

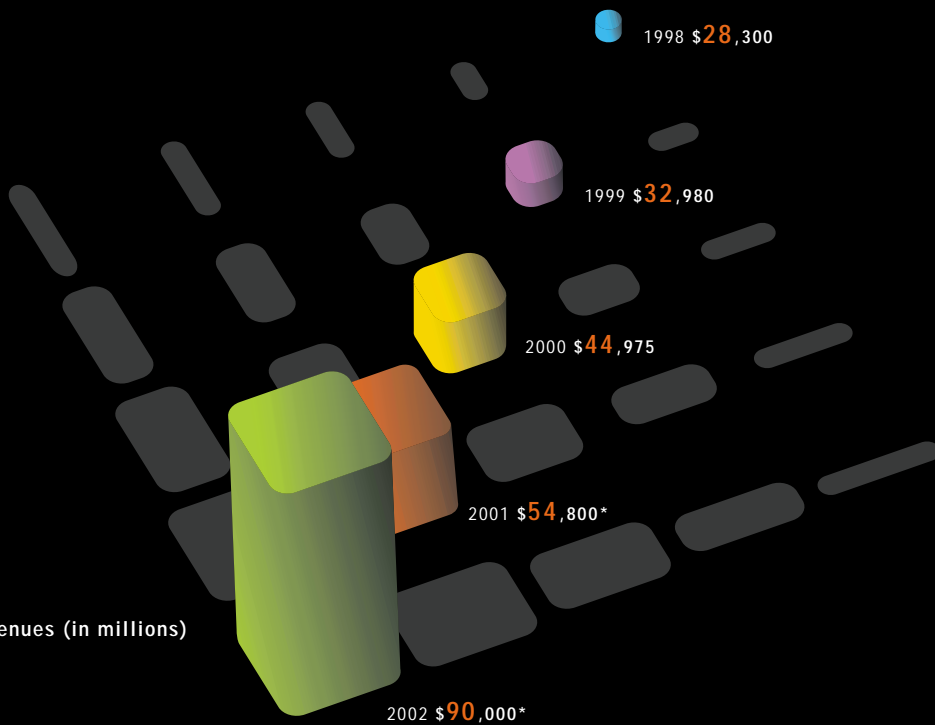


Imagine

IMAGINE A SPEAKER THAT STREAMS MUSIC WITHOUT A STEREO
IMAGINE A REFRIGERATOR THAT TALKS TO YOUR TELEVISION
IMAGINE A FACTORY THAT RUNS ITSELF
IMAGINE A CAR THAT WARMS UP YOUR SPA WHILE YOU ARE DRIVING HOME



Enabling Innovative Connectivity



Lantronix Fiscal Year Net Revenues (in millions)

LANTRONIX, INCORPORATED
 IS THE PIONEER OF DEVICE
 SERVER™ TECHNOLOGY (DST)

THAT ADDS INTELLIGENCE TO NEARLY ANY
 DEVICE, ALLOWING IT TO BE MANAGED OR
 CONTROLLED OVER THE INTERNET OR NETWORK.

* Estimated revenues based on analysts' projections



Imagine

ENABLING THE FUTURE

LETTER FROM THE PRESIDENT



LANTRONIX

DEVICE TO DEVICE CONNECTIVITY (D2D)

A CONNECTED WORLD

DEAR FELLOW VISIONARY:

Imagine a world where the ability to share and access information extends beyond your PC to the devices within your office, home or factory. Many of the benefits gained by leveraging the Internet for business and consumer applications can now be applied to **Device to Device (D2D)** applications.

Imagine an environment where discrete systems such as heating, security, lighting, power and multi-media interact and control each other. Imagine being paged if the temperature of your commercial refrigeration system rises beyond a certain point and using your cell phone to resolve the situation. Envision the ability to monitor and control an automated assembly system from your PDA? With D2D applications, this world is a reality **TODAY**.

