

Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

Fourth Quarter Fiscal 2011 Conference Call

Date: July 14, 2011 – 10am Eastern

Operator:

Good day ladies and gentlemen and welcome to the Ocean Power Technologies' Fiscal Year 2011 Fourth Quarter conference call. At this time, all participants are in a listen-only mode. Following management's prepared remarks we'll hold a Q&A 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 and fiscal year ended April 30, 2011. OPT issued its earnings release earlier today and later today will 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 www.sec.gov, or you may go to the OPT website, www.oceanpowertechnologies.com.

With me on today's webcast 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: SUMMARY – FISCAL FOURTH QUARTER, 2011

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

Turning to slide 3, I would like to note some recent developments of which we're particularly proud. We've accomplished a great deal this past quarter and ended the fiscal year on a high note -- with plenty of traction heading into fiscal year 2012. We deployed our first utility-scale PB150 PowerBuoy off the coast of Scotland on April 15, 2011. Since that time, we've been measuring the performance of the unit, and we have been very pleased by the results. I'll go into this in more detail in a moment.

In addition, we have continued to make progress with the construction and land testing of our PB150 unit for Reedsport, Oregon. We have made advances on our next-generation PowerBuoy, the PB500 and also on our autonomous PowerBuoy for the US Navy's LEAP program. Our grid-connected PowerBuoy in Hawaii continues to be going strong. Total fiscal 2011 revenue rose over 30% compared to fiscal 2010, and during the year we brought in \$10.3 million of new orders. With a record backlog of \$8.9 million at April 30, 2011, we are well positioned for further success in fiscal 2012.

SLIDE #4: SCOTLAND OUTPERFORMING

Moving to slide 4, let me add some information about the initial deployment of our PB150 off Scotland. This 150 kilowatt-rated device was designed by OPT to generate utility-scale renewable wave energy in arrays of multiple buoys for commercial power stations in locations around the globe. In January 2011, we were very pleased to announce that OPT achieved an independent certification of the PB150 structure and mooring system by the internationally respected Lloyd's Register. This certification confirmed that the PB150 design complies with certain international standards for floating offshore installations.

During recent ocean testing of the PB150, average electrical power of 45 kilowatts was achieved with wave heights as low as 2 meters, exceeding our performance expectations for the PB150. We believe this capacity factor of 30% represented by the 45 kilowatt average power exceeds capacity factors generally seen in other forms of alternative energy, such as wind and solar. The power take-off system also exceeded expectations with respect to energy conversion efficiency in the irregular ocean wave conditions encountered. Overall, the range of PB150 power outputs we saw at specific operating points during the ocean testing was in line with our model predictions for such wave states. This means that our confidence in power predictions at other sites is greatly increased, particularly since the performance of the Hawaii PowerBuoy has also agreed with our models. We are therefore confident that, at sites where wave conditions are higher than those encountered thus far during ocean trials, our units can produce 150 kW on average. In addition, the environmental conditions experienced by this PB150 off Scotland included storm waves, with electrical power generating peaks of over 400 kilowatts. We find all of this very encouraging and will be testing the Scotland PowerBuoy for another 1 to 2 months. The Company is seeking a commercial customer for this PB150 after the trial phase is complete. All in all, it speaks to the contributions made by our employees on both sides of the ocean to Ocean Power Technologies' success.

SLIDE #5: PB150 SCOTLAND DEPLOYMENT

Slide 5 shows the towing of the buoy during the deployment process. A video of the deployment is available on the OPT website at www.oceanpowertechnologies.com. In addition, the Bloomberg television program “Inside Track” aired a segment on OPT and the Scotland PowerBuoy on June 28, which you can also see on our website.

SLIDE #6: PB150 SCOTLAND POST DEPLOYMENT

Slide 6 provides a view of the buoy after its deployment at a site about 30 nautical miles off the northeastern coast of Scotland.

SLIDE #7: OREGON MOVING TOWARDS DEPLOYMENT

Turning to slide 7, I’d like to provide an update on our project in Reedsport, Oregon. The project has two phases: the first, on which we are now working, is for the deployment of one PB150 PowerBuoy. This will be followed by a second phase, during which we expect to build and deploy nine additional PB150’s and connect all ten buoys to the Oregon grid through OPT’s proprietary undersea substation pod, for a total 1.5 MW.

We have finished initial construction of the steel structure of the PB150 for the first phase, which is shown in the picture on this slide. The power take-off (or PTO) and our proprietary, electronic control system are now undergoing testing in our New Jersey production facility. At this point, we are cycle-testing the complete PTO system under various simulated wave conditions.

We expect the first PB150 to be ready for deployment by the end of calendar year 2011, with the exact time of deployment weather-dependent. We are very pleased by the opportunities presented by this project. Earlier this fiscal year, we reported that we and 14 other interested federal, state and non-governmental stakeholders signed a ground breaking agreement for the Reedsport project. This agreement supports the responsible, environmentally sensitive, development of the 10 PowerBuoy, 1.5MW wave power station – which would be America’s first commercial-scale, grid-connected wave power station. This 1.5 MW wave power station is subject to the receipt of

appropriate final licensing from the US Federal Energy Regulatory Commission and additional funding for the build-out of the second phase, encompassing 9 more PowerBuoys and the grid connection infrastructure.

