

Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

First Quarter 2011 Audio Webcast

Date: September 9, 2010

Operator:

Good day everyone and welcome to Ocean Power Technologies' first quarter 2011 audio webcast. Today's conference is being recorded and webcast. At this time, for opening remarks, I would like to turn the call over to the Chief Financial Officer of Ocean Power Technologies, Mr. Brian Posner.

Brian Posner:

Thank you. Good morning and welcome to Ocean Power Technologies' Audio Webcast for the first quarter ended July 31, 2010 of our fiscal year ending April 30, 2011. Today we issued our earnings press release and will file our Quarterly Report on Form 10-Q with the Securities and Exchange Commission. Our public filings can be viewed on the SEC website at sec.gov, or you may go to our website, oceanpowertechnologies.com.

I will be joined on today's webcast by Charles Dunleavy, our Chief Executive Officer.

SLIDE #2 FORWARD-LOOKING STATEMENTS

Brian Posner:

Please advance to slide 2.

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. I'll now turn the call over to Charles Dunleavy.

SLIDE #3 SUMMARY

Charles Dunleavy:

Thank you, Brian. And thanks to everyone who has joined us for today's webcast.

On slide # 3, I would like to note the highlights of our first quarter.

OPT made a strong start to this fiscal year, with an increase in revenue compared to the same period last year, as well as an increase in contract order backlog to \$6.5 million, which is higher than both the previous quarter and the same period last year. In addition, we continued to make important advancements in our core PowerBuoy technology. The systems integration of our first PB150 PowerBuoy in Scotland is approaching completion while the manufacturing of our second PB150, for our project in Reedsport, Oregon, is on schedule.

Just after the end of the quarter, OPT signed a significant agreement with a broad array of stakeholders for our utility-scale, 10-PowerBuoy wave power project we expect to be grid connected in Reedsport, Oregon. This agreement marks an important step towards the granting of the first ever Federal Energy Regulatory Commission license for a commercial-scale wave power project in the US.

The development of our next generation PB500 device also gained momentum with our receipt of new funding from the South West of England Regional Development Agency (or 'SWRDA').

Our 40kW-rated PowerBuoy in Hawaii continued to perform well in the ocean, and reflects the strength of our engineering capability and core PowerBuoy technology.

We also strengthened our management team with the appointments of Brian Posner as Chief Financial Officer and Michael Kelly as Vice President of Operations. These appointments serve to broaden our capability for commercial execution of our business strategy. Further, the new Vice President of Operations role at OPT underscores our transition to commercial status by separating manufacturing and marine operations from engineering.

Let me now take you through these developments in more detail.

SLIDE #4: PB150 MOMENTUM

Charles Dunleavy:

Turning to Slide #4.

Much of this quarter's operational activity was focused on the development of our PB150 PowerBuoys.

Our first 150kW rated PowerBuoy in Scotland is nearing completion. The integration of the energy conversion and power take-off subassemblies with the main buoy structure is underway at a dock side facility. I am pleased to say that we remain on track to be ready for deployment off the coast of Scotland for in-ocean trials by the end of this calendar year. We are also seeking additional funding for the next stage of the buoy's development after this initial ocean trial phase.

The completion of the PB150 in Scotland is a major milestone for the Company. It is the first test system for our PB150 product line, and as we have progressed during construction phase, it has already provided valuable data for the advancement of our technology and its manufacturability.

We also have benefitted from this experience in the development of our second PB150 for our project in Reedsport, Oregon. The project remains on schedule, and ocean testing off Oregon is expected to commence in 2011.

OPT intends for this PowerBuoy to be the first of a 10-PowerBuoy, 1.5 MW wave power station at the Reedsport site, which would be America's first commercial-scale, grid-connected wave power station. In August 2010, we announced the signing of a significant agreement with 11 federal and State agencies and three different non-governmental stakeholders to support the responsible, phased development by OPT of the 10-PowerBuoy wave power station. This agreement represents a key step towards the granting of a license by the Federal Energy Regulatory Commission (or FERC), which would be the first such license to be issued for a commercial-scale wave power project in the US. The 10-PowerBuoy wave power station is expected to be connected to the grid after receipt of the FERC license and additional funding for the project.

SLIDE #5 PB150 – SCOTLAND

Charles Dunleavy:

Slide 5 shows our PB150 in Scotland next to the dock during the systems integration process.

SLIDE #6 PB150 – OREGON

Charles Dunleavy:

Similarly, on slide 6, you can see views of our PB150 under construction for our project in Reedsport, Oregon.

SLIDE #7 OPERATIONAL PROGRESS – UTILITY PROJECTS

Charles Dunleavy:

Moving to Slide #7.

OPT has identified two application-driven markets for its core PowerBuoy product: the Utility, or grid-connected market which needs large amounts of power, and the non-grid-connected Autonomous market where smaller levels of power output are needed for use out in the deep ocean.

