Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

Third Quarter 2011 Audio Webcast

Date: March 14, 2011

Operator:

Good day everyone and welcome to Ocean Power Technologies' audio webcast for the third quarter of fiscal year 2011. 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. Welcome to Ocean Power Technologies' Audio Webcast for the third quarter ended January 31, 2011 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 www.sec.gov, or you may go to our website, www.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 – THIRD QUARTER, FISCAL 2011

Charles Dunleavy:

Thank you, Brian. And thanks to everyone who has joined us for today's webcast. Brian and I will be available to answer questions following our prepared statements.

On slide # 3, I would like to note some of the highlights of the third quarter of this fiscal year.

We continued to make significant progress in developing our core PowerBuoy technology and executing our business strategy. We announced the expansion of our relationship with Mitsui Engineering & Shipbuilding, received independent certification from Lloyd's Register for our PB150 PowerBuoy, and just after the end of the third quarter announced the completion of the first of our new generation utility PowerBuoy, the PB150.

OPT achieved strong top line growth with reported increases of 78% and 73% in revenue for the three and nine months ended January 31, 2011, compared to the respective periods last year.

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

SLIDE #4: CONTINUING PB150 MOMENTUM

Charles Dunleavy:

Moving to slide #4.

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

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

Construction of our first 150kW-rated PowerBuoy in Scotland is complete. This is the largest and most powerful device developed and built by us to date. The development of the PB150, built and assembled at Invergordon, Scotland, has utilized the skills of local firms and represents a multi-million pound sterling investment in the region. It is currently being prepared for ocean trials at a site approximately 33 nautical miles from Invergordon, off Scotland's northeast coast. The sea trials are expected to commence as soon as weather conditions permit deployment.

The ocean trials off Scotland have been fully consented by the Scottish Government. In addition, Marine Scotland, the directorate of the Scottish Government responsible for regulating marine and fisheries matters, consulted with many interested parties and stakeholder groups, covering areas such as local wildlife, shipping, oil & gas and fishing interests.

The Company is seeking additional funding for the commercial utilization of the buoy after the trial phase is completed, including its possible deployment at various potential sites.

It is the first test system for our PB150 product line and a significant engineering achievement. As we have progressed during the construction phase, it has already provided valuable data for the advancement of our technology and its manufacturability.

SLIDE #5: PB150 – SCOTLAND

Charles Dunleavy:

Slide 5 shows the integration of the spar and the first half of the float during the final assembly process.

SLIDE #6: PB150 – SCOTLAND

Charles Dunleavy:

On slide 6, the picture on the left side shows the buoy with the second half of the float being assembled. The picture on the right side shows the integration of the bridge and the float.

SLIDE #7: PB150 – SCOTLAND

Charles Dunleavy:

Moving to slide 7 we see a picture of the assembled PB150 PowerBuoy. It is 135 feet in length and has a maximum diameter of 36 feet near the ocean surface. For reference, you can see one of our technicians on the far right side of the picture.

SLIDE #8: CONTINUING PB150 MOMENTUM

Charles Dunleavy:

Our second PB150 for our project in Reedsport, Oregon has benefitted from the experience of building the Scottish system. Fabrication of the power take-off and control system, as well as the steel structure, is now complete. Testing of the power take off, or PTO, and the control system has commenced in OPT's production facility. Following this initial testing of its subassemblies, the complete PTO system will commence cycle

testing under simulations of varying wave conditions. Ocean trials of this PB150 are expected to commence off the coast of Oregon in the second half of calendar year 2011.

OPT intends this PowerBuoy to be the first of a 10-PowerBuoy, 1.5 MW wave power station at the Reedsport site. After receipt of appropriate licensing from the US Federal Energy Regulatory Commission and receipt of additional funding for the project, the 10-PowerBuoy wave power station would be America's first commercial-scale, grid-connected wave power station.

SLIDE #9: PB150 – OREGON

Charles Dunleavy:

The foreground of the picture on slide 9 is the float and the bridge of the PB150 in Oregon. In the background is the heave plate and truss.

SLIDE #10: PB150 – OREGON

Charles Dunleavy:

On slide 10 is a picture of the fully assembled spar of the buoy.

SLIDE #11: OPERATIONAL PROGRESS – UTILITY PROJECTS

Charles Dunleavy:

Now turning to slide 11.

Our other utility projects also continued to move ahead steadily.

