CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts, unaudited)

	Three Months Ended March 31,	
	2018	2017
Revenues		
Product	$ 17,642	$ 28,699
Service	8,548	8,911
Total revenues	26,190	37,610
Cost of sales:		
Product	12,308	22,175
Service	4,987	5,286
Amortization of purchased technology	1,927	1,927
Total cost of sales	19,222	29,388
Gross margin	6,968	8,222
Operating expenses:		
Research and development	3,686	6,480
Selling, general and administrative	7,334	9,382
Intangible assets amortization	198	1,260
Restructuring and other charges, net	1,571	235
Loss from operations	(5,821)	(9,135)
Change in fair value of warrant liability	1,852	—
Interest expense	(1,430)	(272)
Other income (expense), net	(181)	(297)
Loss before income tax expense	(5,580)	(9,704)
Income tax expense	865	304
Net loss	$ (6,445)	$ (10,008)
Net loss per share:		
Basic	$ (0.16)	$ (0.26)
Diluted	$ (0.16)	$ (0.26)
Weighted average shares outstanding		
Basic	39,355	38,715
Diluted	39,355	38,715

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,402	$ 8,124
Restricted cash	4,000	—
Accounts receivable, net	29,590	32,820
Inventories, net	4,599	4,265
Other current assets	4,810	6,607
Total current assets	50,401	51,816
Property and equipment, net	4,131	4,728
Intangible assets, net	4,737	6,862
Other assets, net	2,372	2,623
Total assets	$ 61,641	$ 66,029
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,916	$ 18,297
Deferred revenue	6,318	4,200
Other accrued liabilities	11,205	14,116
Line of credit	8,547	16,000
Short term obligations	6,000	—
Warrant liability	2,006	—
Total current liabilities	47,992	52,613
Long term debt obligations, net	6,364	—
Other long-term liabilities	6,942	6,866
Total liabilities	61,298	59,479
Shareholders' equity:		
Common stock	342,630	342,219
Accumulated deficit	(342,627)	(336,182)
Accumulated other comprehensive income	340	513
Total shareholders’ equity	343	6,550
Total liabilities and shareholders’ equity	$ 61,641	$ 66,029

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash flows from operating activities:		
Net loss	$ (6,445)	$ (10,008)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,816	4,358
Amortization of debt discount and issuance costs	888	—
Stock-based compensation expense	344	1,154
Inventory valuation allowance	(332)	702
Change in fair value of warranty liability	(1,852)	—
Other	402	10
Changes in operating assets and liabilities:		
Accounts receivable	3,226	(11,547)
Inventories and deferred cost of sales	(994)	8,681
Other receivables	804	741
Accounts payable	(4,683)	(7,038)
Deferred revenue	1,845	1,578
Other operating assets and liabilities	(247)	(3,142)
Net cash used in operating activities	(4,228)	(14,511)
Cash flows from investing activities:		
Capital expenditures	(269)	(1,803)
Net cash used in investing activities	(269)	(1,803)
Cash flows from financing activities:		
Borrowings on line of credit, net	(7,453)	15,000
Proceeds from borrowings on senior notes	17,000	—
Payments of debt issuance costs	(1,861)	—
Other financing activities, net	67	(84)
Net cash provided by financing activities	7,753	14,916
Effect of exchange rate changes on cash and cash equivalents	22	336
Net increase (decrease) in cash and cash equivalents	3,278	(1,062)
Cash and cash equivalents, beginning of period	8,124	33,087
Restricted cash and cash equivalents, beginning of period	—	—
Cash, cash equivalents, and restricted cash, beginning of period	8,124	33,087
Cash and cash equivalents, end of period	7,402	32,025
Restricted cash and cash equivalents, end of period	4,000	—
Cash, cash equivalents, and restricted cash, end of period	$ 11,402	$ 32,025

REVENUES, GROSS MARGIN AND INCOME (LOSS) FROM OPERATIONS BY OPERATING SEGMENT
(In thousands, unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Revenue		
Software-Systems	$ 11,148	$ 10,149
Hardware Solutions	15,042	27,461
Total revenues	$ 26,190	$ 37,610

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Gross margin		
Software-Systems	$ 5,486	$ 5,465
Hardware Solutions	3,107	4,781
Corporate and other	(1,625)	(2,024)
Total gross margin	$ 6,968	$ 8,222

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Income (loss) from operations		
Software-Systems	$ (3,121)	$ (3,273)
Hardware Solutions	1,008	(1,286)
Corporate and other	(3,708)	(4,576)
Total loss from operations	$ (5,821)	$ (9,135)

REVENUES BY GEOGRAPHY
(In thousands, unaudited)

