

Orion Energy Systems, Inc.

ENERGY.SMARTER.™



Stifel Nicolaus Cleantech Conference May 24, 2011

NYSE Amex: OESX
www.oesx.com



Forward Looking Statements

ENERGY.SMARTER.™



This presentation contains forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements.

Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in Orion Energy Systems' filings with the Securities and Exchange Commission. If any of these risks or uncertainties materializes, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statements that you see or hear during this presentation reflect our current views with respect to future events and are subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.

Orion Energy Systems, Inc.

ENERGY.SMARTER.™

Since IPO

- **A Comprehensive Portfolio of Patented Products**
 - 36 patents issued, 24 pending
- **Vertically Integrated Manufacturing Plant**
 - Will support >\$250 million
- **Validated Business Model**
- **Systemized, Scalable Sales Process**
 - \$300 million in pipeline
- **Refined OTA**
 - Eliminate financial/technological risk
- **“Feet on the Street”**
- **Intelite® SFV**

Large Market Opportunity: Integrated System

ENERGY.SMARTER.™



Rooftop Surface Area*	85 billion sq. ft.
Compact Modular/InteLite® Units	170 million
Apollo® Solar Light Pipe Units	34 million
Gross Turnkey Market Potential	\$100 billion
Annual Energy Savings	\$50 billion

Assumptions:

Average Fixtures (<i>aggregate</i>)	500 sq ft/fixture
Cost of Orion Int. System (<i>Compact Modular w/ wireless</i>)	\$450
Existing Fixtures	465 W
Orion Fixture (<i>w/ 60% step down</i>)	134 W
Hours of Operation	6,000 hrs
kWh Rate (avg.)	\$0.10