In Hawaii our PowerBuoy built in conjunction with the US Navy continues to demonstrate the in-ocean survivability of the first grid connected wave energy device in

the United States. It has shown the ability of OPT's PowerBuoy to produce utility-grade, renewable energy that can be transmitted to the grid in a manner fully compliant with national and international standards. The PowerBuoy has been in operation since December 2009, and has withstood a number of severe storms, including the tsunami wave conditions which resulted from last year's earthquake in Chile, plus the earthquake just last week in Japan. The Hawaii PowerBuoy has produced power in accordance with modeled expectations for that location and PowerBuoy configuration.

Built under contract from the US Navy, the Hawaii project's intent has been to demonstrate the survivability of OPT's PowerBuoy, as well as the capability of our product to meet design expectations. In addition, significant aspects of the success of the Hawaii PowerBuoy are its delivery of grid-quality power, and the validation of OPT's operating and performance models for scale-up to the PB150 and its progression to our next generation device, the PB500 PowerBuoy product.

While the PB150 will be our key product for the utility market over the next few years, the commercialization of our intellectual property is also being leveraged by the product development of the 500kW-rated PB500 PowerBuoy. Concept development and wave tank testing of this major larger scale system is already underway and aimed at further lowering the cost per kilowatt hour of wave power and making it more competitive with other energy sources.

SLIDE #12: HAWAII POWERBUOY

Charles Dunleavy:

Slide 12 shows a picture of the Hawaii PowerBuoy deployed off the Marine Corps Base in Oahu.

SLIDE #13: THIRD PARTY COMMERCIAL VALIDATION

Charles Dunleavy:

Now turning to slide #13.

In the third quarter OPT achieved independent certification of its utility scale PB150 structure and mooring system by the internationally respected Lloyd's Register. This certification confirms that the PB150 design complies with certain international standards promulgated for floating offshore installations. The process followed by Lloyd's included detailed design analysis and appraisals, addressing the PB150's structure, its hydrodynamics, as well as its mooring and anchoring. This certification from Lloyd's is the latest validation of OPT's technology from independent parties. OPT previously received an independent Environmental Assessment in Hawaii under the direction of the US Navy, which resulted in a Finding of No Significant Impact – which is the highest rating possible.

In July 2007, OPT announced that its PowerBuoy interface with the electrical utility power grid had been certified as compliant with international standards. This followed from work by a respected independent laboratory, Intertek Testing Services, which provided testing and evaluation services to certify OPT systems comply with designated standards, including UL1741 and IEEE1547. OPT's PowerBuoys have been insured by Lloyd's syndicates for over 10 years for property loss and third party liability.

We believe OPT's technology has received more testing and validation by independent parties than any other wave energy company. As a result, this provides our customers, investors and project partners further confidence that our products are market ready and robust.

SLIDE #14 OPERATIONAL PROGRESS – LEAP AUTONOMOUS POWERBUOY

Charles Dunleavy:

Now turning to slide #14.

In parallel with the significant activity of our Utility projects, further progress was also made during the quarter in our Autonomous PowerBuoy business, which is targeting remote ocean applications where there is no access to grid-connected power.

Earlier in the fiscal year, the US Navy awarded $2.75 million in additional funding to OPT for the second stage under its existing program to provide an autonomous PowerBuoy wave energy conversion system for the Navy's LEAP program. This is the Littoral Expeditionary Autonomous PowerBuoy program for homeland protection and maritime security. The new award follows the successful completion during the second quarter by OPT of the first stage of the LEAP Program. During that first stage of the program, OPT successfully completed delivery in September 2010 of the design and on-land testing of a new power take-off system for its autonomous PowerBuoy. In the second stage of the program, on which we are now working, the Company will build and ocean-test a LEAP PowerBuoy structure, incorporating that new power take-off system, off the coast of New Jersey. Design of that system is nearing completion, and deployment of this PowerBuoy is expected to be in the second half of calendar year 2011.

SLIDE #15: OPERATIONAL PROGRESS – JAPAN AND AUSTRALIA

Charles Dunleavy:

Turning to slide #15.

One of our major target markets is Japan, where we have been working with Mitsui Engineering and Shipbuilding, or MES, for the development of wave energy in Japan.

In the third quarter OPT signed a new 220,000 dollar contract with MES. Under this contract, MES and OPT will work together to develop a new mooring system for OPT's PowerBuoy, customized for wave power stations off the coast of Japan. The companies intend to complete work on the mooring system and progress the identification of a project site for an in-ocean trial of the PowerBuoy system.

Following from that work, the identification of a project site, and completion of economic assessments, the parties plan to enter into an agreement to conduct ocean trials of a demonstration PowerBuoy system. The trial plant would provide the basis for the expected building of a commercial-scale OPT wave power station with an initial capacity of several megawatts, scaleable to 10MW or more.

