



## Ocean Power Technologies Announces Results for the First Quarter Ended July 31, 2010

September 9, 2010

PENNINGTON, N.J., Sep 09, 2010 (BUSINESS WIRE) -- Ocean Power Technologies, Inc. (Nasdaq: OPTT and London Stock Exchange AIM: OPT) ("OPT" or "the Company") announces its financial results for the first quarter ended July 31, 2010 of its fiscal year ending on April 30, 2011.

### First Quarter Highlights

- Contract order backlog increased to \$6.5 million at July 31, 2010, compared to \$5.7 million at April 30, 2010 and \$6.4 million at July 31, 2009.
- Revenue grew by 5% to \$1.4 million for the quarter ended July 31, 2010, compared to \$1.3 million for the quarter ended July 31, 2009.
- Cash, cash equivalents, restricted cash and marketable securities of \$60.8 million at July 31, 2010 (April 30, 2010: \$66.8 million).
- Awarded £1.5 million (approximately \$2.3 million) grant from the South West of England Regional Development Agency ("SWRDA") for the development of OPT's next generation 500kW PowerBuoy(R) wave power system - further strengthening the Company's long-term involvement in Britain's southwest region, where it became the first company to commit to participate at Wave Hub in Cornwall.
- Nearing completion of OPT's first PB150 PowerBuoy with the system expected to be ready for ocean trials off the coast of Scotland by the end of this calendar year.
- Significant progress was made on OPT's Littoral Expeditionary Autonomous PowerBuoy ("LEAP") project with the US Navy. Design work has been submitted and OPT expects to complete the initial phase of the project by the end of this calendar year.
- Strengthened management team with the appointment of Brian M. Posner as Chief Financial Officer and Michael G. Kelly as Vice President of Operations.
- In August 2010, OPT signed a groundbreaking agreement with 11 federal and state agencies and three non-governmental stakeholders for its utility-scale wave power project at Reedsport, Oregon.

Charles F. Dunleavy, Chief Executive Officer of OPT, said: "We have made a good start to this fiscal year with an increase in contract order backlog and continued progress on our utility and autonomous PowerBuoy projects in the US and UK, and a strengthening of our management team. Construction of our first PB150 PowerBuoy in Scotland is approaching completion and the manufacturing of our second PB150 PowerBuoy in Reedsport, Oregon is on schedule. The development of our next generation PB500 device also gained momentum with backing from the South West of England Regional Development Agency. As a result, with growing global interest in wave energy, solid progress in our technology development, and the continuing successful operation of our PowerBuoy installed in Hawaii, we continue to look to the future with confidence."

### Operational Review

The first quarter saw a strengthening of the management team with the appointment of Brian M. Posner as Chief Financial Officer and Michael G. Kelly as Vice President of Operations. Mr. Posner is a financial executive with over 25 years of experience in both public and private companies, with a notable track record in working with capital markets, regulatory and accounting matters, and strategic alliances. Mr. Kelly joined OPT after a career spanning 28 years in the marine industry, including design, manufacturing, deployment and field service of large, complex ocean-based systems, and the management of international technical teams. His appointment supports the Company's transition to commercial status.

During the first quarter ended July 31, 2010, the Company achieved milestones in a number of ongoing projects, which include:

**REEDSPORT, OREGON, US** - Construction of the steel structure for the first PB150 PowerBuoy for OPT's project at Reedsport, Oregon is advancing as planned. With support from Pacific Northwest Generating Cooperative (PNGC Power), the Company continued to work extensively with interested stakeholder groups at local, county, state and federal agency levels with progress being made in the overall permitting and licensing process. The project remains on schedule, with ocean trials of the PB150 due to commence in 2011.

In August 2010, the Company signed an agreement with 11 federal and state agencies and three non-governmental stakeholders to support the responsible, phased development by OPT of a 10-PowerBuoy wave energy station with a capacity of 1.5 MW. This agreement represents a key step towards the granting of a license by the Federal Energy Regulatory Commission ("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 energy station is expected to be connected to the grid after receipt of the FERC license and additional funding.

**HAWAII, US** - Under its ongoing program with the US Navy, OPT's upgraded 40kW peak-rated PowerBuoy continues to produce power in accordance with expectations and testing protocols. The device has completed nearly 3 million cycles since its deployment in December 2009.

