,704Commitments and contingencies10,22710,704Stockholders' equity: Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	Other current liabilities		,		,			
Other non-current liabilities30880Total liabilities10,22710,704Commitments and contingenciesCommon stock2Stockholders' equity: Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709								
Total liabilities10,22710,704Commitments and contingenciesStockholders' equity: Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709								
Commitments and contingenciesStockholders' equity: Common stock2Additional paid-in capital206,543Accumulated deficit(188,321)Accumulated other comprehensive income371Total stockholders' equity18,59518,709								
Stockholders' equity: Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	Total liabilities		10,227		10,704			
Common stock22Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	Commitments and contingencies							
Additional paid-in capital206,543206,326Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709								
Accumulated deficit(188,321)(187,990)Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	Common stock		2		2			
Accumulated other comprehensive income371371Total stockholders' equity18,59518,709	· ·	2	206,543		206,326			
Total stockholders' equity18,59518,709	Accumulated deficit	(1	88,321)		(187,990)			
	Accumulated other comprehensive income		371		371			
Total liabilities and stockholders' equity \$ 28,822 \$ 29.413			18,595		18,709			
	Total liabilities and stockholders' equity	\$	28,822	\$	29,413			

LANTRONIX, INC.

Unaudited Consolidated Statements of Operations

(In thousands, except per share data)

	Three Months Ended											
	September 30,	June 30,	September 30,									
	2015	2015	2014									
Net revenue (1)	\$ 10,573	\$ 10,231	\$ 11,536									
Cost of revenue	5,506	5,411	5,937									
Gross profit	5,067	4,820	5,599									
Operating expenses:												
Selling, general and administrative	3,725	4,060	4,075									
Research and development	1,671	1,778	1,744									
Total operating expenses	5,396	5,838	5,819									
Loss from operations	(329)	(1,018)	(220)									
Interest expense, net	(6)	(5)	(5)									
Other income (expense), net	19	(5)	(21)									
Loss before income taxes	(316)	(1,028)	(246)									
Provision for income taxes	15	10	16									
Net loss and comprehensive loss	\$ (331)	\$ (1,038)	\$ (262)									
Net loss per share (basic and diluted)	\$ (0.02)	\$ (0.07)	\$ (0.02)									
Weighted-average common shares (basic and diluted)	15,103	15,012	14,787									
Net revenue from related parties	\$ 68	\$ 79	\$ 79									

(1) Includes net revenue from related parties

LANTRONIX, INC.

Unaudited Reconciliation of Non-GAAP Adjustments (In thousands, except per share data)

		Th	iree N	ree Months Ended					
	-	mber 30, 2015		une 30, 2015	-	ember 30, 2014			
GAAP net loss Non-GAAP adjustments:	\$	(331)	\$	(1,038)	\$	(262)			
Cost of revenue:									
Share-based compensation		18		16		20			
Depreciation and amortization		146		140		139			
Total adjustments to cost of revenue		164		156		159			
Selling, general and adminstrative:									
Share-based compensation		171		187		174			
Employer portion of withholding taxes on stock grants		2		-		-			
Depreciation and amortization		51		37		65			
Total adjustments to selling, general and administrative		224		224		239			
Research and development:									
Share-based compensation		44		42		61			
Depreciation and amortization		21		21		25			
Total adjustments to research and development		65		63		86			
Total non-GAAP adjustments to operating expenses		289		287		325			
Interest expense, net		6		5		5			
Other income (expense), net		(19)		5		21			
Provision for income taxes		15		10		16			
Total non-GAAP adjustments		455		463		526			
Non-GAAP net income (loss)	\$	124	\$	(575)	\$	264			
Non-GAAP net income (loss) per share (diluted)	\$	0.01	\$	(0.04)	\$	0.02			
Denominator for GAAP net income (loss) per share (diluted)		15,103		15,012		14,787			
Non-GAAP adjustment		117		-		396			
Denominator for non-GAAP net income (loss) per share (diluted)		15,220		15,012		15,183			
GAAP operating expenses	\$	5,396	\$	5,838	\$	5,819			
Non-GAAP adjustments to operating expenses		(289)		(287)		(325)			
Non-GAAP operating expenses	\$	5,107	\$	5,551	\$	5,494			

LANTRONIX, INC. Unaudited Net Revenues by Product Line and Region (In thousands)

		Three Months Ended																			
	September 30, 2015							June 30, 2015							September 30, 2014						
	IoT Modules		Enterprise Solutions		Total		IoT Modules		Enterprise Solutions		Total		IoT Modules		Enterprise Solutions		Total				
New Products	\$	480	\$	1,273	\$	1,753	\$	318	\$	1,429	\$	1,747	\$	184	\$	1,536	\$	1,720			
Legacy Products	\$	4,752 5,232	\$	4,068 5,341	\$	8,820 10,573	\$	4,757 5,075	\$	3,727 5,156	\$	8,484 10,231	\$	5,444 5,628	\$	4,372 5,908	\$	9,816 11,536			

		Three Months Ended																
			Septem	ber 30, 201	15			June	30, 2015		September 30, 2014							
	IoT Modules					Total	М	IoT Modules		terprise lutions	Total		IoT Modules		Enterprise Solutions		Total	
Americas	\$	1,664	\$	3,445	\$	5,109	\$	2,133	\$	3,469	\$	5,602	\$	2,409	\$	4,150	\$	6,559
EMEA		2,572		1,249		3,821		1,915		1,097		3,012		2,169		1,125		3,294
Asia Pacific		517		384		901		518		288		806		617		312		929
Japan		479		263		742		509		302		811		433		321		754
_	\$	5,232	\$	5,341	\$	10,573	\$	5,075	\$	5,156	\$	10,231	\$	5,628	\$	5,908	\$	11,536