INTERLINK ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2015 AND DECEMBER 31, 2014
AND FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

INTERLINK ELECTRONICS, INC. AND SUBSIDIARIES

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AS OF MARCH 31, 2015 AND DECEMBER 31, 2014
AND FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

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INTERLINK ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,625	$ 2,381
Restricted cash	5	5
Accounts receivable, less allowance for doubtful accounts of $0 and $0 at March 31, 2015 and December 31, 2014	1,676	1,838
Inventories	1,092	1,056
Prepaid expenses and other current assets	235	286
Total current assets	5,633	5,566
Property and equipment, net	166	154
Intangibles, net	20	23
Other assets	37	39
Total assets	**$ 5,856**	**$ 5,782**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued payables	$ 350	$ 473
Accrued payroll and other accrued liabilities	230	300
Deferred revenues—current	53	53
Total current liabilities	633	826
Deferred revenues—noncurrent	79	92
Total liabilities	712	918
Stockholders' equity:		
Preferred stock, $0.01 par value (1,000 shares authorized, none issued and outstanding at March 31, 2015 and December 31, 2014, respectively)	-	-
Common stock, $0.001 par value (30,000 shares authorized, 5,860 issued and outstanding at March 31, 2015 and December 31, 2014) [(1)]	6	6
Additional paid-in capital	60,170	60,163
Accumulated other comprehensive gain	26	27
Accumulated deficit	(55,058)	(55,332)
Total stockholders' equity	5,144	4,864
Total liabilities and stockholders' equity	**$ 5,856**	**$ 5,782**

(1) Issued and outstanding share amounts reflect the four-for-one forward stock split effected on May 29, 2014 and the two-for-one forward stock split effected on February 24, 2015

See accompanying notes to the unaudited consolidated financial statements.

INTERLINK ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2015	2014
Revenues, net	$ 2,257	$ 1,713
Cost of revenues	1,116	957
Gross profit	1,141	756
Operating expenses:		
Product development and research	161	177
Selling, general and administrative	729	707
Total operating expenses	890	884
Operating income (loss)	251	(128)
Other income (expense):		
Interest income	-	1
Other income (expense), net	4	(10)
Other (expense), net	4	(9)
Income (loss) from continuing operations before provision for income taxes	255	(137)
Provision (benefit) for income taxes	(11)	1
Income (loss) from continuing operations, net of tax	266	(138)
Income from discontinued operations, net of tax	8	8
Net income (loss)	**$ 274**	**$ (130)**
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	**$ 1**	**$ 2**
Comprehensive income (loss)	**$ 275**	**$ (128)**
Earnings (loss) per share from continuing operations, net of tax:		
Basic and diluted [(1)]	**$ 0.05**	**$ (0.02)**
Earnings per share on discontinued operations, net of tax:		
Basic and diluted [(1)]	**$ 0.00**	**$ 0.00**
Net earnings (loss) per share:		
Basic and diluted [(1)]	**$ 0.05**	**$ (0.02)**
Weighted-average shares used to calculate each of the per-share amounts above:		
Basic and diluted [(1)]	**5,859**	**5,848**

(1) Issued and outstanding share amounts reflect the four-for-one forward stock split effected on May 29, 2014 and the two-for-one forward stock split effected on February 24, 2015.

See accompanying notes to the unaudited consolidated financial statements.

INTERLINK ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income (loss)	$ 274	$ (130)
Income from discontinued operations, net of tax	8	8
Income (loss) from continuing operations, net of tax	266	(138)
Adjustments to reconcile net income (loss) from operations to net cash generated (used) in operating activities:		
Increase in reserves for excess and obsolete inventories	18	14
Depreciation and amortization	26	17
Issuance of restricted stock	7	15
Changes in operating assets and liabilities:		
Accounts receivable	162	388
Inventories	(54)	(255)
Prepaid expenses and other current assets	51	5
Other assets	2	(6)
Accounts payable and accrued payables	(123)	115
Accrued payroll and other accrued liabilities	(70)	(32)
Deferred revenue	(13)	(21)
Net cash generated in operating activities—continuing operations	272	102
Net cash provided by discontinued operations	8	8
Net cash generated in operations	280	110
Cash flows from investing activities:		
Purchases of property and equipment	(35)	(5)
Net cash used in investing activities	(35)	(5)
Effect of exchange rate changes on cash and cash equivalents	(1)	2
Increase in cash and cash equivalents	244	107
Cash and cash equivalents, beginning of period	2,381	1,487
Cash and cash equivalents, end of period	**$ 2,625**	**$ 1,594**
Supplemental disclosures of cash flow information: Income taxes paid	**$ 1**	**$ 1**

See accompanying notes to the unaudited consolidated financial statements.