SLIDE #8: ONGOING PROGRESS - HAWAII & PB500

Moving to slide 8, let me comment briefly on two other major projects that are moving ahead and will show further progress in fiscal 2012.

In Hawaii, we continue to demonstrate the in-ocean performance of our first grid-connected wave energy PowerBuoy, which was deployed in December 2009 at the Marine Corps Base in Oahu. This PowerBuoy recently reached a significant milestone with the completion of over 5 million cycles in operation. This is an important achievement and confirms the durability of our grid-connected system, which has successfully survived severe storms and also tsunamis originating in Japan and Chile.

In addition, we continue to utilize and leverage our experience with the Hawaii PB40 and our Scotland PB150 to refine design of the Company's next-generation PowerBuoy, the PB500. We're making significant progress with concept design and wave tank testing of this larger scale system aimed at further lowering the cost per kilowatt hour of wave power -- making it more competitive with other energy sources. We expect the PB500 to be ready for ocean trials in late calendar 2013, and we are working on appropriate grants and other funding from a range of sources to make this a reality. In the interim, our PB150 PowerBuoy will be our workhorse for utility grade installations over the next several years.

SLIDE #9: LEAP ON TRACK

Now turning to slide 9, I'd like to give an update on our LEAP project. This highlights our autonomous PowerBuoy that can operate in remote ocean applications, where there is little access to grid-connected power. The Navy's Littoral Expeditionary Autonomous PowerBuoy program has as its goal the generation of remote, reliable energy for long-term homeland security and maritime surveillance. OPT is making solid progress completing the LEAP PowerBuoy structure -- incorporating a new power take-off system which has successfully completed its land testing at our facilities in New Jersey. We

plan to integrate the PTO into the PowerBuoy and deploy it for testing in the Atlantic Ocean off the coast of New Jersey later this year. We're pleased with our pace on this autonomous project and look forward to working with the US Navy during ocean testing within the coming months.

SLIDE #10: JAPAN & AUSTRALIA

Turning to slide 10, I'd like to talk briefly about our overseas initiatives in Japan and Australia. We have made continued progress with regard to bringing clean wave energy to Japan, and, following the recent tragic events there, demand now seems greater than ever.

We are working with Mitsui Engineering & Shipbuilding (or MES) on developing a new mooring system for our PowerBuoys, customized for wave power stations off the coast of Japan. We have also worked with MES to conduct certain development engineering in connection with the project, as well as to perform tests at their wave tank facilities. The companies continue to make progress toward the next steps of completing economic assessments and identifying a project site for an in-ocean trial of the PowerBuoy system. Following an expected agreement for that work, and the identification of a project site, MES and OPT would then enter into a contract to conduct ocean trials of a demonstration PowerBuoy system. The trial PowerBuoy system would provide the basis for the expected build-out of a commercial-scale OPT wave power station with an initial capacity of several megawatts, scaleable to 10MW or more. It's very exciting, and Mitsui has proven to be an excellent partner. We have seen accelerated interest by the Japanese Government and industry since the dangers of nuclear power were exposed earlier this year.

Moving to Australia, and as previously reported, our joint venture there with Leighton Contractors won a coveted A\$66.5 million grant from the Commonwealth Government—the equivalent of US\$71 million -- with the purpose of building a 19 megawatt wave power station off the coast of Victoria, supplying electricity for up to 10,000 homes. The grant is conditional on Leighton attaining the balance of funding needed for the project, although it is expected this can be raised in stages. Leighton and OPT have been discussing the best methods for securing project financing. We are encouraged by the

strong interest in our power applications and by the support of the Australian government, and we look forward to providing an update on this important project as we get more visibility on the project financing.

I will now turn the call over to Brian Posner, who will discuss our financial performance for the fourth quarter and fiscal year in detail.

Posner

SLIDE #11: FINANCIAL SUMMARY – OPERATING RESULTS

Thanks, Chuck.

As noted on slide 11, OPT reported revenue of \$1.9 million for the fourth quarter, as compared to revenue of \$2.4 million in the three months ended April 30, 2010. The decline year-on-year primarily reflects a reduction in revenue from OPT's Deep Water Active Detection System (or "DWADS") project with the US Navy, as that contract moved toward completion.

OPT's contract backlog at April 30th, 2011 was a record \$8.9 million, as Chuck just mentioned, compared to \$5.7 million at April 30th, 2010 and \$5.8 million at January 31st, 2011. The reported backlog at our fiscal year end included two previously announced 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.