In Australia, a special purpose company formed by Leighton Contractors Pty Ltd (or "Leighton") previously received a 66 million Australian dollar grant from the Commonwealth Government of Australia towards building a 19 MW OPT wave power station off the coast of Victoria, Australia. The award was one of four renewable energy projects approved by the Commonwealth Government after considering over 30 applications, and is the only wave energy venture to have received a grant. The funding is intended to be used to advance the construction of a wave power station to be built in three phases to supply electricity to up to 10,000 homes in Victoria. The grant is conditional on the attainment of the balance of funding needed for the project, the procurement of which is being undertaken by Leighton.

I will now turn the call over to Brian Posner, who will discuss our financial performance for the third quarter and nine months.

SLIDE #16: FINANCIAL SUMMARY – OPERATING RESULTS

Brian Posner:

Thank you, Chuck.

As noted on slide 16, our revenues increased approximately 78% for the third quarter of fiscal 2011 to 1.5 million dollars, compared to 9 hundred thousand dollars for the same period in the prior year. The growth in revenues primarily reflects an increase in revenues from OPT’s PB150 PowerBuoy project in Reedsport, Oregon and revenues from OPT’s PB500 development program. The growth in these projects was partially offset by a decline in revenue from OPT’s utility PowerBuoy project with the US Navy at

the Marine Corps Base in Hawaii and DWADS project, also with the Navy, as these projects near completion.

OPT's contract backlog at January 31st, 2011 was $5.8 million, compared to $5.7 million at April 30, 2010, and $7.5 million at October 31, 2010. Reported contract backlog at January 31, 2011 excluded two new funding awards totaling $4.8 million from the US Department of Energy, for the deployment of one of OPT's PowerBuoys off the coast of Oregon and for the development of OPT's PB500, as the contracts for these two awards had not yet been received by the Company. Subsequent to January 31, 2011, one of these contracts for $2.4 million was executed. OPT is in the process of obtaining the contract for the other grant.

Gross profit was approximately 70,000 dollars for the quarter as compared to a gross profit of approximately 165,000 dollars for the third quarter of the prior year. The decrease was due principally to a decrease in gross profit from our DWADS project. Our future gross profit will be dependent on the nature of new 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 decreased to 2 million dollars as compared to 3.7 million dollars for the third quarter of the prior year. This decrease is primarily due to a decrease in spending related to our PB150 system in Scotland, as construction of this PowerBuoy neared completion.

SG&A costs decreased by 26%, to 1.9 million dollars compared with 2.6 million dollars for the previous year. This decrease was largely due to lower compensation and recruiting costs.

Interest income for the quarter decreased to 148 thousand dollars, compared with 232 thousand dollars for the same period last year. This decrease was largely due to the decline in average yield and in the total cash and marketable securities.

OPT recognized a foreign exchange loss of 38 thousand dollars for the quarter, compared to a foreign exchange gain of 172 thousand dollars in the same period in the

prior year. The difference was 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.

During the three months ended January 31, 2011, OPT recognized an income tax benefit of 364 thousand dollars in connection with the sale of New Jersey net operating tax losses.

Net loss was 3.4 million dollars for the third quarter of the fiscal year ending April 30, 2011 compared to 5.7 million dollars in fiscal 2010.

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Turning to the nine-month period, our revenues were 4.8 million dollars, a 73 percent increase compared to revenues of 2.7 million dollars in the nine months ended January 31, 2010. The growth in revenues primarily reflects an increase in revenues from the US Navy under the LEAP program. In addition, there was an increase in revenues from OPT's PB150 PowerBuoy project in Reedsport, Oregon and the Company's PB500 development program. The growth in these projects was partially offset by a decline in revenues from OPT's DWADS project with the US Navy, our project in Spain and our PowerBuoy project with the US Navy at the Marine Corps Base in Hawaii, as all these projects neared completion.

Gross loss was approximately 56,000 dollars for the current nine-month period as compared to a gross profit of approximately 506,000 dollars for the same period in the prior year. Gross loss for the current nine-month period was negatively impacted by a reduction in revenue of approximately 240,000 dollars due to a change in estimated revenue to be recognized in connection with the completion of the current project in Spain. In addition, gross profit for the nine months ended January 31, 2010 included approximately 400,000 dollars from a favorable reduction in a provision for contract losses.

Product development costs increased to 9.7 million dollars as compared to 8.5 million dollars for the first nine months of the prior year. This increase primarily relates to an increase in costs from OPT's PB150 PowerBuoy project in Reedsport.

SG&A costs for the nine months decreased by 12%, to 6.1 million dollars compared with 6.9 million dollars for the previous year. This was largely due to a decrease in compensation and recruiting expenses.