INTERLINK ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
As of March 31, 2015 and December 31, 2014
And for the Three Months Ended March 31, 2015 and 2014

1. Basis of Presentation of Interim Data

Interlink Electronics, Inc. and its subsidiaries are engaged in the development, manufacturing and sale of intuitive sensor technology that incorporates proprietary technologies. Our proprietary sensor technology integrates Force Sensing Restive ("FSR")-based sensors, subassemblies and modules that support cursor control and other input functions. Our FSR sensors are used in many applications, primarily in the electronic components and medical device markets.

The unaudited consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries in Hong Kong, China, Singapore and United Kingdom (collectively, "Interlink," "we," "us," "our" or the "Company"). In the opinion of the Company's management, the accompanying unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the Company's financial position as of March 31, 2015 and its results of operations for the three months ended March 31, 2015. The results of operations for such periods are not necessarily indicative of results to be expected for the full fiscal year. All significant intercompany accounts and transactions have been eliminated.

On January 29, 2014, the Company established a wholly-owned subsidiary named Interlink Electronics Singapore Private Limited to serve as its Asia-Pacific regional research and development center. On January 31, 2014, the Company established a wholly-owned subsidiary named Interlink Electronics Europe Limited to serve as its European regional sales office.

On April 23, 2014, the board of directors approved a four (4) share for one (1) share forward stock split of Interlink Electronics' common stock. The record date for the forward stock split was May 29, 2014. The purpose of the forward stock split was to increase the liquidity of the common stock and to enhance Interlink Electronics' ability to list its shares of common stock on a national exchange.

The board of directors authorized the adoption of an amendment to the Articles of Incorporation to increase the authorized number of shares of capital stock to 16,000,000 shares, consisting of 15,000,0000 shares of common stock, par value $0.001 and 1,000,000 shares of preferred stock, par value $0.01. The number of authorized shares, common and preferred, and par values for the December 31, 2014 audited consolidated financial statements have been recast to reflect the number of authorized shares and par values.

On February 3, 2015, the board of directors approved a two (2) share for one (1) share forward stock split (the "Forward Stock Split") of Interlink's common stock, par value $.001 per share (the "Common Stock"). The record date for the Forward Stock Split was February 19, 2015. In connection with the Forward Stock Split, Interlink also increased its authorized Common Stock from 15,000,000 shares to 30,000,000 shares (the "Authorized Shares Increase"). The Forward Stock Split was effective on February 24, 2015. The number of authorized shares, common and preferred, and par values for the December 31, 2014 accompanying consolidated financial statements have been recast to reflect the number of authorized shares and par values.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents—We invest excess cash in highly liquid interest-bearing instruments, including commercial paper or money market accounts. Investments of original maturities less than ninety days are classified as cash equivalents.

Restricted Cash—We have $5,000 in restricted cash on our unaudited consolidated balance sheets as of March 31, 2015 and December 31, 2014 related to collateral for our credit card (merchant services) exposure with our bank.

Accounts Receivable and Allowance for Doubtful Accounts—Our accounts receivable are unsecured and are at risk to the extent such amounts become uncollectible. We continually monitor individual accounts receivable balances and provide for an allowance for doubtful accounts at the time collection may become questionable based on payment performance, due to the age of the receivable or other factors, including the customer's ability to pay and our historical collection experience related to issues not yet specifically identified. We generally offer thirty-day payment terms; however, some international customers require as long as ninety-day payment terms, which do not require collateral and generally charge interest on past due balances. If future collections are not as expected, the allowance is adjusted accordingly.

Inventories—Inventories are stated at the lower of cost or market and include the cost of materials. Cost is determined using the average cost method.

Inventory Reserve—At each balance sheet date, we evaluate ending inventories for excess quantities and obsolescence. This evaluation includes analyses of forecasted sales levels by product and historical demand. We write off inventories that are considered obsolete. Remaining inventory balances are adjusted to approximate the lower of cost or market value and result in a new cost basis in such inventory until sold. If future demand or market conditions are less favorable than internal projections, additional inventory write-downs may be required and would be reflected in "cost of revenues" in the period the revision is made.