I would now like to provide a brief update on the operational progress we made with our other Utility PowerBuoy projects during the first quarter, as OPT built on the achievements of last fiscal year.

In December 2009, we deployed an upgraded 40kW peak-rated PowerBuoy at the Marine Corps base on the island of Oahu, Hawaii. Since that time, the buoy has withstood severe wave conditions and has now completed nearly 3 million cycles. The PowerBuoy continues to produce power in accordance with expectations and our testing protocols.

Built under contract from the US Navy, the Hawaii project's intent is to demonstrate the survivability of OPT's PowerBuoy, as well as the capability of our product to meet design expectations. In addition, a very significant aspect of the success of the Hawaii PowerBuoy is the validation of OPT's operating and performance models for the scale-up to the PB150 and its progression to the PB500 PowerBuoy product. This all highlights the strength of our technical base, which is being leveraged to create valuable intellectual property.

A key step in the development of our IP is the product development work being undertaken for our next generation PowerBuoy, the 500kW-rated PB500. Work has commenced for the design of this larger scale system, aimed at further lowering the cost per kilowatt hour of wave power and making it more competitive with other energy sources. The development of the PB500 gained momentum this quarter with the award of £1.5 million (approximately \$2.3 million) by SWRDA. This is the second award OPT

has received for the PB500, following the \$1.5 million grant received this past April from the US Department of Energy.

The funding from SWRDA strengthens OPT's long-term involvement in Britain's southwest region where we were the first company to sign a commitment agreement to advance the development of the first of the four wave power stations that are expected to comprise the Wave Hub in Cornwall. Progress continues on the development of the site, with the installation by SWRDA of the cabling and subsea infrastructure expected to be completed by the end of this calendar year.

SLIDE #8 HAWAII POWERBUOY

Charles Dunleavy:

Slide 8 shows a picture of the PowerBuoy deployed and in operation off the Marine Corps Base in Oahu.

SLIDE #9: OPERATIONAL PROGRESS – AUTONOMOUS PROJECTS

Charles Dunleavy:

Now turning to slide #9.

Further progress was made during the quarter in our Autonomous PowerBuoy business.

Development of an enhanced autonomous buoy for the US Navy's Deep Water Active Detection System (or "DWADS") for deep ocean data gathering, continued as planned. The upgraded buoy is scheduled for deployment by the end of this calendar year.

Work also advanced on another contract with the US Navy to provide a wave energy conversion system for the Navy's Littoral Expeditionary Autonomous PowerBuoy program (or 'LEAP'). Our technology is expected to provide off-grid power at sea for coastal surveillance and homeland security. The design work for the initial \$2.4 million

contract has been completed and we intend to finish the project by the end of this calendar year. It is expected that this initial contract will be part of a four-year, 10 to 15 million dollar program to develop a LEAP-based vessel detection system.

With that, I will hand the presentation over to Brian to discuss the financial results for the first quarter of fiscal year 2011.

SLIDE #10 FINANCIAL SUMMARY – OPERATING RESULTS

Brian Posner:

Thank you, Chuck.

As you will see on Slide 10, our revenues increased 5% for the first quarter of fiscal 2011 to 1.4 million dollars, compared to 1.3 million dollars for the same period in the prior year. This growth primarily reflects an increase in revenue from the US Navy under the LEAP program. In addition, there was an increase in revenue related to OPT's projects in Scotland and Reedsport, Oregon. The growth in revenue generated by these projects was partially offset by the decline in revenue from OPT's DWADS program with the US Navy, our utility-scale project in Spain and the Company's PowerBuoy project at the Marine Corps Base in Hawaii.

Cost of revenues increased to 1.6 million dollars for the quarter, as compared to 1 million dollars for the same period in fiscal 2010. The increase primarily reflected a higher level of activity related to the LEAP program with the US Navy, and our PB150 projects in Scotland and Reedsport, Oregon.

Gross loss was approximately 214,000 dollars for the quarter as compared to a gross profit of approximately 287,000 dollars for the first quarter of the prior year. The decrease in gross margin was largely due to a reduction of revenue in the current quarter by approximately 231,000 dollars due to a change in estimated revenue to be recognized in connection with the Spain construction agreement. Our future gross margins will be dependent on the nature of future contracts, our success at increasing

sales of our PowerBuoy systems and our ability to manage costs incurred on fixed price commercial contracts.

Product development costs increased to 4 million dollars as compared to 1.4 million dollars for the first quarter of the prior year. These planned cost increases were primarily due to our efforts to increase the power output and reliability of our utility PowerBuoy system, especially the 150kW PowerBuoy.

SG&A costs decreased by 6%, to 2 million dollars compared with 2.2 million dollars for the previous year. This decrease was largely due to a decrease in professional fees and travel expenses, which were partially offset by increased marketing and business development expenses.

