Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

Third Quarter Fiscal Year 2010 Audio Webcast

Date: March 12, 2010

Operator:

Good day everyone and welcome to Ocean Power Technologies' third quarter 2010 audio webcast. Today's conference is being recorded and webcast. At this time I would now like to turn the call over to the Chief Executive Officer of Ocean Power Technologies, Mr. Charles Dunleavy.

Charles Dunleavy:

Thank you. Good morning and welcome to Ocean Power Technologies' Audio Webcast for the third quarter ended January 31, 2010. Today we issued our third quarter earnings press release and we will be filing 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.

SLIDE #2 FORWARD-LOOKING STATEMENTS

Charles Dunleavy:

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-Q and other recent filings with the Securities and Exchange Commission for a description of these and other risk factors.

SLIDE #3 SUMMARY

Charles Dunleavy:

Moving to slide #3 - I would now like to take you through some of the key developments during this quarter, before discussing the financials and our strategy for growth.

I am delighted to have been appointed by the Board of Directors as the Chief Executive to execute OPT's commercialization strategy and maximise new growth opportunities as they arise. I intend to appoint a new Chief Financial Officer in due course and we are already reviewing a list of strong candidates.

OPT has a highly talented and experienced team, great technical depth and unique intellectual property, as well as excellent partners and customers globally. I am very grateful for their good wishes over the past few months. With their support, OPT has

established a very strong platform on which to leverage the increasing global interest and commitment from both governments and industry to harnessing wave energy.

It is our goal not only to focus on OPT's current flagship projects within the utility power market, but also to accelerate growth by leveraging our technology and existing activities that have the potential to broaden our revenue base – such as our Autonomous PowerBuoys, infrastructure development capability and our unique underwater substation pod product.

During the third quarter OPT attained some major successes while making steady progress with its existing projects, which I will cover in more detail later. In particular, our strengths have been recognized with significant awards of funding for major proposed projects.

In Australia our partnership with the large infrastructure company Leighton Contractors was awarded a grant of 66.5 million Australian dollars, or approximately 60.0 million US dollars, from the Federal Government of Australia. Last week we announced that we have received an award of 2.2 million Euros (about 3 million US dollars) under the European Commission's Seventh Framework Programme for the development of an enhanced wave power device on the north coast of Spain.

Construction commenced on the steel structure for our PB150 PowerBuoy for OPT's project at Reedsport, Oregon. Also in Oregon, we signed a Memorandum of Understanding with the State government to explore the development of new wave power projects in Oregon's coastal waters. This landmark agreement underscores the productive and collaborative approach we take as a Company in our business development activities.

We have also sharpened our focus on existing projects. We deployed and have operated an enhanced PowerBuoy for the Marine Corps Base at Oahu under our long-

term project with the US Navy in Hawaii. This project was recently featured in a CNN International broadcast worldwide.

At the same time, we remain on track to complete the construction of the first PB150 PowerBuoy, for deployment and ocean trials off the coast of Scotland in the middle of this calendar year.

Revenues increased 47% compared with the immediately preceding quarter while our contract order backlog remained strong at $6.6 million. We also made a gross profit for the third consecutive quarter, as well as a gross profit on our contracts for the full nine months compared to a gross loss in the corresponding period last year.

Let me take you through some of these activities in more detail in the next few slides.

SLIDE #4 HAWAII DEPLOYMENT

Slide number 4 shows views of the deployment of the PowerBuoy at the Marine Corps Base in Hawaii.

SLIDE #5 OPERATIONAL PROGRESS – UNITED STATES

Charles Dunleavy:

Turning to slide #5.

OPT continues to broaden its activities globally and is currently engaged in projects in Oregon and Hawaii in the USA; Scotland and Southwest England; Spain; and Australia.

In the US, a number of State governments, including the State of Oregon, have become increasingly involved in supporting wave energy as part of the renewable energy mix. These efforts have also gained much momentum at the Federal level where significant funds have been set aside to encourage the development of wave energy technology and specific related projects. OPT is actively allocating business development resources to address these opportunities, at the same time as we are advancing our two utility scale projects in Oregon.

