Ocean Power Technologies Announces Results for the Year Ended April 30, 2009

July 14, 2009

PENNINGTON, N.J.--(BUSINESS WIRE)--Jul. 14, 2009-- Ocean Power Technologies, Inc. (Nasdaq: OPTT and London Stock Exchange AIM: OPT) ("OPT" or "the Company") announces its financial results for the year ended April 30, 2009.

Fiscal Year 2009 Highlights

- Cash, cash equivalents and investments of $81.7 million at year end (April 30, 2008: $101.1 million)
- Deployed and ocean-tested a PowerBuoy® at the Marine Corps Base, Oahu, Hawaii under an on-going program with the US Navy. An additional $1.4 million in funding for this program was added by the Navy for the PowerBuoy system during fiscal year 2009
- Ocean-tested an autonomous PowerBuoy off the coast of New Jersey, developed for the US Navy's Deep Water Active Detection System ocean data gathering program. Following the ocean test, OPT was awarded a $3.0 million contract from the US Navy for the second phase of the program
- Deployed a PowerBuoy off the coast of Spain under a wave power contract with Iberdrola and the Company is continuing the construction and testing of its proprietary underwater substation pod
- Contract order backlog at April 30, 2009 increased to $7.5 million (April 30, 2008: $5.5 million)
- Awarded $2.0 million from the US Department of Energy ("DoE") in support of OPT's wave power project off the coast of Reedsport, Oregon – the first award by DoE for the building of ocean wave energy systems
- Announced collaboration with Lockheed Martin to act as contractor for a utility-scale wave power generation project in North America
- Secured 2MW berth at the European Marine Energy Centre ("EMEC") off the Orkney Islands, Scotland
- Signed agreement with Leighton Contractors to develop wave power projects off the east and south coasts of Australia
- Strengthened management team with key appointments, including Mark R. Draper as Chief Executive Officer, Dr. Philip Hart as Chief Technology Officer and, in June 2009, Angus Norman as Chief Executive of Ocean Power Technologies Limited, the Company's UK-based subsidiary

Mark R. Draper, Chief Executive Officer of OPT, said: "We have made significant progress and achieved major milestones with key projects in fiscal year 2009. These include the launch of several PowerBuoys under multiple contracts. In addition, we have made key advances on our PB150 system, which is on track to be ready for deployment by the end of 2009. We have expanded our relationships with existing partners, such as the US Navy and Lockheed Martin, and have established new relationships in key global markets that further our growth strategy. These achievements, combined with the important strengthening of our management team, clearly positions OPT as an industry leader. We remain on track to achieve our objective of utilizing wave power as an economically-viable source of renewable energy and look forward to the future with confidence."

Overview

Fiscal year 2009 represented a pivotal year for OPT. The Company made significant progress on the development of the PB150, which is to be ready for deployment at the EMEC off the coast of Scotland by the end of calendar year 2009. OPT also made advances on other key projects, including ocean testing of three different PowerBuoys off New Jersey, Spain and Hawaii. The Company strengthened relationships with existing partners, in particular the US Navy and Lockheed Martin, and formed new partnerships that further OPT's expansion strategy and improve its future prospects.

As a result, the Company's contract order backlog at April 30, 2009 increased to $7.5 million (April 30, 2008: $5.5 million). A majority of the backlog is expected to be recognized as revenue over the next 12 months.

As OPT continued to invest in its product development, the Company believes that the advances made in the development of the 150kW PowerBuoy system will facilitate the future transition to the 500kW PowerBuoy from the PB150 model. As a result, the current focus of OPT's engineering and development efforts is directed to increasing the power output and maintainability of the utility PowerBuoy, and exploring design and construction techniques that are expected to enable the larger systems to be built and deployed at a significantly reduced cost.

The Company's patent portfolio continued to grow as three new US patents were issued during fiscal year 2009 and seven new patent applications were submitted. As of April 30, 2009, OPT owned a total of 40 issued US patents, with 16 US patent applications pending.

