

ECHELON UPDATE, Q3 2015

NOVEMBER 5, 2015

FORWARD LOOKING STATEMENT

This presentation was prepared as of November 5, 2015 and contains forward-looking statements. These forward-looking statements speak only as to management's current expectations. Forward-looking statements involve risks and uncertainties. For a complete description of risks, please refer to our current SEC reports on file at www.echelon.com.

This presentation includes non-GAAP measures of financial performance, which are not meant to be considered in isolation or as a substitute for their GAAP counterparts. A reconciliation between these measures is included in our November 5, 2015 earnings release and can be found on our website. Echelon disclaims any obligation to update or revise forward-looking statements

THIRD QUARTER PROGRESS

- ◆ Intelligent lighting controls business grew significantly year over year
- ◆ Total revenues increased year over year for the second quarter in a row
- ◆ Continued reduction of operating expenses
- ◆ First full quarter benefit of lower HQ rent
- ◆ GAAP & Non-GAAP loss of 2 cents
- ◆ Lower sequential cash burn of ~\$500K*

*Excluding one-time deposit of \$800,000 for new facility.

ECHELON 3-PRONGED IIOT GROWTH STRATEGY



1 Evolve platform to converge existing OT technologies with modern IT ones for OEM customers



2 Forward integrate into lighting control markets



3 Maintain financial discipline and target investments with greatest potential

LIGHTING MARKET

- ◆ Transition to LED lighting accelerating
- ◆ Intelligent lighting controls in more job specs
 - Energy savings
 - Labor and maintenance cost savings
 - Customer satisfaction and product efficacy
- ◆ LED deployments can become “information backbone” for buildings, cities, outdoor enterprises and campuses



OUTDOOR LIGHTING MARKET

- ◆ Earliest adoption of advanced controls in outdoor lighting
 - Strongest near-term ROI
- ◆ Surveys show that almost 25% of the operators of 26.5 million U.S. streetlights plan to install advanced controls in next 5 years
- ◆ U.S. represents 40% of the demand for outdoor lighting worldwide
- ◆ City streetlights represent small portion of total outdoor lighting market



THIRD QUARTER SUCCESSES

- ◆ Automotive Market
 - Awarded projects with 3 out of the top 10 national dealerships, as well as 8 independent dealers
 - Engaged with two large automotive manufacturers
 - \$350M market opportunity in U.S.
 - Only 3% of North American auto dealerships currently utilize lighting controls
 - Reduces energy costs, enhances product appearance and deters theft for dealers
- ◆ Awarded a project with a national banking chain for a parking lot
 - May serve as a model for expansion



THIRD QUARTER SUCCESSES

- ◆ Municipalities, or “smart streetlighting”
 - 2nd award with Polish-based partner, APANET Green System
 - Retrofit of 3,000 streetlights using *Lumewave by Echelon* smart server solution to power APANET smart lighting controllers
 - 3 municipal projects totaling over 20K streetlights in cities in Korea, Indonesia, South Africa and Australia
 - 2 smart city lighting pilot projects and one ongoing installation in Hungarian cities with our partner, Flashnet
 - Beautification and recreation project in Hastings, Michigan

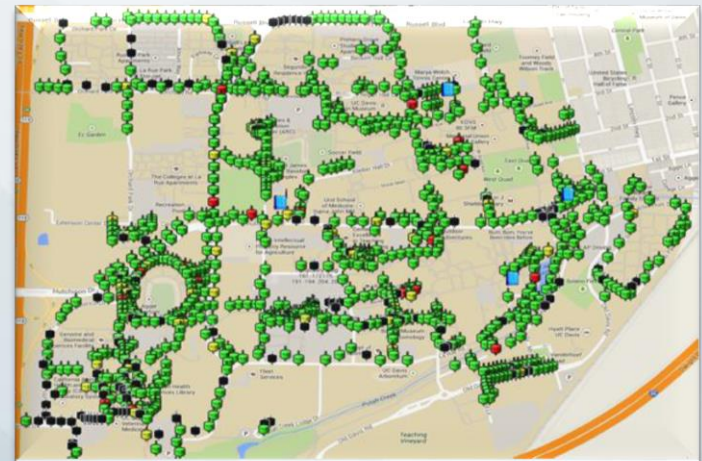


SALES AND MARKETING

- ◆ Growing worldwide partnerships and distribution channels
 - New solutions to existing global customers
 - Expanding footprint into new regions
 - In virtually every US state
- ◆ IES Street and Area Lighting Conference
 - Increasing interest in networking and controlling LED lighting for a variety of societal and business benefits
 - Collaboration between fixture manufacturers and independent controls providers for customer flexibility
- ◆ “Endpoint agnostic” allows customers to choose fixtures, sensors from any manufacturer

NEW LIGHTING PRODUCTS

- ◆ Investing in growing portfolio of lighting control solutions and systems across all 3 elements of lighting platform (Wired and wireless control nodes, Gateways, Central Management System)
 - ◆ Recently upgraded CMS
 - Streamlines control system installation and administration
 - Improves overall control and operation of lighting systems
 - Ex. parking structures require multiple lighting strategies
 - More than 105M commercial parking spaces in the US alone = large opportunity