*Derived from United States Department of Energy

Our Products = Integrated Energy Management System

ENERGY.SMARTER.™



High Performance Interior & Exterior Lighting



Intelite® Wireless Controls



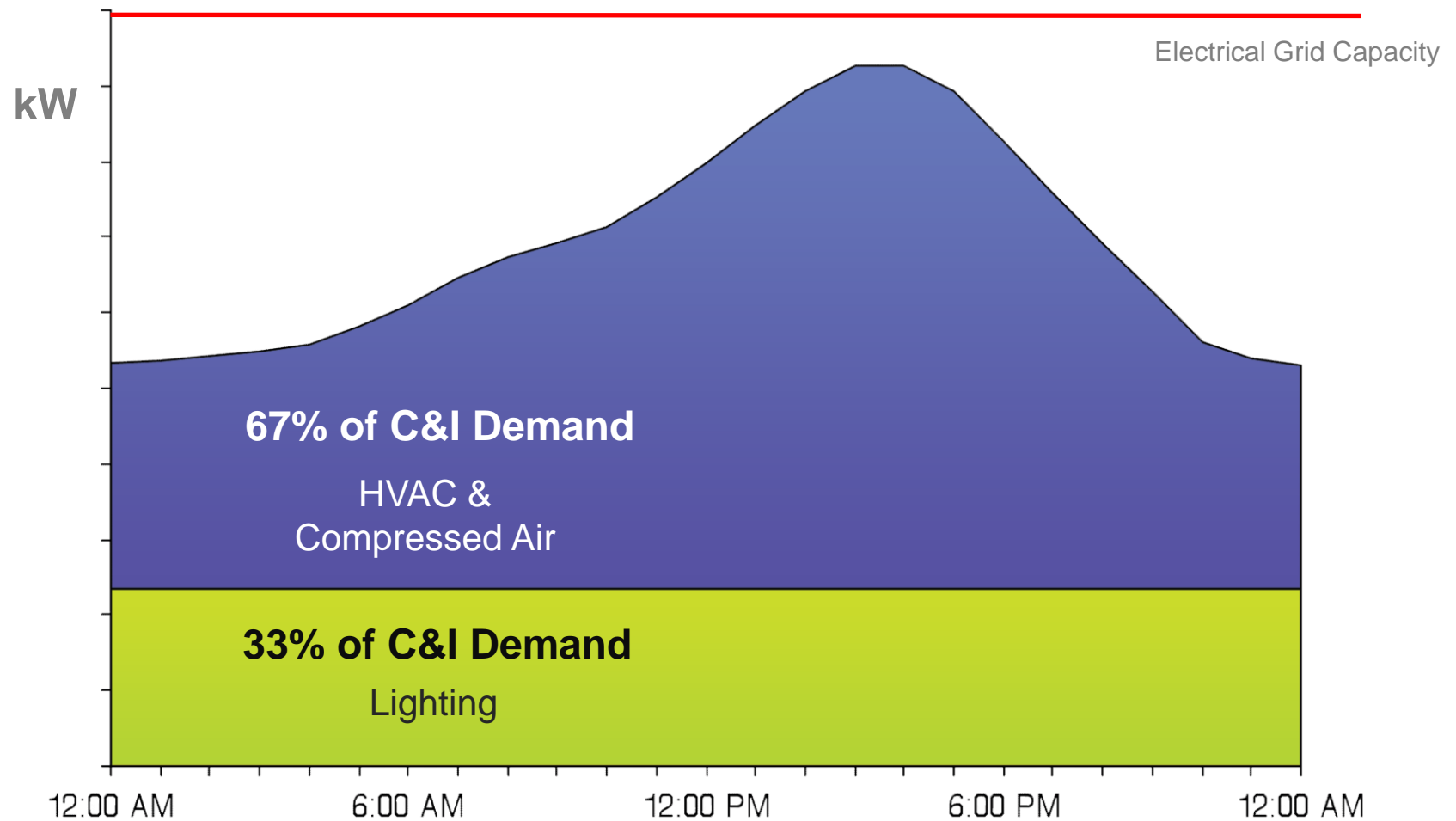
Apollo® Solar Light Pipe



Photovoltaic Solar - Solyndra

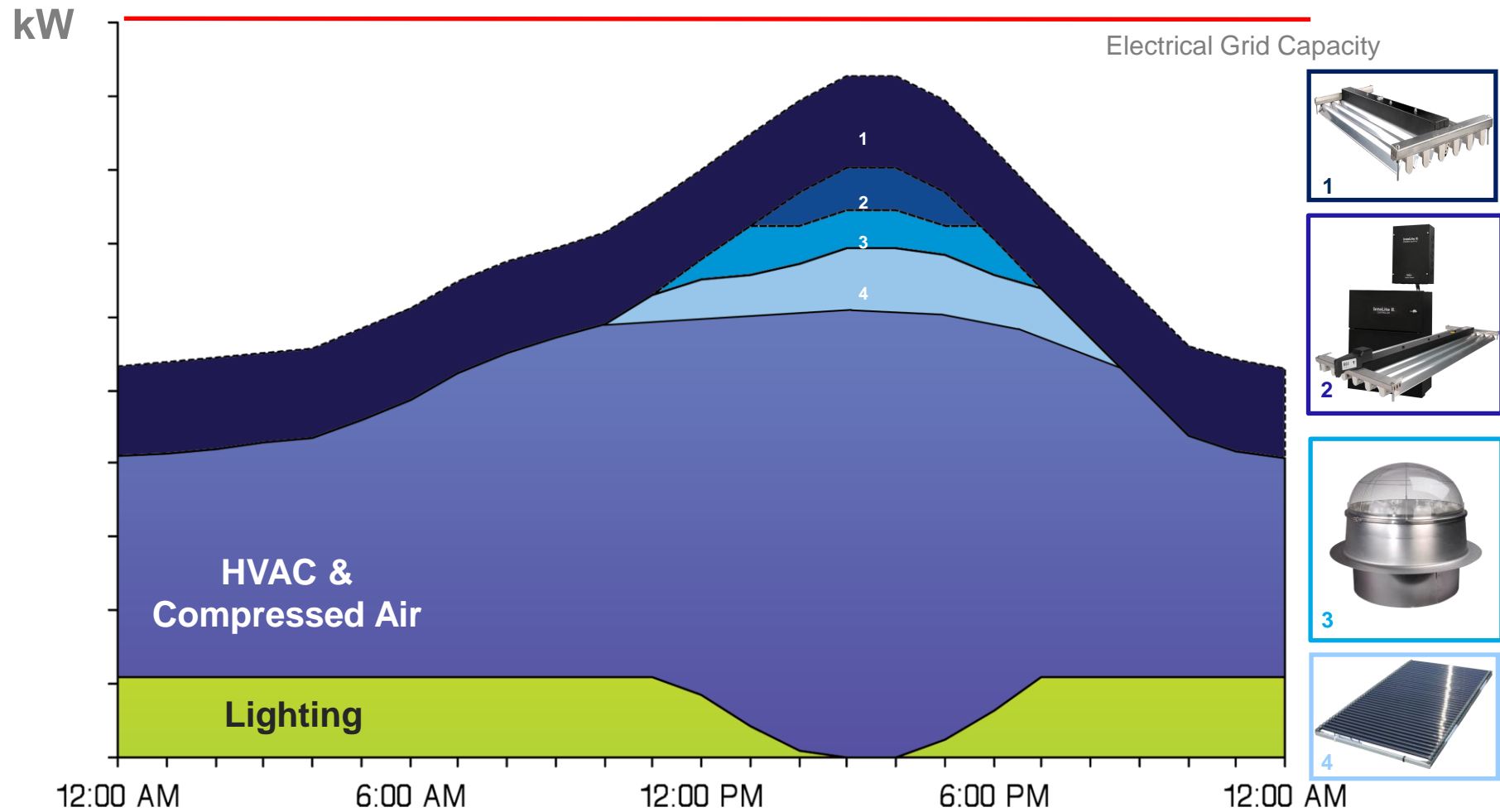
Electricity Usage in Commercial and Industrial Buildings