By working with industry leaders such as Rockwell, GE and Schneider Electric, Lantronix empowers Original Equipment Manufacturers (OEM) by allowing them to deliver the world of D2D to their customer's doorstep. Lantronix provides enabling technologies that make it quicker and easier for device and appliance manufacturers to bring products to market and effectively compete in this new world. By providing real time access to information and centralized management of devices, Lantronix products save organizations millions of dollars each year. In addition, Lantronix is continuing to invest in software companies that focus on making it simple to remotely access, manage and control everyday products from common devices such as cell phones and PDAs.

The future is a connected world that extends beyond the PC to the everyday devices in your working and living environments. Lantronix is committed to developing products that provide unparalleled flexibility and efficiency. Whether it is for the factory, grocery store, commercial complex or home, Lantronix is paving new roads to the world of D2D. Lantronix is leading the way to an exciting future, as the ideas of visionaries such as Walt Disney become a reality.

BEST REGARDS

FRED THIEL

PRESIDENT AND CEO OF LANTRONIX



THE FUTURE:

DEVICE TO DEVICE CONNECTIVITY

MOBILE CONTROL

WE LIVE

IN A

WORLD

WHERE

BEING CONNECTED

IS CRITICAL

SMART APPLIANCES

VISION

TELEVISION, RADIO, E-MAIL, PAGERS AND THE WIRELESS WEB HELP YOU KEEP IN TOUCH AND UP TO DATE. THE NEXT TECHNOLOGICAL WAVE WILL ENABLE EVERYDAY DEVICES SUCH AS LIGHTING, SECURITY AND CLIMATE-CONTROL SYSTEMS TO LEVERAGE THE POWER OF THIS NEW CONNECTED AGE. USING EXISTING NETWORKS, INCLUDING ETHERNET, WIRELESS, POWER AND TELEPHONE LINES, LANTRONIX IS BUILDING AND EXTENDING THIS VISION.

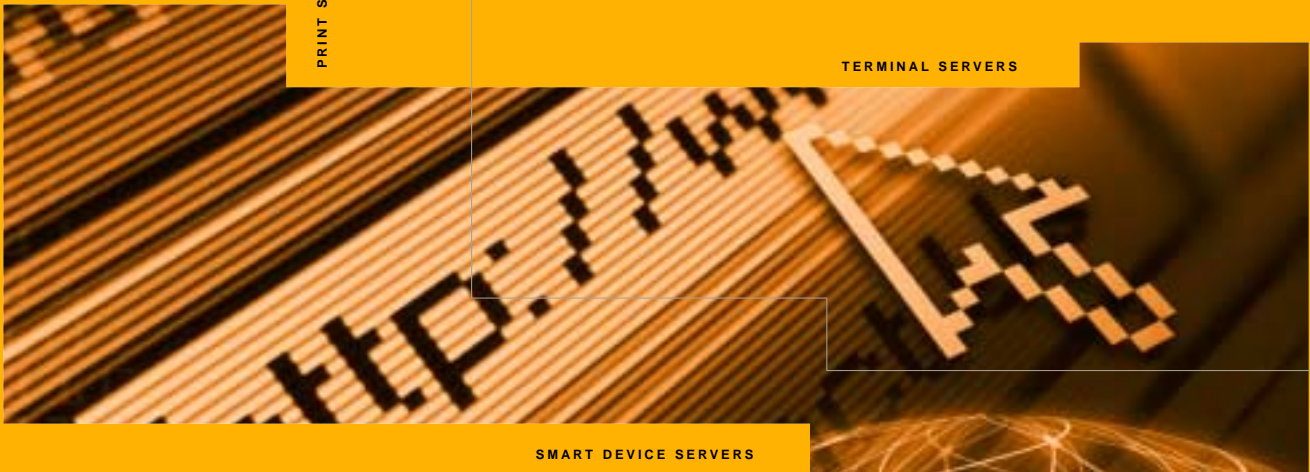
In the future, devices will talk to each other. Systems within your working or living environment that previously were dedicated to one specific function will now be able to interact with each other. For example, a refrigerator with a door ajar will be able to ask the DVD player to pause the movie being played and instruct the TV to display a message informing you of the problem. Once the door is closed, the fridge will let the DVD player know things are okay and the movie can resume. In addition, you will be able to manage and control the products within your environment from mobile devices such as a cell phone or PDA.

