

Acorn Energy, Inc. Announces Third Quarter Results

MONTCHANIN, Del., Nov. 13, 2008/PRNewswire-FirstCall/ -- ACORN ENERGY, INC. (Nasdaq: ACFN - News) today announced its results for the quarter and nine months ended September 30, 2008.

The results for the quarter and nine months ended September 30, 2008 include the operations of CoaLogix/SCR-Tech which was acquired in November 2007 and Coreworx which was acquired on August 13, 2008 (from date of acquisition through September 30, 2008).

During the third quarter of 2008, the Company sold 503,798 shares of Comverge. These sales were in addition to the 757,367 sold by the Company in the second quarter of 2008. The Company received proceeds of approximately \$5.7 million from the sales during the quarter and proceeds of \$15.4 million for the nine months ended September 30, 2008. During the quarter, the Company recorded a pre-tax gain of \$3.1 million while for the nine months ended September 30, 2008, the Company recorded a pre-tax gain of \$8.9 million. Since December 2007 the Company has sold approximately 2.3 million Comverge shares at an average sale price of \$19.16 per share for proceeds of approximately \$43.7 million.

The Company ended the third quarter with approximately \$17.4 million of cash, including approximately \$3.0 million of restricted cash. As of November 1, 2008 the Company had approximately \$16.6 million of cash, including restricted cash of approximately \$2.8 million. In addition, the Company continues to hold 502,500 shares of Comverge. The Company also has \$3.4 million of debt incurred in connection with its recent acquisition of Coreworx.

Revenues in the first nine months of 2008 increased by \$9.2 million, or 278%, to \$12.5 million from \$3.3 million in the first nine months of 2007. The increase in revenues is attributable to the inclusion in 2008 of \$5.4 million of revenues of CoaLogix and \$0.8 million from our recently acquired Coreworx subsidiary. DSIT's revenues of \$6.3 million in the first nine months of 2008 represents a \$3.0 million, or 91%, increase over revenues during the first nine months of 2007.

Revenues in the third quarter of 2008 increased by \$3.0 million, or 190%, to \$4.6 million from \$1.6 million in the third quarter of 2007. The increase in third quarter 2008 revenues is also attributable to CoaLogix and Coreworx revenues of \$1.8 million and \$0.8 million, respectively, combined with an increase in DSIT revenues of \$0.4 million. The increase in DSIT revenues for both the three and nine months ended September 30, 2008 was almost entirely attributable to an increase in RT Solutions segment revenues which was primarily due to two naval projects being performed by DSIT which began in the third quarter of 2007.

Gross profit in the first nine months of 2008 increased by \$2.5 million, or 313%, to \$3.4 million from \$0.8 million in the first nine months of 2007. The increase in

gross profit is attributable to the inclusion of CoaLogix and Coreworx gross profit of \$0.9 and \$0.5 million, respectively, in the first nine months of 2008 combined with an increase of \$1.2 million or 143% in DSIT gross profit from \$0.8 million in 2007 to \$2.0 million in 2008.

In the third quarter, the Company recorded a loss provision on its loans to Paketeria of \$2.5 million due to Paketeria's increasing operating difficulties and doubts as to Paketeria's ability to repay its debt to the Company and its ability to continue as a going concern. In the first nine months of 2008, the Company also recorded an equity loss of \$1.6 million. As a result of these losses, the Company's investment in Paketeria has been reduced to zero and the Company will cease recording equity losses from Paketeria.

Operating loss increased by \$6.3 million from \$2.5 million in the first nine months of 2007 to \$8.8 million in the first nine months of 2008 due primarily to \$3.0 million of impairments with respect to the Company's loans to Paketeria and loans and investment to Local Power, a \$1.7 million loss from CoaLogix, a \$0.3 million of loss from Coreworx, and \$0.6 million of in-process research and development expensed in connection with the Company's acquisition of Coreworx.