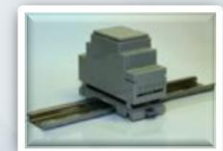
NEW LIGHTING PRODUCTS

- ◆ Intelligent outdoor lighting gateway and node products
 - Greater options for municipalities and outdoor enterprises
- ◆ Autonomously operating hybrid wireless + powerline gateway
 - Connect any fixture, in any location, wired or wirelessly on same network
 - Simplified design, procurement, installation, commissioning and maintenance
 - Only solution of its kind on the market leveraging highly reliable powerline communication solutions
- ◆ Other new products
 - 480 volt version of wireless lighting controller
 - GPS option for wireless controller
 - Wireless controller for indoor applications



BUILDING AUTOMATION/EMBEDDED SYSTEMS

- ◆ New design with integrator, Xerox Transport Solutions
 - San Francisco Municipal Transportation Agency
 - IzoT routers used as networking backbone for light rail car signage
- ◆ New project with a large Japanese manufacturer
 - Residential apartment sub-metering platform in Japan
 - Using powerline transceivers and smart servers
- ◆ Began shipping new IzoT U60 modules to Tridium for JACE product line
 - Integration with LON networks and other legacy IoT technologies
 - Allow Tridium customers to preserve investments in LON and other systems while migrating to IIoT applications



ECHELON FINANCIALS

Q3 FINANCIAL HIGHLIGHTS

- ◆ Revenues of \$10.0M, up 8.8% year over year
 - Lighting and Enel revenues each grew significantly YoY
- ◆ Non-GAAP gross margin of 55.9%; up 60 bps YoY, down 300 bps QoQ
- ◆ Non-GAAP OPEX down 3.5% QoQ and 12% YoY
- ◆ Non-GAAP net loss of \$0.02 improved 60% YoY and QoQ
- ◆ Cash balance of \$26.6M
 - One-time outlay of \$800K for deposit on new headquarters

Q3 FY15 GAAP

INCOME STATEMENT HIGHLIGHTS

\$M (except per share amounts and percentages)	Q3 FY15	Q2 FY15	Q3 FY14
Revenues	\$10.0	\$9.4	\$9.2
Gross Margin	56.2%	59.2%	54.5%
Operating Expenses	\$6.8	\$10.1	\$12.6
Operating Loss	(\$1.2)	(\$4.5)	(\$7.6)
Discontinued Operations	—	—	(\$2.0)
Net Loss	(\$1.0)	(\$5.2)	(\$9.2)
Loss per share	(\$0.02)	(\$0.12)	(\$0.21)

Q3 FY15 NON-GAAP*

INCOME STATEMENT HIGHLIGHTS

\$M (except per share amounts and percentages)	Q3 FY15	Q2 FY15	Q3 FY14
Revenues	\$10.0	\$9.4	\$9.2
Gross Margin	55.9%	58.9%	55.3%
Product Development	\$2.4	\$2.3	\$2.2
Sales & Marketing	\$1.9	\$2.2	\$2.1
G&A	\$2.4	\$2.4	\$3.3
Net Loss	(\$0.9)	(\$2.0)	(\$2.1)
Loss per share diluted	(\$0.02)	(\$0.05)	(\$0.05)

* Non-GAAP amounts exclude discontinued operations, equity compensation expense, lease termination charges, restructuring charges, litigation charges, goodwill impairment charges, and asset write-downs

Q3 FY15

MARKET AND GEOGRAPHIC REVENUES

\$M	Q3 FY15	Q2 FY15	Q3 FY14
IIoT (excluding Enel)	\$8.3	\$8.4	\$8.5
Enel	\$1.7	\$1.0	\$0.7
Americas	\$3.0	\$3.1	\$3.0
EMEA	\$5.0	\$4.5	\$3.5
APJ	\$2.0	\$1.8	\$2.7

Q3 KEY FINANCIAL MEASURES

\$M (except share amounts)	Q3 FY15	Q2 FY15	Q3 FY14
Cash, Cash Equiv. and Investments	\$26.6	\$27.9	\$50.7
Net Cash	\$26.5	\$27.5	\$34.2
Operating Cash Flow (YTD)	(\$4.2)	(\$4.2)	(\$7.4)
Accounts Receivable	\$4.0	\$3.8	\$3.5
Inventory	\$2.7	\$2.9	\$3.8
Current Liabilities	\$9.9	\$8.8	\$18.7
Equity	\$34.7	\$35.8	\$46.0
Deferred Revenue	\$4.1	\$2.8	\$3.2
Diluted Shares Outstanding – GAAP & non-GAAP	44,128	44,062	43,507

Q4 2015 BUSINESS OUTLOOK

\$M (except per share amounts and percentages)	Q4 FY15
Revenues	\$9.8-\$10.2
Non-GAAP Gross Margin	55%-57%
Operating Expenses	\$6.8-\$7.1
Non-GAAP loss per share	(\$0.02)-(\$0.04)
GAAP loss per share	(\$0.03)-(\$0.05)