Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

Second Quarter 2011 Audio Webcast

Date: December 10, 2010

Operator:

Good day everyone and welcome to Ocean Power Technologies' audio webcast for the second 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 second quarter ended October 31, 2010 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

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 first six months of this fiscal year.

Several important technical milestones were achieved during this period. We accomplished the grid connection of our PowerBuoy at the Marine Corps Base in Hawaii, in conjunction with the US Navy. This is the first grid connection of a wave energy device in the US. In Scotland, we successfully completed the integration of the energy conversion and power take-off subassemblies with the new PB150 PowerBuoy structure. For our Reedsport, Oregon project, also for a PB150 PowerBuoy, we finished construction of the steel structure. And in connection with that Oregon project, we signed a ground-breaking agreement with 14 different federal, state and local stakeholders. OPT also made great strides in its two autonomous PowerBuoy projects with the US Navy.

OPT achieved strong top line growth with an increase in revenue for both the three and six months ended October 31, 2010, as well as an increase in contract order backlog to

$7.5 million. We announced approximately $10 million of awards from customers in the US, UK and Japan since our current fiscal year 2011 began this past May.

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

SLIDE #4: OPERATIONAL PROGRESS – UTILITY PROJECTS

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 use out in the deep ocean.

Good operational progress was made with our Utility PowerBuoy projects during the second quarter.

In September 2010, we completed grid connection to the Oahu power grid of our PowerBuoy at the Marine Corps Base in Hawaii. This is the first grid connection of a wave energy device in the US, and demonstrates 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, has withstood a number of severe storms, and produces power in accordance with modeled expectations for that location and PowerBuoy configuration.

Built under contract from the US Navy, the Hawaii project's intent is 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 the PB500

PowerBuoy product. These highlight the strength of our technical base, which is being leveraged to create valuable intellectual property.

SLIDE #5: HAWAII POWERBUOY

Charles Dunleavy:

Slide 5 shows a picture of the PowerBuoy deployed off the Marine Corps Base in Oahu.

SLIDE #6: OPERATIONAL PROGRESS – UTILITY PROJECTS

Charles Dunleavy:

Now turning to Slide #6.

Our other utility projects also continued to move ahead steadily.

In 2009, OPT signed a commitment Agreement with the Southwest Regional Development Agency, or SWRDA, to advance development of Wave Hub, one of the World's largest proposed renewable marine energy projects, and is located in Cornwall, England. OPT's expected participation in the Wave Hub project includes plans to build, install and operate a 5MW wave power station comprising an array of its patented PowerBuoy systems. SWRDA has now completed the installation of the cabling and subsea infrastructure of the entire Wave Hub site. In July 2010, OPT received support from SWRDA with a grant of 1.5 million British pounds sterling (which is approximately $2.3 million dollars). This grant from the UK government is for the development of the PB500 and strengthens our commitment to the region.

In Spain, OPT successfully completed in-ocean trials last year of its proprietary Undersea Substation Pod under contract from Iberdrola. Earlier this calendar year, OPT was awarded 2.2 million Euros, or about 3 million US dollars, from the European Commission to develop a wave power device in Spain. We are currently in talks with Iberdrola regarding the next steps of that project.

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 our next generation PowerBuoy, the 500kW-rated PB500. The design of this 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. The development of the PB500 gained additional momentum this quarter with the award of $2.4 million from the US Department of Energy, or DoE. This is the second award OPT has received from the DoE for the PB500, following the $1.5 million grant received this past April.

The combined $6.2 million of awards for PB500 development work received from the DoE and SWRDA is consistent with OPT's strategy to seek non-dilutive funding from external parties to fund its development of the PB500.

SLIDE #7: CONTINUING PB150 MOMENTUM

Charles Dunleavy:

Turning to Slide #7.

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

Our first 150kW-rated PowerBuoy in Scotland is nearing completion. The integration of the energy conversion and power take-off subassemblies with the PowerBuoy structure is complete. I am pleased to say that we remain on track to be ready by the end of this month for deployment off the coast of Scotland for in-ocean trials, weather permitting. We are also seeking additional funding for the next stage of the buoy's development after this ocean trial phase.

The completion of the PB150 in Scotland is a major milestone for the Company. 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.

We also have benefitted from this experience in the development of our second PB150 for our project in Reedsport, Oregon. Construction of the steel structure for the PowerBuoy has been completed. Fabrication of the power take-off and control system is now in process, and on-land testing of that system is expected to commence in the first half of calendar year 2011. Ocean trials of that PB150 off Oregon are due to commence later in 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, which would be America's first commercial-scale, grid-connected wave power station. In August 2010, we announced the signing of a significant agreement with 11 federal and State agencies and three non-governmental stakeholders to support the responsible, phased development by OPT of the 10-PowerBuoy wave power station. This agreement represents a key step towards the granting of a license by the Federal Energy Regulatory Commission (or FERC), which would be the first such license to be issued for a commercial-scale wave power project in the US. After receipt of the FERC license and after receipt of additional funding for the project, the 10-PowerBuoy wave power station is expected to be connected to the grid. In September 2010, OPT received a $2.4 million award from the DoE in connection with the Reedsport project, which is in addition to our receipt in 2008 of $2.0 million from DoE to use towards construction of that PB150 PowerBuoy.