ENERGY.SMARTER.™



Daily Base and Peak Load Reduction: Integrated Energy Management System

ENERGY.SMARTER.™



Patented Designs Deliver More Light with Less Energy

ENERGY.SMARTER.™



Thermal

COMPACT MODULAR™

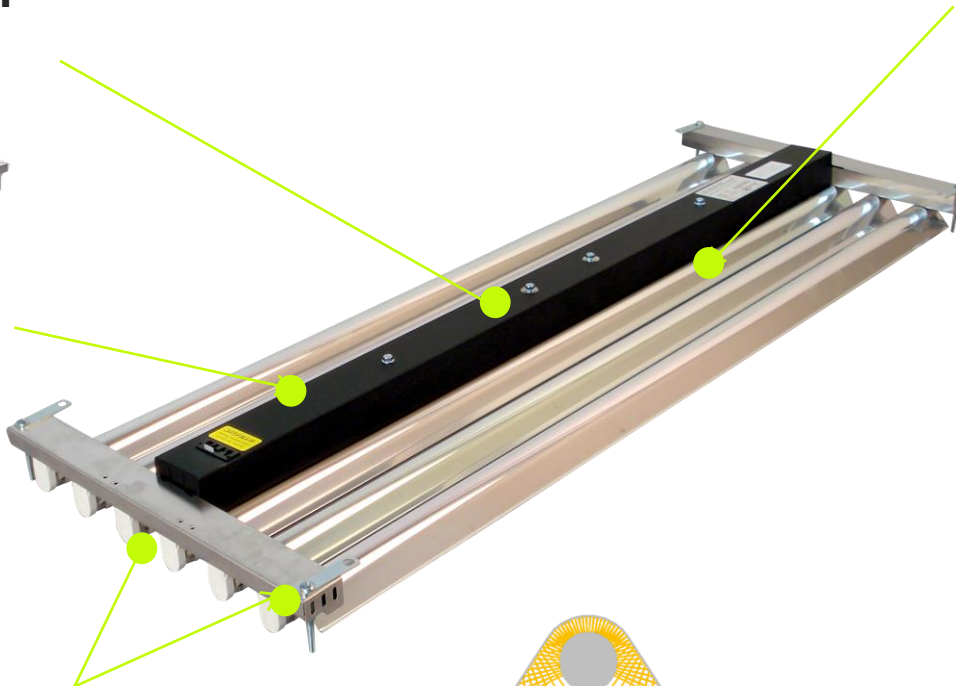
Optimizing Thermal and
Optical Performance

