



Ocean Power Technologies Announces Results for the Quarter and Nine Months Ended January 31, 2011

March 14, 2011

PENNINGTON, N.J., Mar 14, 2011 (BUSINESS WIRE) -- Ocean Power Technologies, Inc. (Nasdaq: OPTT) ("OPT" or "the Company") announces its financial results for the third quarter and nine months ended January 31, 2011 of its fiscal year ending on April 30, 2011.

Third Quarter Highlights

- Revenue increased by 78% and 73% for the three and nine months ended January 31, 2011, compared to the respective periods last year.
- Expanded relationship with Mitsui Engineering & Shipbuilding Co. Ltd. ("MES" or "Mitsui") with the signing of a new contract to tailor OPT's PowerBuoy^(R) technology for Japanese sea conditions.
- Achieved Lloyd's Register certification for the PB150 PowerBuoy design, providing independent, third-party assurance of its compliance with international standards.
- Subsequent to the end of the third quarter, the Company announced it had completed the construction of the first of a new generation utility scale PowerBuoy device, the PB150. It is currently being prepared for ocean trials at a site off Scotland's northeast coast. Sea trials are expected to commence as soon as weather conditions permit.

Charles F. Dunleavy, Chief Executive Officer of OPT, said: "We continue to make significant progress in developing our core PowerBuoy technology and executing our business strategy. We achieved strong revenue growth, expanded our involvement in Japan with a new contract with Mitsui and gained certification of our PB150 design from Lloyd's Register. The high tempo of activity is continuing in the fourth quarter with the completion of the first of our new generation of utility scale buoy, with sea trials due to commence off the coast of Scotland shortly."

Operational Review

During the third fiscal quarter ended January 31, 2011, the Company achieved milestones in a number of ongoing projects, which include the following:

HAWAII, US - OPT continues to demonstrate the in-ocean reliability and survivability of the first ever grid connected wave energy device in the US, at the Marine Corps Base Hawaii, in conjunction with the US Navy. This PB40 PowerBuoy was deployed in December 2009 and has demonstrated the ability of OPT's PowerBuoy systems to produce utility-grade, renewable energy that can be transmitted to the grid in a manner fully compliant with national and international standards.

SCOTLAND, UK- As announced on February 28, 2011, construction of OPT's first PB150 PowerBuoy has been completed in Scotland, representing a multi-million pound sterling investment in the local region. The sea trials, to be conducted off the northeast coast of Scotland, are expected to commence as soon as weather conditions permit deployment. This 150 kilowatt-rated system is the largest, most powerful PowerBuoy built by OPT to date. The Company is seeking additional funding for the commercial utilization of the buoy after the trial phase is completed, including its possible deployment at various potential sites. A second PB150 is under construction for a utility scale project in Oregon, and the Company is developing other planned projects in Australia, Japan and Europe that may utilize PB150 PowerBuoys.

PB150 CERTIFICATION - OPT achieved independent certification for its utility scale PB150 PowerBuoy by the internationally respected Lloyd's Register. The certification confirms that the PB150 design complies with certain international standards promulgated for floating offshore installations. The process followed by Lloyd's included detailed design analysis and appraisals, including the PB150's structure, hydrodynamics, mooring and anchoring. In July 2007, OPT announced that its PowerBuoy interface with the electrical utility power grid had been certified as compliant with international standards, including UL1741 and IEEE1547, by Intertek Testing Services ("Intertek"), an independent laboratory.

REEDSPORT, OREGON, US - Fabrication of the power take-off ("PTO") and control system as well as the steel structure of the PB150 device is now complete. This device, which is being built in Oregon, draws on the experience gained from the construction of the first buoy in this series in Scotland. Testing of the PTO and control system has commenced in OPT's production facility. Following initial testing of its sub-assemblies, the complete PTO system will commence cycle testing in an environment reflective of varying wave conditions. Ocean trials of the PB150 are due to commence later in calendar year 2011.

JAPAN - The Company signed a new \$220,000 contract with MES to develop a PowerBuoy for Japanese sea conditions. Under this new contract, MES and OPT will work together to develop a new mooring system for OPT's PowerBuoy, customized for wave power stations off the coast of Japan. The new system will undergo testing at MES's wave tank facilities to verify the results of extensive computer modeling. The companies intend to complete work on the mooring system and progress the identification of a project site for an in-ocean trial of the PowerBuoy system.

