



June 29, 2011

## **Orion Energy Systems, Inc. Receives SEC Confirmation of Sales-Type Lease Accounting Treatment of Orion Throughput Agreements**

*Expects to File Restated Fiscal 2010 and 2011 Financial Statements by Mid-July*

MANITOWOC, Wis.--(BUSINESS WIRE)-- Orion Energy Systems, Inc. (NYSE Amex: OESX), a leading power technology enterprise, today announced that the Office of the Chief Accountant of the Securities and Exchange Commission did not object to the Company's conclusion, supported by its independent registered public accounting firm and a third-party independent accounting firm, that generally accepted accounting principles ("GAAP") require the Company to account for transactions under its historical Orion Throughput Agreements ("OTAs") as sales-type capital leases instead of the Company's current accounting treatment of such transactions as operating leases. As a result, as previously announced, the Company will restate its financial statements for its 2010 fiscal year (including each fiscal quarter therein) and for its first three quarters of its 2011 fiscal year, as well as its recently reported preliminary results for its fourth quarter of fiscal 2011 and its full fiscal year 2011.

Generally, as previously announced, this change in accounting treatment and the related financial statement restatements are expected to result in:

- No impact to cash, cash equivalents, short-term investments or overall cash flow.
- An increase in GAAP revenue for the full fiscal years 2011 and 2010.
- An increase in GAAP net income and earnings per share for the full fiscal year 2011 and a reduction in GAAP net loss and loss per share for the full fiscal year 2010.
- An increase in current and total assets and an increase in total shareholders' equity for fiscal year 2010 and an increase in total shareholders' equity and a decrease in total assets and current liabilities for fiscal year 2011.
- An increase in GAAP revenue, GAAP net income and earnings per share for the first three quarters of each of fiscal years 2011 and 2010 and a decrease in GAAP revenue, GAAP net income and earnings per share for the last quarter of each of fiscal years 2011 and 2010.

Due to the complexities and complications associated with this restatement, the Company will not be able to file its Annual Report on Form 10-K for its fiscal year ended March 31, 2011 within the 15-day extension period afforded by SEC Rule 12b-25. However, the Company expects to file its Annual Report on Form 10-K for its fiscal year ended March 31, 2011, including its restated annual fiscal 2010 financial statements, within the next several weeks and to shortly thereafter amend its previously filed Form 10-Qs for the first three quarters of each of fiscal 2010 and fiscal 2011 to reflect the restatement.

Neal Verfuert, the Company's Chief Executive Officer, said, "I am very pleased that the SEC was so helpful and prompt in responding to our request to confirm our OTA accounting conclusion. We have always believed that the best way to fully understand the impact of our OTAs on our business and financial results was to match upfront revenue recognition with the associated expenses incurred. Treating our OTAs like sales-type leases for accounting purposes will now better reflect the positive impact that our growing volume of OTAs is having on our financial results."

### **About Orion Energy Systems**

Orion Energy Systems, Inc. (NYSE Amex: OESX) is a leading power technology enterprise that designs, manufactures and deploys energy management systems — consisting primarily of high-performance, energy-efficient lighting platforms, intelligent wireless control systems and direct renewable solar technology for commercial and industrial customers — without compromising their quantity or quality of light. For more information, visit [www.oesx.com](http://www.oesx.com).

### **Safe Harbor Statement**

Certain matters discussed in this press release are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements will include words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or words of similar import. Similarly, statements that describe the Company's financial guidance or future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause results to differ

materially from those expected, including, but not limited to, the following: (i) further deterioration of market conditions, including customer capital expenditure budgets; (ii) Orion's ability to compete in a highly competitive market and its ability to respond successfully to market competition; (iii) increasing duration of customer sales cycles; (iv) the market acceptance of Orion's products and services, including the increasing customer preferences to purchase the Company's products through its OTAs and PPAs rather than through cash purchases; (v) price fluctuations, shortages or interruptions of component supplies and raw materials used to manufacture Orion's products; (vi) loss of one or more key customers or suppliers, including key contacts at such customers; (vii) the increasing relative volume of the Company's product sales through its wholesale channel; (viii) a reduction in the price of electricity; (ix) the cost to comply with, and the effects of, any current and future government regulations, laws and policies; (x) increased competition from government subsidies and utility incentive programs; (xi) dependence on customers' capital budgets for sales of products and services; (xii) Orion's development of, and participation in, new product and technology offerings or applications; (xiii) legal proceedings, including the securities litigation pending against Orion; and (xiv) potential warranty claims. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this press release and Orion undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, which are available at <http://www.sec.gov> or at <http://www.oriones.com> in the Investor Relations section of our Web site.

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