

Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

Fourth Quarter Fiscal 2012 Conference Call

Date: July 13, 2012 – 10:00 am Eastern Time

Operator:

Good morning ladies and gentlemen and welcome to the Ocean Power Technologies' Fiscal 2012 Fourth 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 the Chief Financial Officer of Ocean Power Technologies, Mr. Brian Posner.

Brian Posner

Thank you. Welcome to Ocean Power Technologies' Earnings Conference Call for the fourth quarter ended April 30, 2012. OPT issued its earnings press release earlier today, and we will soon file the Company's Annual Report on Form 10-K 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 is Chuck Dunleavy, our Chief Executive Officer.

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. I'll now turn the call over to Chuck Dunleavy, OPT's CEO.

Dunleavy

SLIDE #3: FISCAL YEAR 2012 and RECENT DEVELOPMENTS

Thank you, Brian, and thanks everyone for being with us today. Brian and I will be available to answer questions following our prepared remarks.

First, turning to slide 3, let me provide an update on fiscal 2012 and other recent developments. It's been a very productive time here at Ocean Power Technologies. As I'll discuss further in a moment, we just signed an agreement with Lockheed Martin to enhance our efforts to bring a large-scale wave power station to Australia that leverages a A\$66.5 million grant which was received from the Commonwealth. This is very exciting, and we are gratified to have the support of a strong company such as Lockheed Martin behind the initiative.

In addition, building on the successful completion of ocean testing of OPT's first utility-scale PB150 off Scotland, we recently completed testing of the Company's new, advanced PTO system for our PB150 PowerBuoy in Oregon. We are also making progress towards deployment of that system. We continue to work on our WavePort project in Spain and are accelerating our business development efforts in the autonomous PowerBuoy market after the successful operation of the US Navy's Littoral

Expeditionary Autonomous PowerBuoy. At the same time, we reduced our annual operating loss and our cash usage during fiscal 2012.

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

SLIDE #4: LEAP POWERBUOY OUTPERFORMS

Turning to slide 4. A very important milestone for OPT in fiscal year 2012 was the ocean deployment of our LEAP autonomous PowerBuoy off New Jersey. This buoy, which is significantly smaller and more compact than our utility PowerBuoys, exceeded the project specification for payload power delivery during ocean operations last fall. Our partners for this effort included Rutgers University's Institute of Marine and Coastal Sciences, CODAR Ocean Sensors and Mikros Systems Corporation. The buoy was designed by OPT to provide persistent energy for the US Navy's radar and communications payload, which called for continuous power of 150 watts. The actual results showed that the PowerBuoy supplied constant power in excess of 400 watts throughout the entire deployment period and produced peak sustained electrical power of 1,500 watts. Such performance more than supported the payload 24 hours a day, 7 days a week, for the duration of the ocean operations. In fact, the onboard power management and storage system allowed the payload to be operational even during extended periods of zero wave activity. The PowerBuoy operated on a fully autonomous basis, implementing the requisite power management and self-protection functions without the need for human intervention. This all was maintained even as the autonomous PowerBuoy withstood Hurricane Irene, which hit the New Jersey coastline on August 27, 2011 and had waves of up to 53 feet.

These results demonstrated strong performance under our contract with the US Navy, for their maritime security mission. More broadly, the fact that we can offer the unique ability to supply persistent levels of power in deep ocean – even during extended no-wave periods -- represents an entirely new offering to satisfy offshore power needs, for a multitude of applications. We are currently in active dialogue for other potential commercial applications of the autonomous PowerBuoy by the oil and gas industry as well as by oceanographic data gathering initiatives, and desalination companies, all of which could replace diesel generators that are costly, dirty, and require frequent

maintenance. We are placing more resources into developing these attractive end markets for our autonomous PowerBuoy.

SLIDE #5: AUSTRALIA & JAPAN

Turning to slide 5, I'd like to give an update on our current initiatives in Australia and Japan, where we've seen some exciting activity lately. As announced earlier this week, we entered into a teaming agreement with Lockheed Martin with the specific goal and focus to develop a 19 megawatt wave energy project in Australia. Lockheed will provide assistance in the areas of design manufacturability of our PowerBuoys, supply chain, 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). We are actively assessing financing opportunities for the project and pursuing power purchase agreements with local industry and utilities.

