



Ocean Power Technologies Announces Results for the Fiscal Fourth Quarter and Full Year Ended April 30, 2014

July 29, 2014

Company to Host Teleconference and Webcast at 10:00 AM ET on Monday, August 4

PENNINGTON, N.J., July 29, 2014 (GLOBE NEWSWIRE) -- Ocean Power Technologies, Inc. (Nasdaq:OPTT) ("OPT" or "the Company") today announced financial results for its Fiscal 2014 fourth quarter and full-year ended April 30, 2014 ("fiscal 2014").

David L. Keller, Interim Chief Executive Officer of OPT, stated, "There have been several significant events and much change since the Company last reported financial results. We believe we have fully disclosed this information in our filings. These events have caused us to redirect the Company's strategy and advancement of our technological capabilities. We remain focused on bringing our developing technology to practical application."

"Over the last several months, we announced the termination of both the Reedsport, Oregon and Victoria Wave Partners projects. Additionally, we are deferring our WavePort deployment in the European Union into calendar 2015, due to a number of logistics factors, such as the readiness of the proposed deployment site. Furthermore, the summer 2013 deployment of our APB-350 Autonomous PowerBuoy led us to determine that several design modifications to address critical operation and reliability issues were required. Taken as a whole, these results indicate that our basic technology needs further advancement before we commit to large-scale utility projects with typical commercial risk-sharing, even when partially subsidized by government grants," he noted.

On July 8, 2014, Victorian Wave Partners Pty Ltd ("VWP"), an indirect consolidated subsidiary of Ocean Power Technologies, Inc. (the "Company"), tendered a notice (the "Termination Notice") to the Australian Renewable Energy Agency ("ARENA") of VWP's intent to terminate the Renewable Energy Demonstration Program Funding Deed, dated as of September 9, 2010, entered into between VWP and the Commonwealth of Australia, as amended by a Deed of Variation dated January 9, 2014 ("the Funding Deed"). Unless agreed otherwise, pursuant to the terms of the Funding Deed, it will terminate on October 8, 2014

Mr. Keller continued, "Looking ahead, many companies and funding agencies recognize that the nascent wave energy segment of the renewable energy market is worthy of research, development and continued advancement. We acknowledge that the inherent potential of wave power energy capture is accompanied by significant engineering challenges at both the component and system levels. Nonetheless, we are continuing to advance certain promising technologies that justify additional development. This includes advanced controls that would enable an increase in electric power output and further optimization of our modular, direct-drive Power Take-Off (PTO) technology."

Strategic Focus on Smaller Scale Devices

The Company has shifted its immediate focus to smaller-scale devices, such as the PB-40, intended to be deployed off the coast of Spain, and the utility scale PowerBuoy, under development with Mitsui Engineering and Shipbuilding, which are suitable for both autonomous and utility applications. OPT recognizes that deployments are critical to technology advancement in order to accumulate successful operating history that demonstrates durability and reliability at acceptable levels of commercial risk-taking. The Company has accumulated a significant body of knowledge through PowerBuoy deployments of varying capabilities which is now an integral part of its engineering design and development processes.

Commenting on the strategic shift from large, utility-scale projects, Mr. Keller noted, "We believe that we can move faster to optimize our technology on smaller-scale power outputs which are more economical to manufacture and deploy than larger buoys."

Financial Review

OPT's fully-funded contract backlog as of April 30, 2014 was \$4.9 million compared with \$5.6 million as of January 31, 2014 and \$3.8 million as of April 30, 2013. Approximately \$1.2 million of backlog at fiscal year-end was for the Oregon project. OPT is in discussion with the DOE regarding the necessary steps to close out the project. Approximately \$0.9 million of backlog was for the WavePort project to be located off the coast of Spain. This cost-sharing contract expires on July 31, 2014, and the Company intends to deploy in calendar 2015. Fiscal 2014 year-end backlog excludes approximately \$0.5 million to reflect the impact to backlog of the current expiration. The Company's contract backlog consists largely of cost-sharing contracts to support product development.

Fourth Quarter Fiscal 2014

Revenue for the quarter was \$0.4 million, unchanged from the prior-year period. Revenue in the current fiscal fourth quarter included revenue associated with OPT's project with Mitsui Engineering & Shipbuilding, which offset the delayed WavePort project off the coast of Spain. The net loss for the three months ended April 30, 2014 was \$3.3 million as compared with a net loss of \$4.2 million for the three months ended April 30, 2013. The favorable decrease in the Company's net loss year-over-year reflects lower product development costs and a favorable change in a contract loss reserve, offset by higher selling, general and administrative costs. The decrease in product development costs was due primarily to a lower level of activity for OPT's project in Oregon. The favorable change in contract loss reserve was due to a change in OPT's intent to complete a previous project. SG&A increased due to employee-related costs and costs associated with site development related to the VWP project in Australia.

