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For Immediate Release

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Echelon Wins Advanced Meter Infrastructure Project with Dutch Utility

(SAN JOSE, CA– February 1st, 2006) - Echelon Corporation ([NASDAQ: ELON](http://www.nasdaq.com/quote/ELON)), a global networking company providing technology and solutions for controls, smart metering, and energy and environment management, today announced that Echelon's NES System has been selected under the European Union public tender 65798 – “eTender Automatic Meter Reading” issued by the Dutch utility Nuon. The companies have entered into a letter of intent, with final agreements expected later in February. Echelon will act as a lead supplier for the project, providing approximately 25,000 intelligent, communicating electricity meters and associated data concentrator and NES system software infrastructure. Initial installations are planned to begin in the second quarter of 2006 with final acceptance of the system targeted for late Q4 2006 or Q1 2007. Revenue to Echelon for the project is expected to be approximately \$2 million, and is not expected to be recognized until after this acceptance.

As part of this deployment, the NES System will also be used to communicate to approximately 25,000 gas meters via a Meter-Bus (M-Bus) interface, a European standard for

connecting various consumption meters such as heat, water, and gas meters. Using the newest members of Echelon's second generation NES electricity meter family, which can act as an "M-Bus master" for up to four attached M-Bus devices, these gas meters will be able to report alarms and be read over the NES network on a fixed schedule or on demand, and the usage can be profiled over time. For grid operators, like Nuon, that serve both gas and electricity customers, the ability to read the gas meters over the same infrastructure being deployed for the electricity meters can bring significant cost savings and service improvements.

"Nuon was our first trial site when we launched the NES system, and we are very pleased to be part of this project as they begin moving toward larger deployments," said Ken Oshman, Echelon's CEO and chairman. "Nuon has a very sophisticated approach to advanced metering, with a holistic business model that takes into account a wide variety of cost savings and efficiency improvements across the company—a perfect fit for the NES system. Following so closely on the heels of the Vattenfall announcement for up to 700,000 NES meters announced in December, we think this is further evidence that a sea change is coming in the utility market."

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 system enables a comprehensive set of energy services, including: two-way automated meter reading; multi-tiered billing; time-of-use and real-time pricing; prepaid metering; remote electrical disconnect and reconnect; distribution system asset optimization; electricity outage detection and restoration management; blackout and brownout elimination; comprehensive revenue protection; real-time direct load control; power quality measurement; and extensive tamper detection features. Taken as a whole, this set of features yields significant installation, operational, and life-cycle cost savings—with a typical payback period of two to five years for most utilities.

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 has been a leader in the advanced metering infrastructure market, providing the underlying network technology for the world's largest advanced meter management (AMM) project in Italy, with over 27 million connected electricity meters and more recently, winning a tender to provide the NES system to up to 700,000 customers for the Swedish utility Vattenfall.

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, including statements regarding the award of the tender for the Nuon project, the timing of installations and acceptance of the system, and the amount and timing of Echelon's revenue under the project. Such statements may involve risks and uncertainties, including risks associated with the ability of the NES system and NES meters to perform as designed, potential production or shipment delays for NES meters and other components; the risk that the application of U.S. generally accepted accounting principles could significantly affect the method of calculating, and the timing of, NES revenues that Echelon expects to recognize under the project; risks that the deployment and system integration activities with Echelon and other partners in the project are not successful, do not meet their target dates, do not expand or gain momentum, cause Echelon to be liable for penalties or cause the utility to terminate the project; the risk that the project is challenged by third parties 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.