

Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

First Quarter Fiscal 2012 Conference Call

Date: September 9, 2011 – 10:00 am Eastern Time

Operator:

Good day ladies and gentlemen and welcome to the Ocean Power Technologies' Fiscal Year 2012 First 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 the Chief Financial Officer of Ocean Power Technologies, Mr. Brian Posner.

Brian Posner

Thank you. Welcome to Ocean Power Technologies' Earnings Conference Call for the first quarter ended July 31, 2011. OPT issued its earnings press release earlier today, and later today we will file the Company's 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, our 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. I'll now turn the call over to Chuck Dunleavy, OPT's CEO.

Dunleavy

SLIDE #3: SUMMARY – RECENT DEVELOPMENTS

Thank you, Brian, and thanks to everyone for being with us today. Brian and I will be available to answer questions following our prepared statements.

Turning to slide 3, the Company reported sales of \$1.9 million for the fiscal first quarter ended July 31, 2011, up nearly 40% compared to the first quarter of fiscal 2011. This improvement reflects revenue recognized for the US Navy's LEAP program as well as for the development of our next-generation PB500. In addition, ocean trials of our PB150 off the coast of Scotland delivered better-than-expected results, and OPT ended the quarter with a backlog of \$7.1 million and cash on hand of \$43.1 million. Shortly after the end of the quarter, we announced the successful deployment of our unique, autonomous PowerBuoy for the LEAP program. Now let me get into more detail on our major initiatives.

SLIDE #4: LEAP POWERBUOY DEPLOYED

Moving to slide 4, we have very good news to report on our project under the US Navy's Littoral Expeditionary Autonomous PowerBuoy, or LEAP, program. We deployed the LEAP PowerBuoy on August 11, 2011 – ahead of schedule. The buoy is stationed about 20 miles off the coast of New Jersey, undergoing testing and analysis in conjunction with Rutgers University's Institute of Marine and Coastal Sciences, which provided the radar network and communications infrastructure. Our LEAP PowerBuoy can generate power at the lower levels needed for the sophisticated vessel detection and tracking system, enabling maritime surveillance along coasts, harbors, and littoral zones worldwide. By contrast, systems currently using remote power at sea are often powered by diesel generators, which require frequent maintenance and fuel replenishment.

The LEAP system has performed extremely well since its launch a month ago and, most notably, was not impacted at all by Hurricane Irene. The buoy not only survived the extreme ocean conditions but also performed successfully during the entire storm. The PowerBuoy structure withstood wave heights of up to 15 meters (or nearly 50 feet). The unit continued to produce consistent power to its communications and radar payload during the storm, and stayed in constant communication, allowing continuous on-land monitoring of the buoy. It also dissipated the high amounts of surplus energy it produced. The LEAP PowerBuoy operated automatically, on a fully-autonomous basis, and implemented its proprietary power management system with no need for human intervention. We at OPT feel this is a great achievement and that the autonomous PowerBuoy is truly an enabling technology. Despite severe and extreme storm waves, the PowerBuoy operated exactly as it was designed and remained right on station where it was originally deployed, supplying power in all wave conditions.

The LEAP PowerBuoy is integrated with the Rutgers University-operated, land-based radar network that also provides ocean current mapping data for the National Oceanographic and Atmospheric Administration and the US Coast Guard search and rescue operations. The buoy is expected to remain in the ocean for testing through November. We look forward to reporting further details of its performance in the weeks to come.

The achievements of the LEAP PowerBuoy underscore what we believe is a significant market opportunity for our autonomous PowerBuoy, or APB product, in the areas of maritime security, oil and gas platforms, offshore fish farming and desalination. OPT is actively marketing to these application-driven sectors.

SLIDE #5: LEAP POWERBUOY AFTER IRENE

Slide 5 shows an aerial shot of the buoy taken on Monday, August 29, 2011, immediately after Hurricane Irene hit the coast of New Jersey. It is right on station where it had been originally deployed. It is important to note that two days later we sent a team of divers to inspect the underwater structure, moorings and also the anchor. This substantiated all data that we had received by satellite, indicating no problems following the storm. Please see our website, when you get an opportunity, for a video of the LEAP PowerBuoy in operation.