Fiscal year 2009 also saw a strengthening of OPT's management team with several key appointments. Foremost among these, Mark R. Draper was named OPT's Chief Executive Officer, succeeding Dr. George W. Taylor, a founder of the Company and previous Chief Executive Officer, who was appointed Executive Chairman. Mr. Draper previously held the position of Chief Operating Officer of the Company and Chief Executive of OPT's wholly-owned European subsidiary, Ocean Power Technologies Limited, based in Warwick, England. He has been instrumental to the Company's progress in developing its PB150 PowerBuoy, and in expanding operations in both Europe and North America. Prior to joining OPT, Mr. Draper's career encompassed a broad range of managerial and engineering roles at Powergen plc, a UK energy business, including responsibility for nine major power stations, a combined heat and power business, the technology division and the company's renewable energy business. He was also instrumental in establishing and managing the growth of Powergen's renewable generation activities, including on-shore and off-shore wind power stations.

Other key appointments comprised:

● Dr. Philip Hart to the position of Chief Technology Officer. Dr. Hart is recognized internationally for his expertise in marine technology. Prior to joining OPT, he worked for Global Marine Systems, an international marine technology and engineering company

● Seymour S. Preston III, previously OPT's Chairman and Non-Executive Director, as Vice Chairman and Lead Independent Director

● J. Victor Chatigny as a Non-Executive Director. Mr. Chatigny has served over many years in a senior management capacity at Measurement Specialties, Inc., a publicly-held company specializing in the design and manufacture of advanced technology-based sensors

● In June 2009, Angus Norman, as Chief Executive of Ocean Power Technologies Limited. Mr. Norman joined OPT from EDF Energy where he held the position of Managing Director of Sustainable Solutions and brings more than a decade of leadership experience in the energy and renewable energy generation sector

In addition, OPT strengthened its technical capability through the hiring of qualified personnel in the manufacturing, research and development and engineering functions. As of April 30, 2009, OPT had 57 employees, which is expected to increase, primarily in engineering, manufacturing and marine operations functions, in order to meet the Company's current manufacturing and deployment targets.

As a result, OPT is well placed to benefit from the improving environment for renewable energy, which gained increasing momentum during the year. In particular, OPT expects to benefit from the energy production tax credit provision of the US government's Energy Improvement and Extension Act of 2008. Previously, production tax credit provisions served only to benefit other renewable energy sources such as wind and solar. This Act will, for the first time, enable owners of wave power projects in the US to receive federal production tax credits, thereby improving the comparative economics of wave power as a renewable energy source.

The Obama administration in the United States appears to be keen on developing renewable energy as a commercial source of energy for the country. It is expected that the US federal and state governments will increase their investments in the renewable energy sector under various economic stimulus measures announced in early 2009. In anticipation of such investments, OPT is devoting additional resources to developing proposals to seek government funding to support existing projects and technology enhancements.

During fiscal 2009, OPT received a $2.0 million award from the US Department of Energy in support of OPT's wave power project off the coast of Reedsport, Oregon. The DoE grant will be used to help fund the fabrication, assembly and factory testing of the first PowerBuoy to be installed at the Reedsport site, which will be a 150kW-rated PowerBuoy. This is the first award for the building of ocean wave energy systems by the DoE, and OPT believes it is indicative of the growing recognition and support of wave energy within the US federal and state governments.

Operational Review

The year ended April 30, 2009 represented another year of progress for OPT. The Company achieved key milestones in a number of ongoing projects and established strong foundations in new developments, which include:

HAWAII, US – Under its on-going program with the US Navy for the development and construction of wave power systems at the Marine Corps Base in Oahu, Hawaii, OPT deployed a 40kW peak-rated PowerBuoy near Kaneohe Bay in October 2008. Initial commissioning tests provided encouraging results and the power produced was in accord with predicted levels. In fiscal 2009, the Company received an additional $1.4 million in funding from the US Navy for this program. The buoy has been retrieved for maintenance and upgrades and is expected to be redeployed later this year to continue testing and ultimately to be connected to the grid via an existing underwater power transmission cable.

