

Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

Fiscal 2013 Third Quarter Conference Call

Date March 14, 2013 – 10:00 am Eastern Time

Operator:

Good morning ladies and gentlemen and welcome to the Ocean Power Technologies Fiscal 2013 Third Quarter conference call. At this time, all participants are in a listen-only mode. Following management's prepared remarks we'll hold a Question and Answer session.

To ask a question, please press star followed by 1 on your touch-tone phone. If anyone has difficulty hearing the conference, please press star zero for operator assistance.

As a reminder, this conference is being recorded and webcast. I would now like to turn the conference over to Mr. Brian Posner the Chief Financial Officer of Ocean Power Technologies. Please go ahead sir.

Brian Posner

Thank you. Welcome to Ocean Power Technologies' Earnings Conference Call for the third quarter ended January 31, 2013. OPT issued its earnings press release earlier today, and the Company will soon file its Quarterly Report on Form 10-Q with the Securities and Exchange Commission. All public filings can be viewed on the SEC website at sec.gov, or you may go to the OPT website, oceanpowertechnologies.com.

With me on today's call is Chuck Dunleavy, OPT's 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.

Now let me turn the call over to Chuck Dunleavy.

Chuck Dunleavy

SLIDE #3: SUMMARY OF RECENT DEVELOPMENTS

Thanks Brian and good morning everyone. Brian and I will be available to answer questions following our prepared remarks.

Turning to slide 3, let me first provide an update on OPT's recent activity. This past quarter OPT made several important steps to strengthen the Company, to provide more focus on specific growth areas, and to expand our business development opportunities. First, we created a separate Autonomous PowerBuoy business unit. This organizational change highlights the importance of the potential markets for the Company's non-grid-connected PowerBuoys and the associated opportunity for Ocean Power Technologies.

Furthermore, this quarter we hired Dr. Mike Mekhiche as our new Vice President of Engineering. Mike joins OPT from BAE Systems, where he most recently held the

position of Director of Programs. Mike will oversee all our engineering activity and the development of the next generation PowerBuoy systems, in conjunction with the Company's technology partners around the globe.

We continued our work under a contract from Mitsui Engineering & Shipbuilding for further development of wave energy opportunities in Japan. OPT and Lockheed Martin are developing the planned 19MW wave energy project at the site of Portland, Victoria, Australia. I'll talk more about both Japan and Australia in a moment.

We have changed the nomenclature of our Utility and Autonomous PowerBuoy products, so as to emphasize product classes. Finally, OPT received approximately \$1.5 million under the State of New Jersey's Business Tax Certificate Transfer Program, which funds are being used to advance our technology development.

Overall, we have a very high level of focused activity.

SLIDE #4: NEW POWERBUOY PRODUCT BRANDING

Please advance to slide 4. With respect to the nomenclature of our PowerBuoys, among the utility PowerBuoy products, the PB150 will be called the Mark 3 PowerBuoy, which currently drives a peak rated generator with a maximum power output of 866 kW. The PB500 will be called the Mark 4 PowerBuoy, which is planned to drive a peak rated generator with a maximum output of 2,400 kW. This method of power rating is more closely aligned with that utilized by other renewables such as wind and solar.

Among our Autonomous PowerBuoy products, the LEAP system will be called the APB 350, and the OPT MicroBuoy will be called the APB 10. The power rating for our Autonomous PowerBuoys denotes the amount of continuous power that can be maintained for deep-sea applications. This persistent power capability opens expanded mission durations, and also the opportunity for new applications not previously envisioned by our prospective customers.

SLIDE #5 OREGON UPDATE

Turning to slide 5, I'll begin with our work in Reedsport, Oregon. As noted previously, we received a license from the Federal Energy Regulatory Commission, or FERC, for the prospective build-out of a 1.5 megawatt grid-connected wave power station for 10 PowerBuoys at that location in Oregon.

Our plan has been first to deploy a single, non-grid connected PowerBuoy Mark 3 off the coast of Reedsport. However, last month we were informed by FERC staff that the first Oregon PowerBuoy is now to be subject to all requirements of their license, as previously issued for 10 grid-connected PowerBuoys at Reedsport. Thus, OPT would now need to meet all FERC requirements for the entire ten buoy grid-connected project prior to the deployment of the first PowerBuoy. If this FERC ruling is sustained, OPT would be required to submit certain reports and perform additional studies. This process could require significant delay of the deployment of the first PowerBuoy, as well as present additional costs for the Company.