Fiscal 2014

OPT had revenue of \$1.5 million in fiscal 2014 compared with revenue of \$3.6 million in fiscal 2013. The decline reflects the suspension of the PowerBuoy project off the coast of Oregon, decreased billable work on PowerBuoy development projects, the completion of a project with MES in the

prior fiscal year and a decrease in the estimated contract value associated with the WavePort project off the coast of Spain.

Net loss was \$11.2 million compared with \$14.8 million in the prior year. The reduction in net loss was due primarily to a decline in product development costs associated with OPT's project in Oregon, a favorable change in contract loss reserves and a higher income tax benefit due to the sale of New Jersey net operating tax losses and research and development tax credits. These improvements were somewhat offset by higher selling, general and administrative ("SG&A") costs. Higher SG&A reflects fees associated with the establishment of an At-The-Market ("ATM") Agreement and site development expenses related to the VWP project in Australia.

Balance Sheet and Available Cash

As of April 30, 2014, total cash, cash equivalents and marketable securities were \$28.4 million, up from \$20.4 million on April 30, 2013. At fiscal year-end, restricted cash was \$7.3 million compared with \$1.4 million as of April 30, 2013. Net cash used in operating activities was \$6.5 million and \$10.8 million for the twelve months ended April 30, 2014 and 2013, respectively. The Company raised \$20.5 million during the fiscal 2014 through the sale of stock under its ATM facility and an underwritten public offering of its common stock.

Conclusion

"On a final note, our Board has been significantly strengthened over the past two years by the addition of experienced financial and operating executives. We have actively engaged in strengthening our corporate governance, our control environment and our reporting processes. The Board has also actively participated with management in formulating our current strategy and will conduct a search for a permanent CEO over the next few months. When combined with recent employee additions to various executive, business and engineering functions over the past several months, I am confident that we are addressing critical skills and talent that are necessary to help focus the company strategy and ensure efficient business conduct and execution," concluded Mr. Keller.

Conference Call Details

The Company will host a conference call and webcast to review financial and operating results. The call will be held on Monday, August 4, 2014, at 10:00 a.m. Eastern Time. Please call (201) 689-8562; a pass code is not required. Additionally, the call will be webcast live at the Company's website at www.oceanpowertechnologies.com. A telephonic replay will be available from 1:00 p.m. ET the day of the teleconference until Monday, August 11, 2014. To listen to the archived call, dial (858) 384-5517 and enter conference ID number 13587674, or access the webcast replay via the Company website at www.oceanpowertechnologies.com, where a transcript will be posted once available.

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, clean and environmentally-beneficial electricity. OPT has a long track record in the advancement of wave energy with a proprietary PowerBuoy® system based on modular, ocean-going buoys that capture and convert predictable wave energy into electricity. The Company benefits from periodic ocean testing since 1997. OPT is headquartered in Pennington, New Jersey, USA with an office in Warwick, UK, and offices in Melbourne and Perth, Australia. More information can be found at www.oceanpowertechnologies.com.

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 strategies, plans, project implementation, fundraising, 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 Forms 10-Q and 10-K and subsequent filings with the SEC 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.

FINANCIAL TABLES FOLLOW. Additional information may be found in the Company's Annual Report on Form 10-K that has been filed with the U.S. Securities and Exchange Commission ("SEC"). The Form 10-K may be accessed at www.sec.gov or at the Company's website in the Investor Relations section.

Consolidated Balance Sheets as of April 30, 2014 and April 30, 2013

ASSETS	<u>April 30,</u>	
	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 13,858,659	\$ 6,372,788
Marketable securities	14,493,881	13,996,705
Restricted cash	6,124,960	—
Accounts receivable, net	308,731	796,332

Unbilled receivables	37,410	127,598
Other current assets	<u>568,377</u>	<u>152,962</u>
Total current assets	35,392,018	21,446,385
Property and equipment, net	317,513	700,968
Patents, net	828,298	1,044,902
Restricted cash	1,221,696	1,366,256
Other noncurrent assets	<u>325,310</u>	<u>272,548</u>
Total assets	<u>\$ 38,084,835</u>	<u>\$ 24,831,059</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 501,397	\$ 510,031
Accrued expenses	2,931,239	3,900,623
Advance payment received from customer	4,709,055	—
Unearned revenues	992,447	1,117,115
Current portion of long-term debt	<u>100,000</u>	<u>100,000</u>
Total current liabilities	9,234,138	5,627,769
Long-term debt	150,000	250,000
Long-term unearned revenues	—	232,033
Deferred credits payable-noncurrent	<u>600,000</u>	<u>600,000</u>
Total liabilities	<u>9,984,138</u>	<u>6,709,802</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 17,593,637 and 10,403,215 shares, respectively	17,594	10,403
Treasury stock, at cost; 37,852 and 33,771 shares, respectively	(130,707)	(123,893)
Additional paid-in capital	180,454,341	159,155,365
Accumulated deficit	(151,640,503)	(140,671,311)
Accumulated other comprehensive loss	<u>(225,733)</u>	<u>(79,786)</u>
Total Ocean Power Technologies, Inc. stockholders' equity	<u>28,474,992</u>	<u>18,290,778</u>
Noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd	<u>(374,295)</u>	<u>(169,521)</u>
Total equity	<u>28,100,697</u>	<u>18,121,257</u>
Total liabilities and stockholders' equity	<u>\$ 38,084,835</u>	<u>\$ 24,831,059</u>