SLIDE #6: SCOTLAND UPDATE

Moving to slide 6, let me provide some information which we reported during the first quarter regarding the ocean trials of our PB150 PowerBuoy off the coast of Scotland. Deployed in April, the PB150 is aimed at the utility market and has performed very well under a range of weather conditions. The unit has delivered better than expected results -- with a capacity factor of 30%, represented by 45 kilowatts of average power. The power take-off, or PTO, has also exceeded expectations with regard to energy conversion efficiency in the irregular ocean wave conditions encountered. On our website, we also have video of the deployment and operation of the Scotland PowerBuoy.

We will continue to test the PowerBuoy over the coming weeks and expect it to be retrieved from the water by the end of our fiscal second quarter. Concurrently, we are speaking with government entities and prospective commercial customers, primarily in Europe, for utilization of this PB150 after the trial phase is complete.

SLIDE #7: OREGON UPDATE

Turning to slide 7, I'd like to provide an update on our project in Reedsport, Oregon. The project has two phases: the first, on which we are now working, is for the deployment of one PB150 PowerBuoy. This would be followed by a second phase, during which we expect to build and deploy nine additional PB150's and then connect all ten buoys to the Oregon power grid through OPT's proprietary undersea substation pod, for a total of 1.5 MW.

We have finished construction of the steel structure of the PB150 for the first phase, which is shown in the picture on the slide.

This system will be the first PB150 with an advanced, direct drive power take-off or "PTO" which we believe will be more durable, involve less maintenance, and provide better long-term efficiency than the hydraulic design. We have used this type of direct drive PTO very successfully in our Hawaii PB40 PowerBuoy, which has been grid connected. Testing of the Oregon PB150's power take-off in our New Jersey production facility is continuing in various operational and endurance modes, under different simulated wave conditions.

We are working to complete this rigorous testing program and the system integration of the PowerBuoy by the end of calendar 2011. Based on this schedule and expected weather conditions off Oregon, we anticipate this PB150 will be in operation in mid-2012. The development of the complete 10 PowerBuoy wave power station is subject to the receipt of final licensing from the US Federal Energy Regulatory Commission and additional funding for the build-out of the second phase, encompassing the 9 more PowerBuoys as well as the grid-connection infrastructure.

We are very pleased by the opportunities presented by this project particularly as the 1.5 MW plant would be America's first commercial-scale, grid-connected wave power station.

SLIDE #8: JAPAN & AUSTRALIA

Turning to slide 8, I'd like to talk briefly about our overseas initiatives in Japan and Australia.

We have recently visited one of the manufacturing facilities of Mitsui Engineering & Shipbuilding (or MES) in Japan. MES is an excellent partner and has the capability to fabricate PowerBuoys in Japan in large production volumes. During our Japan visit and accompanied by senior management at Mitsui, we also met with officials of the Japanese Government to discuss the prospects for wave energy in Japan. We are very encouraged by their level of interest, and demand for renewable energy in Japan appears greater than ever, including for wave energy.

We have worked with Mitsui on developing a new mooring system for our PowerBuoys, customized for wave power stations off the coast of Japan. We have also conducted development engineering in connection with the project, and performed tests at MES' wave tank facilities in Japan. OPT and MES are focused on moving toward the next steps of completing economic assessments and identifying a project site for an in-ocean trial of the PowerBuoy system. Following an expected agreement for that work, and the identification of a project site, MES and OPT would then enter into a new contract to conduct ocean trials of a demonstration PowerBuoy system. The PowerBuoy system would provide the basis for the expected build-out of a commercial-scale OPT wave power station with an initial capacity of several megawatts, scalable to 10MW or more.

Moving to Australia, and as previously reported, our joint venture there with Leighton Contractors won a 66.5 million Australian dollar grant from the Commonwealth Government – the equivalent of about 71 million US dollars -- with the purpose of building a 19 megawatt wave power station off the coast of Victoria. This power station would supply electricity for up to 10,000 homes. The grant is conditional on Leighton attaining the balance of funding needed for the project, although it is expected this can be raised in stages. Leighton and OPT have been discussing the best methods for securing project financing. We are encouraged by the strong interest in our power applications and by the support of the Australian government, and we look forward to providing an update on this important project as we get more visibility on the project financing.

