

ECHELON Q4 2015 EARNINGS

FEBRUARY 11, 2016

FORWARD LOOKING STATEMENT

This presentation was prepared as of February 11, 2016 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

2015 HIGHLIGHTS

- ◆ Largely completed multi-year strategic restructuring
- ◆ Intelligent lighting controls grew >50% YoY
 - Introduced new products and upgraded solutions
 - Began to develop lighting sales model
- ◆ Wins in embedded platform business
- ◆ Continued reduction of operating expenses with lower G&A and exit of HQ lease
- ◆ Reduced breakeven to ~\$40M, depending on mix

FOURTH QUARTER RESULTS

- ◆ Revenues of \$9.6M; supply constraints and weather-delay
- ◆ Non-GAAP gross margins of 57.6% above expectations
- ◆ Reduced OPEX by 9% q/q, especially in G&A
- ◆ Lowest non-GAAP net loss in years
- ◆ Non-GAAP net loss \$0.07 post-split and <\$0.01 pre-split

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



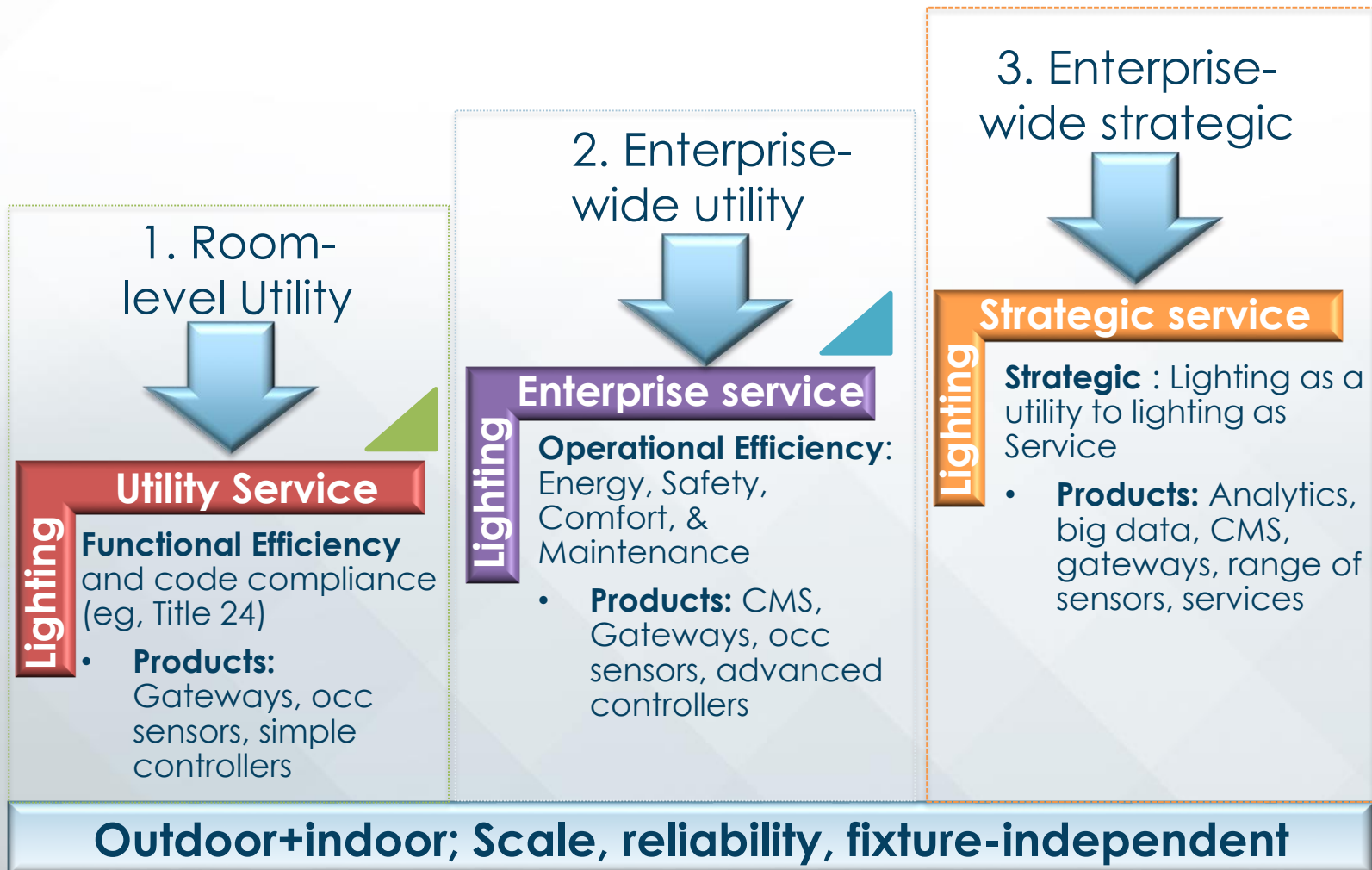
3 Maintain financial discipline and target investments with greatest potential