Optical

Conductive Heat Transfer

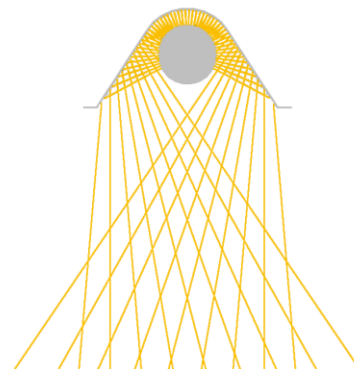


Radiant Heat Transfer

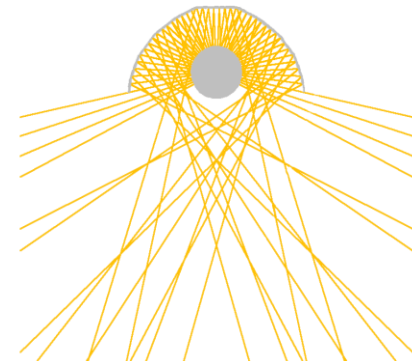


Convective Heat Transfer

Patented Reflector Geometry



Our Patented
Reflector Geometry



Competitors' Reflector
Geometry

Sustainable Product Differentiation

ENERGY.SMARTER.™



Patented Thermal and Optical Design Dynamic Control



Legacy High Intensity
Discharge (HID)

465 Watts
8,760 hours



30 Foot-candles

\$407

operating cost

Traditional High Intensity
Fluorescent (HIF)

224 Watts
8,760 hours



30 Foot-candles

\$196

operating cost

134 Watts
8,760 hours



30 Foot-candles

\$117

operating cost

134 Watts
4,380 hours

Intelite® Controls

30 Foot-candles

\$58

operating cost

Based on a \$0.10/ kWh electricity rate

Case Study - Compelling ROI / Recurring Revenue

ENERGY.SMARTER.™



Concept Proposals

GAP – Fishkill, NY

Initial Project – Compact Modular

Total System and Installation Costs	\$913,812.16
Estimated State or Local Rebate	<u>(\$282,878.34)</u>
Investment After Rebate	\$630,933.82
System 1 st Year Return	\$1,248,563.12
Average Project ROI	197.9%

Follow-On Project – Wireless Controls and 28w Re-Lamp

Total System and Installation Investment	\$423,244.15
Estimated State or Local Rebate	<u>(\$188,859.00)</u>
Investment After Rebate	\$234,385.15
System 1 st Year Return	\$240,845.64
Average Project ROI	102.8%

Delay	Cost of Delay	% of Total Investment Delayed
Delay for 1 Month	\$20,070	8.6%
Delay for 2 Months	\$40,140	17.1%
Delay for 3 Months	\$60,210	25.7%
Delay for 4 Months	\$80,280	34.3%
Delay for 5 Months	\$100,350	42.8%
Delay for 6 Months	\$120,420	51.4%

Case Study – Orion Throughput Agreement (OTA)