OPT is at this time evaluating our response to the FERC staff's representations. Deployment and commissioning of this first Oregon PowerBuoy must take into account the need for this further evaluation of the guidance from FERC, as well as the requirement for a significant use of funds for the deployment and operation of the system. As we have stated, we intend to seek additional funding for deployment of this PowerBuoy in view of costs associated with weather delays and regulatory factors. Again, this all may serve to delay deployment of our Oregon PowerBuoy beyond calendar 2013.

SLIDE #6: JAPAN AND AUSTRALIA

Now turning to slide 6, there are a number of important, ongoing activities in Japan and Australia. In Japan, work continued with our longstanding partner and customer Mitsui Engineering & Shipbuilding under a contract worth 70 million Yen, or at today's value, approximately 800 thousand dollars. This award is funding additional work to enhance the Company's PowerBuoy technology for Japanese sea conditions. OPT is analyzing

methods to maximize buoy power capture using advanced power optimization methodologies as well as modeling and wave tank testing. The OPT/Mitsui team is also evaluating novel mooring strategies. The work is expected to be completed by the end of OPT's fiscal year in April 2013, after which a decision is expected to be made on next steps toward ocean trials of a demonstration PowerBuoy. This would provide the basis for a prospective build-out of a commercial-scale OPT wave power station in Japan.

In Australia, we continue our work with Lockheed Martin towards developing a planned 19 megawatt wave power station off the coast of Victoria. These past few months we have spent a great deal of time continuing to work out the details for the first Stage of this project. This has included working with our financial advisor, Brookfield Financial, in negotiations pertaining to power purchase agreements and for financing of Stage 1 of the project. We have also been in communication with the Commonwealth of Australia concerning their significant grant for the project as well as timing and delivery of this groundbreaking, multi-phase wave power station. The Commonwealth agency that is managing this grant, Australian Renewable Energy Agency, is reviewing the status of this grant including progress towards funding milestones and amendments to the grant as proposed by OPT.

SLIDE #7: AUTONOMOUS POWERBUOY ACTIVITIES

Moving on to slide 7. To focus our on-going business development activity in the autonomous market, OPT established a new business unit to assess, target and develop opportunities in the potential markets for OPT's non-grid connected, or autonomous, PowerBuoys. OPT's products are being developed for off-grid applications in deeper ocean environments which require lower amounts of power provided on a persistent basis. The Company believes that the Autonomous PowerBuoy market represents an important opportunity for profitable growth.

In particular, we are pursuing opportunities within Oil & Gas, Defense and Homeland Security, and oceanographic data gathering. In this latter sector, we refer to various oceanographic studies currently being planned or contemplated internationally that measure and analyze the waters of our world -- be it for global warming, weather prediction or other purposes. This builds on our very successful work with Rutgers

University and the US Navy last year on the LEAP program. It also expands the application and sensor requirements significantly, using the full suite of OPT's autonomous power technology.

Within the Oil & Gas market, we are targetting remote field applications for monitoring activities near subsea well sites. We have identified some new and specific applications where our technology can offer very compelling economics, and we are actively working with a number of companies to develop those opportunities. We believe that once we have a foothold in this market and have demonstrated the value-add of our technology, it will gain strong acceptance.

Within the Homeland Security market, as previously discussed, Ocean Power Technologies was awarded a Cooperative Research and Development Agreement by the US Department of Homeland Security. In tandem with this agreement, OPT received a grant from the Maryland Technology Development Corporation. This grant will utilize our APB-350 Autonomous PowerBuoy that was deployed off the coast of New Jersey in 2011 under the US Navy's LEAP program, and which survived the 50-foot waves of Hurricane Irene very successfully. We expect this unit to be back in the water later this year. We're excited by the prospect of showcasing this buoy in New Jersey, demonstrating the flexible capability of our Autonomous PowerBuoy and its potential use for advanced vessel detection and ocean surveillance systems. This APB-350 product also has important applications to the oil and gas markets.

