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Telkonet Reports Third-Quarter 2007 Results

Company Reports 25% Sequential Increase in Revenues for Q3:07

GERMANTOWN, Md.--

Telkonet, Inc. (AMEX: TKO), the leading technology solutions provider for broadband networking, end-to-end service support and energy management, announced results for its third quarter of 2007 after the market close on Friday, November 9th. Revenues for the quarter were $4.6 million up 25% sequentially from the $3.7 million reported in the previous quarter and up over 300% compared to the third quarter of 2006. Gross margins during the third quarter rose significantly to approximately 27% compared to approximately 18% during the second quarter. Net loss for the quarter was ($0.07) per share compared to a loss of ($0.20) for the third quarter of 2006.

Ron Pickett, chief executive officer of Telkonet, commented, "During the third quarter we continued to experience strong revenue growth from our energy management, hospitality and government systems-related businesses, despite not being able to recognize additional revenues for a number of installations that took place during the quarter. Telkonet is currently positioned in some of the most exciting growth segments in today's economy - energy management, high-speed Internet access, the upgrading of government computer networks, and on-site computer and networking maintenance and installation. We believe the Company's position in these markets will allow for revenue growth and a continuing trend toward positive cash flow."

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    Highlights of the third quarter include:

    -- Energy Management - Revenues generated from energy management
       related products continued to grow at a robust rate during the
       quarter and now account for approximately 22% of total sales.
       Telkonet attributes much of this growth to the strategic
       relationships the company has developed with major energy
       providers that are seeking to reduce the demand for energy
       among their customer bases. The company believes both
       recurring and nonrecurring revenue streams relating to energy
       management will continue to grow at a strong rate over the
       coming quarters as the scope of green initiatives continue to
       expand.

    -- Hospitality Sector - The hospitality-related business at
       Telkonet now accounts for approximately 44% of revenues and is
       continuing to realize expanding gross margins. Telkonet's
       hospitality-related business now serves more than 2,200
       properties worldwide and has become the second largest
       provider of high-speed Internet access to this industry.
       Telkonet believes this business sector will continue to expand
       at a rapid rate as high-speed Internet access becomes a basic
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requirement for both business and leisure travelers.

-- GEEK-LINK Product - During the third-quarter, Telkonet
   completed the acquisition of 30% of Geeks on Call, which is
   also known as 1-800-905-GEEK. In conjunction with this
   company, Telkonet has branded a "Plug and Play" solution that
   will allow for easy installation of broadband over power
   systems in homes and small businesses. During the quarter,
   training of the approximately 300 franchisees of
   1-800-905-GEEK began and has recently been completed. Telkonet
   started initial shipments of product to this partner during
   the early part of November.

-- Government Sector - Telkonet experienced robust installations
   at government sites, with more than 200 sites being installed
   during the third quarter. Additionally, there were
   approximately 145 additional sites that received Telkonet
   equipment and numerous other sites that were installed with
   Telkonet equipment during the quarter that did not meet
   revenue recognition criteria and will likely be recognized as
   revenue in the fourth quarter. Additionally, the company's
   government systems division has now also installed Telkonet
   products at eight U.S. airports under an initiative with a
   federal government agency and is currently in the final
   approval process to further expand the program. Telkonet
   expects a continued rollout of its government systems-related
   programs over the coming quarters.

-- 200 Mbps Product - The majority of product development
   relating of the company's next-generation 200-Mbps product was
   completed during the third quarter. As a result, Telkonet is
   expecting to begin introduction of this state-of-the-art
   broadband over power product beginning in November of 2007.

-- Telkonet Smart Energy (TSE) Beta - One of Telkonet's newest
   and most revolutionary product upgrades, the networked energy
   management product line of Telkonet Smart Energy, entered its
   beta test phase with the installation in an existing customer
   location during early November after the majority of product
   development was completed during the third quarter. TSE
   provides enormous benefits to customers through both increased
   ROI on product installation as well as increased manageability
   and reporting of system performance.

-- Completion of Company Reorganization - During the third
   quarter, Telkonet completed the process moving installation
   and support functions in house and consolidated the locations
   performing these functions. This effort has allowed Telkonet
   to significantly reduce costs. The company has also completed
   the process of facilitating further improvements to its
   manufacturing process. These re-organizational measures have
   allowed the company to project savings of approximately $2.1
   million in labor costs for 2008.

About Telkonet

Telkonet specializes in advanced integrated solutions for broadband data networking and energy management, including its highly successful in-building powerline communications (PLC) technology. Headquartered in Germantown, Maryland, USA, Telkonet has over 140 employees and serves thousands of customers worldwide.

The company's unique broadband networking solutions currently support more than a million network users per month, with its energy management systems optimizing energy consumption in over 60,000 rooms. Telkonet's technology innovation is underpinned by the highest level of end-to-end quality of service, with comprehensive technical customer support. Its systems deliver wide-ranging functionality, from wired and wireless high-speed Internet access to energy management, IP surveillance and local area networking. Telkonet's platforms are widely deployed on the global stage - in single buildings and ships, in multi-building complexes, hospitality venues and multi-dwelling units, and at government, education and defense locations.

Telkonet's innovations include the revolutionary Telkonet iWire System(TM), which converts a site's existing internal electrical infrastructure into an IP network backbone - quickly, cost-effectively and without disruption. The portfolio also includes the integrated EthoStream product suite, providing a comprehensive and advanced technology management platform for the hospitality industry, differentiated by outstanding remote management tools and a dedicated customer support facility. Telkonet SmartEnergy completes the line-up, delivering typical bottom line savings of 30% by controlling in-room energy consumption according to occupancy. For more information, please visit www.telkonet.com.

Statements included in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks and uncertainties such as competitive factors, technological development, market demand and the Company's ability to obtain new contracts and accurately estimate net revenues due to variability in size, scope and duration of projects, and internal issues in the sponsoring client. Further information on potential factors that could affect the Company's financial results, can be found in the Company's Registration Statement and in its Reports on Forms 8-K filed with the Securities and Exchange Commission (SEC).

Source: Telkonet, Inc.