Interest income for the nine months decreased to 547 thousand dollars, compared with 764 thousand dollars for the same period last year. This was primarily due to the decline in total cash and marketable securities.

The nine-month comparison of other income reflects 549 thousand dollars received by OPT from a settlement of a claim against a supplier of engineering services during the first nine months of the prior fiscal year.

OPT recognized a foreign exchange loss of 206 thousand dollars for the first nine months of fiscal 2011, compared to a foreign exchange gain of 675 thousand dollars 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.

As previously noted in the quarter-to-quarter analysis, OPT recognized an income tax benefit of 364 thousand dollars in connection with the sale of New Jersey net operating tax losses.

Net loss was 15.1 million dollars for the first nine months of the fiscal year ending April 30, 2011 compared to 12.9 million dollars in the comparable period of fiscal 2010.

SLIDE #17: FINANCIAL SUMMARY – FINANCIAL CONDITION

Brian Posner:

Turning to slide #17.

At January 31, 2011, total cash, cash equivalents and investments were 52.8 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. 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 two PB150 systems for Oregon and Scotland.

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

SLIDE #18: MULTIPLE PATHS TO PROFITABILITY

Charles Dunleavy:

Thank you, Brian.

Turning to slide #18.

The Board and Management of OPT are committed to the Company achieving sustained profitability 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, with our Utility PowerBuoy product, targets a market size of approximately $50 Billion per annum. 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 contracts. The ability of the PowerBuoy to operate autonomously in remote 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 this slide, we also show how our present projects for PowerBuoy deliveries, 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 #19: CUSTOMER DEMAND DRIVERS AT PRESENT

Charles Dunleavy:

Please turn to the next slide.

There are currently several factors driving customer demand for our products. The competitive advantages of our PowerBuoy, including our extensive in-ocean experience, the electronic tuning capability of our buoys to optimize output in changing wave conditions, and the independent environmental assessment, plus certifications we have received from such parties as Lloyd's and Intertek Testing Services, all help differentiate OPT in the market place. We have also achieved third party commercial validation through our relationships with strong partners like the US Navy, US Department of Energy, Iberdrola and Mitsui. Another major factor driving customer demand is the flexibility of our core technology, which is scalable for different power applications as evidenced by the Autonomous PowerBuoy.

Wave energy is the most concentrated form of renewable energy. It is predicable and can be installed close to population centers, with a small footprint. Because of the advantages of wave energy, the macro-environment continues to foster growth in our sector. In fact, we see increasing evidence of interest in the wave energy sector on the part of a number of large companies. OPT is working hard on expanding its strategic

relationships, internationally. Further, there are renewable portfolio standards, as well as government-sponsored grants, tax incentives, feed-in tariffs, and loan guarantees in many of our target markets. And, finally, there continues to be a world-wide concern over climate change and the environment. We see this demonstrated in the media, as well as in corporate, institutional and governmental dialog. We believe these customer demand drivers will contribute greatly to OPT's growth in years to come.

SLIDE #20: NEAR-TERM GOALS

Charles Dunleavy:

Turning to slide #20.

We are excited about our longer-term prospects. We also believe OPT remains on track to achieve the near-term milestones we had set at the beginning of this fiscal year for a number of key projects. Let me give you a quick status report.

First, we are ready to conduct in-ocean trials of our first PB150 device off the coast of Scotland, as soon as weather conditions permit deployment. We also continue to make progress with our second PB150, which we plan to deploy in the second half of 2011 off the coast of Reedsport, Oregon.

In September 2010, we accomplished grid connection of the Hawaii buoy at the Marine Corps Base on Oahu. Our autonomous PowerBuoy projects with the US Navy continue to make strong progress. We conducted near-shore ocean trials of our enhanced autonomous PowerBuoy for the DWADS program for deep-ocean applications, and also completed the design and the testing of a new power take-off system under the first stage of the LEAP program. We have added a near-term goal, which is the design, build and ocean testing of a PowerBuoy structure that will house the new power take-off system for the second stage of the LEAP program. As we noted a little bit earlier, deployment of this PowerBuoy for the US Navy is expected to occur in the second half of calendar year 2011.

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 forthcoming years, and 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 has the momentum at many levels to accelerate the adoption of our PowerBuoy wave energy technology in the years ahead.

This concludes our prepared statement for our third quarter review. I will now turn to the operator to open the call for questions.

Operator:

I will now open the call for questions.

[Question Period]

Operator:

Thank you very much. That concludes our questioning period.

Charles Dunleavy:

With that, I would like to thank you for attending today's webcast and for your continued support and interest. We look forward to giving you another update after the completion of our fiscal year.

Operator:

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