Property and Equipment—Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets, which range from three to ten years. Amortization of leasehold improvements is based upon the estimated useful lives of the assets or the term of the lease (including appropriate renewal options), whichever is shorter. Maintenance and repairs are charged to operations as incurred, while significant improvements are capitalized. Upon retirement or disposition of property, the asset and related accumulated depreciation or amortization is removed from the accounts, and any resulting gain or loss is charged to operations. The carrying value of property and equipment is assessed periodically and/or when factors indicating impairment are present. We recognize impairment losses when the expected future cash flows are less than the asset's carrying value, in which case the asset is written down to its estimated fair value.

2. Summary of Significant Accounting Policies (Continued)

Intangibles—Our costs to acquire patents and trademarks are amortized on a straight-line basis over their estimated useful lives, which we estimate to be five years. The related carrying value of the intangibles amounted to $20,000 and $23,000 as of March 31, 2015 and December 31, 2014, respectively. Amortization expense for the three months ended March 31, 2015 and 2014 was $3,000 and $5,000, respectively.

Foreign Currency Translation/Transactions—The accounts of our Chinese subsidiary have been translated as required by the "Foreign Currency Matters" Topic of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 830 ("ASC 830"). Management has determined that the functional currency for the Chinese subsidiary is the Chinese Yuan Renminbi, and the functional currency for our Hong Kong, Singapore and United Kingdom subsidiaries is the U.S. Dollar. Translation gains or losses for the Chinese subsidiary are recorded as "accumulated other comprehensive income." All of the accumulated other comprehensive income represents cumulative translation adjustments. The Chinese subsidiary's assets and liabilities are translated into U.S. Dollars using the period-end exchange rate. Revenues and expenses are translated at average rates during the year. Any gains or losses resulting from foreign currency transactions are reflected in the accompanying unaudited consolidated statements of income (loss) and comprehensive income (loss) for the period in which they occur.

Revenue Recognition—We recognize revenue in accordance with the "Revenue Recognition" Topic of FASB ASC Topic No. 605 ("ASC 605"). ASC 605 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the fee is fixed and determinable and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) requires management's judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectibility of those fees. To satisfy the criteria, we (1) input orders based upon receipt of a customer purchase order, (2) record revenue upon shipment of goods and when risk of loss and title transfer, (3) confirm pricing through the customer purchase order and (4) validate creditworthiness through past payment history, credit agency reports and other financial data. All customers have warranty rights, and some customers also have explicit or implicit rights of return. We comply with ASC 605 with respect to sell-through and returns and the related recording of reserves for potential customer returns or warranty repairs.

We defer revenue on advanced cash receipts until the delivery of the goods or over the service term, whichever is sooner.

Research and Development—Research and development costs are expensed as incurred.

Shipping and Handling—We account for shipping and handling costs as required by the "Revenue Recognition" Topic of FASB ASC Topic No. 605-45, which requires fees billed to customers be included in revenue.

2. Summary of Significant Accounting Policies (Continued)

Stock-based Compensation—We account for stock-based awards in accordance with the provisions of FASB ASC Topic No. 718, "Compensation—Stock Compensation" ("ASC 718"). Accordingly, we measure stock-based compensation expense at the grant date, based on the fair value of the award, and recognize the expense over the employee's requisite service period using the straight-line method. The measurement of stock-based compensation expense is based on several criteria including, but not limited to, the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk-free interest rate and award forfeiture rate. We elected to adopt the alternative transition method for calculating the tax effects of stock-based compensation and continue to use the simplified method in developing the expected term used in the valuation of stock-based compensation in accordance with ASC 718.

Income Taxes—Under the "Income Taxes" Topic of FASB ASC Topic No. 740 ("ASC 740"), we are required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating actual current tax exposure, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the accompanying unaudited consolidated balance sheets. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the net deferred tax assets will not be realized. The valuation allowance is reviewed annually based upon the facts and circumstances known at the time. In assessing this valuation allowance, we review historical and future expected operating results and other factors, including recent cumulative earnings experience, expectations of future taxable income by taxing jurisdiction and the carryforward periods available for tax reporting purposes, to determine whether it is more likely than not that deferred tax assets are realizable.

ASC 740 provides guidance on the minimum threshold that an uncertain income tax benefit is required to meet before it can be recognized in the financial statements and applies to all income tax positions taken by a company. ASC 740 contains a two-step approach to recognizing and measuring uncertain income tax positions.