In addition, we have begun the permitting process for the project, and community consultation is underway. The potential project has been very positively received in the community.

Funding for the project includes a previously announced grant of A\$66.5 million (or about the same 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 the terms, including funding milestones, which require significant additional funding to enable the receipt of the grant funds and the completion of the project.

We also 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 as we develop this project and maintain operations over the life of the power station.

In Japan, we have been working closely with our partner, Mitsui Engineering & Shipbuilding, on the next phases of development of a PowerBuoy project there. Analysis and design work is expected to continue through much of fiscal 2013, after

which a recommendation may be made on final deployment parameters for a PowerBuoy to be built and operated off Japan, with the follow-on potential for a multi-megawatt wave power station.

SLIDE #6: OREGON UPDATE

Turning to slide 6, I'd like to give an update on our important project in Reedsport, Oregon, which has received funding support from the US Department of Energy and also from PNGC Power. We recently announced progress here as well, with the successful completion of the rigorous testing on our next-generation Power Takeoff unit, or PTO, which has been shipped to Oregon for integration with the rest of the PB150. As a reminder, this PowerBuoy's direct drive PTO was developed to be more durable, involve less maintenance, and provide better long-term efficiency than our previous hydraulic design. From a technology standpoint, it's a significant leap forward.

Over the coming weeks, the PTO will be integrated into the spar, we will then perform some further testing, after which we will complete final assembly of the spar, float and heave plate. Then, the entire PB150 will be transported from Portland to the Reedsport/Coos Bay coastal area for interim staging. We expect this first Reedsport PB150 to be ready for deployment late this summer, with the exact deployment timeline to be decided by the weather window. Lockheed Martin is providing design, manufacturing, and supply chain management expertise on this project to enhance our technology as we move towards larger-scale commercialization. We look forward to updating you on the developments in the months ahead.

SLIDE #7: WAVEPORT PROJECT – SPAIN

Now let me give you an update on developments in Spain, as shown on slide 7. We continue work on our previously-announced €2.2 million WavePort project to design, supply and deploy a PowerBuoy with an advanced energy conversion system that includes a new wave assessment model. The grant to OPT is part of a total award of €4.5 million to a consortium of enterprises, including OPT. Substantial progress is being made along with our consortium partners – the United Kingdom's University of

Exeter, DeGima in Spain, the Wave Energy Centre of Portugal, and Norway's Fugro-Oceanor.

The new system is expected to assess the characteristics of incoming waves before they reach the PowerBuoy power station, allowing more time for OPT's proprietary electronic tuning to react. This could significantly boost the output of the PowerBuoy and reduce the cost per megawatt hour of energy produced.

The PowerBuoy being developed for the project is planned to be installed at an existing mooring site off Santoña, Spain.

Now let me turn the call over to Brian for discussion of OPT's operating results for fiscal year 2012.

Posner

SLIDE #8: FINANCIAL SUMMARY – OPERATING RESULTS

Thank you, Chuck.

As noted on slide 8, OPT reported revenues of \$1.4 million for the fiscal fourth quarter as compared to revenues of \$1.9 million for the three months ended April 30, 2011. This decrease primarily reflects lower revenues related to the Company's project in Reedsport, Oregon, as well as lower revenue tied to the Navy's LEAP program on a year-over-year basis, since that project was successfully completed in the fiscal 2012 third quarter. These revenue declines were partially offset by an increase in revenue from the Company's WavePort project and from development work related to the next generation PowerBuoy.

The operating loss for the three months ended April 30, 2012 was \$4.2 million as compared to an operating loss of \$5.4 million for the three months ended April 30, 2011. The reduction in operating loss year-over-year was due primarily to a decrease in product development costs, principally for the PB150 system that underwent successful ocean trials off the coast of Scotland in 2011, in addition to lower costs related to the PB150 PowerBuoy in Reedsport, Oregon, partially offset by costs related to the increased investment in advanced technology development.

The net loss was \$4.1 million for the three months ended April 30, 2012 compared to \$5.3 million for the same period in the prior year. This decrease in net loss was due primarily to the decline in operating loss.