US NAVY DEEP OCEAN APPLICATION – In June 2007, OPT was awarded a $1.7 million contract by the US Navy to provide autonomous PowerBuoy technology for its Deep Water Active Detection System ("DWADS") for ocean data gathering. Under this initial 18-month program, OPT ocean-tested one of its autonomous PowerBuoy systems off the coast of New Jersey in October 2008. This was the Company's first deep water deployment, at a location with over 3,000 feet of ocean depth. Following this test phase, OPT received a new $3.0 million contract from the US Navy for the second stage of the program for the building of an advanced version of the autonomous PowerBuoy.

SPAIN – OPT deployed and ocean tested its first PowerBuoy under contract with Iberdrola S.A., one of the world's largest renewable energy companies, and its partners, at a site approximately three miles off the coast of Santoña, Spain. The enhanced PB40 PowerBuoy, which incorporates OPT's patented wave power technology, is the first step of what is expected to be a utility-grade OPT wave power station to be built-out in a later phase of the project. Following deployment and ocean testing of the first PowerBuoy in September 2008, the buoy was retrieved to enable OPT to make improvements to the power take-off and control systems. The manufacturing and testing of the underwater substation pod is continuing. The underwater power transmission cable has been purchased for this project and is awaiting the granting of permits to allow for its installation. The Company is currently in discussions with its partners in the Spain project regarding the nature and costs of the system improvements and their effects on plans for the redeployment of the buoy and the next phases of the project. The terms and funding for the deployment of the substation pod and cable are also being considered by the parties.

ORKNEY ISLANDS, UK – During the past year, OPT secured a 2MW berth at the EMEC near the Orkney Islands, Scotland, and made significant progress on the development of a 150kW PowerBuoy for its deployment at EMEC under contract with the Scottish Government. Subsequent to April 30, 2009, OPT announced the achievement of two major manufacturing milestones in the development of the PB150 PowerBuoy: the completion of the mechanical elements of the power take-off system and the award of the steel fabrication contract for the PowerBuoy structure. This PowerBuoy is expected to be ready for deployment by the end of calendar year 2009.

REEDSPORT, OREGON, US – With support from Pacific Northwest Generating Cooperative (PNGC Power), OPT is working on a 150kW-rated PB150 PowerBuoy for deployment off Reedsport, Oregon, major portions of which will be fabricated and integrated in Oregon. In fiscal 2009, OPT received a $2.0 million award from the US Department of Energy in support of OPT's wave power project off the coast of Reedsport. The DoE grant will be used to help fund the fabrication, assembly and factory testing of the first PowerBuoy to be installed at the Reedsport site. OPT is working closely with interested stakeholder groups at local, county, state and federal agency levels while making steady progress on the overall permitting and licensing process.

CORNWALL, UK – OPT is in the process of planning and developing a project for the South West of England Regional Development Agency ("SWRDA") to install a 5MW demonstration wave power station off the coast of Cornwall, England, as part of SWRDA's "Wave Hub" project. During fiscal 2009, OPT worked with the engineering contractor appointed by SWRDA to manage the construction of the marine energy test site, and SWRDA

is currently conducting the tender process for the design and build of the infrastructure. The Wave Hub cabling and subsea infrastructure is expected by SWRDA to be installed by the engineering contractor by the end of calendar year 2010.

LOCKHEED MARTIN, US – In fiscal year 2009, OPT signed a letter of intent with Lockheed Martin Corporation to collaborate in the delivery of a utility-scale wave power generation project in North America. Lockheed Martin and OPT intend to enter into an agreement under which OPT would provide its project and site development expertise, build the power take-off and control systems of the plant, and provide its proprietary PowerBuoy technology. Lockheed Martin would provide construction, systems integration and deployment of the plant, as well as operations and maintenance services. This is the first agreement between the two companies for a utility-scale renewable energy project and builds on previous work together on systems for US homeland security and maritime surveillance consisting of OPT's unique autonomous PowerBuoy integrated with Lockheed Martin's advanced acoustic sensors, signal processing and communications systems. Our prospective wave power project with Lockheed Martin is expected to be off the coasts of either California or Oregon.