US NAVY "LEAP" PROJECT - Work continued under the Company's \$2.75 million award under the US Navy's Littoral Expeditionary Autonomous PowerBuoy ("LEAP") program to provide an autonomous PowerBuoy wave energy conversion system for homeland protection and security. In this

second stage of the program, OPT will build and ocean-test a LEAP system off the coast of New Jersey during the second half of calendar year 2011. The design of the LEAP system is now in progress. The new award follows the successful completion by OPT of the first stage of the US Navy's LEAP program: during the first 12-month period, OPT delivered, in September 2010, the design and testing of a new power take-off system developed under this program for its autonomous PowerBuoy.

PB500 PRODUCT DEVELOPMENT - Concept development of the PB500 major subsystems is in progress, and wave tank testing of models has been completed. The Company's strategy is to fund such development primarily with external grants and other contracts rather than to use OPT's existing capital resources. Since April 2010, the total of such external awards received by the Company for the development of the PB500 is \$6.2 million.

Financial Review

Third Quarter-

OPT's contract backlog at January 31, 2011 was \$5.8 million, compared to \$5.7 million at April 30, 2010 and \$7.5 million at October 31, 2010. Reported contract backlog at January 31, 2011 excluded two new funding awards from the US Department of Energy totaling \$4.8 million, for the deployment of one of OPT's PowerBuoys at Reedsport, Oregon and for the development of the PB500, as the contracts for these two awards had not yet been received by the Company. Subsequent to January 31, 2011, one of these contracts for \$2.4 million was executed. OPT is in the process of obtaining the contract for the other grant.

For the three months ended January 31, 2011, OPT reported revenues of \$1.5 million, an approximately 78 percent increase compared to revenues of \$0.9 million in the three months ended January 31, 2010. The growth in revenues primarily reflects an increase in revenues from the Company's development of the PB500 PowerBuoy and an increase in revenues from OPT's PB150 PowerBuoy project in Reedsport, Oregon. The revenue increases in these projects were partially offset by declines in revenues from OPT's Deep Water Active Detection System ("DWADS") project with the US Navy and a utility PowerBuoy project with the US Navy at the Marine Corps Base in Hawaii as both of these projects neared completion.

Operating loss for the three months ended January 31, 2011 was \$3.8 million compared to \$6.1 million for the three months ended January 31, 2010. This change primarily reflects a decrease in product development costs, principally for the PB150 system in Scotland, and a reduction in selling, general and administrative costs. The decrease in selling, general and administrative costs was largely due to lower compensation and recruiting costs.

Net loss was \$3.4 million for the three months ended January 31, 2011 compared to \$5.7 million for the same period in the prior year. This decrease in net loss was primarily due to the decrease in operating loss, a tax benefit recorded from the sale of New Jersey net operating tax losses, offset by a decrease in foreign exchange gains and interest income.

Nine Months-

For the nine months ended January 31, 2011, OPT reported revenues of \$4.8 million, a 73 percent increase compared to revenues of \$2.7 million in the nine months ended January 31, 2010. The growth in revenues primarily reflects an increase in revenues from the US Navy under the LEAP program. In addition, there was an increase in revenues from OPT's PB150 PowerBuoy project in Reedsport, Oregon and the Company's PB500 development project. The revenue increases in these projects were partially offset by declines in revenues from OPT's DWADS project with the US Navy, a utility scale project in Spain and a utility PowerBuoy project with the US Navy at the Marine Corps Base in Hawaii as all of these projects neared completion.

Operating loss for the nine months ended January 31, 2011 was \$15.8 million compared to \$14.9 million for the nine months ended January 31, 2010. This change primarily reflects an increase in product development costs, principally for the PB150 system in Reedsport, and a decrease in gross profit, offset by a reduction in selling, general and administrative costs. Gross loss for the nine months ended January 31, 2011 was negatively impacted by a reduction of \$240,000 of revenue due to a change in estimated revenue to be recognized in connection with the Company's project in Spain. In addition, gross profit for the nine months ended January 31, 2010 included a reversal of a provision for contract losses of approximately \$400,000. The decrease in selling, general and administrative costs was largely due to lower compensation and recruiting costs.