For the full fiscal year ended April 30, 2012, OPT reported revenues of \$5.7 million as compared to revenues of \$6.7 million for fiscal 2011. This decrease primarily reflects lower revenues associated with the US Navy's Deep Water Active Detection System project and declines in revenue tied to the Company's LEAP program as well as the project in Oregon. The fiscal 2012 revenue decline was partially offset by work on the Company's WavePort project in Spain and by the funded development of the PB500 next generation PowerBuoy.

The operating loss for the twelve months ended April 30, 2012 was \$16.6 million as compared to an operating loss of \$21.3 million for the year ended April 30, 2011. The reduction in operating loss of nearly \$5 million year-over-year was due primarily to a decrease in product development costs, principally for the PB150 system off the coast of Scotland, in addition to lower costs related to the PB150 PowerBuoy in Reedsport, Oregon and the Company's Hawaii project with the US Navy, as that project neared completion during fiscal 2012.

The net loss was \$15.2 million for the twelve months ended April 30, 2012 compared to \$20.5 million for the same period in the prior year. This decrease in net loss was due primarily to the decline in operating loss as well as a higher recorded income tax benefit.

SLIDE #9: FINANCIAL SUMMARY – FINANCIAL CONDITION

Turning to slide 9.

On April 30, 2012, total cash, cash equivalents, restricted cash and investments were \$33.2 million. The net decrease in cash and investments was \$15.2 million for the twelve months ended April 30, 2012, compared to a reduction in such balances of \$18.5 million for fiscal 2011. Note that OPT received approximately \$1.1 million and \$0.4 million in connection with the sale of New Jersey net operating tax losses during the twelve months ended April 30, 2012 and 2011, respectively. Cash usage declined in

fiscal 2012 primarily due to the completion of ocean trials of the PB150 off the coast of Scotland.

OPT expects its net cash used to continue to decrease in fiscal year 2013.

Now I will turn the call back over to Chuck for some closing comments.

Dunleavy

SLIDE #10: FISCAL YEAR 2012 LEADERSHIP TEAM CHANGES

Thanks, Brian. Turning to slide 10, it is also important to note that during fiscal year 2012 we made some significant changes to our leadership team.

Tim Stiven was appointed as Managing Director of Ocean Power Technologies Limited, OPT's UK-based, wholly-owned subsidiary. Tim is responsible for all of OPT's UK and European operations.

During his career, Tim has held a number of positions involving marine engineering and sustainable energy. At QinetiQ, an international defense and security company, he led new market ventures in the energy & environmental markets. In addition, as a Marine Engineer Officer in the Royal Navy, he specialized in leading complex technology development programs to meet the Navy's future equipment requirements.

He holds Masters of Science degrees in Naval Architecture from University College London and in Sustainable Energy Systems from the University of Edinburgh. He is also a Chartered Engineer.

We further announced in Fiscal 2012 two new members of our Board of Directors – David Davis and Bruce Peacock. David is the Vice President of PJM Grid Development for the independent power producer NRG Energy. PJM International is the largest Independent System Operator in North America. David brings strong relationships with regulators, legislators, and other stakeholders within both the renewable and conventional energy sectors, with over 20 years of applicable experience.

Bruce Peacock, currently the Chief Business Officer of Ophthotech, a biopharmaceutical company, has over 30 years experience at companies with

international operations, bringing new products to commercial status in regulatory-driven markets. Both of these individuals have already played active roles in shaping our strategy for fiscal 2013 and beyond.

SLIDE #11: NEAR-TERM ACTIVITY AND GOALS

Turning to slide 11, I would like to state our near-term goals over the coming months.

We completed our goal, as stated in the third quarter earnings call, to complete land testing of the power take off for our Oregon PB150. And, as I mentioned earlier, we are on track to be ready to deploy our first Oregon PB150 late this summer -- the first step in OPT's plans to build up to a 1.5 megawatt power station in Reedsport. We will also continue to provide further updates on our ongoing business initiatives in Australia and Japan, as well as our PowerBuoy for the WavePort project in Spain. In addition, we expect fiscal 2013 will include developments with regard to commercialization of our autonomous and utility PowerBuoys and growth opportunities around the globe.

We continue to believe the company is well positioned for a very active year and look forward to keeping our investors posted on milestones and order flow going forward.

This concludes our prepared statement for the year-end 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:

Thank you; that concludes our questioning period.

Mr. Dunleavy, you may proceed with any closing remarks.

Dunleavy

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.