ENERGY.SMARTER.™

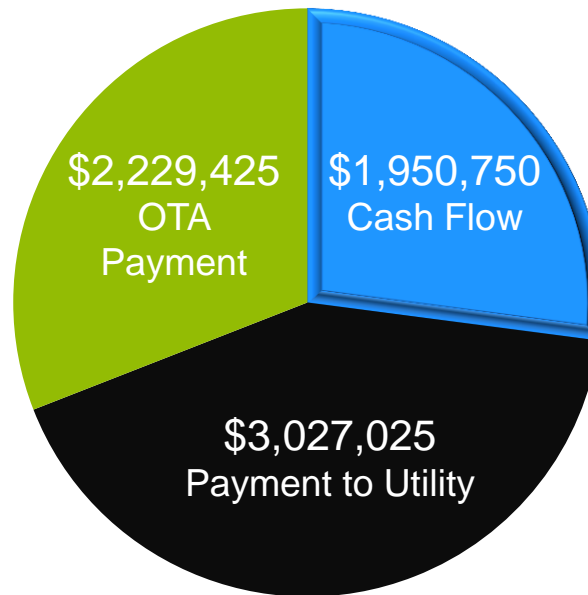
Concept Proposal

Quad/Graphics – five sites in WI – Lighting Retrofit and Wireless Controls

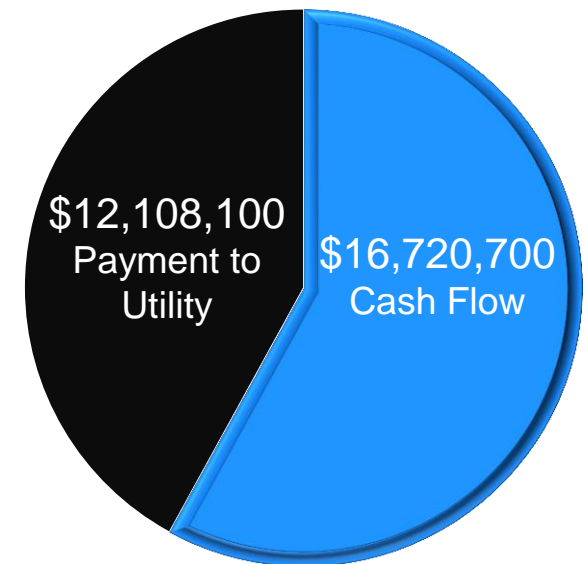
BEFORE



DURING 5-YEAR TERM



LIFECYCLE (20 year total)



- ✓ Replaced Orion HIF technology installed six years ago
- ✓ Added Intelite® Wireless Controls
- ✓ Net cash flow positive to Orion through project funding