The world of D2D will extend to self-running factories, automated retail stores and mobile control and monitoring of everything from building security systems to space shuttles. Lantronix has developed core hardware and software technologies for this new era of D2D – discrete technologies that when combined, produce a complete end-to-end solution specifically tailored to meet the needs of today's device manufacturers. In the future, **all things will think** and have the ability to communicate independently, allowing the workforce to focus on creative tasks and enhancing our global economy.

1989 2001 1995

Networking from terminals to traffic lights

THE HISTORY OF LANTRONIX



Founded in 1989, Lantronix entered the networking marketplace with its terminal server, a networking product



designed to allow terminals to be connected to computers over a local area network. After four years of exceptional success, Lantronix became one of the first companies to introduce a comprehensive line of print servers designed to share expensive laser printers over a network.



By the late 1990s, Lantronix saw an opportunity and the need for companies to share, connect and manage a variety of devices over a network and the Internet. In 1998, Lantronix introduced a product that would make what was once science fiction a reality. Our Device Server™ Technology would enable nearly any device, from a grocery store cash register to a factory floor mill machine, to interactively communicate with other devices and be securely controlled from anywhere in the world.



After more than a decade of connecting devices to networks, Lantronix has network-enabled more than 2 million devices, serves more than 20,000 customers worldwide and is the leading manufacturer of device server technology. Lantronix – making the future a reality today.





BUILDING AND HOME AUTOMATION

SMART

SMART APPLIANCES



CONNECTED HOMES

ENABLING
THE HOMES
AND OFFICES OF
THE FUTURE

AUTOMATION IS BECOMING THE NEW STANDARD FOR HOMES AND COMMERCIAL BUILDINGS OF THE FUTURE. EVERY MAJOR APPLIANCE WILL BE CONNECTED TO A NETWORK THAT ENABLES INTERCOMMUNICATION AND REMOTE CONTROL. LANTRONIX TECHNOLOGY IS HELPING ORGANIZATIONS SUCH AS INTEL, HONEYWELL AND WESTINGHOUSE CREATE THE FUTURE BUILDING AND HOME AUTOMATION MARKETPLACE.



INTERNET-ENABLED

MICROSOFT: Enabling The Connected Home

Lantronix and Microsoft teamed up to show the power of Universal Plug-and-Play – a networking standard that allows everyday appliances to interact with each other. Using Lantronix Device Server Technology, Microsoft was able to demonstrate the benefits of common household devices working together and sharing information. Products such as an alarm system, a heating system and a stereo were able to interact, be controlled within the home and accessed over the Internet. In the future, such products will be common, allowing all of us to improve our quality of living.