Interest income for the quarter decreased to 200 thousand dollars, compared with 300 thousand dollars for the same period last year. This decrease was largely due to the decline in total cash and marketable securities.

OPT recognized a foreign exchange loss of 200 thousand dollars for the quarter, compared to a foreign exchange gain of 400 thousand dollars in the same period in the prior year. The difference was primarily due to the relative change in value of the British pound sterling, Euro and Australian dollar, as compared to the US dollar during the two periods.

Net loss attributable to OPT was 6.3 million dollars for the first quarter of the fiscal year ended April 30, 2011 compared to 2.1 million dollars in fiscal 2010.

SLIDE #11 FINANCIAL SUMMARY – FINANCIAL CONDITION AND CASH BURN

Brian Posner:

Turning to Slide 11.

The Company's balance sheet remains strong. At July 31, 2010, total cash, cash equivalents and investments were 60.8 million dollars. The Company's cash equivalents

and investments continue to be highly liquid investments consisting primarily of U.S. Treasury notes, and term deposits with large commercial banks. Net cash used in operating activities was 6.1 million dollars for the quarter ended July 31, 2010 compared to 2.5 million dollars for the quarter ended July 31, 2009. The decrease in cash for this quarter was in accord with budget and was driven primarily by our product development investment.

SLIDE #12 INITIATIVES TO REDUCE CASH BURN

Brian Posner:

Turning to Slide 12.

OPT expects the rate of its cash outflows to decrease in the second half of fiscal 2011, primarily reflecting completion of significant milestones associated with construction of our two PB150 systems for Oregon and Scotland.

Other factors that we believe will contribute to a reduction in our future cash burn beyond fiscal 2011 include the external funding of the majority of PB500 development work, the goal to accelerate the sales of Autonomous PowerBuoys, our focused business development efforts, the continued use of external suppliers as our production volume grows, and the basic principle of our business strategy which is to sell plant, rather than energy, in order to avoid the necessity of raising capital to build and own power stations.

Now I'll turn the call back over to Chuck for a summary of our view on OPT's future developments.

SLIDE #13 MULTIPLE PATHS TO PROFITABILITY

Charles Dunleavy:

Thank you, Brian.

Turning to slide #13.

The Board and Management of OPT are committed to the Company becoming profitable as soon as possible. We believe we have paths to profitability with each of the two major market areas we mentioned earlier. The first path is with our Utility PowerBuoy product which targets a market size of approximately \$50 Billion per annum and is all about large amounts of power provided to the grid. This Utility market opportunity is driving our product development investment to increase the power output rating per PowerBuoy to 150 kilowatts, and further to 500 kilowatts. As we stated earlier we are pleased with the progress that we continue to make with this product.

We also have made very strong progress with our Autonomous PowerBuoy. The ability of the PowerBuoy to operate autonomously in remote ocean locations is truly an enabling technology. In addition to homeland security we believe there is strong potential for our systems to be used for off-shore oil and gas platforms, aquaculture, or fish farming, and ocean-based communication and data gathering such as for tsunami warnings. We estimate this market size to be approximately \$10 Billion per annum, worldwide.

It is important to note that the fundamental PowerBuoy technology is the same for both these markets. The difference in the PowerBuoys addressing the two market areas primarily lies in the size and rated power output of the systems. In the slide, we have also shown how our present projects, as well as our on-going marketing initiatives, support progress along both paths to profitability. We believe that either of these paths alone can move us to profitability and positive cash generation from operations.

SLIDE #14 NEAR-TERM GOALS

Turning to slide #14.

We are excited about our longer-term prospects, and we also believe OPT remains on track to achieve milestones in a number of key projects in the forthcoming months.

Firstly, we plan to be ready to conduct in-ocean trials of our first PB150 device off the coast of Scotland during this calendar year. We also will continue to progress with the construction of the second PB150, which we plan to be deployed in 2011 off the coast of Reedsport, Oregon.

We expect to connect the Hawaii PowerBuoy to the grid serving the Marine Corps Base at Oahu. This will be the first connection to the grid of our PowerBuoy, a landmark in the Company's development effort for the US Navy, which has been an important contributor to the development of our core technology.

By the end of this calendar year, we intend to have deployed our enhanced autonomous PowerBuoy for the US Navy's DWADS Program and to complete the first stage of our contract under the Navy's LEAP project.

The primary focus of OPT's engineering and development efforts for the utility market area is to continue making improvements to the 150kW PowerBuoy system which will be our "workhorse" over the next few years, and also to facilitate our longer-term transition to the 500kW PowerBuoy.

With several key developments due to come to fruition in the near future, along with important steps being taken for the longer-term, OPT remains well-placed to continue to benefit from what we see in the marketplace as momentum at many levels to accelerate the adoption of wave energy in the years ahead.

With that, I would like to thank you for attending today's webcast and as well as for your continued support and interest.

Operator:

Thank you everyone. That concludes today's webcast. You may now disconnect.