**Customer Benefit – Immediate Positive Cash Flow
with No Upfront Capital Investment**

Significant Installed Base of Customers

ENERGY.SMARTER.™



95 Completed



OfficeMax®
WORK WITH US™

20 Completed



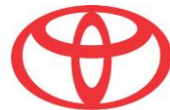
361 Completed



42 Completed



105 Completed



TOYOTA

9 Completed



PEPSICO

149 Completed

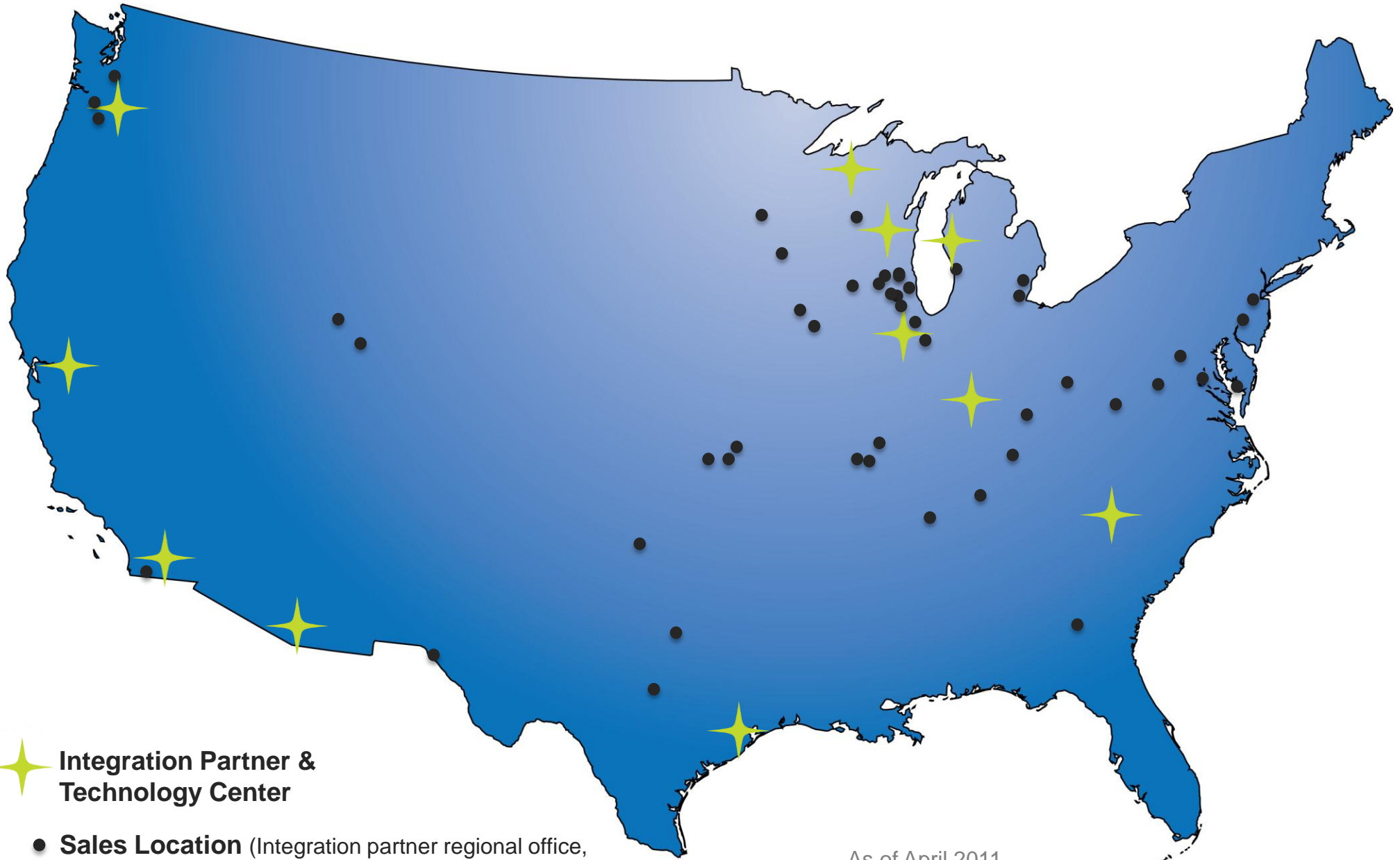


86 Completed

As of March 31, 2011

Increasing “Feet on the Street”

ENERGY.SMARTER.™



**Integration Partner &
Technology Center**



Sales Location (Integration partner regional office,
VAR partner location, Orion in-market sales office)

As of April 2011

Significant Investment in Sales “Pipeline”

