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For Immediate Release

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Echelon Pyxos Embedded Networking Platform

Question & Answer Supplemental News Information

(Huntington Beach, CA – September 19th, 2005) - Echelon Corporation (NASDAQ: ELON), a pioneer in control networking, today announced the new Pyxos™ platform that for the first time enables control networks to be economically embedded inside office equipment, building automation devices, vending machines, small appliances, and industrial machines. The following Question & Answer document complements a press release entitled “**New Echelon Platform First to Embed Control Networks Inside Everyday Devices**”

(<http://www.echelon.com/company/press/pyxosplat.htm>) is provided to address common questions regarding its announcement. It covers:

- Pyxos and Its Role
- Pyxos and LONWORKS®
- Pyxos Technology
- Pyxos vs. Wireless-only Solutions

PYXOS AND ITS ROLE

What is a control network?

Control networks connect machines and other devices to each other and to the Internet in a similar way that a local area network connects PCs, printers, servers, and the Internet. Recognizing that control networks are fundamentally different from data networks, in 1990 Echelon pioneered the field of control networking with its LONWORKS platform. Today more than 50 million LONWORKS devices from thousands of manufacturers are used in building, factory, consumer, transportation, and utility automation applications.

What is an embedded control network?

Embedded control networks extend networking to the discrete sensors (micro-switches, pushbuttons, shaft encoders, etc.), actuators (solenoids, pumps, valves, etc.), and displays (LCD, LED, etc.) embedded inside a machine or device.

What is the Pyxos platform?

The Pyxos platform is the world's first platform for embedded control networks. Pyxos networks are very low-cost, offer high speed deterministic operation, and are self-organizing into functioning systems without technically-skilled assembly personnel or laborious configuration tools or procedures. Pyxos processor ICs can be so small in size that they can fit into virtually any sensor or actuator. Designed to be media independent for wired or wireless media, Pyxos networks receive and disseminate control information between sensors/actuators, displays, host processors and the other devices and components within a machine. Machines utilizing a Pyxos embedded control network can be seamlessly integrated with LONWORKS control networks and the Internet.

What are the benefits of Pyxos embedded control networks?

Embedded control networks reduce product, installation, warranty, and life-cycle costs. Self-organizing networks minimize assembly costs and time. Replacing troublesome wire harnesses with two-wire networks or, where appropriate wireless networks, reduce assembly and warranty costs. By providing access to low-level data from sensors and actuators, a unique set of data from which process efficiency and energy consumption information can be drawn directly or inferred, reduces life-cycle costs. Finally, enabling machines to be diagnosed locally or over

the Internet makes possible both preventive and predictive maintenance, which also reduces life-cycle costs.

What applications will be possible with the Pyxos platform?

The Pyxos platform will give a voice to the constellation of billions of devices inside machines whose information is inaccessible. In so doing, the information generated by those devices is made available for predictive failure analysis (based on actual operating hours instead of estimated time), preventive maintenance scheduling, operating and energy efficiency optimization, remote diagnostics and service.

Additionally, the very low cost and small size of the Pyxos platform could enable it to be embedded inside materials that today are electrically mute - carpeting, fabrics, furniture, and ceiling tiles. When embedded control networks become ubiquitous and permeate the fabric and material of our lives, a wide range of new applications will emerge. Pyxos networks can transform ordinary building material, like carpeting, into a data generator that can track where we walk, turn on lights as needed, direct cleaning crews to those areas that had traffic, or send emergency response teams to occupied areas. Smart clothing could include temperature sensors for the ill, biosensors for industrial workers, and strain gauges for athletes.

PYXOS AND LONWORKS

What are the differences between Pyxos and LONWORKS networks?

Pyxos networks are intended to be embedded inside machines and connect the sensors/actuators that lay at the heart of those machines. Pyxos networks operate at very high speeds over short distances.

LONWORKS networks interconnect machines and devices to one another and to the Internet. Devices and machines on a LONWORKS network interoperate so that users can select products from different manufacturers for use in a single network. LONWORKS networks operate at a wide range of speeds and include a wide variety of Internet options including peer-to-peer tunneling and web services.

Can Pyxos and LONWORKS networks work together?

Absolutely. LONWORKS networks interconnect machines and devices of all types to each other and the Internet. The Pyxos platform is designed to network everything inside a machine. They are intended to be embedded inside machines and connect the sensors/actuators that lay at the heart of those machines. A machine with a Pyxos embedded network can be seamlessly integrated with a LONWORKS network, using the LONWORKS network to connect to machines with a Pyxos embedded network, other machines or devices on a LONWORKS network, and the Internet.

Embedding a Pyxos network into the machines on a LONWORKS network creates a synergistic application - unlocking the rich set of data inside machines that can be used to further enhance the value and capabilities of control applications such as energy management and remote monitoring and maintenance; and improve the quality and profitability of such programs as service level agreements and facility management.