**SCOTLAND, UK** - Integration of the energy conversion and power take-off subassemblies with the buoy structure of OPT's first PB150 PowerBuoy is underway, and remains on track to be ready for in-ocean trials off the coast of Scotland by the end of this calendar year. The Company is seeking additional funding for the next stage of the buoy's development after the trial phase is completed.

**CORNWALL, UK-** SWRDA is expected to complete the installation of the cabling and subsea infrastructure for the Wave Hub site in Cornwall, England by the end of calendar year 2010. OPT also received further support from the UK government with a grant of £1.5 million (approximately \$2.3 million), which was awarded by SWRDA to OPT for the development of the Company's next generation 500kW PowerBuoy, the PB500. This funding strengthens OPT's long-term involvement in Britain's southwest region where it was the first company to sign a commitment agreement with SWRDA to advance the development of one of the four wave power stations that are expected to comprise the Wave Hub.

**US NAVY "LEAP" PROJECT** - Work on OPT's contract with the US Navy to provide a wave energy conversion system for the Navy's LEAP program for homeland protection continued to advance. Under the initial \$2.4 million contract, OPT will provide its PowerBuoy technology for testing with sensor-based communications systems, with the ultimate aim under a four-year program of developing a LEAP-based vessel detection system testbed. The design work has been submitted and OPT expects to complete the initial phase of the project by the end of this calendar year.

**US NAVY DEEP OCEAN APPLICATION-** Progress continued on OPT's ongoing project to provide autonomous PowerBuoy technology for the US Navy's Deep Water Active Detection System ("DWADS") for ocean data gathering. Deployment of the enhanced device is scheduled for the end of this calendar year.

### **Financial Review**

For the three months ended July 31, 2010, OPT reported increased revenues of \$1.4 million, compared with \$1.3 million in the three months ended July 31, 2009. The growth in revenues primarily reflects an increase in revenue from the US Navy under the LEAP program, for which OPT provides its autonomous PowerBuoy technology. In addition, there was an increase in revenue from OPT's PB150 PowerBuoy projects in Scotland and Reedsport, Oregon. The growth in these projects was offset by a decline in revenue from OPT's DWADS project with the US Navy, OPT's utility scale project in Spain and OPT's utility PowerBuoy project with the US Navy at the Marine Corps Base in Hawaii, which is now in operation.

OPT's contract backlog at July 31, 2010 was \$6.5 million, compared to \$5.7 million at April 30, 2010 and \$6.4 million at July 31, 2009.

Operating loss for the three months ended July 31, 2010 was \$6.3 million compared to \$3.2 million for the three months ended July 31, 2009. Net loss attributable to OPT was \$6.3 million for the three months ended July 31, 2010 compared to \$2.1 million for the same period in the prior year. These increases in fiscal 2011 operating loss and net loss attributable to OPT were primarily due to costs incurred in OPT's product development programs, principally for the PB150 system, which were \$4.0 million in the quarter ended July 31, 2010, compared to \$1.4 million for the comparable period of fiscal 2010. Other income for the quarter ended July 31, 2009 included a one-time gain of approximately \$500,000 from a favorable settlement of a claim against a supplier of engineering services. For the three months ended July 31, 2010, OPT recorded a foreign exchange loss of approximately \$239,000 compared to a gain of approximately \$402,000 for the quarter ended July 31, 2009. This loss was due to the change in the relative value of the US dollar as compared to the British pound sterling.

On July 31, 2010, total cash, cash equivalents, restricted cash and marketable securities were \$60.8 million. OPT's balance sheet remains strong, and its cash, cash equivalents and marketable securities are highly liquid investments consisting primarily of term deposits with large commercial banks and US Treasury bills and notes. Net cash used in operating activities was \$6.1 million for the quarter ended July 31, 2010. OPT expects the rate of its cash outflows to decrease in the second half of fiscal 2011, reflecting completion of significant milestones associated with construction of its two PB150 systems for Oregon and Scotland.

Additional information may be found in the Company's Quarterly Report on Form 10-Q that will be filed with the US Securities and Exchange Commission. The Form 10-Q may be accessed at <http://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 Thursday, September 9, 2010, at 10:00 a.m. Eastern Time (3:00 p.m. BST). Charles F. Dunleavy, Chief Executive Officer, and Brian M. Posner, Chief Financial Officer, will host the webcast. Investors and other interested parties may access the webcast by visiting the Company's Web site at <http://www.oceanpowertechnologies.com> and clicking on the Investor Relations tab, then Webcasts and Presentations. In addition, parties without web access may listen to the presentation by calling: 800-659-1966 (Toll free call in the US) or +1-617-614-2711 (Toll call), passcode 27063018.