The Company reported an operating loss of \$5.4 million for the three months ended April 30th, 2011, as compared to a loss of \$6.4 million for the three months ended April 30th, 2010. The reduction in operating loss in the current fiscal quarter was primarily due to a decrease in product development costs, principally for the PB150 system in Oregon and an increase in gross margin, partially offset by an increase in selling, general and administrative costs. The increase in SG&A expense was largely due to higher compensation and marketing costs.

OPT reported a net loss of \$5.3 million for the three months ended April 30th, 2011 as compared to \$6.2 million for the same period in the prior year. This decrease in net loss

was primarily due to the decrease in operating loss and a decrease in foreign exchange losses, partially offset by a decrease in interest income. Interest income for the quarter decreased to \$142,000, compared with \$268,000 for the same period last year. This decrease was largely due to the decline in average yield and in the total invested cash and marketable securities.

Turning to the full fiscal year, OPT posted revenue of \$6.7 million, up 31% as compared to revenue of \$5.1 million in the prior year period. This is the highest level of revenues reported by OPT since it commenced operations. The top line growth primarily reflects an increase in revenue from the US Navy under the Company's LEAP program. In addition, there was an increase in revenue 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 revenue 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 activity for the current phases of these contracts was completed.

The Company reported a full year gross profit of four hundred thousand dollars, as compared to eight hundred thousand dollars for the twelve month period ended April 30th, 2010. The current fiscal year's gross profit was negatively impacted by a reduction of \$240,000 due to a change in estimated revenue recognized in connection with the wind-down of the Company's prior project in Spain. In addition, gross profit for the 2010 fiscal year was favorably affected by a reversal of a provision for contract losses, in connection with our project in Spain, of approximately \$400,000.

Product development costs increased to \$13.3 million as compared to \$13 million last fiscal year, reflecting an increase in costs from OPT's PB150 PowerBuoy project in Oregon. SG&A costs for the year decreased to \$8.4 million from \$9.1 million in fiscal 2010, largely due to a decrease in compensation and recruiting expenses. The operating loss for the fiscal year ended April 30th, 2011 was \$21.3 million, in line with fiscal year 2010.

Interest income in fiscal 2011 decreased to approximately seven hundred thousand dollars from \$1.0 million in the prior year period, reflecting the decline in average yield and in the total invested cash and marketable securities. In addition, the current fiscal

year excludes \$558,000 in other income recorded in the prior year, tied to settlement of a claim by OPT against a supplier of engineering services.

OPT recognized a foreign exchange loss of \$229,000 for the twelve months ended April 30th, 2011, as compared to a foreign exchange gain of \$541,000 for the same period last year. The difference was due to the relative change in the value of the British pound sterling, Euro and Australian dollar, as compared to the US dollar during the two periods.

In fiscal 2011, OPT also recognized an income tax benefit of \$364,000 in connection with the sale of New Jersey net operating tax losses. The Company's net loss was \$20.4 million for fiscal 2011 versus \$19.2 million in fiscal 2010.

SLIDE #12: FINANCIAL SUMMARY – FINANCIAL CONDITION

Turning to slide 12.

On April 30th, 2011, total cash, cash equivalents, restricted cash, and investments were \$48.3 million. 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. We believe the rate of cash outflows will decrease in fiscal 2012, reflecting completion during the current fiscal year of significant milestones associated with the construction of our PB150 systems for Oregon and Scotland.

Now I will turn the call back over to Chuck for a discussion of some of our near-term goals and prospects.

SLIDE #13: NEAR-TERM GOALS

Thanks Brian... Turning to slide 13.

Ocean Power Technologies is gaining the necessary traction to move us into full commercialization of our PowerBuoy technology. We are now proving the efficiency and durability of our PowerBuoys for both grid-connected and autonomous applications. External third party validation of our technology includes the PB150 design certification

by Lloyd's Register, certification of our grid connection by Intertek Testing Services, and our having received the highest rating in connection with an independent Environmental Assessment performed on our technology. Our commercial partners include Mitsui, Lockheed and the US Navy, among others.

But we see this as only the beginning, as we continue to work with governments and utilities across the globe to validate our systems and accelerate deployment opportunities. We are focused on achieving specific goals during fiscal 2012 – including finalizing our ocean trials in Scotland, deploying our PB150 off the coast of Oregon and deploying an autonomous PowerBuoy for the Navy's LEAP program in the Atlantic Ocean off New Jersey. We also expect to make business development progress in North America, Europe, Australia and Japan.

To our investors, we want to assure you that we remain focused on the fundamentals: demonstrating the survivability of our technology, increasing the efficiency of the PowerBuoy, reducing the cost of energy, bringing in new business, and expanding our relationships with strategic partners.

We expect that our balance sheet will continue to be strong, and we believe 2012 will be a year of significant accomplishment for OPT – one that sees further deployments, increased demand, and additional technology achievements. We thank our investors for their continued interest in our success.

This concludes our prepared statement for the fourth 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:

Thank you, that concludes our questioning period.

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

Dunleavy:

Thank you once again for attending today's call, and for your continued interest in Ocean Power Technologies. 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.