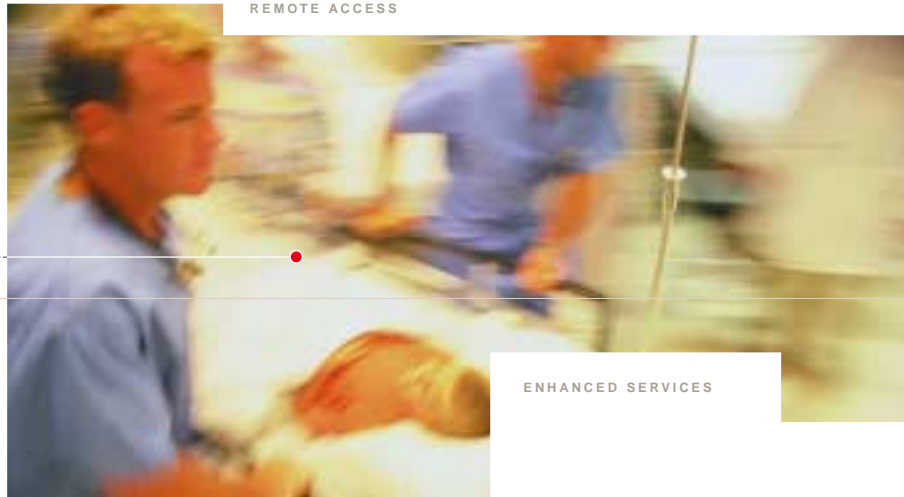
SIEMENS: A Hot New Solution

Siemens Building Technology (SBT) is a leading provider of comfort, safety and energy products for corporate and college campuses. SBT needed a solution that could network-enable its heating and cooling systems to reduce clients' management costs. Using Lantronix technology, SBT was able to offer its clients central management and control of their heating and cooling systems, reducing costs and increasing productivity.



RETAIL AUTOMATION

RETAIL



REMOTE ACCESS

BRIDGING TECHNOLOGY

ENHANCED SERVICES



SPEED IS THE KEY

THE FUTURE OF THE RETAIL AND CUSTOMER SERVICE INDUSTRY INCLUDES PROVIDING INTERCONNECTED PRODUCTS AND NETWORK-ENABLED SERVICES. LANTRONIX IS ENABLING A WHOLE NEW SET OF RETAIL APPLICATIONS FOR CUSTOMERS, INCLUDING K-MART, HEWLETT-PACKARD AND IBM.

BAYER DIAGNOSTICS:

Connecting the ER and the Lab

Bayer Diagnostics is a global health care company that manufactures testing systems for laboratories and urgent care environments. Working with Lantronix, Bayer was able to eliminate the time-consuming, and sometimes life-threatening process of manually transporting blood samples to the lab for analysis and waiting for results. Their new solution, enabled by Lantronix technology, allows blood to be tested in the ER while the central lab analyzes the testing procedure and the results remotely. Now doctors can make critical treatment decisions in a much more timely manner.

DIEBOLD:

Enabling Plug-and-Pay ATMs

Diebold is a global leader in self-service delivery systems and the largest provider of automated teller machines (ATMs) in the United States. Working with Lantronix, Diebold was able to remove the expensive requirement of private leased lines for ATMs. Using Lantronix Device Servers, Diebold machines are able to integrate legacy-networking systems with new network protocols, allowing ATMs to plug into existing IT networks, yet securely process financial transactions. Now Diebold can quickly install ATMs and reduce customers' total cost of ownership.



