

Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

Fiscal 2013 First Quarter Conference Call

Date: September 14, 2012 – 10:00 am Eastern Time

Operator:

Good morning ladies and gentlemen and welcome to the Ocean Power Technologies' Fiscal 2013 First Quarter conference call. At this time, all participants are in a listen-only mode. Following management's prepared remarks we'll hold a Question and Answer session.

To ask a question, please press star followed by 1 on your touch-tone phone. If anyone has difficulty hearing the conference, please press star zero for operator assistance.

As a reminder, this conference is being recorded and webcast. I would now like to turn the conference over to Mr. Chris Witty of the Company's Investment Relations firm, Darrow Associates. Please go ahead sir.

Chris Witty

Thank you. Welcome to Ocean Power Technologies' Earnings Conference Call for the first quarter ended July 31, 2012. OPT issued its earnings press release earlier today, and the Company will soon file its Quarterly Report on Form 10-Q with the Securities and Exchange Commission. All public filings can be viewed on the SEC website at sec.gov, or you may go to the OPT website, oceanpowertechnologies.com.

With me on today's call from the Company is Brian Posner, Chief Financial Officer, and Phil Hart, Chief Technology Officer. Chuck Dunleavy, OPT's Chief Executive Officer, could not be here today due to business travel overseas.

SLIDE #2: FORWARD-LOOKING STATEMENTS

Please advance to slide 2 of our presentation.

During the course of this conference call, management may make projections or other forward-looking statements regarding future events or financial performance of the Company within the meaning of the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. As indicated in the slide, these forward-looking statements are subject to numerous assumptions made by management regarding future circumstances over which the Company may have little or no control and involve risks and uncertainties, and other factors that may cause actual results to be materially different from any future results expressed or implied by such forward-looking statements.

We refer you to the Company's Form 10-K and other recent filings with the Securities and Exchange Commission for a description of these and other risk factors.

Now let me turn the call over to Brian Posner. Brian?

Brian Posner

Thanks Chris and good morning everyone. I'll briefly review our quarterly results and then Phil will discuss our ongoing technology initiatives and latest developments related to our Autonomous PowerBuoy business. Phil and I will be available to answer questions following our prepared remarks.

SLIDE #3: SUMMARY OF RECENT DEVELOPMENTS

Turning to slide 3, let me briefly provide an update on OPT's recent accomplishments. OPT got off to a strong start in fiscal 2013, making progress with both our utility and autonomous PowerBuoys. We are very pleased to have signed a teaming agreement with Lockheed Martin for the development of a proposed 19 megawatt energy project in Australia, and we are actively working with them to this end. In August, we also announced that the US Federal Energy Regulatory Commission approved the full build-out of OPT's proposed 1.5 megawatt, grid-connected wave power station off Reedsport, Oregon – importantly, this is the first such license to be issued for a wave power station in the US. OPT is in the process of final assembly and inland testing of the initial

PowerBuoy to be installed at the Reedsport site. In addition, we've made progress with our Autonomous PowerBuoy, entering into a Cooperate Research and Development Agreement, or CRADA, with the US Department of Homeland Security to enhance the technology for ocean surveillance. In conjunction with the CRADA, OPT was awarded a grant from the Maryland Technology Development Corporation to demonstrate how the APB can be used with multiple surveillance technologies. We also reported a reduction in our net loss and cash burn during the first quarter of fiscal 2013 as compared to the first quarter of fiscal 2012.

Now let me go into detail on some of our latest developments.

SLIDE #4: FINANCIAL SUMMARY – OPERATING RESULTS

As noted on slide 4, OPT reported revenue of \$1.0 million for the fiscal first quarter as compared to revenue of \$1.9 million for the three months ended July 31, 2011. This decrease primarily reflects lower revenue related to the US Navy's Littoral Expeditionary Autonomous PowerBuoy program, as that program was successfully completed in fiscal 2012. This revenue decline was partially offset by an increase in revenue from the Company's WavePort project, under funding from the European Union.

The net loss for the three months ended July 31, 2012 was \$4.4 million as compared to a net loss of \$5.0 million for the three months ended July 31, 2011. The favorable reduction in net loss year-over-year was due primarily to a decrease in product development costs, principally for the PB150 successfully deployed off Scotland in 2011 as well as lower costs related to the PowerBuoy now being prepared for deployment in Reedsport, Oregon.