After an extensive consultation process with local stakeholder groups in Oregon, we began construction of the steel PowerBuoy structure during the quarter, for the first PB150 PowerBuoy to be built for the Reedsport project. This is a 1.5 MW demonstration-scale project that is expected to include a total of ten PB150 PowerBuoys connected to the grid. The project has received funding from the local utility cooperative PNGC Power and the US Department of Energy. We are very encouraged by the progress towards obtaining overall permitting and licensing for the Reedsport project.

Our second Oregon project at Coos Bay is envisioned on a larger scale with the phased development of a wave power station of up to 100 MW. The Memorandum of Understanding we signed with the State of Oregon sets forth principles for responsible development of wave power projects in the future. This has served to better establish OPT's presence in the Oregon market, and raise our profile in a very positive way.

We also continued to achieve further milestones with the US Navy, which has a long-standing commitment to energy security for our nation and to developing wave energy and other renewables, as many of its installations are dependent on costly imported fossil fuels.

In Hawaii we successfully deployed an upgraded 40kW peak-rated PowerBuoy under our ongoing program with the US Navy to develop and construct wave power systems at the Marine Corps Base in Oahu, Hawaii. We also received $380,000 in additional funding for the commissioning and operation of this PowerBuoy system. The PowerBuoy now in operation in Hawaii was deployed in mid-December 2009 and has produced power in accordance with our models, given the wave conditions at that site. This is especially encouraging, as the PowerBuoy utilizes an advanced power take-off system with higher energy conversion efficiencies and lower cost.

For our Autonomous PowerBuoys, we continued to work on two separate contracts with the US Navy. One is to provide a wave energy conversion system for the Navy's Littoral Expeditionary Autonomous PowerBuoy program - or LEAP - for near-shore maritime surveillance for homeland security. The current contract, worth $2.4 million, is the initial one-year phase of a four-year project expected to total up to $15 million.

Another contract with the US Navy involves the development of even more advanced versions of our autonomous PowerBuoy technology for its Deep Water Active Detection System. These buoys are designed to power ocean-bed sensors for remote data gathering under a $3 million contract that was first awarded in November 2008 after the completion of an initial test phase.

SLIDE #6 MANUFACTURING OF PB150 POWERBUOY - OREGON

Slide number 6 shows recent views at our buoy manufacturer, Oregon Iron Works, working on one of our PB150 systems for deployment near Reedsport, Oregon.

SLIDE #7 OPERATIONAL PROGRESS – EUROPE & AUSTRALIA

Charles Dunleavy:

Turning to slide #7,

A key technical achievement during the quarter was the completion of in-ocean trials of our proprietary Underwater Substation Pod product off the coast of northern Spain. Based on the Company's proprietary technology, the Pod was developed to facilitate the collection, networking and transforming of power and data from multiple electrical energy devices for transmission to a shore-based electricity grid. The Pod was designed and manufactured by OPT as part of our contract with Iberdrola. Due to its modular and open platform design, the Pod technology has the potential to be used by other marine energy developers, including wave, tidal and current, and has attracted interest in the industry.

Shortly after the end of the third quarter, OPT announced it was awarded a 2.2 million euro grant under the European Commission's Seventh Framework Programme, by the EC Directorate responsible for new and renewable sources of energy, energy efficiency and innovation. The grant to OPT is part of a total award of €4.5 million to a consortium of companies, including OPT, to deliver a PowerBuoy wave energy device under a project entitled WavePort, with an innovative wave prediction capability and a "wave-by-wave" tuning system. Conditional on the signing of a Consortium Agreement and receipt of additional funding, it is anticipated that the PowerBuoy will be deployed at the Santoña site in Spain which we developed under contract from Iberdrola.

A major part of our European activities has also been concentrated on our flagship project in Britain, where our first PB150 is on track to be ready for ocean trials in Scotland by the middle of this calendar year. Work to integrate the buoy's power take-off and conversion system into the steel structure is expected to commence shortly and

will be followed by in-ocean testing off the coast of Scotland. Rated at 150kW, the complete structure weighs approximately 260 tonnes and is 135 feet long. It is a major engineering accomplishment and marks a new phase in the Company's commercialization.