	Three Months Ended March 31, 2018		2017	
North America	$ 8,773	33.5%	$ 23,171	61.6%
Asia Pacific	5,202	19.9	5,419	14.4
Europe, the Middle East and Africa	12,215	46.6	9,020	24.0
Total	$ 26,190	100.0%	$ 37,610	100.0%

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES AND AS A PERCENT OF REVENUES
(In thousands, except per share amounts, unaudited)

	Three Months Ended					
	March 31, 2018		December 31, 2017		March 31, 2017	
GROSS MARGIN:						
GAAP gross margin	$ 6,968	26.6 %	$ 1,345	4.2 %	$ 8,222	21.9 %
(a) Amortization of acquired intangible assets	1,927		1,927		1,927	
(b) Stock-based compensation	30		23		97	
(e) Restructuring inventory adjustment	(332)		9,745		—	
Non-GAAP gross margin	$ 8,593	32.8 %	$ 13,040	40.4 %	$ 10,246	27.2 %
RESEARCH AND DEVELOPMENT:						
GAAP research and development	$ 3,686	14.1 %	$ 5,303	16.4 %	$ 6,480	17.2 %
(b) Stock-based compensation	61		22		230	
Non-GAAP research and development	$ 3,625	13.8 %	$ 5,281	16.4 %	$ 6,250	16.6 %
SELLING, GENERAL AND ADMINISTRATIVE:						
GAAP selling, general and administrative	$ 7,334	28.0 %	$ 7,347	22.8 %	$ 9,382	24.9 %
(b) Stock-based compensation	253		331		827	
Non-GAAP selling, general and administrative	$ 7,081	27.0 %	$ 7,016	21.7 %	$ 8,555	22.7 %
INCOME (LOSS) FROM OPERATIONS:						
GAAP loss from operations	$ (5,821)	(22.2)%	$ (17,027)	(52.7)%	$ (9,135)	(24.3)%
(a) Amortization of acquired intangible assets	2,124		2,124		3,187	
(b) Stock-based compensation	344		376		1,154	
(c) Restructuring and other charges, net	1,571		5,525		235	
(e) Restructuring inventory adjustment	(332)		9,745		—	
Non-GAAP income (loss) from operations	$ (2,114)	(8.1)%	$ 743	2.3 %	$ (4,559)	(12.1)%
NET INCOME (LOSS):						
GAAP net loss	$ (6,445)	(24.6)%	$ (19,631)	(60.8)%	$ (10,008)	(26.6)%
(a) Amortization of acquired intangible assets	2,124		2,124		3,187	
(b) Stock-based compensation	344		376		1,154	
(c) Restructuring and other charges, net	1,571		5,525		235	
(d) Income taxes	446		1,583		(114)	
(e) Restructuring Inventory adjustment	(332)		9,745		—	
(f) Amortization of financing activities	862		—		—	
(g) Change in fair value of warrants	(1,852)		—		—	
Non-GAAP net income (loss)	$ (3,282)	(12.5)%	$ (278)	(0.9)%	$ (5,546)	(14.7)%
GAAP weighted average diluted shares	39,355		39,207		38,715	
Dilutive equity awards included in non-GAAP earnings per share	—		—		—	
Non-GAAP weighted average diluted shares	39,355		39,207		38,715	
GAAP net loss per share (diluted)	$ (0.16)		$ (0.50)		$ (0.26)	
Non-GAAP adjustments detailed above	0.08		0.49		0.12	
Non-GAAP net income (loss) per share (diluted)	$ (0.08)		$ (0.01)		$ (0.14)	

RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE
NET LOSS PER SHARE
(In millions, except per share amounts, unaudited)

	Three Months Ended June 30, 2018	
	Low End	**High End**
GAAP net loss	(7.3)	(4.8)
(a) Amortization of acquired intangible assets	2.1	2.1
(b) Stock-based compensation	0.4	0.4
(c) Restructuring and acquisition-related charges, net	0.7	0.5
(d) Income taxes	0.2	0.2
(e) Amortization of financing activities	0.7	0.7
Total adjustments	4.1	3.9
Non-GAAP net loss	**(3.2)**	**(0.9)**
GAAP weighted average shares	40,000	40,000
Non-GAAP adjustments	—	—
Non-GAAP weighted average shares	**40,000**	**40,000**
GAAP net loss per share	(0.18)	(0.12)
Non-GAAP adjustments detailed above	0.10	0.10
Non-GAAP net loss per share	**(0.08)**	**(0.02)**

RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE
GROSS MARGIN
(unaudited)

	Estimates at the midpoint of the guidance range
	Three Months Ended June 30, 2018
GAAP	**29.1%**
(a) Amortization of acquired intangible assets	9.2
(b) Stock-based compensation	0.2
(c) Restructuring and acquisition-related charges, net	0.5
Non-GAAP	**39.0%**

RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE
RESEARCH AND DEVELOPMENT EXPENSE AND
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE
(In millions, unaudited)