### **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 and clean and environmentally-beneficial electricity. OPT has a strong track record in the advancement of wave energy. The Company participates in a \$150 billion annual power generation equipment market. OPT's proprietary PowerBuoy(R) system is based on modular, ocean-going buoys that capture and convert predictable wave energy into 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 systems are insured by Lloyds Underwriters of London. OPT is headquartered in Pennington, New Jersey with an office in Warwick, UK. More information can be found at <http://www.oceanpowertechnologies.com>.

Consolidated Balance Sheets as of

July 31, 2010, April 30, 2010 and July 31, 2009 (Unaudited)

|   | July 31,<br>2010  | April 30,<br>2010 | July 31,<br>2009  |
|---|-------------------|-------------------|-------------------|
|   | \$                | \$                | \$                |
| <b>ASSETS</b>   |                   |                   |                   |
| <b>CURRENT ASSETS:</b>  |                   |                   |                   |
| Cash and cash equivalents   | 3,925,600         | 4,236,597         | 5,336,756         |
| Marketable securities   | 23,501,253        | 32,536,001        | 44,940,113        |
| Accounts receivable   | 917,771           | 1,474,600         | 939,294           |
| Unbilled receivables  | 344,999           | 448,686           | 949,202           |
| Other current assets  | 2,204,606         | 1,005,885         | 703,645           |
| Total current assets  | 30,894,229        | 39,701,769        | 52,869,010        |
| Marketable securities   | 31,891,457        | 28,865,046        | 29,409,756        |
| Restricted cash   | 1,439,168         | 1,205,288         | 1,262,392         |
| Property and equipment, net   | 653,601           | 710,563           | 942,787           |
| Patents, net  | 1,047,203         | 1,036,881         | 928,038           |
| Other noncurrent assets   | 807,972           | 1,458,646         | 1,374,749         |
| <b>TOTAL ASSETS</b>   | <b>66,733,630</b> | <b>72,978,193</b> | <b>86,786,732</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                   |                   |
| <b>CURRENT LIABILITIES:</b>   |                   |                   |                   |
| Accounts payable  | 1,407,986         | 1,843,378         | 816,346           |
| Accrued expenses  | 3,420,453         | 4,092,113         | 2,707,683         |
| Unearned revenues   | 1,588,592         | 1,101,541         | 411,601           |
| Current portion of long term debt   | 89,378            | 95,386            | -                 |
| Total current liabilities   | 6,506,409         | 7,132,418         | 3,935,630         |
| Other non-current liabilities   | -                 | 140,685           | 107,555           |
| Long-term debt  | 500,000           | 250,000           | 345,386           |
| Deferred rent   | -                 | -                 | 16,237            |
| Deferred credits  | 600,000           | 600,000           | 600,000           |
| Total liabilities   | 7,606,409         | 8,123,103         | 5,004,808         |
| <b>OCEAN POWER TECHNOLOGIES, INC. STOCKHOLDERS' EQUITY:</b>   |                   |                   |                   |
| Preferred stock, \$0.001 par value; authorized<br>5,000,000 shares; none issued or outstanding  | -                 | -                 | -                 |
| Common stock, \$0.001 par value; authorized 105,000,000<br>shares; issued 10,411,393, 10,390,563 and 10,210,354 shares,<br>respectively | 10,412            | 10,391            | 10,210            |
| Treasury Stock, 1,072, 1,072 and 0 shares at cost, respectively   | (6,443)           | (6,443)           | -                 |
| Additional paid-in capital  | 156,137,219       | 155,726,672       | 154,917,130       |
| Accumulated deficit   | (96,679,691)      | (90,413,098)      | (73,341,268)      |
| Accumulated other comprehensive income (loss)   | (370,402)         | (503,322)         | 144,795           |
| Total Ocean Power Technologies, Inc. stockholders' equity   | 59,091,095        | 64,814,200        | 81,730,867        |
| Noncontrolling interest in Ocean Power Technologies<br>(Australasia) Pty, Ltd   | 36,126            | 40,890            | 51,057            |
| Total equity  | 59,127,221        | 64,855,090        | 81,781,924        |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>66,733,630</b> | <b>72,978,193</b> | <b>86,786,732</b> |