I will now turn the call over to Brian Posner, who will discuss our financial performance for the fiscal first quarter in detail.

Posner

SLIDE #9: FINANCIAL SUMMARY – OPERATING RESULTS

Thank you, Chuck.

As noted on slide 9, OPT reported revenue of \$1.9 million for the first quarter of fiscal 2012, as compared to revenue of \$1.4 million for the three months ended July 31, 2010. This increase primarily reflects revenue recorded for the US Navy's LEAP program and for the development of the Company's next-generation PB500.

OPT's contract backlog as of July 31, 2011 was \$7.1 million, compared to \$8.9 million at April 30, 2011 and \$6.5 million as of July 31, 2010. Backlog includes both funded and unfunded amounts that are expected to be funded in the future. Funded backlog at July 31, 2011 and 2010 was \$5.1 million and \$5.9 million, respectively.

The operating loss for the three months ended July 31, 2011 was \$5.1 million as compared to a loss of \$6.3 million for the three months ended July 31, 2010. The reduction in operating loss was primarily due to a decrease in product development costs, principally for the PB150 system in Scotland. In addition, it reflected an increase in gross profit – with gross profit for the three months ended July 31, 2010 having been negatively impacted by a reduction in revenue of \$231,000 due to a change in estimated revenue recognized in connection with the Company's project in Spain.

The net loss was \$5.0 million for the three months ended July 31, 2011 compared to \$6.3 million for the same period in the prior year. This decrease in net loss was due primarily to the decrease in operating loss and a decrease in foreign exchange losses, partially offset by a decrease in interest income. Interest income for the quarter decreased to \$121,000, compared with \$238,000 for the same period last year. This decrease was largely due to the decline in average yield and in the total invested cash and marketable securities.

SLIDE #10: FINANCIAL SUMMARY – FINANCIAL CONDITION

Turning to slide 10.

On July 31, 2011, total cash, cash equivalents, restricted cash and investments were \$43.1 million. Net cash used in operating activities was \$4.9 million for the three months ended July 31, 2011, compared to \$6.1 million for the same period last year. As previously announced, OPT expects the rate of its cash outflows to decrease in fiscal 2012, reflecting completion of significant milestones associated with the construction of its PB150 system for Oregon and the deployment of its PB150 off the coast of Scotland. Now I will turn the call back over to Chuck for some closing comments

SLIDE #11: NEAR-TERM GOALS

Thank you, Brian. Moving to Slide 11, and prior to turning the call over to questions, let me reiterate that Ocean Power Technologies is working aggressively to take the company to the next level of commercialization by focusing on three important areas. First -- investing in technology, including the PB150 in Oregon, with its advanced power take-off system, and our next-generation PB500. Second -- increasing the amount of in-ocean demonstration of our PowerBuoy systems, evidenced by our recent LEAP activity as well as the PB150 in Scotland. And third -- cementing partnerships and business development arrangements with large commercial entities which can help to accelerate demand and enhance our delivery capability for our PowerBuoy products and related services. We remain focused on achieving specific goals during this fiscal year 2012 including finalizing our ocean trials in Scotland, getting our PB150 in Oregon ready for deployment, and reporting on the ocean performance of the LEAP autonomous PowerBuoy. In addition, we expect to report on our business development progress in North America, Europe, Australia and Japan.

We will continue to keep our investors updated on deployments, business development initiatives, and technology enhancements during fiscal 2012, a year which we continue to see as one of significant accomplishment for OPT. As Hurricane Irene showed, our technology is durable, and is increasingly recognized as a clean energy alternative that successfully harnesses the power of the sea.

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

Operator:

I will now open the call for questions.

[Question Period]

Operator:

Thank you; that concludes our questioning period.

Mr. Dunleavy, you may proceed with any closing remarks.

Dunleavy:

Thank you all once again for attending today's call, and for your continued interest in Ocean Power Technologies. 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.