LIGHTING STRATEGY

- ◆ Transition to LED lighting progressing
- ◆ Lighting moving from utility to ubiquitous strategic platform
- ◆ Echelon one of few pure play intelligent lighting control companies
- ◆ Intelligent lighting valuable to retail, education, municipalities through data-driven decisions
- ◆ Echelon strategy to realize value with flexibility to connect and control any light source, fixture and sensor

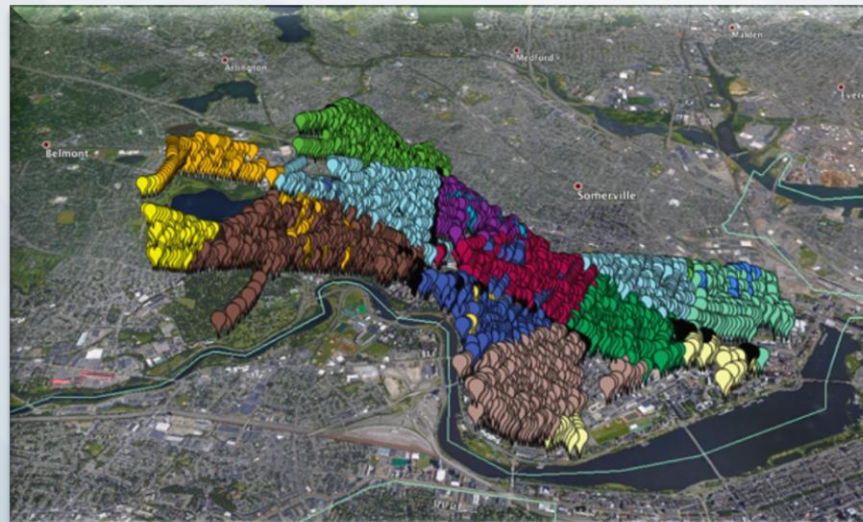


ONE PLATFORM WITH 3 PHASES FROM UTILITY TO STRATEGIC



NEW LIGHTING PRODUCTS

- ◆ Introduced LumInsight Central Management Software (CMS)
 - Start up, commission, monitor and manage through wired and wireless connections across enterprise indoors and outdoors
 - Health of system monitored and maintenance scheduled efficiently



STRATEGIC DEPLOYMENTS

- ◆ Cambridge
 - Value evident in 7,500 nodes installed
 - Demonstrates municipality migration from utility to enterprise solution
 - Ex. Lights turn on automatically to varying brightness levels at sunset, dim during other times and turn off at sunrise
 - Future option to add sophisticated sensors to capture additional data and improve operation
- ◆ Minnesota city
 - Helping transition outdoor lights from utility to enterprise solution
 - Pilot purchase to connect 450 street and pathway lights over PLC
 - Other 4K lights plan to use wireless – would be one of first cities to utilize hybrid solution on same network
 - Future option to add sensors to monitor traffic levels and pollution to move to strategic enterprise wide system

BUILDING AUTOMATION

- ◆ Design wins from refreshed embedded product line
- ◆ Recent announcement highlighting 4 FT6050 customers
 - Versatile solution supporting BACnet, LON and IP in same system
 - Helps OEMs offer end users flexibility to migrate to IIoT without replacing installed systems or using complex gateways
- ◆ After Q1, do not expect further ENEL purchases in 2016
- ◆ S&T revenue continues from roll-out of Tauron, Poland project