#### Consolidated Statements of Operations

For the quarter ended July 31, 2010 and 2009 (Unaudited)

|  | July 31,<br>2010 | July 31,<br>2009 |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>REVENUES</b>                                  | <b>1,374,407</b> | <b>1,310,937</b> |
| <b>COST OF REVENUES</b>                          | <b>1,588,246</b> | <b>1,024,227</b> |
| Gross (loss) profit                              | (213,839)        | 286,710          |
| <b>PRODUCT DEVELOPMENT COSTS</b>                 | <b>4,025,786</b> | <b>1,361,400</b> |
| <b>SELLING, GENERAL AND ADMINISTRATIVE COSTS</b> | <b>2,028,910</b> | <b>2,166,271</b> |
| Operating expenses                               | 6,054,696        | 3,527,671        |
| Operating loss                                   | (6,268,535)      | (3,240,961)      |

|  |             |             |
|--|-------------|-------------|
| INTEREST INCOME  | 237,465     | 285,220     |
| OTHER INCOME   | -           | 506,630     |
| FOREIGN EXCHANGE (LOSS) GAIN   | (239,002)   | 401,691     |
| Net loss   | (6,270,072) | (2,047,420) |
| Less: Net loss (income) attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty, Ltd | 3,479       | (51,057)    |
| NET LOSS attributable to Ocean Power Technologies, Inc.  | (6,266,593) | (2,098,477) |
| Basic and diluted net loss per share   | (0.61)      | (0.21)      |
| Weighted average shares used to compute basic and diluted net loss per share   | 10,236,466  | 10,210,354  |

#### Consolidated Statements of Cash Flows

For the three months ended July 31, 2010 and 2009 (Unaudited)

|   | July 31,<br>2010 | July 31,<br>2009   |
|---|------------------|--------------------|
|   | \$               | \$                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                  |                    |
| Net Loss  | (6,270,072)      | (2,047,420)        |
| Adjustments to reconcile net loss to net cash used in operating activities: |                  |                    |
| Foreign exchange loss (gain)  | 239,002          | (401,691)          |
| Depreciation and amortization   | 92,156           | 88,567             |
| Treasury note premium/discount amortization, net                            | 30,784           | 49,837             |
| Compensation expense related to stock option grants and restricted stock    | 410,568          | 348,199            |
| Deferred rent   | -                | (5,412)            |
| Changes in operating assets and liabilities:                                |                  |                    |
| Accounts receivable   | 556,320          | 89,052             |
| Unbilled receivables  | 103,687          | 119,031            |
| Other current assets  | (1,151,380)      | 401,607            |
| Other noncurrent assets   | 635,565          | (34,953)           |
| Accounts payable  | (423,257)        | (17,973)           |
| Accrued expenses  | (637,798)        | (1,275,636)        |
| Unearned revenues   | 490,677          | 130,031            |
| Other noncurrent liabilities  | (137,438)        | 104,831            |
| Net cash used in operating activities                                       | (6,061,186)      | (2,451,930)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                  |                    |
| Purchases of marketable securities  | (6,035,907)      | (24,228,410)       |
| Maturities of marketable securities   | 11,998,844       | 19,357,547         |
| Restricted Cash   | (250,000)        | (250,000)          |
| Purchases of equipment  | (21,719)         | (102,046)          |
| Payments of Patent costs  | (80,637)         | (38,405)           |
| Net cash provided by (used in) investing activities                         | 5,610,581        | (5,261,314)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |                  |                    |
| Repayment of long-term debt   | (6,008)          | (93,398)           |
| Proceeds from Recoverable Grant Award                                       | 250,000          | -                  |
| Net cash provided by (used in) financing activities                         | 243,992          | (93,398)           |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>        | <b>(104,384)</b> | <b>875,568</b>     |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                            | <b>(310,997)</b> | <b>(6,931,074)</b> |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                       | <b>4,236,597</b> | <b>12,267,830</b>  |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                             | <b>3,925,600</b> | <b>5,336,756</b>   |

SOURCE: Ocean Power Technologies, Inc.

**Ocean Power Technologies, Inc.**

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