Pyxos Pilots bridge the two networks - behaving exactly like standard LONWORKS devices to allow manufacturers to take advantage of the growing worldwide market for LONWORKS control networks. A Pyxos machine with a LONWORKS interface can be integrated with a control application in the same manner as LONWORKS devices that do not use a Pyxos embedded network. They can be managed using standard LONWORKS network management tools, and interoperate with other LONWORKS devices. Furthermore, manufacturers of LONWORKS tools and integrators of LONWORKS networks can work with machines that incorporate Pyxos embedded control networks without additional training or re-engineering of their software.

PYXOS TECHNOLOGY

What are the components of a Pyxos network?

Pyxos Points are embedded inside sensors and actuators, manage network activity, and relay data to a Pyxos Pilot. The Pyxos Pilot then exchanges the control data with host processors, LONWORKS networks, to the Internet and beyond.

What technical breakthroughs are in the Pyxos platform?

The Pyxos platform has many new and innovative technologies, including:

- Self-Organization – Pyxos points are “self-organizing” whereby they can dynamically and autonomously assemble themselves into fully functioning networks without any human intervention. Echelon's self-organizing software makes it possible to mix and match different assemblies or components without changing wiring harnesses or using special configuration tools or software. By dispensing with a software tool for installation, manufacturers of configurable machines such as automobiles and refrigerators, can use one flexible assemble line where Pyxos enabled components are snapped into place and configured on the fly;
- Media Independence – The Pyxos platform is designed to support wired and wireless media as required by the application or installation;
- Miniaturized Pyxos Points – Pyxos Points are embedded inside sensors and actuators. Their small size makes them ideal for networking even the smallest sensors and actuators; and
- Network Extensibility – The Pyxos Pilot provides an interface between the Pyxos Points inside a machine and host processors, LONWORKS control networks and the Internet.

What is technically important about the Pyxos platform?

The Pyxos self-organizing software offers unique features unavailable elsewhere. Echelon worked with a consortium of appliance manufacturers on a self-installing appliance control network that would be acceptable to technically-unskilled consumers. The resulting software provided the framework for the media-independent, self-organizing capability that is built into the Pyxos platform. The diminutive Pyxos IC packaging was made possible by miniaturizing Echelon's proven free-topology digital signal processing circuitry and on-board I/O circuits.

How was Echelon able to achieve these technical breakthroughs?

Echelon has been able to leverage more than fifteen years of application, network management, transceiver, and tool development for control networks. With more than 50 million LONWORKS devices fielded, Echelon has garnered considerable experience. As a result, Echelon is in a unique position to develop technology that is simultaneously media independent, low cost, small size, robust, and useable in a nearly universal array of markets.

PYXOS VS. WIRELESS-ONLY SOLUTIONS

Will the Pyxos platform support multiple media?

Yes, the Pyxos platform is intended to be media independent supporting both wired and wireless media.

Does the Pyxos platform compete with wireless (RF) control networks like Zigbee?

Since the Pyxos platform is intended to be media independent, it can address a much wider range of control applications. In this sense the Pyxos platform is suitable for nearly all embedded control applications, whereas Zigbee is exclusively RF and therefore limited to only a small subset of the overall market. The market for embedded control networks is very broad and encompasses a wide range of applications that require twisted pair, power line, and other media.

Zigbee, a proprietary control protocol that resides on top of the IEEE 802.15.4 open RF physical medium, is only able to address a very limited portion of the overall control market. The Zigbee RF physical layer may be unsuitable for a wide range of applications (such as equipment housed in metal enclosures, buildings with metal foil wall paper or lathe, factory floors with movable metal partitions). Additionally, Zigbee, like other existing RF control schemes, is highly susceptible to noise generated from a variety of sources. The combination of these impediments means that Zigbee's range of applications may be further limited.

More information about the state of wireless control today can be found at http://www.echelon.com/support/documentation/documents/005-0171A_RF_White_Paper.pdf.

ABOUT ECHELON CORPORATION

Echelon Corporation (NASDAQ: ELON) is a pioneer and world leader in control networking — networks that connect machines and other electronic devices — for the purpose of sensing, monitoring and controlling the world around us. Echelon's LONWORKS platform for control networking was released in 1990 and has become a worldwide standard in the building, industrial, transportation, and home automation markets. Launched in 2003, Echelon's Networked Energy Services system is an open, extensible, advanced metering infrastructure that can bring benefits to every aspect of a utility's operation, from metering and customer services to distribution operations and value-added business. In 2005 Echelon released the world's first

embedded control network infrastructure, the Pyxos platform, extending the benefits of networking inside machines to the sensors and actuators that make them function.

Echelon is based in San Jose, California, with international offices in China, France, Germany, Italy, Hong Kong, Japan, Korea, The Netherlands, and the United Kingdom. Further information regarding Echelon can be found at <http://www.echelon.com>.

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This press release may contain statements relating to future plans, events or performance. Such statements may involve risks and uncertainties, including risks associated with whether developers will adopt the Pyxos platform for any of the markets or segments described, for new markets, or at all; risks associated with market acceptance of products that are developed using the Pyxos platform, if any; risks associated with whether products based on the Pyxos platform will perform as designed, including being low-cost, high speed deterministic and self-organizing and reducing life-cycle costs, and addressing a wider range of applications than alternative technologies; and other risks identified in Echelon's SEC filings. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Echelon undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.