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ARKADOS AND DEVOLO AG TO PREMIERE NEW dLAN[®] AUDIO EXTENDER, A JOINT HOMEPLUG DEVELOPMENT, AT CES IN LAS VEGAS

AACHEN, GERMANY, December 19, 2006 – The German network specialists devolo AG and the American corporation Arkados (OTCBB: AKDS), known as “the HomePlug[®] Applications Company,” will introduce a jointly developed HomePlug audio product at the 2007 International Consumer Electronics Show (CES) which will be held in Las Vegas, January 8 - 11.

Based on the reference design from Arkados and technical expertise from devolo, the “dLAN[®] Audio extender” will distribute audio data via the household power supply. The size of a power plug, this device enables users to stream MP3 collections from PCs to their hi-fi systems or active loudspeakers.

Music in every room

The dLAN[®] Audio extender is a hardware/software solution that will be shown in the Arkados suite during CES. Including technology based on the HomePlug 1.0 standard, the dLAN[®] Audio extender transfers MP3 files from a PC or notebook over the household power circuit to a living-room hi-fi system or to any other active loudspeakers located anywhere in the home. As a special feature, the installation of the dLAN[®] Audio extender is fully automatic and requires no configuration.

“Thanks to music services and portable MP3 players, digital music is everywhere, and Arkados and devolo are expanding the capabilities that come with it,” said Oleg Logvinov, CEO and president of Arkados. “The HomePlug standard is ideal for cost-sensitive home audio applications, and by using existing power lines to transfer digital audio data, an end-user can easily create whole-house synchronized music without running new wires.”

The device is equipped with 2 RCA connectors and a 3.5-mm mini-jack socket. The dLAN[®] Audio extender will be compatible with Windows 2000, Windows XP32, Vista 32 and Vista 64.

“The distribution of audio is a compelling application of HomePlug technology,” said Heiko Harbers, CEO of devolo AG. “We have been excited to work together with a HomePlug applications leader like Arkados to bring this product to market. We believe this is a product that will find a large and devoted audience.”

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CES 2007 will be held from January 8-11 in Las Vegas. More information about the show can be found at <http://www.cesweb.org>.

Retailing

The product will be sold separately or in combination with a devolo dLAN[®] duo as a Starter Kit. devolo will be supplying the dLAN[®] Audio extender to European markets as of April 2007. Pricing is not yet fixed.

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About devolo AG

After its foundation in 2002, the Aachen, Germany-based devolo AG very quickly became the worldwide market leader for HomePlug-based home-networking solutions. HomePlug technology uses in-house electrical wiring for data transfer, the highest levels of security and a minimum of technical effort. As a specialist for home-networking solutions based on products developed in-house and of the highest quality, devolo was the first company to achieve success in the marketing of dLAN[®] products. The product range now includes HomePlug adapters of the “dLAN[®]” series, analogue modems and ISDN adapters, as well as powerful ADSL2+ modems and routers. Along with its headquarters in Aachen, Germany, devolo AG maintains sales offices throughout Western Europe.

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About Arkados, Inc.

Arkados, “the HomePlug Applications Company,” delivers a universal platform that enables the effortless networking of home entertainment and computer devices using standard electricity lines. The company’s system-on-chip solutions are uniquely designed to drive a wide variety of powerline-enabled consumer electronics and home computing products, such as stereos, radios, speakers, MP3 players, computers, televisions, gaming consoles, security cameras, and cable and DSL modems. Arkados customers can bring numerous sophisticated, full-featured products to market faster at a lower overall development cost using a single platform: the company’s versatile and programmable ArkTIC™ platform. Arkados solutions leverage the benefits of HomePlug Powerline Alliance specifications, and can also be used for in-building and to-the-home (BPL) applications. Arkados™, ArkTIC™ and Direct to Speaker™ are trademarks of Arkados Inc., a wholly owned subsidiary of the Arkados Group, Inc. HomePlug is a registered trademark of the HomePlug Powerline Alliance, of which Arkados is a member. More information can be found at www.arkados.com.

This release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 that are based upon assumptions that in the future may prove not to have been accurate and are subject to significant risks and uncertainties, including statements as to the future performance of the company and the risks and uncertainties detailed from time to time in reports filed by the company with the Securities and Exchange Commission. Although the company believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurance that such expectations or any of its forward-looking statements will prove to be correct. Factors that could cause results to differ include, but are not limited to, successful performance of internal plans, product development acceptance, and the impact of competitive services and pricing and general economic risks and uncertainties.

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