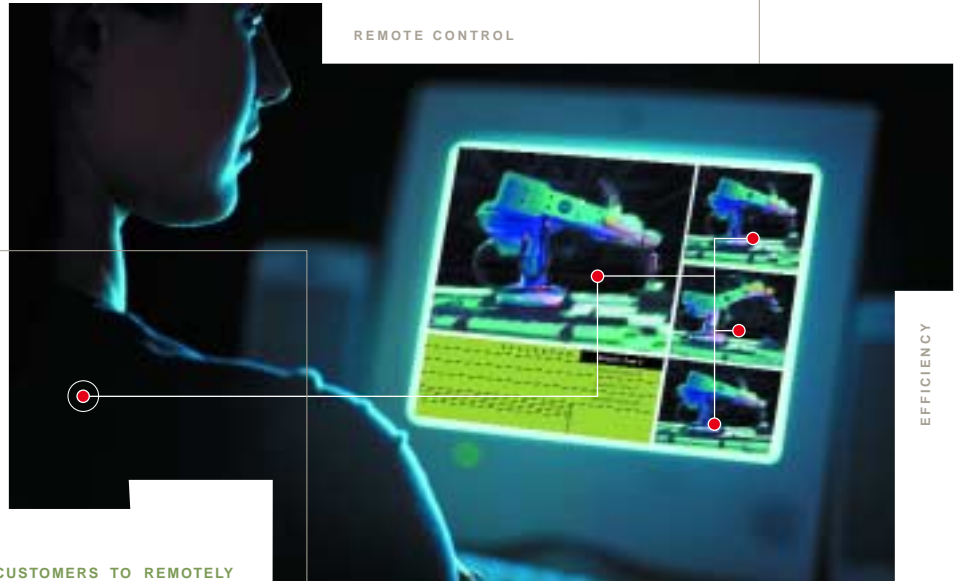
INDUSTRIAL AUTOMATION

INDUSTRY

REMOTE CONTROL

ENHANCING THE MANUFACTURING PROCESS

INCREASED EFFICIENCY DRIVES INDUSTRIAL AUTOMATION. EASILY ACCESSING PROCESS DATA FROM DISPARATE SYSTEMS IS CRITICAL TO MANUFACTURERS. USING LANTRONIX DEVICE SERVERS, LEADING ORIGINAL EQUIPMENT MANUFACTURERS SUCH AS GENERAL ELECTRIC AND ROCKWELL ARE ENABLING THEIR CUSTOMERS TO REMOTELY ACCESS AND CONTROL MISSION-CRITICAL DATA IN REAL TIME, SIGNIFICANTLY ENHANCING THE PRODUCTION PROCESS.



EFFICIENCY

COMMUNICATION

PEPPERL AND FUCHS: Making BMWs Faster

TEXAS INSTRUMENTS:

Improving Production Through Remote Monitoring

At a Texas Instruments (TI) semiconductor fabrication complex, technicians needed to improve production capabilities by managing essential environmental controls from anywhere within the plant. To maintain top-quality products, airflow, water treatment and gas detection systems must be constantly monitored. TI used Lantronix Device Servers to enable real time access to this mission-critical information from any terminal within the plant. The device servers interfaced with critical monitoring equipment and allowed technicians to easily monitor the readings without being physically present. Lantronix provided TI real time access to information, reducing the risk of errors and downtime, and saving them time and money.

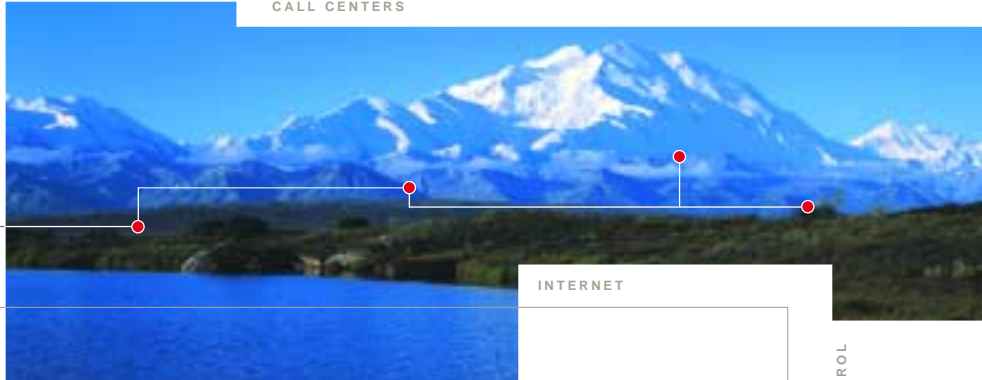
Pepperl and Fuchs provide factory automation solutions that test new automobiles as they travel down the assembly line. Pepperl and Fuchs needed a streamlined solution that would allow a central location on the factory floor to monitor testing procedures, speeding the time it takes to produce a car. Lantronix helped develop a vehicle identification system that could be read by a remote device, allowing a central computer to easily track the production progress of each car. The solution helped auto manufacturers, including BMW, ensure on-time delivery and increased productivity. This was accomplished by eliminating the need for managers to travel around the production floor for progress reports, allowing information to be accessed, managed and controlled from anywhere in the world.