LEIGHTON CONTRACTORS, AUSTRALIA – In December 2008, OPT signed a Joint Development Agreement with Leighton Contractors Pty. Ltd., part of one of Australia's largest project development and contracting groups, for the development of wave power projects off the east and south coasts of Australia. Under contract from Leighton, Ocean Power Technologies (Australasia) Pty. Ltd. ("OPTA"), the Company's Australia-based subsidiary, will identify potential project sites and assess their commercial prospects. Upon identification of projects to be developed, Leighton would obtain approvals, negotiate power purchase agreements, structure project financing, and oversee project delivery and operation of the power stations. If the projects are developed, OPTA would sell its PowerBuoy wave power station to special purpose companies formed by Leighton for the projects.

Financial Review

In fiscal 2009, OPT generated the majority of its revenues from the US Navy, the Company's largest customer, which accounted for 67% of total revenues (fiscal 2008: 58%), while Iberdrola and Total accounted for 18% of fiscal year revenues (fiscal 2008: 31%).

OPT markets and sells the Company's products and services in a number of countries outside the US, including Spain, the United Kingdom and Australia, with international customers accounting for 27% of revenues in fiscal 2009 (fiscal 2008: 41%).

Revenues decreased by $0.8 million in fiscal 2009, or 15%, to $4.0 million as compared to $4.8 million in fiscal 2008. The decrease in revenues primarily reflects a lower level of billable activity in connection with work on the Company's wave power project off the coast of Spain. Also, lower revenues from our Hawaii project for the US Navy and EMEC project near Orkney, Scotland were offset by an increase in revenue related to our wave power project off the coast of Reedsport, Oregon.

The net loss for the year ended April 30, 2009 was $18.3 million, compared to a net loss of $14.7 million in the prior year. The fiscal 2009 loss was primarily attributable to costs incurred in the Company's product development programs, which were $8.4 million for fiscal 2009 (fiscal 2008: $8.3 million) and which were focused on enhancing the core PowerBuoy Technology; selling, general and administrative costs, which were $9.5 million in fiscal 2009 (fiscal 2008: $7.7 million); interest income, which decreased by $2.7 million from fiscal 2008; and foreign exchange losses, which were $1.3 million in fiscal 2009, as compared to foreign exchange gains of approximately $84,000 in fiscal 2008.

The Company finished the year with very strong liquidity. On April 30, 2009, total cash, cash equivalents and investments were $81.7 million. Of that total, non-US dollar denominated certificates of deposit and cash accounts had a balance of $8.5 million as of April 30, 2009, or 10.4% of the total.

Additional information may be found in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission. The Form 10-K may be accessed at www.sec.gov or at the Company's website in the Investor Relations tab.

Webcast Details

OPT will host an audio webcast to review its results, on Tuesday, July 14, 2009, at 10:00 a.m. Eastern Time (3:00 p.m BST). Mark R. Draper, Chief Executive Officer and Charles F. Dunleavy, Chief Financial Officer, will host the webcast. Investors and other interested parties may access the webcast by visiting the Company's Web site at www.oceanpowertechnologies.com and clicking on the Investor Relations tab, then Webcasts and Presentations.

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 marketing strategies, 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 Form 10-K 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.

About Ocean Power Technologies

Ocean Power Technologies, Inc. (Nasdaq: OPTT and London Stock Exchange AIM: OPT) is a pioneer in wave-energy technology that harnesses ocean wave resources to generate reliable, clean and environmentally-beneficial electricity. OPT has a strong track record in harnessing wave energy and participates in a $150 billion annual power generation equipment market. The Company's proprietary PowerBuoy® system is based on modular, ocean-going buoys that capture and convert predictable wave energy into low-cost, clean electricity. The Company is widely recognized as a leading developer of on-grid and autonomous wave-energy generation systems, benefiting from over a decade of in-ocean experience. OPT's technology and systems are insured by Lloyds Underwriters of London. OPT is headquartered in Pennington, New Jersey with offices in Warwick, UK. More information can be found at www.oceanpowertechnologies.com.

