



550 Meridian Avenue  
San Jose, CA 95126  
Phone: +1-408-938-5200  
Fax: +1-408-790-3800  
[lonworks@echelon.com](mailto:lonworks@echelon.com)  
[www.echelon.com](http://www.echelon.com)

## News Information

## For Immediate Release

### Press Contacts

Julia O'Shaughnessy  
Echelon – EMEA Contact  
(408) 938-5357  
[joshaughnessy@echelon.com](mailto:joshaughnessy@echelon.com)

Mike Barash  
Atomic Public Relations  
+1-415-402-0230  
[mike@atomicpr.com](mailto:mike@atomicpr.com)

### Investor Contact

Chris Stanfield  
Echelon  
408-938- 5243  
[cstanfield@echelon.com](mailto:cstanfield@echelon.com)

## **E.ON Sweden Selects Echelon's NES Smart Electricity Metering System for 370,000 Customers**

(SAN JOSE, CA – June 7<sup>th</sup>, 2006) - Echelon Corporation (NASDAQ: ELON), announced today that Sweden's largest utility, E.ON Sverige AB, has selected Echelon's NES System for deployment to 370,000 customers in the Malmo, Orebro, and Stockholm areas of Sweden. The tender has been awarded to prime contractor ES Mätteknik AB, Sweden's largest system supplier, and was conducted in accordance with EU public procurement procedures. In approximately two weeks the tender is expected to be finalized following the completion of an EU-mandated notice period. Echelon and ES expect to finalize their contract within the same timeframe. Echelon expects revenue from the program to be approximately \$30 million, with shipments beginning in the fourth quarter of 2006 and continuing throughout 2007.

“With this win, we have done something truly remarkable — in under six months, we have gone from a virtual standstill to a formidable competitor in the smart metering business,” said Ken Oshman, Echelon's CEO and chairman. “Our work in Italy, and the successful completion of a 27 million meter smart metering project that many said would never succeed, was the catalyst that began the transformation of the metering industry to the digital age.” Mr. Oshman continued, “We couldn't be more pleased than to be working with such a terrific partner like ES. Their win demonstrates the tremendous momentum behind the adoption of next

generation metering infrastructures and underscores the NES System's pivotal role in that transformation as the industry moves away from simplistic automated meter reading systems."

During the six month period beginning in late December 2005, Echelon and its partners have won smart metering tenders with Vattenfall of Sweden (up to 700,000 meters), Nuon of The Netherlands (25,000 meters), and E.ON (370,000 meters).

"We elected to base our proposal on the NES System after an extensive evaluation of available smart metering systems", said Eskil Hartman, ES Mätteknik's CEO. "Our evaluation showed us that the NES System is a perfect match with our own expertise in meter management. It is our intent to greatly expand our operations and lead the worldwide market for smart metering solutions. In Echelon and the NES System, we believe that we've found a great business partner and an ideal technology to achieve our goals."

"The networked metering market has moved from simple to advanced systems. With this award we intend to become leaders in driving that change and bringing our customers the benefits that only modern systems can offer", said Thomas Thorkelsson, E.ON Sverige's project manager. "We have been operating an NES System for quite some time now and it has proven that it can deliver the high performance, advanced functionality, and 'future-proof' design that we need to drive this change."

Sweden, one of the most active networked metering marketplaces today, is in the process of transitioning to fully automated metering in response to legislation designed to promote a more open and efficient energy market and requiring all electricity meters in Sweden to be read on a monthly basis by July 1, 2009.

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. By choosing the NES System, E.ON Sverige can expect to have better control over energy usage and save substantial cost in monthly meter reading and other areas of their operations while providing improved customer service.

**About ES Mätteknik AB**

ES has a presence in about 80 locations throughout Sweden and work over wide areas with strong local ties. Each individual district has access to ES's national network of resources to support local expertise.

ES Mätteknik AB is a certified organization with respect to quality, the environment and the working environment, holding certificates for ISO 9001:2000, ISO 14001:1996 and AFS 2001:1. More information about ES can be found online at [www.elektrosandberg.com](http://www.elektrosandberg.com).

**About E.ON Sverige AB**

E.ON Sverige is the largest utility in Sweden, with over 1 million electricity, gas, and heat customers. E.ON Sverige is a wholly owned subsidiary of E.ON AG (NYSE:EON), the world's largest investor-owned power and gas company. E.ON AG serves approximately 35 million customers and has operations in Germany, Bulgaria, the Czech Republic, Hungary, the Netherlands, Rumania, Slovakia, Sweden, Switzerland, the United Kingdom, and the United States. E.ON's corporate vision is to become the world's leading electricity and gas company. More information about E.ON Sverige can be found online at [www.eon.se](http://www.eon.se).

**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<sup>®</sup> 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<sup>™</sup> platform. The Pyxos platform extends the benefits of networking inside machines to the sensors and actuators that make them function and expands the reach and power of LONWORKS control networks.

Echelon is 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 tenders to provide the NES System to up to 725,000 customers for utilities in Sweden and The Netherlands.

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>.

###

Echelon, LONWORKS, and the Echelon logo are registered trademarks of Echelon Corporation registered in the United States and other countries. Networked Energy Services Powered by Echelon, NES Powered by Echelon, and Pyxos are trademarks of Echelon Corporation in the US and other countries. Other product or service names mentioned herein are the trademarks of their respective owners.

This press release may contain statements relating to future plans, events or performance, including statements regarding the number of E.ON Sweden customers that will be served by the NES metering system, the timing of shipments of Echelon's NES products, the amount and timing of Echelon revenues from the project, the relative size of the project when compared with other installations, and the emergence of Echelon's NES business and VAR channel. Such statements may involve risks and uncertainties, including risks associated with the timing of finalizing the tender and signing the contract between Echelon and ES, the NES System and the NES System's ability to perform as designed including to provide control over energy usage, substantial cost savings and improved service; the risk that the E.ON Sweden project is subsequently challenged by third parties, cancelled or reduced in size; risks associated with potential production or shipment delays of NES components to ES by Echelon or its production partners; risks that the E.ON Sweden deployment and system integration activities with Echelon, ES and other partners in the project are not successful, do not meet their target dates, cause Echelon to be liable for penalties or cause E.ON Sweden to terminate or reduce the size of the project; risks that payments in respect of the E.ON Sweden project are not received when due; the risk that complicated revenue recognition requirements under United States generally accepted accounting principles will affect the timing of recognizing revenue from the project; 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.