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For Immediate Release

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Echelon and STROM B-Systems Team to Expand Energy Management Solution into Eastern European and Russian Markets

(San Jose, CA – December 22, 2005) - Echelon Corporation ([NASDAQ: ELON](#)), the leading technology supplier for the widely-used LONWORKS[®] control networking standard, today announced that STROM B-Systems, a system supplier in the utilities sector, has entered into an agreement to become a Value-Added Reseller (VAR) of Echelon's Networked Energy Services (NES) intelligent electricity metering system. STROM, a subsidiary of SISTEMA Group, the largest consumer-oriented private sector company in Russia and the Confederation of Independent States, will connect the NES infrastructure with its integrated data collection, processing, and billing solution to provide a complete back-office infrastructure for telecom, gas, water and electricity utilities.

“Automated meter management (AMM), next generation metering solutions best exemplified by Echelon’s NES system, represent a high-growth opportunity throughout Europe, driven both by EU-wide legislation designed to open markets and improve energy efficiency and utilities’ desires to provide higher quality service at lower operating cost,” said Mirko Jelčić, CEO at STROM. “With the NES system as part of our FORIS offering, we can offer electric

utilities and multi-utilities the world's most advanced AMM system as part of a complete, off-the-shelf data collection, billing, and customer care solution.”

STROM B-Systems is a system supplier for the utilities sector. Its FORIS product family fully supports the IS/IT requirements of utilities, including data collection and management, resource inventory and monitoring, flexible rating and discounting system, billing and inter-billing, fraud detection, customer relationship management (CRM), and integration with enterprise resource planning (ERP) software.

Echelon's NES system provides an open, bidirectional, and extensible infrastructure that enables a comprehensive range of utility applications that can bring benefits to every aspect of a utility's operation, from metering, to customer services, to distribution operations, to value-added services. The incorporation of the NES infrastructure should allow the company to expand the capabilities of its FORIS offering to include automated networked meter management and convergent billing.

“STROM's well-established presence in the European, Eastern European and Russian utility and IT markets brings the NES VAR program a strong and very experienced partner in these regions,” said Ken Oshman, Echelon's chairman and CEO. “We believe that STROM's unique, future-proof offering can help lower costs, increase efficiency, and improve customer service for utilities now and for many years to come. The addition of STROM to our NES VAR program is an important element in furthering our utilities business strategy.”

The NES Value-Added Reseller (VAR) program is designed to establish Echelon's NES system as a global standard for intelligent metering systems by enabling companies that provide products and services to the utility industry to adopt and adapt the NES infrastructure as the basis for their end-to-end metering solutions sold under the *NES Powered by Echelon™* branding program.

About STROM B-Systems

STROM B-Systems is the daughter company of STROM Telecom s.r.o, a Czech company that develops and produces a wide range modern telecommunication equipment, information systems and technologies. Additional services are provided enabling customers to design, operate and further develop their networks. Established in 1993, STROM Telecom and its daughter companies currently employ more than 1000 dedicated specialists, including

developers belonging to our network of subsidiaries throughout Central and Eastern Europe and Asia.

Further information regarding STROM B-Systems can be found at <http://www.STROM.cz/>.

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 uncertainties pertaining to the timing and level of customer orders, demand for products and services, development of markets for Echelon's products and services, including Echelon's Networked Energy Services (NES) system; risks associated with market acceptance of the NES system, the NES system's ability to perform as designed and its pricing relative to alternative offerings, potential production or shipment delays of NES components to STROM by Echelon or its production partners, the growth of the LonWorks industry worldwide, sales targets not being

met, development of markets for Echelon's products and services, demand for Echelon's products and services; risks associated with STROM meeting production and delivery targets for NES based solutions, integration of existing STROM applications with the NES system, demand for STROM NES based solutions; 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.