ENERGY.SMARTER.™



Gross Pipeline ~ \$300 Million



Gestation Period ~ 3-6 months



Closing Ratio ~ 30-35%

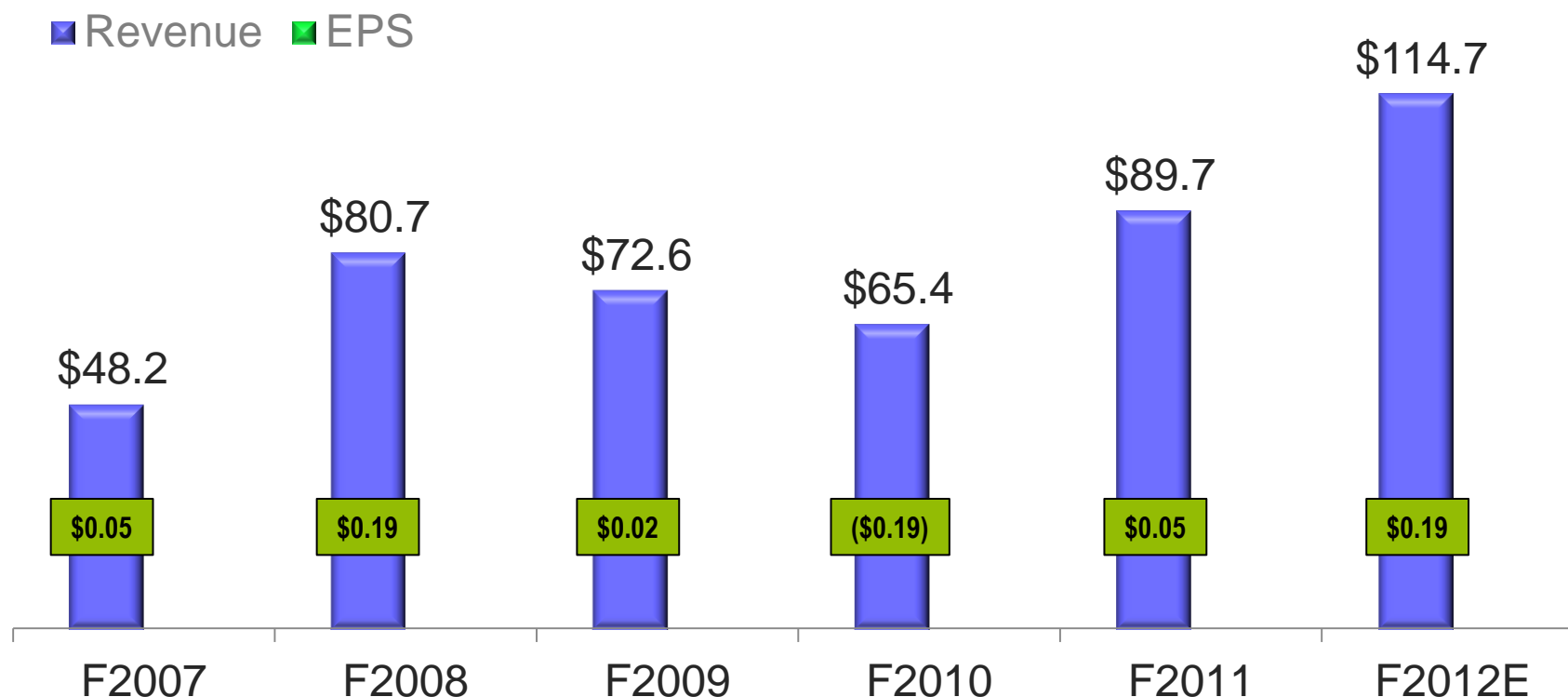
Sales & Marketing Costs = 15% of LTM Revenues

Performance History

ENERGY.SMARTER.™

Fiscal Year End March 31

(\$ in millions)



Note 1: F2012 figures represent the average of most-recent revenue and EPS estimates published by analysts covering Orion.

Note 2: F2011 and F2010 figures are preliminary. Orion is currently discussing with our independent auditors whether GAAP would require the company to account for our transactions under our historical Orion Throughput Agreements, or OTAs, as sales-type leases instead of our current accounting treatment of such transactions as operating leases. Any potential accounting change is expected to result in (1) no impact to cash and equivalents and overall cash flow, (2) an increase in GAAP revenue, net income and earnings per share for the full fiscal year 2011 and (3) an increase in GAAP revenue and a reduction in net loss and loss per share for the full fiscal year 2010. See Orion's quarterly earnings release dated May 18, 2011 for further discussion on this potential accounting change.

Fiscal 2011 Q4 Operating Results (3)

ENERGY.SMARTER.™

(\$ in Millions)	Three Months Mar 2010	Three Months Mar 2011	Change
Contracted Revenues (1)	\$16.4	\$29.0	77%
Revenue	\$18.9	\$31.6	68%
Gross Margin %	32.7%	29.6%	(310) bp
Operating Expenses	\$7.5	\$6.9	(8)%
Operating Income (Loss)	\$(1.3)	\$2.4	NM
Net Income (Loss) (2)	\$(0.8)	\$1.8	NM
Earnings per Share (2)	\$(0.04)	\$0.08	NM

(1) Contracted revenues, which is a Non-GAAP financial measure, are a combination of traditional cash orders plus the potential future revenues expected to be realized under OTA and PPA contracts. See Orion's most-recent quarterly earnings press release and/or Form 10-Q report for further discussion on how the company defines contracted revenues.