The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded.

The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above, if any, is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Company is subject to U.S. federal income tax, as well as state of California income tax. Federal income tax returns of the Company are subject to IRS examination for the 2011 through 2014 tax years. State of California income tax returns are subject to examination for the 2010 through 2014 tax years.

2. Summary of Significant Accounting Policies (Continued)

Earnings per Common Share—Basic earnings per common share are computed by dividing net earnings by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed by adjusting outstanding shares, assuming any dilutive effects of options, warrants and restricted stock calculated using the treasury stock method. Under the treasury stock method, an increase in the fair market value of our common stock results in a greater dilutive effect from outstanding options, warrants and restricted stock. Additionally, the exercise of employee stock options, warrants and the vesting of restricted stock results in a greater dilutive effect on net earnings per share.

Comprehensive Income—Comprehensive income is calculated in accordance with the "Comprehensive Income" Topic of FASB ASC Topic No. 220 ("ASC 220"), which requires the disclosure of all components of comprehensive income, including net income and changes in equity during a period from transactions and other events and circumstances generated from nonowner sources.

Segment Reporting—FASB ASC Topic No. 280, "Segment Reporting" ("ASC 280"), establishes standards for the way that entities report information about operating segments in annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. ASC 280 also establishes standards for related disclosures about products and services, geographic areas and major customers. We operate in one reportable segment: the manufacturing and sale of intuitive sensor technology.

Use of Estimates—The preparation of unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Significant estimates by management include the allowance for doubtful accounts, excess and obsolete reserves for inventory, impairment of long-lived assets, including patents, deferred taxes and the valuation allowance. Actual results could materially differ from those estimates.

2. Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk—Financial instruments that potentially subject us to credit risk consist primarily of cash and cash equivalents and accounts receivable. All of our cash and cash equivalents are invested at major financial institutions primarily within the United States, United Kingdom, Hong Kong, Singapore and China. At March 31, 2015 and December 31, 2014, our cash and cash equivalents were maintained in accounts that are insured up to the limit determined by the appropriate governmental agency. The amounts held in accounts with U.S. banks were insured up to the Federal Deposit Insurance Corporation ("FDIC") general insurance limit of $250,000, and approximately $2,198,000 and $1,890,000 was not insured at March 31, 2015 and December 31, 2014, respectively. The amounts held by Hong Kong banks were fully insured at March 31, 2015 and December 31, 2014. Approximately $44,000 and $31,000 held at Chinese banks were not insured at March 31, 2015 and December 31, 2014, respectively. Approximately $127,000 and $151,000 held at a Singaporean bank was not insured at March 31, 2015 and December 31, 2014. To date, we have not suffered any losses to our cash and cash equivalents. The amounts held by United Kingdom bank accounts were fully insured at March 31, 2015 and December 31, 2014.

With regard to accounts receivable, we trade only with recognized, creditworthy third parties. It is our policy that all customers that wish to trade on credit terms are subject to credit verification procedures. In addition, accounts receivable are monitored on an ongoing basis with the result that the accounts deemed to have a credit risk have been fully reserved for as of March 31, 2015 and December 31, 2014. For the three months ended March 31, 2015, three customers accounted for approximately 23%, 17% and 15% of total revenues. For the three months ended March 31, 2014, three customers accounted for approximately 14%, 12% and 10% of total revenue. As of March 31, 2015, five customers accounted for approximately 23%, 22%, 13%, 12% and 11% of total accounts receivable. As of December 31, 2014, four customers accounted for approximately 22%, 22%, 10% and 10% of total accounts receivable.

Fair Value Measurements—We comply with the provisions of FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820"), in measuring fair value and in disclosing fair value measurements. ASC 820 provides a framework for measuring fair value and expands the disclosures required for fair value measurements of financial assets and liabilities and nonfinancial assets and liabilities.

As of March 31, 2015 and December 31, 2014, the carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other accrued liabilities approximate fair value due to the short-term nature of such items.

Recently Adopted Accounting Pronouncements—In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11 *"Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists"*, which requires an entity to present an unrecognized tax benefit or a portion of an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2014. The adoption of this guidance did not have a significant impact on its financial position, results of operations, or cash flows.

2. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements—In May 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* ("ASU 2014-09"), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. . The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The Company has not yet assessed the impact of ASU 2014-09 but does not believe it will have a material effect on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "*Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (a consensus of the FASB Emerging Issues Task Force)", effective for annual periods and interim periods within those annual periods, beginning after December 15, 2015. This Update is intended to resolve the diverse accounting treatment of share-based payment awards whose performance target may be achieved after the requisite service period. An entity may apply the standards (1) prospectively to all share-based payment awards that are granted or modified on or after the effective date, or (2) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. Earlier application is permitted. The Company has not yet assessed the impact of ASU 2014-12 but does not believe it will have a material effect on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "*Presentation of Financial Statements—Going Concern (Sub-Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which provides guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This Update is effective for annual periods ending after December 15, 2016 and for annual periods and interim periods thereafter. Early application is permitted. The Company has not yet assessed the impact of ASU 2014-15 but does not believe it will have a material effect on the Company's consolidated financial statements.

3. Fair Value Measurements

We comply with the provisions of ASC 820, which defines fair value, provides a framework for measuring fair value and expands the disclosures required for fair value measurements of financial assets and liabilities and nonfinancial assets and liabilities. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1— Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2— Includes other inputs that are directly or indirectly observable in the marketplace

Level 3— Unobservable inputs which are supported by little or no market activity

The following is a description of the valuation methodologies used for our financial instruments measured at fair value:

The estimated fair values of our accounts receivables, accounts payable and accrued payables, accrued payroll and other accrued liabilities approximate their carrying values because of the short-term maturity of these instruments.

Cash and cash equivalents and restricted cash are estimated at fair value and valued primarily using quoted market prices utilizing market-observable inputs.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 and the year ended December 31, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total
March 31, 2015				
Cash and cash equivalents	$ 2,625	$ -	$ -	$ 2,625
Restricted cash	5	-	-	5
December 31, 2014				
Cash and cash equivalents	$ 2,381	$ -	$ -	$ 2,381
Restricted cash	5	-	-	5

4. Inventories

Inventories consisted of the following as of March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015	December 31, 2014
Raw material	$ 723	$ 589
Work in process	222	326
Finished goods	147	141
Total inventories	**$ 1,092**	**$ 1,056**

5. Property and Equipment

Property and equipment consisted of the following as of March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015	December 31, 2014
Furniture, machinery and equipment	$ 2,123	$ 2,105
Leasehold improvements	623	606
	2,746	2,711
Less accumulated depreciation and amortization	(2,580)	(2,557)
Property and equipment, net	**$ 166**	**$ 154**

Depreciation expense charged to operations amounted to $23,000 and $12,000 for the three months ended March 31, 2015 and 2014, respectively.

6. Stockholders' Equity

Stock Split— On April 23, 2014, the board of directors approved a four (4) share for one (1) share forward stock split of Interlink Electronics' common stock. The record date for the forward stock split was May 29, 2014. The purpose of the forward stock split was to increase the liquidity of the common stock and to enhance Interlink Electronics' ability to list its shares of common stock on a national exchange. References to shares and exercise prices of our common stock and stock options (and associated dollars amounts) in the unaudited consolidated financial statements for the three months ended March 31, 2015 are provided on post split basis.

The board of directors authorized the adoption of an amendment to the Articles of Incorporation to increase the authorized number of shares of capital stock to 16,000,000 shares, consisting of 15,000,0000 shares of common stock, par value $0.001 and 1,000,000 shares of preferred stock, par value $0.01. The number of authorized shares, common and preferred, and par values for the March 31, 2015 unaudited consolidated financial statements and the December 31, 2014 audited consolidated financial statements have been recast to reflect the number of authorized shares and par values.

On February 3, 2015, the board of directors approved a two (2) share for one (1) share forward stock split (the "Forward Stock Split") of Interlink's common stock, par value $.001 per share (the "Common Stock"). The record date for the Forward Stock Split was February 19, 2015. In connection with the Forward Stock Split, Interlink also increased its authorized Common Stock from 15,000,000 shares to 30,000,000 shares (the "Authorized Shares Increase"). The Forward Stock Split was effective on February 24, 2015. The number of authorized shares, common and preferred, and par values for the accompanying unaudited consolidated financial statements have been recast to reflect the number of authorized shares and par values.

Restricted Stock—On March 15, 2012, the board of directors approved the issuance of 80,000 shares each of restricted stock to two employees ($0.001 par value, valued at $67,500 for each employee based on the Company's stock closing price on March 15, 2012 of $0.84375). One employee has left the Company and the other individual's employment agreement was revised which resulted in forfeiture of the restricted stock. As a result, the 160,000 shares were forfeited and $57,400 is subtracted from stock compensation expense which is reflected in "additional paid-in capital" in the unaudited consolidated balance sheet.

