



EMBARGOED UNTIL MARCH 26 4:00PM

Contact:

Joseph Kaveski, CEO
John Davenport, President
Eric Hilliard, COO
Nick Berchtold, CFO

Media Contact:

Energy Focus, Inc., Public Relations Office
(440) 715-1295
pr@energyfocusinc.com

Investor Contact:

Energy Focus, Inc., Investor Relations Office
(440) 715- 1289
ir@energyfoucsinc.com

ENERGY FOCUS, INC. REPORTS FOURTH QUARTER 2008 RESULTS
55% year over year increase in Energy Efficient EFO® sales

SOLON, Ohio, March 26, 2009 -- Energy Focus, Inc. (NASDAQ: EFOI) today announced financial results for the fourth quarter ended December 31, 2008.

Financial and operating highlights include the following:

- Revenues for the year were \$22,950,000, comparable to revenues of \$22,898,000 in 2007. The net loss in the year was \$14,448,000 (\$1.02 per share) compared to a net loss of \$11,317,000 (\$0.98 per share) for 2007.
- Fourth quarter revenues were \$4,140,000, a 23.9% decrease over sales in the fourth quarter of 2007 of \$5,440,000. The net loss in the quarter was \$7,776,000 (\$0.52 per share) compared to the net loss of \$3,666,000 (\$0.31 per share) in the fourth quarter of 2007.
- Included in the 2008 net loss is a non-cash expense of \$4,305,000 for the impairment of goodwill. Also included in the 2008 net loss is total expense in the amount of \$1,071,000 related to the modification of the definition of slow-moving and obsolete inventory. Management deemed this modification appropriate as technology changes within the lighting industry continues to accelerate. Pro forma net loss without these transactions would have decreased to \$2,400,000 (\$0.16 per share) for the quarter and \$9,072,000 (\$0.64 per share) for 2008.

www.energyfocusinc.com

32000 Aurora Road Solon, Ohio 44139

Tel 800.327.7877 Fax 440.715.1314



- The company finished the year with a balance sheet showing cash at \$10,568,000 and total shareholders' equity of \$16,789,000, which includes \$9,335,000 received March 14, 2008 from an equity financing, net of expenses. Cash utilization for the year was \$7,486,000 compared to \$7,556,000 for 2007.
- Operating expenses, net of the \$4,305,000 goodwill impairment in 2008, decreased by 11.1%, \$1,984,000, for the year compared to 2007. Operating expenses declined by 25.5%, \$1,093,000, for the quarter (excluding impairment charges).
- Energy Efficient EFO sales increased to \$10,888,000, for the year, compared to \$7,011,000 for 2007, an increase of 55.3%.
- The Company expects to receive a "going concern" opinion from its independent auditor, Grant Thornton, LLP.

"I continue to be encouraged by our 55% increase in energy efficient product sales in spite of an extremely difficult global economy", said Joe Kaveski, CEO of Energy Focus, Inc. "While I believe this difficult environment will continue into 2009, I also believe Energy Focus should clearly benefit as funds become available from the American Recovery and Reinvestment Act of 2009 which emphasizes energy efficient lighting and green buildings. Moreover, I believe that our drive to transform the Company into a comprehensive lighting energy solutions provider could not have been timed better. Our new solutions sales team and new energy-efficient products are perfectly positioned to address the opportunities created by our country's renewed emphasis on creating energy efficient green buildings. Providing turnkey energy efficient lighting solutions will be the foundation of the Company's viability in 2009 and provide for growth in 2010 and beyond. However, the company continues to aggressively reduce costs with year over year expense reductions at about \$2 million dollars in 2008 with comparable reductions expected in 2009."

Energy Focus, Inc. management will host a conference call on March, 26, 2009 at 4:30 p.m. EST (1:30 p.m. PST) to review the fourth quarter and full year 2008 financial results and other corporate events, followed by a Q & A session. Dialing 1-888-542-9137 (US/Canada) or 1-706-758-4961 (International/Local) can access the call. The conference ID number is 91696192. Participants are asked to call the assigned number approximately 10 minutes before the conference call begins. The conference call will also be available over the Internet at <http://www.energyfocusinc.com> in the Investor Relations area of the site. A replay of the conference call will be available two hours after the call for the following seven days by dialing 1-800-642-1687 (US/Canada) or 1-706-645-9291 (international/local) and entering the following pass code: 91696192. Also, an instant replay of the conference call will be available over the Internet at <http://www.energyfocusinc.com>.

