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McDonald's to Save Energy and Increase Operations Efficiency with Echelon's Technology

Question & Answer Supplemental News Information

(SAN JOSE, CA– July 10, 2007) - Echelon Corporation (NASDAQ: ELON), a leading provider of networking technology that is used to manage and reduce energy consumption, today announced that McDonald's Corporation has chosen its LonWorks® technology to network its restaurant kitchen equipment in order to create the "kitchen of the future," which aims to lower energy consumption and increase operational efficiency. The following Question & Answer document complements a press release entitled "**McDonald's to Save Energy and Increase Operations Efficiency with Echelon's Technology"** (http://www.echelon.com/press/mcdonalds.htm). This Q&A covers:

- The advantages of LonWorks technology over the existing NAFEM commercial equipment standard
- Why McDonald's chose Echelon's power line-based communications
- The advantages of LonWorks technology over an RF-based solution
- The advantages of LonWorks technology over a BACnet™ solution

What are the advantages of using LonWorks technology over the existing North American Association of Food Equipment Manufacturers (NAFEM) standard?
While McDonald's closely evaluated the NAFEM standard, it chose Echelon's LonWorks platform because its bidirectional communication capability is better suited to support future applications that McDonald's may develop.

The LonWorks platform is an international standard for control networking (North America, China) and building automation (North America, Europe, and China) and is supported by many of the largest building automation companies in the world.

Additionally, the LonWorks platform is designed to enable efficient, highly reliable, and flexible communication among any number of machines or devices. Nearly 100 million LonWorks enabled devices are installed today in everything from commercial buildings to scientific research equipment, hospitals, and mass transit systems around the world.

The LonWorks platform, therefore, offers an internationally supported solution in terms of product, service, and integration availability. For McDonald's, the LonWorks platform allows the company to easily integrate its kitchen and building equipment. This lets McDonald's service providers use common tools, infrastructure, and knowledge to manage operations and energy in their restaurants.

Why did McDonald's choose Echelon's power line-based communications?
Echelon's power line signaling technology in based upon the LonWorks platform, an open, interoperable, and proven control networking platform. The open protocol has been adopted by several standards authorities worldwide, including ANSI, CEA and IEEE in the North America, CEN in Europe, and GB in China. The LonWorks platform is widely used in a number of key markets such as utilities, consumer products, commercial building automation, street lighting systems, transportation systems and industrial controls.

The interoperable nature of the LonWorks platform means that McDonald's can buy equipment from multiple manufacturers that will be able to work together on the same network. This lets McDonald's mix and match equipment from different suppliers and allows franchisees with multiple stores to move equipment between locations. The system can be easily changed, moved, or expanded.

Power line communication networks are easy to install and offer plug and play networking. The common power plug becomes the network connection, using a building's existing power lines as the communication method. Since no new wires are needed to install the network, installation is fast and inexpensive when compared to other solutions.

For McDonald's "Smart Equipment Kitchen," power line communication lets the company configure kitchen equipment in any footprint while maintaining reliable communication. If a store manager needs to relocate a piece of equipment, no additional network configuration is required. The store manager simply unplugs the equipment, moves it, and plugs it into the nearest electrical outlet. The network maintains all knowledge of how that equipment interacts with the other equipment, and the simple act of plugging the equipment into the outlet places it back on the network.

Why not use radio frequency (RF) technology since the stores are designed to have flexible footprints?

This is exactly why power line communication is superior to RF communication. Quick-service restaurants have a known set of equipment, all of which require power, making power line the best choice for the communication medium. Furthermore, since the number of people in the kitchen varies from moment to moment, as does the actual location of select equipment, the reliability of RF becomes unpredictable. The movement of both people and objects creates attenuation of the RF signal—meaning that at any given moment, an RF signal may, or may not, work. This current level of uncertainty is unacceptable in a business environment where quality of service is a top priority.

From a market perspective, RF is still an immature technology that fills a niche for a limited number of remote I/O points or sensors, but is not a complete, reliable solution for control networking or building automation.

Why not choose BACnet over the LonWorks solution?

BACnet was developed by a committee to create interoperability among computer systems, primarily in the heating, ventilation, and air-conditioning (HVAC) industry in North America. It is not a device level solution and it is focused solely on the HVAC industry.

Therefore, BACnet is unsuitable as a solution upon which to gain operational benefits by integrating kitchen equipment, HVAC, lighting, and potentially other systems.

About McDonald's Corporation

McDonald's is the world's leading local restaurant with more than 30,000 locations serving 52 million customers in more than 100 countries each day. More than 70% of McDonald's restaurants worldwide are owned and operated by independent local men and women. For the second year in a row, McDonald's has been selected for inclusion in the Dow Jones World and Dow Jones North America Sustainability Indexes. These indexes recognize companies that are industry leaders on a broad range of economic, environmental, and social issues. McDonald's is one of the very few food service retailers to be honored. More information regarding McDonald's can be found at http://www.mcdonalds.com.

About Echelon Corporation

Echelon Corporation (NASDAQ:ELON) is a networking company that provides products and systems that can monitor and save energy, lower costs, improve productivity and enhance service, quality, safety and convenience by networking together everyday devices in utility, buildings, industrial, transportation and home control systems. Tens of millions of smart devices based on Echelon's LonWorks products and

Networked Energy Services (NES) systems are in use around the world today bringing benefits to consumers and industry. More information about 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 orders and demand for Echelon products and services by McDonald's, its suppliers and other customers in business process and other applications; risks that these products do not perform as designed, and that liability may accrue as a result of the use of Echelon products and services in these functions; risks associated with any changes that may occur in directives regarding demand response, safety or other policies, and acceptance by local, regional or other government agencies of LonWorks based demand response or other solutions; the growth of the LonWorks industry in general; 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.