The board of directors, in accordance with the employment agreement dated March 6, 2012, approved the issuance of 40,000 shares of restricted stock to one employee ($0.001 par value, valued at $42,750, based on the Company's stock closing price on July 23, 2012 of $1.06875). The employee was terminated in July 2013. As a result of the termination, 40,000 shares were forfeited and $10,700 is subtracted from stock compensation expense which is reflected in "additional paid-in capital" in the unaudited consolidated balance sheet.

On July 13, 2012, the board of directors approved that the chairman of each committee (the audit committee and compensation committee) will be paid $5,000 per annum on July 15 of each year through the issuance of common stock, $0.001 par value, valued at $5,000, based on the Company's stock closing price on July 13, 2012 of $1.0625. The shares vested at the rate of $1/12^{th}$ per month on the 15th day of each month during the period from July 15, 2012 through June 14, 2013. As of March 31, 2015, 9,430 shares are vested, and the $10,000 of the shares is reflected in "common stock" and "additional paid-in capital" in the unaudited consolidated balance sheet.

6. Stockholders' Equity (Continued)

Restricted Stock (Continued)—On February 5, 2013, the board of directors approved the issuance of 40,000 shares of restricted stock to an employee ($0.001 par value, valued at $57,500 based on the Company's stock closing price on February 5, 2013 of $1.4375). The employee was terminated in September 2014. As a result of the termination, 40,000 shares were forfeited and $18,200 is subtracted from stock compensation expense which is reflected in "additional paid-in capital" in the unaudited consolidated balance sheet.

On July 12, 2013, the board of directors approved that the chairman of each committee (the audit committee and compensation committee) will be paid $5,000 per annum on July 15 of each year through the issuance of common stock ($0.001 par value, valued at $5,000, based on the Company's stock closing price on July 12, 2013 of $1.6875). The shares vested at the rate of 1/12th per month on the 15th day of each month during the period from July 15, 2013 through June 14, 2014. As of March 31, 2015, 5,930 shares are vested, and the $10,000 of the shares is reflected in "common stock" and "additional paid-in capital" in the unaudited consolidated balance sheet.

The board of directors, in accordance with the employment agreement dated January 31, 2014, approved the issuance of 64,000 shares of restricted stock to one employee ($0.001 par value, valued at $80,000, based on the Company's stock closing price on January 31, 2014 of $1.25). The first 32,000 shares will vest after four years, on January 31, 2018, and the remaining 32,000 shares will vest on January 31, 2019. As of March 31, 2015, the Company recorded $18,700 of stock compensation expense, which is reflected in "additional paid-in capital" in the unaudited consolidated balance sheet.

On July 18, 2014, the board of directors approved that the chairman of each committee (the audit committee and compensation committee) will be paid $5,000 per annum on July 15 of each year through the issuance of common stock ($0.001 par value, valued at $5,000, based on the Company's stock closing price on July 15, 2014 of $3.75). The shares vested at the rate of 1/12th per month on the 15th day of each month during the period from July 15, 2014 through June 14, 2015. As of March 31, 2015, 1,800 shares are vested, and the $6,700 of the shares is reflected in "common stock" and "additional paid-in capital" in the unaudited consolidated balance sheet.

A summary of our restricted stock activity for the three months ended March 31, 2015 is presented below:

	Restricted Stock [1]	Weighted-Average Grant Date Fair Value [1]
Non-vested as of January 1, 2015	65,600	$ 1.31
Granted	-	-
Vested	(1,100)	3.75
Forfeited	-	-
Non-vested as of March 31, 2015	**64,500**	**$ 1.27**

6. Stockholders' Equity (Continued)

Stock Options—Under the terms of our 1996 Stock Incentive Plan (the "Plan"), officers and key employees may be granted non-qualified or incentive stock options, and outside directors and independent contractors may be granted non-qualified stock options. The aggregate number of shares that may be issued under the Plan is 7,250,000. New options are granted at fair market value on the date of grant, generally vest ratably over thirty-six months and have a ten-year term, but terminate earlier if employment is terminated. As of March 31, 2015, options for 149,500 shares of stock have been granted (16,700 are outstanding, and 132,800 have been exercised, forfeited or expired).