CoaLogix's results for the period were impacted by seasonal factors since power plants do not schedule service of their catalyst systems during the spring and summer ozone months. As a result of this seasonality, sales are generally lower in the second and third quarters and higher in the first and fourth quarters.

John A. Moore, President and CEO of the Company commented: "In a difficult economic environment, we believe that Acorn and its operating companies are positioned to benefit from significant trends affecting the energy industry."

The Company's Form 10-Q filed on November 13, 2008 provides full disclosure and analysis of the results of operations for the period.

The Company's Coreworx subsidiary currently anticipates that sales for 2009 will be below the levels forecasted at the time of its acquisition. Coreworx is in the process of revising its operating plans for 2009 in order to reduce its costs and expenses. Coreworx believes that under the revised plan, it will be able to reduce its operating losses and minimize its need for additional liquidity from Acorn or other sources. However, it is expected that Coreworx will require additional working capital support in order to effectuate the revised plan and finance its operations in 2009. This support may be in the form of a bank line, new investment by others, additional investment by Acorn, or a combination of the above. Coreworx is exploring bank financing and possible new investment, but there is no assurance that such support will be available from such sources in sufficient amounts, in a timely manner and on acceptable terms. The availability

and amount of any additional investment from Acorn may be limited by the working capital needs of its corporate activities and other operating companies.

Based upon analysis of the revised operating plan for Coreworx for 2009 and future periods and other information relating to Coreworx's business and prospects, including the global economic slowdown and crisis in the credit markets and its possible effect on Coreworx's customers, the Company will evaluate the goodwill and intangibles recorded upon acquisition for possible impairment. Such impairment could have a material adverse effect on the Company's results of operations and financial condition.

About Acorn Energy, Inc.

Acorn Energy, Inc. is a publicly traded holding company focused on two goals: improving the efficiency of the energy grid and reducing the environmental impact of the energy sector. Acorn's operating companies leverage advanced technologies to transform the existing energy infrastructure. Acorn's strategy is to take primarily controlling positions in companies led by great entrepreneurs and add value by supporting those companies with marketing, strategy and business development. Acorn Energy is a global company with equity interests in CoaLogix, Comerge, Coreworx, DSIT and GridSense. For more information visit www.acornenergy.com.

Safe Harbor Statement

Certain statements in this press release are forward-looking statements. Our businesses and operations are subject to a variety of risks and uncertainties, many of which are beyond our control, and, consequently, actual results may differ materially from those projected by any forward-looking statements. Many of these risks and uncertainties are described in our Annual Report on Form 10-K for the year ended December 31, 2007 and in our more recent SEC filings. A discussion of risks and uncertainties which may affect the business of our recently acquired Coreworx subsidiary is included in Part II--Item 1A of our Quarterly Report on Form 10-Q filed today.

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ACORN ENERGY, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share and per share data)

ASSETS	As of December 31, 2007	As of September 30, 2008 <u>(unaudited)</u>
Current assets:		
Cash and cash equivalents	\$19,644	\$14,435
Restricted cash	--	2,397
Accounts receivable, net	1,775	3,788
Unbilled work-in-process	1,784	1,527
Inventory	119	802
Other current assets	1,391	2,370
Total current assets	<u>24,713</u>	<u>25,319</u>
Property and equipment, net	1,335	2,554
Available for sale - Investment in Converge	55,538	2,312
Investment in GridSense	--	861
Investment in Paketeria	1,439	--
Other investments	668	1,150
Funds in respect of employee termination benefits	1,607	1,808
Restricted cash	1,517	557
Other intangible assets, net	5,987	10,674
Goodwill	3,945	8,632
Other assets	218	309
Total assets	<u>\$96,967</u>	<u>\$54,176</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term bank credit	\$590	\$523
Current maturities of long-term debt	171	28
Convertible debt, net	4,237	--
Trade accounts payable	910	1,609
Accrued payroll, payroll taxes and social benefits	1,118	942
Notes payable to former debenture holders of Coreworx	--	3,400
Other current liabilities	3,844	4,007
Total current liabilities	<u>10,870</u>	<u>10,509</u>
Long-term liabilities:		
Long-term debt	12	--
Liability for employee termination benefits	2,397	2,866
Deferred taxes	16,038	29
Other liabilities	325	422
Total long-term liabilities	<u>18,772</u>	<u>3,317</u>
Minority interests	--	1,939
Shareholders' equity:		
Common stock - \$0.01 par value per share:		
Authorized - 20,000,000 shares; Issued - 11,134,795 shares and 12,454,528 at December 31, 2007 and September 30, 2008	111	124
Additional paid-in capital	49,306	54,318
Warrants	1,330	1,020
Accumulated deficit	(9,692)	(13,502)
Treasury stock, at cost - 777,371 shares for December 31, 2007 and September 30, 2008, respectively	(3,592)	(3,592)
Accumulated other comprehensive income	29,862	43
Total shareholders' equity	<u>67,325</u>	<u>38,411</u>
Total liabilities and shareholders' equity	<u>\$96,967</u>	<u>\$54,176</u>