Consolidated Statements of Operations For the Three and Twelve Months Ended April 30, 2014 and 2013

	Three Months Ended		Twelve Months Ended	
	April 30,		April 30,	
	2014	2013	2014	2013
Revenues	\$ 374,735	\$ 407,881	\$ 1,498,892	\$ 3,616,129
Cost of revenues	<u>394,411</u>	<u>364,633</u>	<u>1,510,336</u>	<u>3,480,821</u>

Gross (loss) profit	<u>(19,676)</u>	<u>43,248</u>	<u>(11,444)</u>	<u>135,308</u>
Operating expenses:				
Product development costs	897,918	1,861,024	4,564,898	7,327,766
Change in contract loss reserve	(785,000)	--	(785,000)	--
Selling, general and administrative costs	<u>3,230,756</u>	<u>2,269,942</u>	<u>9,358,967</u>	<u>9,126,757</u>
Total operating expenses	<u>3,343,674</u>	<u>4,130,966</u>	<u>13,138,865</u>	<u>16,454,523</u>
Operating loss	(3,363,350)	(4,087,718)	(13,150,309)	(16,319,215)
Interest income, net	23,083	14,261	29,656	126,377
Foreign exchange gain (loss)	<u>31,129</u>	<u>(99,612)</u>	<u>183,704</u>	<u>(83,416)</u>
Loss before income taxes	(3,309,138)	(4,173,069)	(12,936,949)	(16,276,254)
Income tax benefit	<u>--</u>	<u>--</u>	<u>1,745,895</u>	<u>1,453,243</u>
Net loss	(3,309,138)	(4,173,069)	(11,191,054)	(14,823,011)
Less: Net loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	<u>100,263</u>	<u>44,596</u>	<u>221,862</u>	<u>141,174</u>
Net loss attributable to Ocean Power Technologies, Inc.	<u>\$ (3,208,875)</u>	<u>\$ (4,128,473)</u>	<u>\$ (10,969,192.00)</u>	<u>\$ (14,681,837)</u>
Basic and diluted net loss per share	<u>\$ (0.21)</u>	<u>\$ (0.40)</u>	<u>\$ (0.91)</u>	<u>\$ (1.42)</u>
Weighted average shares used to compute basic and diluted net loss per share	<u>15,286,526</u>	<u>10,314,642</u>	<u>12,041,824</u>	<u>10,304,044</u>

Consolidated Statements of Cash Flows

For the Twelve Months Ended April 30, 2014 and 2013

	<u>Year Ended April 30,</u>	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net loss	\$ (11,191,054)	\$ (14,823,011)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign exchange (gain) loss	(183,704)	83,416
Depreciation and amortization	421,836	502,099
Loss on disposals of property, plant and equipment	195,977	44,067
Impairment of long-lived assets	2,658	7,718
Provision for doubtful accounts	(299,958)	—
Treasury note discount amortization	5,391	(12,191)
Compensation expense related to stock option grants and restricted stock	771,646	858,902
Changes in operating assets and liabilities:		
Accounts receivable	787,601	264,077
Unbilled receivables	90,188	95,451
Other current assets	(413,901)	685,523
Other noncurrent assets	(34,214)	(93,700)
Accounts payable	(12,363)	105,036
Accrued expenses	(983,835)	1,158,481

Advance payment received from customer	4,709,055	—
Unearned revenues-ST	(130,368)	46,451
Unearned revenues-LT	(232,033)	232,033
Net cash used in operating activities	<u>(6,497,078)</u>	<u>(10,845,648)</u>
Cash flows from investing activities:		
Purchases of marketable securities	(23,982,431)	(16,678,329)
Maturities of marketable securities	23,489,021	25,055,534
Restricted cash	(5,924,960)	75,000
Purchases of equipment	<u>(27,268)</u>	<u>(394,632)</u>
Net cash (used in) provided by investing activities	<u>(6,445,638)</u>	<u>8,057,573</u>
Cash flows from financing activities:		
Repayment of debt	(100,000)	(100,000)
Proceeds from the exercise of stock options	8,533	—
Proceeds from the sale of common stock, net of costs	20,525,988	—
Acquisition of treasury stock	<u>(6,814)</u>	<u>(21,505)</u>
Net cash provided by (used in) financing activities	<u>20,427,707</u>	<u>(121,505)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>880</u>	<u>(71,092)</u>
Net increase (decrease) in cash and cash equivalents	7,485,871	(2,980,672)
Cash and cash equivalents, beginning of period	<u>6,372,788</u>	<u>9,353,460</u>
Cash and cash equivalents, end of period	<u>\$ 13,858,659</u>	<u>\$ 6,372,788</u>

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