Q4 FINANCIAL HIGHLIGHTS

- ◆ Revenues of \$9.6M, flat YoY
 - Enel revenue grew significantly YoY
 - Slightly below expectations due to supply constraints and weather related project delay
 - Do not expect additional FY '16 Enel revenue after Q1 2016
- ◆ Non-GAAP gross margin of 57.6%; up 170 bps YoY & QoQ
- ◆ Non-GAAP OPEX down 9% QoQ
- ◆ Non-GAAP net loss of \$0.07 post-split and \$0.01 pre-split; significant YoY and QoQ improvement
- ◆ Cash balance of \$26.1M

GAAP Q4 ONE-TIME IMPACTS

- ◆ \$5.7M non-cash goodwill impairment charge
 - Complete write-off of goodwill balance
- ◆ \$577K reduction in G&A
 - Partial reversal of accrual related to Lumewave acquisition
 - Given short remaining timeframe, believe financial targets will not be met at a level requiring full payout
 - Results in unusually low Q4 GAAP G&A expense
 - Expect to return to normal levels in Q1 '16

Q4 FY15 GAAP

INCOME STATEMENT HIGHLIGHTS

\$M (except per share amounts and percentages)	Q4 FY15	Q3 FY15	Q4 FY14
Revenues	\$9.6	\$10.0	\$9.6
Gross Margin	57.3%	56.2%	55.3%
Operating Expenses	\$11.3	\$6.8	\$7.8
Operating Loss	(\$5.8)	(\$1.2)	(\$2.5)
Net Loss	(\$5.6)	(\$1.0)	(\$2.6)
Loss per share – Post-split	(\$1.27)	(\$0.24)	(\$0.58)
Loss per share – Pre-split	(\$0.13)	(\$0.02)	(\$0.06)

Q4 FY15 NON-GAAP*

INCOME STATEMENT HIGHLIGHTS

\$M (except per share amounts and percentages)	Q4 FY15	Q3 FY15	Q4 FY14
Revenues	\$9.6	\$10.0	\$9.6
Gross Margin	57.6%	55.9%	55.9%
Product Development	\$2.3	\$2.4	\$2.3
Sales & Marketing	\$1.6	\$1.9	\$2.5
G&A	\$2.2	\$2.4	\$2.7
Net Loss	(\$0.3)	(\$0.9)	(\$2.2)
Loss per share – Post-split	(\$0.07)	(\$0.20)	(\$0.50)
Loss per share – Pre-split	(\$0.01)	(\$0.02)	(\$0.05)

* Non-GAAP amounts exclude discontinued operations, equity compensation expense, lease termination charges, restructuring charges, litigation charges, goodwill impairment charges, adjustments to anticipated Lumewave shareholder payments, and asset write-downs

Q4 KEY FINANCIAL MEASURES

\$M (except share amounts)	Q4 FY15	Q3 FY15	Q4 FY14
Cash, Cash Equiv. and Investments	\$26.1	\$26.6	\$43.6
Net Cash	\$26.1	\$26.5	\$27.4
Operating Cash Flow (YTD)	(\$4.0)	(\$4.2)	(\$11.0)
Accounts Receivable	\$4.0	\$4.0	\$3.9
Inventory	\$2.9	\$2.7	\$3.2
Current Liabilities	\$8.6	\$9.9	\$13.1
Equity	\$28.9	\$34.7	\$43.2
Deferred Revenue	\$3.4	\$4.1	\$3.1
Diluted Shares Outstanding – GAAP & non-GAAP (Post-split)	4,416	4,413	4,390

Q1 2016 BUSINESS OUTLOOK

\$M (except per share amounts and percentages)	Q1 FY16
Revenues	\$9.0-\$9.4
Non-GAAP Gross Margin	55%-57%
Non-GAAP Operating Expenses	\$6.2-\$6.5
Non-GAAP loss per share *	(\$0.20)-(\$0.35)
GAAP loss per share *	(\$0.25)-(\$0.40)

* Per share amounts reflect 1 for 10 reverse stock split completed in the fourth quarter of 2015