About Energy Focus

Energy Focus, Inc. is the leading supplier of energy solutions and the world's only supplier of EFO®, a lighting technology that is more efficient than conventional electric lamps. Energy Focus has a long

www.energyfocusinc.com

32000 Aurora Road Solon, Ohio 44139

Tel 800.327.7877 Fax 440.715.1314



standing relationship with the US Government. EFOI's Energy Star partnership and numerous Research and Development projects for the DOE and DARPA include creating energy efficient LED lighting systems for the US Navy fleet and the next generation Very High Efficiency Solar Cell. Energy Focus products are designed, manufactured and marketed for the commercial lighting and swimming pool markets. Energy Focus solutions provides energy savings, aesthetic, safety and maintenance cost benefits over conventional lighting. Customers include supermarket chains, retail stores, museums, theme parks and casinos, hotels, swimming pool builders and many others. Company headquarters are located at 32000 Aurora Rd., Solon, OH 44139. The company has additional offices in Pleasanton, CA, United Kingdom and Germany. For more information, see <http://www.energyfocusinc.com>.

Forward-looking statements in this release are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements regarding the business outlook for 2009 and thereafter. Investors are cautioned that all forward-looking statements involve risks and uncertainties. Actual results may differ materially from the results predicted. For more information about potential factors that could affect Energy Focus financial results, please refer to the Company's SEC reports, including its Annual Reports on Form 10-K and its quarterly reports on Form 10-Q. These forward-looking statements speak only as of the date hereof. Energy Focus disclaims any intention or obligation to update or revise any forward-looking statements.

A large, faint, light gray graphic of a leaf or sun-like shape is positioned in the lower-left quadrant of the page, partially overlapping the dark green footer bar.

www.energyfocusinc.com

32000 Aurora Road Solon, Ohio 44139
Tel 800.327.7877 Fax 440.715.1314



ENERGY FOCUS, INC.
CONDENSED
CONSOLIDATED BALANCE SHEETS
(amounts in thousands)

	<u>December 31,</u> 2008		<u>December 31,</u> 2007
	(unaudited)		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,568	\$	8,412
Accounts receivable trade, net	2,668		3,698
Inventories, net	5,539		6,888
Prepaid and other current assets	276		393
Total current assets	<u>19,051</u>		<u>19,391</u>
Fixed assets, net	4,459		5,336
Goodwill, net	—		4,359
Other assets	142		39
Total assets	<u>\$ 23,652</u>	\$	<u>29,125</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,767	\$	2,277
Accrued liabilities	1,621		1,473
Deferred revenue	191		244
Credit line borrowings	1,904		1,159
Short-term bank borrowings	54		1,726
Total current liabilities	<u>6,537</u>		<u>6,879</u>
Other deferred liabilities	81		62
Deferred tax liabilities	—		252
Long-term bank borrowings	245		314
Total liabilities	<u>6,863</u>		<u>7,507</u>
SHAREHOLDERS' EQUITY			
Common stock	1		1
Additional paid-in capital	65,865		55,682
Accumulated other comprehensive income	251		815
Accumulated deficit	(49,328)		(34,880)
Total shareholders' equity	<u>16,789</u>		<u>21,618</u>
Total liabilities and shareholders' equity	<u>\$ 23,652</u>	\$	<u>29,125</u>

www.energyfocusinc.com

32000 Aurora Road Solon, Ohio 44139

Tel 800.327.7877 Fax 440.715.1314



ENERGY FOCUS, INC.
CONDENSED
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands except per share amounts)
 (unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2008	2007	2008	2007
Net sales	\$ 4,140	\$ 5,440	\$ 22,950	\$ 22,898
Cost of sales	4,634	4,896	17,447	16,616
Gross profit	(494)	544	5,503	6,282
Operating expenses:				
Research and development	18	944	2,188	2,907
Sales and marketing	1,851	2,451	8,551	9,789
General and administrative	1,330	838	5,080	4,651
Loss on impairment	4,305	—	4,305	—
Restructure expense	—	59	—	456
Total operating expenses	7,504	4,292	20,124	17,803
Loss from operations	(7,998)	(3,748)	(14,621)	(11,521)
Other income (expense):				
Other income/(expense)	(105)	33	(87)	110
Interest income	(43)	94	10	284
Loss before income taxes	(8,146)	(3,621)	(14,698)	(11,127)
Benefit from (provision for) income taxes	370	(45)	250	(190)
Net loss	\$ (7,776)	\$ (3,666)	\$ (14,448)	\$ (11,317)
Net loss per share – basic and diluted	\$ (0.52)	\$ (0.31)	\$ (1.02)	\$ (0.98)
Shares used in computing net loss per share – basic and diluted	14,832	11,600	14,182	11,500

www.energyfocusinc.com

32000 Aurora Road Solon, Ohio 44139

Tel 800.327.7877 Fax 440.715.1314