	Estimates at the midpoint of the guidance range
	Three Months Ended June 30, 2018
GAAP	**$ 9.5**
(b) Stock-based compensation	0.4
Non-GAAP	**$ 9.1**

Non-GAAP financial measures includes the performance of Software-Systems and Embedded Products and Hardware Services. The Company excludes the following corporate and other expenses, reversals, gains and losses from its non-GAAP financial measures, when applicable:

(a) Amortization of acquired intangible assets: Amortization of acquisition-related intangible assets primarily relate to core and existing technologies, trade name and customer relationships that were acquired with the acquisitions of Continuous Computing and Pactolus. The Company excludes the amortization of acquisition-related intangible assets because it does not reflect the Company's ongoing business and it does not have a direct correlation to the operation of the Company's business. In addition, in accordance with GAAP, the Company generally recognizes expenses for internally-developed intangible assets as they are incurred, notwithstanding the potential future benefit such assets may provide. Unlike internally-developed intangible assets, however, and also in accordance with GAAP, the Company generally capitalizes the cost of acquired intangible assets and recognizes that cost as an expense over the useful lives of the assets acquired. As a result of their GAAP treatment, there is an inherent lack of comparability between the financial performance of internally-developed intangible assets and acquired intangible assets. Accordingly, the Company believes it is useful to provide, as a supplement to its GAAP operating results, non-GAAP financial measures that exclude the amortization of acquired intangibles in order to enhance the period-over-period comparison of its operating results, as there is significant variability and unpredictability across companies with respect to this expense.

(b) Stock-based compensation: Stock-based compensation consists of expenses recorded under GAAP, in connection with stock awards such as stock options, restricted stock awards and restricted stock units granted under the Company's equity incentive plans and shares issued pursuant to the Company's employee stock purchase plan. The Company excludes stock-based compensation from non-GAAP financial measures because it is a non-cash measurement that does not reflect the Company's ongoing business and because the Company believes that investors want to understand the impact on the Company of the adoption of the applicable GAAP surrounding share based payments; the Company believes that the provision of non-GAAP information that excludes stock-based compensation improves the ability of investors to compare its period-over-period operating results, as there is significant variability and unpredictability across companies with respect to this expense.

(c) Restructuring and other charges, net: Restructuring and other charges, net relates to costs associated with non-recurring events. These include costs incurred for employee severance, acquisition or divestiture activities, excess facility costs, certain legal costs, asset related charges and other expenses associated with business restructuring activities. Restructuring and other charges are excluded from non-GAAP financial measures because they are not considered core operating activities. Although the Company has engaged in various restructuring activities over the past several years, each has been a discrete event based on a unique set of business objectives. The Company does not engage in restructuring activities in the ordinary course of business. As such, the Company believes it is appropriate to exclude restructuring charges from its non-GAAP financial measures because it enhances the ability of investors to compare the Company's period-over-period operating results.

(d) Income taxes: Non-GAAP income tax expense is equal to the Company's projected cash tax expense. Adjustments to GAAP income tax expense are required to eliminate the recognition of tax expense from profitable entities where we utilize deferred tax assets to offset current period tax liabilities. We believe that providing this non-GAAP figure is useful to our investors as it more closely represents the true economic impact of our tax positions.

(e) Restructuring inventory adjustment: Includes inventory write-downs and benefits associated with non-recurring events, predominantly tied to the Company’s decision to end-of-life or discontinue certain products for which the Company has no future ongoing demand. During 2017, the Company recorded such charges tied to discrete product decisions within its Hardware-Solutions segment associated with its DCEngine and certain legacy embedded products. Restructuring inventory write-downs and benefits are excluded from non-GAAP financial measures because they are not considered core operating activities. Although the Company has incurred various inventory write-downs over the past several years, they have generally been associated with ongoing business activities. As such, the Company believes it is appropriate to exclude end-of-life and product discontinuance inventory write-downs and benefits related to those write-downs from its non-GAAP financial measures because it enhances the ability of investors to compare the Company's period-over-period operating results.

(f) Amortization of financing activities: Amortization of financing activities consists of expenses recorded under GAAP related to the amortization of debt issuance costs, the amortization of warrant issuance costs, and terminations costs related to previous unamortized debt issuance costs from terminated financing agreements. The Company excludes amortization of financing activities because they are not considered to reflect the core cash-generating performance of the business and therefore is excluded from our non-GAAP results.

(g) Change in fair value of warrants: Represents the change to the current fair value of the warranty liability. The Company excludes the change in fair value of warrants from non-GAAP financial measures because it is a non-cash measurement that does not reflect the Company's ongoing business. The Company believes that the provision of non-GAAP information that excludes changes in fair value of warrants improves the ability of investors to compare its period-over-period operating results, as there is significant variability and unpredictability based on the current fair value of the underlying warrants.