Net loss was \$15.1 million for the nine months ended January 31, 2011 compared to \$12.9 million for the same period in the prior year. This increase in net loss was primarily due to the change in operating loss as noted above and decreases in interest income, other income and foreign exchange gains. Other income for the nine months ended January 31, 2010 included a one-time gain of \$549,000 from a favorable settlement of a claim against a supplier of engineering services. During the nine months ended January 31, 2011, OPT recorded a tax benefit of \$364,000 in connection with the sale of New Jersey net operating tax losses.

Cash and Investments-

On January 31, 2011, total cash, cash equivalents, restricted cash and marketable securities were \$52.8 million. Net cash used in operating activities was \$4.6 million and \$14.0 million for the three and nine months ended January 31, 2011, respectively. While OPT expects the rate of cash used in the fourth quarter of fiscal 2011 to be consistent with the first three quarters, it expects the rate of its cash outflows to decrease in fiscal 2012, reflecting completion of significant milestones associated with the construction of its two PB150 systems for Oregon and Scotland.

Additional information may be found in the Company's Quarterly Report on Form 10-Q that will be filed with the US Securities and Exchange Commission. The Form 10-Q may be accessed at <http://www.sec.gov> or at the Company's website in the Investor Relations tab.

Webcast Details

OPT will host an audio webcast to review its results on Monday, March 14, 2011 at 10:00 a.m. Eastern Time (2:00 p.m. GMT). Charles F. Dunleavy, Chief Executive Officer, and Brian M. Posner, Chief Financial Officer, will host the webcast. Investors and other interested parties may access the webcast by visiting the Company's website at <http://www.oceanpowertechnologies.com> and clicking on the Investor Relations tab, then Webcasts and

Presentations. In addition, parties without web access may listen to the presentation by calling: 866.783.2141 (Toll free call in the US) or +1.857.350.1600 (Toll call), passcode: 47703110

Forward-Looking Statements

This release may contain "forward-looking statements" that are within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the Company's current expectations about its future plans and performance, including statements concerning the impact of marketing strategies, new product introductions and innovation, deliveries of product, sales, earnings and margins. These forward-looking statements rely on a number of assumptions and estimates which could be inaccurate and which are subject to risks and uncertainties. Actual results could vary materially from those anticipated or expressed in any forward-looking statement made by the Company. Please refer to the Company's most recent Form 10-K for a further discussion of these risks and uncertainties. The Company disclaims any obligation or intent to update the forward-looking statements in order to reflect events or circumstances after the date of this release.

About Ocean Power Technologies

Ocean Power Technologies, Inc. (Nasdaq: OPTT) is a pioneer in wave-energy technology that harnesses ocean wave resources to generate reliable and clean and environmentally-beneficial electricity. OPT has a strong track record in the advancement of wave energy. The Company participates in a \$150 billion annual power generation equipment market. OPT's proprietary PowerBuoy(R) system is based on modular, ocean-going buoys that capture and convert predictable wave energy into clean electricity. The Company is widely recognized as a leading developer of on-grid and autonomous wave-energy generation systems, benefiting from 15 years of in-ocean experience. OPT is headquartered in Pennington, New Jersey with an office in Warwick, UK. More information can be found at <http://www.oceanpowertechnologies.com>.

Consolidated Balance Sheets as of January 31, 2011 and April 30, 2010

	January 31, 2011	April 30, 2010
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,502,624	4,236,597
Marketable securities	25,538,538	32,536,001
Accounts receivable	720,699	1,474,600
Unbilled receivables	649,863	448,686
Other current assets	693,291	1,005,885
Total current assets	<u>37,105,015</u>	<u>39,701,769</u>
Property and equipment, net	543,486	710,563
Patents, net	1,132,542	1,036,881
Restricted cash	1,480,136	1,205,288
Marketable securities	16,324,661	28,865,046
Other noncurrent assets	726,010	1,458,646
TOTAL ASSETS	\$ 57,311,850	72,978,193
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,126,407	1,843,378
Accrued expenses	3,306,877	4,092,113
Unearned revenues	752,038	1,101,541
Current portion of long-term debt	114,378	95,386
Total current liabilities	<u>5,299,700</u>	<u>7,132,418</u>
Long-term debt	475,000	250,000
Deferred credits	600,000	600,000
Other noncurrent liabilities	--	140,685
Total liabilities	<u>6,374,700</u>	<u>8,123,103</u>
OCEAN POWER TECHNOLOGIES, INC. STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value; authorized 5,000,000 shares; none issued or outstanding	--	--
Common stock, \$0.001 par value; authorized 105,000,000 shares; issued 10,419,183 and 10,390,563 shares, respectively	10,419	10,391
Treasury stock, at cost; 6,673 and 1,072 shares, respectively	(37,302)	(6,443)
Additional paid-in capital	156,680,382	155,726,672
Accumulated deficit	(105,541,701)	(90,413,098)
Accumulated other comprehensive loss	(202,736)	(503,322)
Total Ocean Power Technologies, Inc. stockholders' equity	<u>50,909,062</u>	<u>64,814,200</u>
Noncontrolling interest in Ocean Power Technologies (Australasia) Pty, Ltd	28,088	40,890