SLIDE #8: MANUFACTURING OF PB150 – SCOTLAND

Charles Dunleavy:

Slide 8 shows some scenes of the construction of the PB150 in Scotland. The upper-left-hand picture is of the bridge assembly which sits atop the float. The upper-right-hand photo shows two halves of the float, and the lower picture is of the steel buoy structure in the Scottish fabricator's facility.

SLIDE #9: PB150 – SCOTLAND

Charles Dunleavy:

Slide 9 shows our PB150 in Scotland next to the dock prior to commencement of the power take-off systems integration process.

SLIDE #10: PB150 – OREGON

Charles Dunleavy:

Similarly, on slide 10, you can see views of our PB150 under construction for our project in Reedsport, Oregon.

SLIDE #11 OPERATIONAL PROGRESS – AUTONOMOUS PROJECTS

Charles Dunleavy:

Now turning to slide #11.

While there was significant activity with 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.

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 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 12-month stage, 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, also to be

performed over a one-year period, the Company will build and ocean-test a LEAP PowerBuoy structure, incorporating that new power take-off system, off the coast of New Jersey.

Progress continued on OPT's ongoing project to provide autonomous PowerBuoy technology for the US Navy's Deep Water Active Detection System (or “DWADS”) for ocean data gathering. The building of the enhanced device was completed during the second quarter, and OPT successfully conducted near-shore sea trials of the system. Deep-ocean testing is expected to be conducted at a later time by the US Navy, which is anticipated to provide a ship for that deep-ocean test phase of the DWADS system.

SLIDE #12: OPERATIONAL PROGRESS – JAPAN AND AUSTRALIA

Charles Dunleavy:

Turning to Slide #12.

In October 2009, the Company announced that OPT and a consortium of Mitsui Engineering and Shipbuilding, or MES, Idemitsu Kosan, and Japan Wind Development Co. had signed a Memorandum of Understanding for the development of wave energy in Japan.

Just last month, OPT expanded its relationship with Mitsui Engineering & Shipbuilding with the signing of a new contract to develop its PowerBuoy technology for Japanese sea conditions. Under this new contract, the two companies will work together to develop a new mooring system for OPT’s PowerBuoy customized for wave power stations off the coast of Japan. The new system will undergo testing at MES’s wave tank facilities to verify the results of extensive computer modeling.

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 Federal 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 Federal Government of Australia 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, which effort is being led by Leighton.

SLIDE #13: BUSINESS DEVELOPMENT SUCCESS

Charles Dunleavy:

As noted on slide 13, OPT has received awards totaling approximately $10 million since the beginning of its current fiscal year in May 2010. This new business was received from customers in the US, UK and Japan. OPT's $7.5 million contract backlog as of October 31, 2010 does not yet reflect the two new funding awards of $4.8 million from the US Department of Energy, as the contracts for these two awards have not yet been received by the Company.

With that, I will hand the presentation over to Brian to discuss the financial results for the second quarter and first six months of fiscal year 2011.

SLIDE #14: FINANCIAL SUMMARY – OPERATING RESULTS

Brian Posner:

Thank you, Chuck.

As you will see on Slide 14, our revenues increased 220% for the second quarter of fiscal 2011 to 1.9 million dollars, compared to 6 hundred thousand dollars for the same period in the prior year. 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 revenues from OPT's PB500 development project. The growth in these projects was partially offset by a decline in revenue from OPT's PB150 PowerBuoy project in Scotland and its utility PowerBuoy project with the US Navy at the Marine Corps Base in Hawaii, which is now grid-connected.

Gross profit was approximately 87,000 dollars for the quarter as compared to a gross profit of approximately 54,000 dollars for the second quarter of the prior year. Gross profit for the second quarter ended October 31, 2009 benefitted from an approximately 300,000 dollar favorable reduction in a provision for contract losses. Our future gross margins 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 increased to 3.7 million dollars as compared to 3.4 million dollars for the second quarter of the prior year. These planned cost increases were primarily due to our efforts to increase the power output and reliability of our utility PowerBuoy system, especially the 150kW PowerBuoy.

SG&A costs decreased by 2%, to 2.1 million dollars compared with 2.2 million dollars for the previous year. This decrease was largely due to a decrease in employee related expenses, which were partially offset by increased marketing and business development expenses.

Interest income for the quarter decreased to 161 thousand dollars, compared with 248 thousand dollars for the same period last year. This decrease was largely due to the decline in total cash and marketable securities.