ACORN ENERGY, INC. AND SUBSIDIARIES
Consolidated Statements of Operations (unaudited)
(in thousands, except per share data)

	Nine months ended September 30,		Three months ended September 30,	
	2007	2008	2007	2008
Sales				
Projects	\$2,699	\$5,959	\$1,413	\$1,918
Catalytic regeneration services	--	5,441	--	1,840
Software license and services	--	767	--	767
Other	616	363	182	103
	<u>3,315</u>	<u>12,530</u>	<u>1,595</u>	<u>4,628</u>
Cost of sales				
Projects	1,976	4,091	977	1,314
Catalytic regeneration services	--	4,573	--	2,075
Software license and services	--	257	--	257
Other	525	282	145	85
	<u>2,501</u>	<u>9,203</u>	<u>1,122</u>	<u>3,731</u>
Gross profit	814	3,327	473	897
Operating expenses:				
Research and development expenses	310	510	77	402
Acquired in-process research and development	--	551	--	551
Selling, general and administrative expenses	3,012	8,094	1,153	3,401
Impairment of loans to Paketeria loans and investment to Local Power	--	3,000	--	2,454
Total operating expenses	<u>3,322</u>	<u>12,155</u>	<u>1,230</u>	<u>6,808</u>
Operating loss	(2,508)	(8,828)	(757)	(5,911)
Gain on early redemption of convertible debentures	--	1,259	--	--
Finance expense, net	(729)	(2,950)	(358)	(50)
Gain on public offering of Comverge	16,169	--	--	--
Gain on sale of Comverge shares	--	8,861	--	3,079
Gain (loss) on outside investment in Company's equity investments, net	(37)	7	(37)	7
Income (loss) before taxes on income	<u>12,895</u>	<u>(1,651)</u>	<u>(1,152)</u>	<u>(2,875)</u>
Taxes on income	(9)	(689)	(4)	(691)
Income (loss) from operations of the Company and its consolidated subsidiaries	12,886	(2,340)	(1,156)	(3,566)
Minority interests	--	284	--	204
Share in losses of GridSense	--	(194)	--	(60)
Share in losses of Paketeria	(828)	(1,560)	(440)	(899)
Net income (loss)	<u>\$12,058</u>	<u>(\$3,810)</u>	<u>(\$1,596)</u>	<u>(\$4,321)</u>
Basic and diluted earnings per share:				
Net income (loss) per share – basic	<u>\$1.24</u>	<u>(\$0.34)</u>	<u>(\$0.16)</u>	<u>(\$0.37)</u>
Net income (loss) per share – diluted	<u>\$1.15</u>	<u>(\$0.34)</u>	<u>(\$0.16)</u>	<u>(\$0.37)</u>
Weighted average number of shares outstanding – basic	<u>9,723</u>	<u>11,285</u>	<u>10,063</u>	<u>11,538</u>
Weighted average number of shares outstanding – diluted	<u>11,823</u>	<u>11,285</u>	<u>10,063</u>	<u>11,538</u>