During the quarter we made a major breakthrough in Australia after OPT's project in partnership with Leighton Contractors Pty Ltd was awarded a 66.5 million Australian dollar grant from the Federal Government of Australia subject to receipt of additional funding and the satisfaction of terms and conditions of the related Funding Deed. The project is expected to have a total capacity of 19 MW – sufficient to fulfill the energy needs of approximately 10,000 homes. The award was one of four renewable energy projects approved by the Federal Government of Australia after considering over 30 applications and is the sole wave energy venture being funded.

The Government funding is expected to be used by OPT and Leighton to advance the construction of a wave power station to be built in three phases off the coast of Victoria near the city of Portland. The project is to be developed by a special purpose company, Victorian Wave Partners Pty Ltd, that was formed by OPT and Leighton to collaborate in wave power projects off the east and south coasts of Australia

SLIDE #8 PB150 POWERBUOY SYSTEM - SCOTLAND

Slide number 8 shows a view of the power take-off system to be integrated very soon into the PB150 being built for deployment off Scotland.

SLIDE #9 MANUFACTURING OF PB150 POWERBUOY- SCOTLAND

Slide number 9 has views of various elements of the PB150 PowerBuoy in Scotland. In the upper left-hand corner is the bridge which sits atop the buoy, the upper right-hand corner shows the float, and at the bottom is a view of the buoy prior to painting.

SLIDE #10 FINANCIAL SUMMARY – OPERATING RESULTS

Charles Dunleavy:

Moving to slide #10.

Over the next few slides I will review our financial results before discussing OPT's strategy going forward.

Our contract order backlog remained strong at $6.6 million, representing future revenues yet to be recognized by the Company.

Revenues for the third quarter ended January 31, 2010 decreased to $0.9 million as compared to $1.0 million for the comparable period last year, but increased 47% over the previous quarter ended October 31, 2009. The growth in revenues compared with the immediately preceding quarter was primarily reflective of a higher level of activity in connection with OPT's LEAP contract with the US Navy. The decrease in quarterly revenues compared with the same third quarter period last year was largely attributable to a decline in billable work for the Company's Hawaii project for the US Navy.

Cost of revenues increased slightly to $0.7 million for the three months ended January 31, 2010, as compared to $0.6 million for the same period last year. This primarily reflects the change in the costs recorded on our Hawaii project with the US Navy.

It is significant to note that we achieved a gross profit on our contracts for the third consecutive quarter.

Operating loss for the three months ended January 31, 2010 increased to $6.1 million, as compared to $3.9 million for the three months ended January 31, 2009. This change primarily reflects an increase in product development costs related to OPT's continued work to increase the power output of its utility PowerBuoy system.

Net loss for the quarter was $5.7 million, compared with $3.6 million in the same period last year. This increase in net loss reflects the change in operating loss as well as a decline in interest income due primarily to lower interest rates and a decrease in cash, cash equivalents and marketable securities, although these were partly offset by an increase in foreign exchange gain relative to the change in the value of the British pound sterling.

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Turning to the nine-month period, OPT reported revenues of $2.7 million compared to $3.4 million for the nine months ended January 31, 2009. The change primarily reflects decreased revenues from OPT's wave power station off the coast of Spain as the project neared completion, the Company's Hawaii project with the US Navy and the project in Scotland. However, revenues relating to OPT's autonomous PowerBuoy system increased due to a greater level of activity on the Company's project with the US Navy for deep ocean data gathering.

Cost of revenues decreased by $1.8 million, or 43%, to $2.2 million in the nine months ended January 31, 2010, as compared to $4.0 million for the same period last year. This decrease reflects lower levels of activity on revenue-bearing contracts, primarily the Company's project off the coast of Spain.

Operating loss for the nine months ended January 31, 2010 increased to $14.9 million compared with $13.7 million for the nine months ended January 31, 2009. This reflects higher product development costs, primarily attributable to OPT's efforts to increase the power output of the Company's utility PowerBuoy system.