Total equity	50,937,150	64,855,090
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 57,311,850	72,978,193

Consolidated Statements of Operations
For the three months ended January 31, 2011 and 2010 (Unaudited)
and nine months ended January 31, 2011 and 2010 (Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2011	2010	2011	2010
Revenues	\$ 1,523,601	856,482	4,762,415	2,749,294
Cost of revenues	1,453,397	691,090	4,818,623	2,243,465
Gross profit (loss)	70,204	165,392	(56,208)	505,829
Operating expenses:				
Product development costs	2,026,336	3,681,118	9,731,592	8,467,866
Selling, general and administrative costs	1,884,950	2,557,931	6,060,705	6,915,435
Total operating expenses	3,911,286	6,239,049	15,792,297	15,383,301
Operating loss	(3,841,082)	(6,073,657)	(15,848,505)	(14,877,472)
Interest income, net	148,480	231,683	546,829	764,504
Other income	--	17,668	--	549,258
Foreign exchange (loss) gain	(38,014)	172,128	(205,824)	674,517
Loss before income taxes	(3,730,616)	(5,652,178)	(15,507,500)	(12,889,193)
Income tax benefit	364,105	--	364,105	--
Net loss	(3,366,511)	(5,652,178)	(15,143,395)	(12,889,193)
Less: Net loss (income) attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty, Ltd.	3,693	2,682	14,792	(50,551)
Net loss attributable to Ocean Power Technologies, Inc.	\$ (3,362,818)	(5,649,496)	(15,128,603)	(12,939,744)
Basic and diluted net loss per share	\$ (0.33)	(0.55)	(1.48)	(1.27)
Weighted average shares used to compute basic and diluted net loss per share	10,248,092	10,213,900	10,242,528	10,211,536

Consolidated Statements of Cash Flows
For the nine months ended January 31, 2011 and 2010 (Unaudited)

	Nine Months Ended January 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (15,143,395)	(12,889,193)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign exchange loss (gain)	205,824	(674,517)
Depreciation and amortization	270,209	274,226
Loss on disposals of property, plant and equipment	933	--
Treasury note premium amortization	57,752	135,325
Compensation expense related to stock option grants and restricted stock	953,738	872,109
Changes in operating assets and liabilities:		
Accounts receivable	776,316	64,961
Unbilled receivables	(192,577)	76,224
Other current assets	325,440	12,858
Other noncurrent assets	756,172	(191,505)
Accounts payable	(715,927)	423,534
Accrued expenses	(787,537)	(553,942)
Unearned revenues	(351,625)	549,983
Other noncurrent liabilities	(142,586)	133,505
Net cash used in operating activities	(13,987,263)	(11,766,432)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(7,528,436)	(34,048,490)
Maturities of marketable securities	27,011,971	41,838,886
Restricted cash	(250,000)	(250,000)
Purchases of equipment	(67,356)	(199,089)
Payments of patent costs	(190,547)	(119,017)
Net cash provided by investing activities	18,975,632	7,222,290

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from long-term debt	250,000	--
Repayment of debt	(6,008)	(93,398)
Acquisition of treasury stock	(30,859)	--
Net cash provided by (used in) financing activities	<u>213,133</u>	<u>(93,398)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>64,525</u>	<u>837,636</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,266,027	(3,799,904)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>4,236,597</u>	<u>12,267,830</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 9,502,624</u>	<u>8,467,926</u>



SOURCE: Ocean Power Technologies, Inc.

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