(2) Net income and Earnings per Share for Q4 F2011 includes the favorable impact of a one-time tax benefit of \$0.6 million, or \$0.03 per share.

(3) Financial results for Q4 F2010 and Q4 F2011 are preliminary, see Note 2 on slide 15 for further discussion.

Fiscal 2011 **Full-Year** Operating Results ⁽³⁾

ENERGY.SMARTER.™

(\$ in Millions)	F2010	F2011	Change
Contracted Revenues (1)	\$73.9	\$103.9	41%
Revenue	\$65.4	\$89.7	37%
Gross Margin %	32.9%	32.1%	(80) bp
Operating Expenses	\$27.3	\$27.5	1%
Operating Income (Loss)	\$(5.8)	\$1.3	NM
Net Income (Loss)	\$(4.2)	\$1.2	NM
Earnings (Loss) per Share	\$(0.19)	\$0.05	NM

(1) Contracted revenues, which is a Non-GAAP financial measure, are a combination of traditional cash orders plus the potential future revenues expected to be realized under OTA and PPA contracts. See Orion's most-recent quarterly earnings press release and/or Form 10-Q report for further discussion on how the company defines contracted revenues.

(2) Net income and Earnings per Share for F2011 includes the favorable impact of a one-time tax benefit of \$0.6 million, or \$0.03 per share.

(3) Financial results for F2010 and F2011 are preliminary, see Note 2 on slide 15 for further discussion.

OTA Finance Contracts – Recent Changes

ENERGY.SMARTER.™

January 2011 – changes to underlying OTA contracts that result in more favorable capital lease accounting treatment (i.e. immediate revenue rec.)

- \$14.6 million of OTA contracts in F2011 – \$12.0 million present value – only ~ \$2 million recognized as revenue
- **IF** recent OTA changes were fully in place at beginning of F2011, would have been able to recognize vast majority of \$12.0 million as revenue

February 2011 – arrangement with third-party finance company where OTA contracts are being sold on a non-recourse basis

Important Catalyst in Improving P&L and Cash Flow Performance

F2012 Outlook

ENERGY.SMARTER.™



Guidance provided by Orion

Range of Analyst Estimates

Consensus
Analyst
Estimates

GAAP Revenues

\$112 to \$118 million

\$112 to \$118 million

\$115 million

GAAP EPS

\$0.18 to \$0.22

\$0.18 to \$0.20

\$0.19

Cash, Debt and Liquidity Position

ENERGY.SMARTER.™



(\$ in Millions)

As of
March 31, 2010

As of
March 31, 2011

Cash	\$23.4	\$11.6
Short-term investments	\$1.0	\$1.0
Total debt	\$3.7	\$5.4
Revolving credit facility – availability	\$15.0	\$13.3

Compelling Growth Opportunities

ENERGY.SMARTER.™



Growing the number of “Feet on the Street”

- Significantly expand through optimal mix of direct sales vs. mfg. reps vs. partners

Expanding market share of significant HID retrofit market

- Up to \$100 billion market opportunity that is still growing

Adoption of renewable energy technologies

- Complimentary offerings - Photovoltaic Solar Panels, Apollo Solar Light Pipe

Increasing penetration (or attach rate) of wireless controls

- Compact Modular lighting fixtures installed in over 6,800 facilities
- Cross-selling opportunity with only ~ 600 facilities fitted with wireless controls

Customer acceptance of innovative OTA financing solution

- Compelling economic value proposition to customers, banks and Orion

**Current Infrastructure Capable of Handling a Revenue Base of
Over \$250 Million – with Minimal Capex Investment**

Thank You

ENERGY.SMARTER.™



Questions & Answers

NYSE Amex: OESX
www.oesx.com