However, OPT achieved a decline in the bottom line net loss for the nine month period, which decreased to $12.9 million compared to $13.6 million for the same period last year. This was due to an increase in gross profit, and an increase in foreign exchange gains, offset by an increase in product development costs and a decrease in interest income. Other income also increased in the nine month period from the favorable settlement of a claim made by OPT against a supplier.

SLIDE #11 FINANCIAL SUMMARY – FINANCIAL CONDITION

Charles Dunleavy:

As noted on slide #11, OPT finished the quarter with total cash, cash equivalents, restricted cash and marketable securities of $71.3 million. As such, the Company's balance sheet remains strong, and its cash and investments are highly liquid, consisting primarily of term deposits with large commercial banks and US Treasury bills and notes.

SLIDE #12 FINANCIAL SUMMARY – CASH FLOWS

Charles Dunleavy:

Turning to slide #12.

Net cash used in operating activities was $11.8 million for the nine months ended January 31, 2010, a favorable decrease as compared to $12.7 million for the prior year. The change was the result of a decrease in net loss of $0.7 million and an increase in net operating assets and liabilities of $2.8 million, offset by a decrease in net non-cash operating activities of $2.6 million.

Net cash provided by investing activities was $7.2 million for the nine months ended January 31, 2010 compared to $66.2 million for the prior year's period. The change was primarily the result of a net decrease in purchases of securities with maturities longer than 90 days during the prior year's nine months ended January 31, 2010. Also, there was a $0.5 million decrease in purchases of equipment during the nine months ended January 31, 2010 as compared to the nine months ended January 31, 2009 and additional restricted cash of $0.3 million in the three months ended January 31, 2010.

We continue to expect our cash burn for the full fiscal year 2010 to be somewhat less than that experienced in fiscal 2009.

SLIDE #13 LEVERAGING TECHNOLOGY TO ACCELERATE GROWTH

Charles Dunleavy:

Turning to slide #13. I shall now discuss how we plan to leverage OPT's considerable intellectual property, technology and strong partners to maximize our growth potential. Near term, we see significant market opportunities in several areas.

We view the markets for our utility-scale PowerBuoys to be very robust. The worldwide market for grid-connected power generation equipment is estimated to be $150 Billion per annum, of which the addressable renewable portion is about $50 Billion per year. Our business development activity has benefitted from initiatives now in place at the Federal and state or regional government levels in many countries. These initiatives include grants toward renewable energy capital expenditures, enhanced feed-in tariffs for wave energy, tax credits, and various economic stimulus programs specifically for wave energy. This is particularly the case in the four regions of the world in which we are focusing our marketing resources: Europe, North America, Australia and Japan. Our activity in these areas is increasing, as we seek to establish strong recognition of the PowerBuoy brand.

In addition to our utility-scale projects, we also intend to accelerate the commercialization of our autonomous PowerBuoy product. This includes development of existing programs with the US Navy, as well as expansion to other market segments with homeland security and other commercial applications.

We market our autonomous PowerBuoy systems, which are designed to generate power for use independent of the power grid, to customers that require electricity in remote and deep ocean locations. We believe there are a variety of potential applications for our autonomous PowerBuoy, including sonar and radar surveillance, tsunami warning, oceanographic data collection, offshore platforms and offshore aquaculture, or fish farming. We believe these to be market opportunities we can penetrate with our established products and expertise.

We generated our first revenue from the Autonomous PowerBuoy system with contracts from our strategic partner, Lockheed Martin, in previous years. Our Autonomous PowerBuoy technology continued to develop since then and we now have the systems and technology in place to accelerate the commercialization of this product.

The successful completion of in-ocean trials of our unique underwater substation pod has also opened a potential new revenue source. It provides a practical solution to the delivery of marine energy from where it is generated by multiple devices, to the on-shore power grid.

The majority of offshore energy systems generate electricity at low voltage and need to step up to medium or high voltage for efficient transmission to shore for grid connection. Additionally, offshore power projects typically have a number of devices such as wind turbines, wave energy converters and tidal devices – all of which need to be networked offshore so that a single subsea cable can export the power and data to the on-shore grid.