Activity under the Plan for the three months ended March 31, 2015 is summarized as follows:

	Options [1]	Weighted-Average Exercise Price [1]
Outstanding, beginning of period, January 1, 2015	17,500	$ 7.05
Granted	-	-
Exercised	-	-
Forfeited or expired	(800)	19.55
Outstanding, end of period, March 31, 2015	**16,700**	$ **6.45**
Exercisable, end of period, March 31, 2015	**16,700**	$ **6.45**

[1] Issued and outstanding share amounts and weighted-average grant date fair values reflect the four-for-one stock split effected on May 29, 2014 and the two-for-one stock split effected on February 24, 2015.

Stock Options—The following table summarizes information about stock options outstanding and vested as of March 31, 2015:

	Employee Options Outstanding and Vested			Employee Options Exercisable	
Range of Exercise Prices	Shares [1]	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price [1]	Shares [1]	Weighted-Average Exercise Price [1]
$0.00 – $1.95	3,200	3.02	1.95	3,200	1.95
$6.00 – $13.90	13,100	1.44	7.28	13,100	7.28
$15.38	400	0.00	15.38	400	15.38
	16,700	**1.71**	$ **6.45**	**16,700**	$ **6.45**

[1] Issued and outstanding share amounts and weighted-average grant date fair values reflect the four-for-one stock split effected on May 29, 2014 and the two-for-one stock split effected on February 24, 2015.

6. Stockholders' Equity (Continued)

Stock-based Compensation Expense—For the three months ended March 31, 2015 and 2014, we recorded the following charges within our unaudited consolidated statements of operations and comprehensive income (loss) for stock-based compensation: $0 and $0 in cost of revenues, $0 and $0 in product development and research expenses and $0 and $0 in selling, general and administrative expenses, respectively.

As of March 31, 2015, we do not have any unrecognized stock-based compensation cost related to non-vested stock options to be recognized. Additional stock-based compensation expense will occur in 2015 if stock options are granted during 2015. There were no stock options granted nor stock options exercised during the three months ended March 31, 2015.

7. Earnings per Share

For all periods presented, per-share information was computed pursuant to provisions of the "Earnings per Share" Topic of FASB ASC Topic No. 260 ("ASC 260"). The computation of earnings per share—basic is based upon the weighted-average number of common shares outstanding during the periods presented. Earnings per share—diluted also includes the effect of common shares contingently issuable from options and warrants (in periods in which they have a dilutive effect).

Common stock equivalents are calculated using the treasury stock method. Under the treasury stock method, the proceeds from the assumed conversion of options and warrants are used to repurchase outstanding shares using a yearly average market price.

The following table contains information necessary to calculate earnings per share (in thousands):

	Three Months Ended March 31,	
	2015	2014
Weighted-average shares outstanding [2]	5,859	5,848
Effect of dilutive securities; options and warrants	- [1]	- [1]
Weighted average shares—diluted	**5,859**	**5,848**

[1] During the three months ended March 31, 2015 and 2014, 83,000 and 166,000 common stock equivalents were not added to the basic common shares outstanding, as our average stock price during these periods was lower than the conversion price of all common stock equivalents.

[2] The common shares outstanding for all periods reflect the Company's four-for-one forward stock split effected on May 29, 2014 and the two-for-one forward stock split effected on February 24, 2015.

8. Geographic Information

Geographic Information—We attribute revenues to different geographic areas on the basis of customer location. Our revenues and long-lived assets by geographic area for the three months ended March 31, 2015 and 2014 are as follows (in thousands):

	2015		2014	
	Revenues	Long-lived Assets	Revenues	Long-lived Assets
United States	$ 1,296	$ 52	$ 959	$ 56
Japan	105	-	109	-
Asia (other than Japan)	420	134	196	59
Europe and other	436	-	449	-
Total	**$ 2,257**	**$ 186**	**$ 1,713**	**$ 115**

9. Related Party Transactions

The Company paid fees to a related party for consulting services of $0 and $18,500 for the three months ended March 31, 2015 and 2014, respectively.

The Company has agreed to reimburse or to be reimbursed by a related party for IT, sales and marketing support and other expenses paid on behalf of the Company. For the three months ended March 31, 2015, the Company paid the related party $7,000, net and for three months ended March 31, 2014, the related party reimbursed the Company $45,000.

10. Subsequent Events

Subsequent events have been evaluated through May 14, 2015, which is the date the unaudited consolidated financial statements were available to be issued.