SLIDE #5: FINANCIAL SUMMARY – FINANCIAL CONDITION

Turning to slide 5...

On July 31, 2012, total cash, cash equivalents, restricted cash and investments were \$29.4 million, as compared to \$33.2 million as of April 30, 2012. The net decrease in cash and investments was \$3.8 million for the three months ended July 31, 2012, compared to \$5.2 million for the three months ended July 31, 2011. Our quarterly cash

outflow from operating activities may vary significantly in future periods depending on the success of our business development initiatives, and also on expenditures related to our project in Oregon.

I'd now like to go over some of our projects in detail.

SLIDE #6: OREGON UPDATE

Turning to slide 6, I will begin with our project in Reedsport, Oregon. We're very pleased to have received approval from FERC for the full build-out of our proposed 1.5 megawatt wave power station here. This is truly a groundbreaking development, as the license is the first to be issued for a wave power station in the United States. As some of you may recall, we applied to FERC after OPT signed a Settlement Agreement with 11 federal and Oregon state agencies as well as three non-governmental stakeholders for this utility-scale wave power project. FERC gave strong consideration to the details of this Settlement Agreement in determining key provisions of the license, since the Agreement supports the responsible, phased development of a 1.5 megawatt wave energy station in a manner that protects ocean resources and stakeholder interests. We certainly could not have achieved the FERC approval without the support of all interested parties, for which we are grateful.

With this license now in hand, we have obtained all regulatory approvals for the deployment of up to ten PowerBuoy devices in the area -- which would generate enough electricity to supply approximately 1,000 homes. The license is for 35 years and covers grid-connected wave energy production. I'd like to point out that many other types of permits issued to date for competing technologies have been for a significantly lower number of years, so the fact that ours is for 35 years supports the commercial prospects of wave power and of OPT's technology specifically.

We are now in the process of final assembly and on-land testing of the first PowerBuoy and are planning for its deployment. The Power Take-Off unit, or PTO, has been inserted into the spar, and final assembly of the spar, float and heave plate structures is about to commence. We expect that this PowerBuoy will be ready for deployment in early October. At that time, we will be dependent on weather conditions to determine when deployment actually takes place.

As a reminder, we received funding for this initial PowerBuoy from the U.S. Department of Energy (with the support of the Oregon Congressional delegation) and from PNGC Power, an Oregon-based electric power cooperative. Lockheed Martin is providing design, manufacturing, and supply chain management expertise on the project to enhance our technology as we move towards larger-scale commercialization.

All in all, it's an exciting time in Oregon, and we would like to thank all parties who are working to make this project a success.

SLIDE #7: AUSTRALIA

Turning to slide 7, there are also many important ongoing activities in Australia, where we are working closely with our partner Lockheed Martin to move forward with a planned 19 megawatt wave power station off the coast of Victoria. In July, we announced that we had entered into a teaming agreement with Lockheed Martin with the specific goal and focus of developing this wave energy project. Lockheed is providing assistance in the areas of design manufacturability, supply chain expertise, and overall project management. The project is to be developed by a special purpose Australian company, Victorian Wave Partners, which is currently owned by our subsidiary Ocean Power Technologies (Australasia).

Funding for the project includes a previously announced grant of A\$66.5 million or about 69.5 million in US dollars from the Commonwealth of Australia's Department of Resources, Energy and Tourism. The grant is subject to a Funding Deed which sets out terms, such as funding milestones, including the requirement of significant additional financing to enable the receipt of the grant funds and completion of the project.

We wish to express our appreciation to the Commonwealth Government for their continued support of this project off the coast of Portland, Victoria, which we expect to create a significant number of local Australian jobs during development as well as for operations and maintenance work over the life of the power station.

We have spent a significant amount of time in the country meeting with Government officials and other prospective stakeholders to assess strategies to expedite this important initiative. I was there myself for two weeks in August. At this point, we expect

the 19 megawatt deployment to take place in three stages, for which it is critical that we first secure funding for stage one – financing that could also utilize a portion of the proceeds already granted by the Commonwealth of Australia.

In addition to exploring various sources of project funding, we continue to meet with parties regarding a potential power purchase agreement. Finally, permitting and community outreach are underway, and community reaction has been very positive thus far. We are grateful to have the support of Lockheed Martin as we move forward with this project.

Now let me turn the call over to Phil Hart, our CTO, to discuss some of our latest technology developments and provide an update on OPT's autonomous PowerBuoy.....Phil?