Now let me turn the call over to Brian for discussion of OPT's operating results for the three and nine months ended January 31, 2013.

Brian Posner

SLIDE #8: FINANCIAL SUMMARY – OPERATING RESULTS

Thank you Chuck

As we move to slide 8, for the three months ended January 31, 2013 and January 31, 2012, OPT reported revenues of \$0.9 million. There was a slight decrease in revenue

related to our Mark 4 PowerBuoy development project, partially offset by an increase in revenue related to our project with Mitsui Engineering & Shipbuilding.

The net loss for the three months ended January 31, 2013 was \$1.5 million as compared to a net loss of \$2.2 million for the three months ended January 31, 2012. The favorable decrease in net loss year-over-year was due primarily to lower product development costs relating to a lower level of activity for OPT's project in Oregon and our project in Hawaii, which was completed in FY2012. In addition, there was a gain on foreign currency transactions and a higher recorded income tax benefit due to the sale of New Jersey tax net operating losses. These decreases in net loss were offset by an increase in SG&A expenses due primarily to an increase in legal fees, site development expenses related to the planned project in Australia and certain employee-related costs.

For the nine months ended January 31, 2013, OPT reported revenues of \$3.2 million as compared to revenues of \$4.3 million for the nine months ended January 31, 2012. This decrease primarily reflects the completion in the prior fiscal year of the LEAP project with the US Navy for coastal security and maritime surveillance, in addition to a decrease in billable work related to the Mark 4 PowerBuoy development project. These declines were partially offset by increases in revenue from the Company's WavePort project in Spain, the project in Oregon and the Mitsui project.

The net loss was \$10.6 million for the nine months ended January 31, 2013 compared to \$11.1 million for the same period in the prior year. This decrease in net loss was due primarily to lower product development costs relating to the completion of our project in Scotland in the prior fiscal period, a gain on foreign currency transactions and a higher recorded income tax benefit due to the sale of New Jersey net operating tax losses. These decreases in net loss were offset by an increase in SG&A expenses due to an increase in legal fees and site development expenses related to the planned project in Australia.

SLIDE #9: FINANCIAL SUMMARY – FINANCIAL CONDITION

Turning to slide 9...

On January 31, 2013, total cash, cash equivalents, restricted cash and investments were \$24.5 million, as compared to \$26.4 million as of October 31, 2012. The net decrease in cash and investments was \$1.9 million for the three months ended January 31, 2013, compared to \$2.1 million for the three months ended January 31, 2012. OPT received approximately \$1.5 million and \$1.1 million from the sale of New Jersey net operating tax losses for the three months ended January 31, 2013 and 2012, respectively.

Now I will turn the call back over to Chuck.

Chuck Dunleavy

SLIDE #10 KEY STRATEGIC INITIATIVES

Thanks, Brian. Turning to slide 10, I would like to note some of our key strategic initiatives.

OPT has recently undertaken a number of steps to reduce significantly its fixed costs. This has been across the Company and includes reduced personnel-related costs, consultants and facilities expenses.

With this reduced cost structure we will continue to pursue on a selective basis both the utility and autonomous market sectors with emphasis on our existing customer-funded contracts, and opportunities in markets where we see strong economics.

We will build on our PowerBuoy technology platform with investment in specific, high payback technology enhancements. This includes working along the clear path we have set to decrease the levelized cost of energy of our utility PowerBuoys, and expansion of the Autonomous PowerBuoy product offering. With a focus on opportunities to generate cash in the near-term, the key is to enhance the saleability of our product offerings, and resulting contribution to profits.

In addition, continuing work with strategic partners like Lockheed Martin and Mitsui is an important part of driving toward our goal of OPT becoming a profitable company in the years to come.

This concludes our prepared statement. We will now open the call for questions. Please go ahead, operator.

Operator:

I will now open the call for questions.

[Question Period]

Operator:

There are no further questions in the queue. I'll now turn the call back over to Mr. Dunleavy for any closing remarks.

Chuck Dunleavy

Thank you all once again for attending today's call. If you have any further questions, please do not hesitate to contact us. Otherwise, we look forward to speaking with you next quarter.

Operator:

Thank you everyone. That concludes our call. You may now disconnect.