OPT recognized a foreign exchange gain of 71 thousand dollars for the quarter, compared to a foreign exchange gain of 101 thousand dollars in the same period in the prior year. The difference was primarily due to the relative change in value of the British pound sterling and the Euro, as compared to the US dollar during the two periods.

Net loss was 5.5 million dollars for the second quarter of the fiscal year ended April 30, 2011 compared to 5.2 million dollars in fiscal 2010.

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Turning to the six-month period, our revenues were 3.2 million dollars, a 71 percent increase compared to revenues of 1.9 million dollars in the six months ended October 31, 2009. 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 project. The growth in these projects was partially offset by a decline in revenues from OPT's DWADS project with the US Navy, utility scale project in Spain and utility PowerBuoy project with the US Navy at the Marine Corps Base in Hawaii.

Gross loss was approximately 126,000 dollars for the current six-month period as compared to a gross profit of approximately 341,000 dollars for the same period in the prior year. The decrease in gross margin was largely due to a reduction of revenue in the current six-month period by approximately 231,000 dollars due to a change in estimated revenue to be recognized in connection with the conclusion of the current project in Spain. In addition, gross profit for the six months ended October 31, 2009 included approximately 400,000 dollars from a favorable reduction in a provision for contract losses.

Product development costs increased to 7.7 million dollars as compared to 4.8 million dollars for the first six months of the prior year. As noted in the quarter to quarter analysis, these planned cost increases were primarily due to our efforts to increase the power output and reliability of our utility PowerBuoy system, especially the 150kW PowerBuoy.

SG&A costs decreased by 4%, to 4.2 million dollars compared with 4.4 million dollars for the previous year. This was largely due to a decrease in professional fees, travel and employee related expenses, which were partially offset by increased marketing and business development expenses.

Interest income for the six months decreased to 398 thousand dollars, compared with 533 thousand dollars for the same period last year. This was primarily due to the decline in total cash and marketable securities.

The 6-month comparison of other income reflects 532 thousand dollars received by OPT from a settlement of a claim against a supplier of engineering services during the first six months of the prior fiscal year.

OPT recognized a foreign exchange loss of 168 thousand dollars for the first half of fiscal 2011, compared to a foreign exchange gain of 502 thousand dollars in the same period in the prior year. The difference was primarily due to the relative change in value of the British pound sterling and Euro, as compared to the US dollar during the two periods.

Net loss was 11.8 million dollars for the first six months of the fiscal year ended April 30, 2011 compared to 7.3 million dollars in fiscal 2010.

SLIDE #15: FINANCIAL SUMMARY – FINANCIAL CONDITION

Brian Posner:

Turning to Slide 15.

At October 31, 2010, total cash, cash equivalents and investments were 57.7 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. While cash used in the second quarter ended October 31, 2010 was significantly lower than the immediately preceding quarter, we expect cash used in the second half of fiscal 2011 to be consistent with the first half. We believe the rate of cash

outflows will decrease in future periods, reflecting completion of significant milestones associated with the construction of our two PB150 systems for Oregon and Scotland, and continued receipt of non-dilutive funding from external sources for development of the PB500. As we noted previously, the Company has so far received awards totaling $6.2 million for PB500 development work.

SLIDE #16: DE-LISTING FROM AIM

Brian Posner:

Turning to Slide #16.

Last week OPT announced that effective January 14, 2011, its shares will no longer be traded on the AIM Market of the London Stock Exchange. It should be noted that OPT remains fully committed to growing our business in the UK and Europe.

OPT had three main reasons behind the decision to delist from AIM. The trading volume on NASDAQ was significantly higher than the AIM market, the significant savings of costs associated with the listing, and the ability of shareholders to still trade the Company's stock on NASDAQ.

All shareholders on the UK Share Register will be moved to the US Share Register by our transfer agent, Computershare. We encourage any Shareholder with any questions to call Computershare at (44) 0 870 703 6162.

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

SLIDE #17: MULTIPLE PATHS TO PROFITABILITY

Charles Dunleavy:

Thank you, Brian.

Turning to slide #17.

The Board and Management of OPT are committed to the Company becoming profitable 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 and is all about large amounts of power provided to the grid. 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 the slide, we have also shown how our present projects, 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 #18: NEAR-TERM GOALS

Charles Dunleavy:

Turning to slide #18.

We are excited about our longer-term prospects, and we also believe OPT remains on track to achieve the near-term milestones we had set for a number of key projects in the forthcoming months. We would like to give you a quick status report.

First, we plan to be ready by the end of this month to conduct in-ocean trials of our first PB150 device off the coast of Scotland, weather permitting. We also will 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 great 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, on-schedule, of a new power take-off system under the first stage of the LEAP project. We have added a new near-term goal, which is for the design, build and ocean testing of a PowerBuoy structure, which will house the new power take-off system for the second stage of the LEAP program.

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 next few 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 second 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 third fiscal quarter.

Operator:

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