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## Telkonet Reports Strong Revenue Growth for Q2 - Expecting Profitability by Year End

GERMANTOWN, Md.--

Telkonet, Inc. (AMEX:TKO), the leader in providing in-building broadband access over existing electrical wiring and innovative energy management systems, today announced significant revenue increases for the second quarter ended June 30, 2007.

Revenues for the second quarter of 2007 were \$3.7 million, which is in the upper range of previously stated guidance, as compared to \$1.2 million during the second quarter of 2006 and \$1.25 million in the first quarter of 2007. During the second quarter of 2007, the company experienced significant revenue growth from several areas including energy management and federal government operations. Net income was a negative \$4.6 million for a loss of \$(0.07) per share. This compares to a net loss of \$7.6 million, or \$(0.16) per share for the second quarter of 2006 and a net loss of \$5.4 million, or \$(0.09) per share for the first quarter of 2007.

Ronald W. Pickett, president and chief executive officer of Telkonet, commented, "We are very pleased to report to our stakeholders that revenues at Telkonet have seen sharp increases over the past few months as several of our major initiatives have begun to produce meaningful revenue streams. We are particularly excited about growth in our energy management and federal government-related businesses with several major projects getting under way late in the second quarter. Additionally, we also experienced strong results from our recently acquired EthoStream business, which has developed into one of the largest high-speed wireless Internet access providers for the hospitality industry."

Mr. Pickett, continued, "While strong revenue growth was seen in the June quarter, we also made important strides in reducing overall costs. During the quarter, we finalized consolidation of the recently acquired Smart Systems, Inc. and EthoStream businesses-reducing staffs were redundancies occurred. We also implemented a program to perform nearly all of our installs in-house, virtually eliminating the need for outside contractors, resulting in higher margins and meaningful cost savings."

"During the second half of 2007 and into 2008 we are expecting further acceleration of our revenue growth. We expect our energy management business to flourish over the coming quarters as both electric utilities and building owners seek additional ways to conserve energy. After lengthy delays, several of our federal government-related programs are now well underway and are accelerating and our hospitality business is winning important contracts. We believe these events will allow the Company to further significantly reduce its cash burn during the September quarter and to achieve positive cash flow and profitability on a monthly run-rate basis by year end."

About Telkonet

Telkonet develops and markets technology for the high-speed transmission of secure voice, video and data communications over in-premise and shipboard electrical wiring. The revolutionary Telkonet iWire System(TM) utilizes proven powerline communications (PLC) technology to deliver commercial high-speed broadband access from an IP "platform" that is easy to deploy, reliable and cost-effective by leveraging a building's existing electrical infrastructure. Telkonet's products are designed for use in commercial and residential applications, including multi-dwelling units and the hospitality and government markets. Applications supported by the Telkonet "platform" include but are not limited to: VoIP telephones, Internet connectivity, local area networking, video teleconferencing, IP surveillance and a host of other IT services.

Telkonet SmartEnergy efficiently manages in-room energy usage with intelligent thermostats, packaged terminal air conditioner (PTAC) controllers and occupancy sensors. It significantly reduces energy consumption and improves energy efficiency by automatically adjusting the heating or air conditioning temperature when a room is vacant. The thermostat constantly calculates how far the temperature can vary to ensure it returns to the occupant's setting within minutes when they return to the room. The room temperature varies exactly far enough to achieve maximum savings, while ensuring the occupant's comfort. For more information, please visit [www.telkonet.com](http://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.