Based on OPT's proprietary design, but built as an open platform that is technology-agnostic, the pod fulfills this need – providing connectivity for any offshore energy device. As a result, the pod has the potential to be sold as a discrete product to third parties, or as part of services that OPT offers.

The Company plans to market its expertise and experience in undersea power connection infrastructure services, which can be provided to other companies in the marine energy sector. This includes the provision of the subsea pod product, the laying of cable, and onshore grid connection services, all of which OPT has done at various times over the past ten years. As announced in July 2007, our PowerBuoy interface with the power grid has been independently certified as compliant with international standards. For our PowerBuoy systems, we also offer our customers operations and maintenance services, which are expected to provide a source of recurring revenues to OPT.

SLIDE #14 UNDERSEA SUBSTATION POD

Slide number 14 has views of our undersea substation pod prior to commencement of the successful sea trials in Spain. The middle panel shows the interior portion of the pod.

SLIDE #15 COMMERCIALIZATION THROUGH COLLABORATION

Charles Dunleavy:

Moving to slide #15.

As part of OPT's strategy to accelerate commercialization of the PowerBuoy technology and the marketing of the Company's portfolio of products and services, we plan to put increased emphasis on collaboration with industry participants and stakeholders.

Current partners include Lockheed Martin, Iberdrola, Mitsui Engineering and Shipbuilding, and Leighton Contractors.

Linked to this collaborative approach, is our vision of 'open platform' technology development. Our Underwater Substation Pod is a great example as it was built as a platform that can provide connectivity for other offshore energy devices linked to it. As a result, this approach has the potential of increasing our addressable market.

Our WavePort project, under the European Commission's Seventh Framework Programme, demonstrates both these aspects of collaboration and open platform. Our consortium partners include the Wave Energy Centre in Portugal, Fugro Oceanor of Norway, DeGima of Spain, the University of Exeter in the UK, and ISRI of the UK.

These organizations will all contribute their expertise to develop an enhanced PowerBuoy system.

For example, the University of Exeter has expertise in the area of wave prediction and Fugro will provide wave-monitoring equipment to collect and transmit wave data to the PowerBuoy, with the aim of further increasing overall energy production of OPT's PowerBuoy device.

We are very excited about this project as it will demonstrate the flexibility of our technology and its ability to serve as a comprehensive platform for developing technology for harnessing wave energy. It also builds on our previous work in Spain with Iberdrola at the Santoña site.

It is this notion of collaboration and the open platform concept that we wish to propagate and extend into the marine energy marketplace.

SLIDE #16 GROWTH STRATEGY

Charles Dunleavy:

To conclude with slide #16, our overall strategy remains unchanged. That is to say, we will continue to focus on selling turn-key power stations and operations and maintenance contracts, while also increasing our revenue streams from the utility and autonomous PowerBuoy markets, and from the sale of marine energy infrastructure services and systems including our underwater substation pod.

The focus of OPT's engineering and development efforts is to continue making improvements to the 150kW PowerBuoy system to facilitate our future transition to the even larger 500kW PowerBuoy. This includes increasing the power output and maintainability of the 150kW PowerBuoy system, and exploring design and construction techniques that are expected to enable the larger systems to be built, deployed and maintained at a significantly reduced cost. We also expect to improve our economics by growing production volumes and maximizing customer funding of technology development.

Similarly, we expect to continue to benefit from initiatives of governments, organizations and individuals, which are increasingly committed to tackle climate change on a global basis, and to expand the use of renewable energy.

We will continue to build on our existing commercial relationships and establish new ones, as we seek to collaborate with other organizations to build on their, as well as our own, expertise and experience. We will also seek to leverage the adaptability of our technology by building OPT's systems on an open platform basis, with the goal to expand our customer base as well as facilitate the growth of the wave power industry.

The Company is at an exciting stage in its development as we seek to accelerate our growth and expand our portfolio of products and services related to our core PowerBuoy technology. I personally am very excited about our prospects for making Ocean Power Technologies a leading player in the commercial renewable energy marketplace.

With that, I would like to thank you all for attending today's webcast and for your continued support and interest.

Operator:

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