Phil Hart

SLIDE #8-TECHNOLOGY DEVELOPMENT

Thanks Brian and good morning everyone. Turning to slide 8, let me start by emphasizing that all of our projects are not only meant to bring OPT's products to various markets of the world but, in each case, advance the efficiency and capability of our technology and maximize power generation. As an example, in Oregon, we're fielding a new direct-drive power take-off or PTO that we believe will result in greater energy output, higher system efficiency, increased reliability and lower maintenance costs as compared to our previous hydraulic PTO.

Similarly, in Spain, our WavePort initiative is focused on demonstrating significant improvements to OPT's proprietary electronic tuning system, which will enable the PowerBuoy to enhance its energy conversion efficiency by using wave prediction and control system enhancements to increase power output. This PowerBuoy will include our first modular PTO, a design which gives us a production-ready, cross-platform PTO system, which will result in more efficient PowerBuoy development and streamline testing and manufacturability of our PTOs going forward.

At home in New Jersey, we continue our work on a larger, next generation PowerBuoy, which we expect to be more efficient, provide more power per ton, and be more robust than any of our previous models.

Technology is the core focus of what we do, and we continually strive to achieve lower energy production costs on parity with other renewables as well as with traditional sources of energy.

SLIDE #9: APB UPDATE

Now turning to slide 9, I'd like to provide an update on our autonomous PowerBuoys and some interesting developments in this business. We recently announced that OPT had entered into what is called a "Cooperative Research and Development Agreement" – or CRADA – with the U.S. Department of Homeland Security. Through this collaboration, we will perform further demonstration of the flexible capability of our autonomous PowerBuoy, with the intent of increasing its potential use for advanced ocean surveillance. More specifically, we will demonstrate persistent maritime vessel detection – expanding upon work begun with our LEAP program last year. The APB-350 PowerBuoy developed under the LEAP program was deployed for the U.S. Navy off the coast of New Jersey in 2011 and performed extremely well, producing excellent and consistent power levels and withstanding Hurricane Irene.

This CRADA related work includes partial funding from the Maryland Technology Development Corporation via a Joint Technology Transfer Initiative. OPT will leverage its experience from the LEAP program in surface vessel detection to demonstrate enhanced vessel detection and tracking capability using additional, multi-technology sensors. This will expand the breadth of commercial use for our autonomous PowerBuoy by showing the flexibility of the technology for a very wide variety of sensor types.

As we have discussed in our previous earnings calls, OPT is placing increased emphasis on our autonomous PowerBuoy offering, which we believe holds great promise for both technological advancement and market potential. We continue to seek out new applications for autonomous buoys of all sizes and configurations, from the marine oil and gas industry through to academic oceanography and desalination. I personally see a great deal of opportunity in these sectors for Ocean Power Technologies, and we are excited about and focused on exploiting these prospects.

I will now turn the call back over to Brian Posner for some closing comments.

Brian Posner

SLIDE #10: NEAR-TERM ACTIVITY AND GOALS

Thanks, Phil. Now turning to slide10, let me just reiterate our near-term goals.

First, we remain on track to deploy our first Oregon PB150 off Reedsport in October. The actual timing of the deployment is dependent on weather conditions, as I mentioned, but we look forward to achieving this important milestone and are delighted to have recently received the 35-year FERC license.

We are also spending a great deal of time in our business development initiatives in Australia, where we see increasing progress moving this project forward with the help of our partner Lockheed Martin. At the same time, we continue our work on an advanced PowerBuoy for the WavePort project in Spain and are focused on new market opportunities for our autonomous PowerBuoy, highlighted by the recent interest shown by the Department of Homeland Security.

Overall, we are excited by the recent level of activity and the ongoing demand for the clean, reliable, renewable energy that waves can provide – where OPT is paving a path to commercialization. We are focused, disciplined, and positive about the future.

This concludes our prepared statements for the first quarter review. We will now open the call for questions. Please go ahead, operator.

Operator:

I will now open the call for questions.

[Question Period]

Operator:

There are no further questions in the queue. I'll now turn the call back over to Mr. Posner for any closing remarks.

Brian Posner

Thank you all once again for attending today's call. If you have any further questions, please do not hesitate to contact us. Otherwise, we look forward to speaking with you next quarter.

Operator:

Thank you everyone. That concludes our call. You may now disconnect.