Consolidated Balance Sheets as of
April 30, 2008 and 2009

		Apr 30, 2008	Apr 30, 2009
ASSETS		$	$
CURRENT ASSETS:			
Cash and cash equivalents		88,836,304	12,267,830
Short-term investments		—	28,840,399
Accounts receivable		1,728,637	985,149
Unbilled receivables		577,452	988,418
Other current assets		1,375,249	1,082,696
	Total current assets	92,517,642	44,164,492
Property and equipment, net		628,454	897,718
Patents, net of accumulated amortization of $204,585 and $244,294, respectively		717,288	909,727
Restricted cash		1,123,848	951,552
Long-term investments		12,233,437	40,628,865
Other noncurrent assets		330,296	1,241,552
TOTAL ASSETS		107,550,965	88,793,906
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable		1,457,575	908,837
Accrued expenses		4,490,008	3,853,437
Unearned revenues		699,752	281,570
	Total current liabilities	6,647,335	5,043,844
Long-term debt		188,784	345,386
Deferred rent		16,237	21,649
Deferred credits		600,000	600,000
	Total liabilities	7,452,356	6,010,879
COMMITMENTS AND CONTINGENCIES			
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 and outstanding 10,210,354 shares		10,210	10,210
Additional paid-in capital		153,057,265	154,568,931
Accumulated deficit		(52,927,641)	(71,242,791)
Accumulated other comprehensive loss		(41,225)	(553,323)
		100,098,609	82,783,027
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		107,550,965	88,793,906

Consolidated Statements of Operations
For the years ended April 30, 2008 and 2009

	Apr 30, 2008	Apr 30, 2009
REVENUES	$ 4,772,017	$ 4,049,445
COST OF REVENUES	7,960,042	4,840,403
Gross loss	(3,188,025)	(790,958)
PRODUCT DEVELOPMENT COSTS	8,255,123	8,372,244
SELLING, GENERAL AND ADMINISTRATIVE COSTS	7,732,577	9,529,071
Total operating expenses	15,987,700	17,901,315
Operating loss	(19,175,725)	(18,692,273)

INTEREST INCOME	4,434,844	1,672,350
FOREIGN EXCHANGE GAIN (LOSS)	84,158	(1,295,227)
NET LOSS	(14,656,723)	(18,315,150)
Basic and diluted net loss per share	$ (1.44)	$ (1.79)
Weighted average shares used to compute basic and diluted net loss per share	10,200,729	10,210,354

Consolidated Statements of Cash Flows

For the years ended April 30, 2008 and 2009

	Apr 30, 2008	Apr 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:	$	$
Net loss	(14,656,723)	(18,315,150)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign exchange (gain) loss	(84,158)	1,295,227
Depreciation and amortization	241,721	299,405
Loss on disposal of equipment	—	268,976
Treasury note premium amortization	—	288,331
Compensation expense related to stock option grants	1,926,823	1,511,666
Deferred rent	5,412	5,412
Changes in operating assets and liabilities:		
Accounts receivable	(878,643)	472,422
Unbilled receivables	(270,136)	(589,970)
Other current assets	(918,380)	140,418
Other noncurrent assets	(76,571)	(857,060)
Accounts payable	(122,323)	(448,138)
Accrued expenses	496,838	(361,284)
Unearned revenues	699,752	(418,182)
Other current liabilities	(26,106)	—
Net cash used in operating activities	(13,662,494)	(16,707,927)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(8,968,170)	(95,992,100)
Maturities of certificates of deposit	17,358,316	67,151,702
Purchases of long-term investments	(12,233,437)	(28,683,759)
Purchases of equipment	(419,835)	(811,493)
Payments of patent costs	(112,705)	(243,941)
Investments in joint ventures and other noncurrent assets	(27,714)	—
Net cash used in investing activities	(4,403,545)	(58,579,591)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	—	250,000
Repayment of long-term debt	—	(42,801)
Sale of common stock, net of issuance costs	(870,116)	—
Proceeds from exercise of stock options	287,795	—
Net cash provided by (used in) financing activities	(582,321)	207,199
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(20,809)	(1,488,155)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,669,169)	(76,568,474)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	107,505,473	88,836,304
CASH AND CASH EQUIVALENTS, END OF PERIOD	88,836,304	12,267,830

Source: Ocean Power Technologies, Inc.

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