TELECOMMUNICATIONS

TELECOM

CALL CENTERS



INTERNET

EQUIPMENT CONTROL



CONNECTING
MORE THAN
VOICES

THE TELECOMMUNICATIONS INDUSTRY IS RAPIDLY EVOLVING WITH NEW STANDARDS AND TECHNOLOGY. THE NEED TO TIE TELECOMMUNICATIONS OPERATIONS TO THE INTERNET HAS DRIVEN THE DEMAND FOR REMOTE CONTROL. LANTRONIX HAS PROVIDED ADVANCED COMMUNICATIONS SOLUTIONS FOR MANY OF THE INDUSTRY'S LEADING COMPANIES, INCLUDING LUCENT, GTE AND AT&T.

MATANUSKA TELEPHONE: Managing the Alaskan Frontier

Matanuska Telephone Association, Inc. (MTA) is Alaska's largest telephone company, providing telephone, cellular, data, DSL, microwave and leased-line services across the vast terrain of the largest state in the United States. MTA used Lantronix technology to transform its legacy system into a redundant system that can remotely monitor alarms from isolated locations across the state. Now MTA can easily monitor switch and DSL equipment for anomalies such as power loss and carrier failures in near real time, saving them money and downtime.

WESTERN TELEMATIC: Internet Analysis for Call Centers

Western Telematic Inc. (WTI) designs call center data connectivity solutions for a broad range of customers, handling up to 10 million calls per week. WTI seamlessly integrated Lantronix technology into its solutions to provide Internet-accessible call traffic analysis. Now WTI customers can analyze call record data for sales trends and volume from the convenience of any computer, saving them money they would have spent on long distance modem calls.

CORPORATE HEADQUARTERS

LANTRONIX, INC.
15353 BARRANCA PARKWAY
IRVINE, CALIFORNIA 92618
TEL: (949) 453-3990
FAX: (949) 453-3995
WWW.LANTRONIX.COM

BOARD OF DIRECTORS:

CHAIRMAN:

BERNHARD BRUSCHA, CHIEF EXECUTIVE OFFICER, TRANSTEC AG

DIRECTORS:

FREDERICK THIEL, CHIEF EXECUTIVE OFFICER, LANTRONIX INC.
H.K. DESAI, CHIEF EXECUTIVE OFFICER, QLOGIC CORPORATION
THOMAS BURTON, ATTORNEY
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STEVEN COTTON, CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER
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ANTHONY MACCIOLA, VICE PRESIDENT, MARKETING
SEAN IRBY, VICE PRESIDENT, PRODUCT FULFILLMENT
RICH OBERMEYER, VICE PRESIDENT, ENGINEERING

INVESTOR RELATIONS

LANTRONIX, INC.
ATTN: INVESTOR RELATIONS
15353 BARRANCA PARKWAY
IRVINE, CALIFORNIA 92618
TEL: (949) 450-7219
FAX: (949) 453-7194

LEGAL COUNSEL

WILSON, SONSINI, GOODRICH & ROSATI
PALO ALTO, CALIFORNIA

INDEPENDENT AUDITORS

ERNST & YOUNG LLP
IRVINE, CALIFORNIA

TRANSFER AGENT

CHASEMELLON SHAREHOLDER SERVICES
P.O. Box 3315
SOUTH HACKENSACK, NEW JERSEY 07606-1915
TEL: (800) 356-2017
INTERNATIONAL: (201) 329-8660
WEBSITE: WWW.CHASEMELLON.COM





WWW.LANTRONIX.COM

CORPORATE HEADQUARTERS
LANTRONIX, INC.
15353 BARRANCA PARKWAY
IRVINE, CALIFORNIA 92618

