August 6, 2009

# Energy Recovery, Inc. Reports Second Quarter 2009 Financial Results

SAN LEANDRO, Calif.--(BUSINESS WIRE)-- Energy Recovery, Inc. (Nasdaq:ERII), a leader in the design and development of energy recovery devices for desalination, announced today the results of its second quarter ended June 30, 2009. In the second quarter, ERI achieved net revenue of $9.1 million and a net loss of $71,000. The small net loss was in line with the Company's guidance even though the net revenue was below the guidance range of $10 to $11 million.

"When we look at the total picture of our business over the near term, we continue to see the drivers of desalination growth intact and our competitive positioning improving with new product introductions like the PX-300 device," said GG Pique, President and CEO of Energy Recovery, Inc. "Continued turmoil in the financial sector has resulted in some delays in expected product shipment dates for several projects and we have adjusted our guidance accordingly. Ultimately, these projects are driven by water scarcity, and we continue to believe these projects will be built."

ERI provides the following guidance for the third quarter of 2009 and the full year:

| | Q3 2009 | Fiscal Year 2009 |
|---|---|---|
| Estimated net revenue | $9.5 to $10.5 million | $50 to $55 million |
| Estimated net income | $0 | $4.5 to $6.5 million |
| Estimated earnings per diluted share | $0 | $0.09 to $0.13 |

Forward Looking Statements

This press release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include statements about ERI's estimated net revenue, net income and earnings per diluted share for the third quarter of 2009 and for the 2009 fiscal year and statements about the growth of the reverse osmosis sector of the desalination industry, status of projects, and our competitive product positioning. Because such forward-looking statements involve risks and uncertainties, the Company's actual results may differ materially from the predictions in those forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, delays in, or cancellation of, the construction of desalination plants, the inability of our customers to obtain project financing, delays in governmental approvals, changes in end users' budgets for desalination plants or the timing of their purchasing decisions, the world economic crisis and other risks detailed in the Company's filings with the Securities and Exchange Commission ("SEC"). All forward-looking statements are made as of today, and the Company assumes no obligation to update such statements. For more details relating to the risks and uncertainties that could cause actual results to differ materially from those anticipated in our forward-looking statements, please refer to the Company's SEC filings.

Conference Call to Discuss Second Quarter 2009 Results

The conference call scheduled today at 1:30 p.m. PDT will be in a "listen-only" mode for all participants other than the investment professionals who regularly follow the Company. The toll-free phone number for the call is 877-941-0843 or 480-629-9644 and the access code is 4116683. Callers should dial in approximately 15 minutes prior to the scheduled start time. A telephonic replay will be available at 800-406-7325 or 303-590-3030, Access Code: 4116683, until Thursday, August 20, 2009. Investors may also access the live call or the replay over the internet at www.energyrecovery.com. The replay will be available approximately three hours after the live call concludes.

About ERI(R)

Energy Recovery, Inc. (NASDAQ:ERII) designs and develops energy recovery devices that help make desalination affordable by significantly reducing energy consumption. ERI's PX Pressure Exchanger(TM) (PX(TM)) device is a rotary positive displacement pump that recovers energy from the high pressure reject stream of seawater reverse osmosis systems at up to 98% efficiency. The company is headquartered in the San Francisco Bay Area with offices in key desalination centers worldwide, including Madrid, Shanghai, Florida and the United Arab Emirates. For more information on ERI and PX technology, please visit www.energyrecovery.com.

Unaudited Financial Results

ENERGY RECOVERY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 79,631 | $ 79,287 |
| Restricted cash | 2,284 | 246 |
| Accounts receivable, net of allowance for doubtful accounts of $295 and $59 at June 30, 2009, and December 31, 2008, respectively | 8,407 | 20,615 |

| | | |
|---|---|---|
| Unbilled receivables, current | 4,629 | 4,948 |
| Inventories | 11,160 | 8,493 |
| Deferred tax assets, net | 1,755 | 1,755 |
| Prepaid income taxes | 1,065 | -- |
| Prepaid expenses and other current assets | 1,306 | 984 |
| Total current assets | 110,237 | 116,328 |
| Unbilled receivables, non-current | 355 | 1,929 |
| Restricted cash, non-current | 3,461 | 19 |
| Property and equipment, net | 4,399 | 1,845 |
| Intangible assets, net | 308 | 321 |
| Deferred tax assets, non-current, net | 119 | 119 |
| Other assets, non-current | 52 | 51 |
| Total assets | $ 118,931 | $ 120,612 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 1,838 | $ 2,270 |
| Accrued expenses and other current liabilities | 3,587 | 4,787 |
| Income taxes payable | 108 | 1,657 |
| Accrued warranty reserve | 295 | 270 |
| Deferred revenue | 2,643 | 4,000 |
| Current portion of long-term debt | 128 | 172 |
| Current portion of capital lease obligations | 39 | 37 |
| Total current liabilities | 8,638 | 13,193 |
| Long-term debt | 277 | 385 |
| Capital lease obligations, non-current | 7 | 27 |
| Other non-current liabilities | 5 | 8 |
| Total liabilities | 8,927 | 13,613 |
| Commitments and Contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding | -- | -- |
| Common stock, $0.001 par value; 200,000,000 shares | | |

| | | |
|---|---|---|
| authorized; 50,153,944 and 50,015,718 shares issued and outstanding at June 30, 2009, and December 31, 2008, respectively | 50 | 50 |
| Additional paid-in capital | 99,841 | 98,527 |
| Notes receivable from stockholders | (88 ) | (296 ) |
| Accumulated other comprehensive loss | (44 ) | (44 ) |
| Retained earnings | 10,245 | 8,762 |
| Total stockholders' equity | 110,004 | 106,999 |
| Total liabilities and stockholders' equity | $ 118,931 | $ 120,612 |

ENERGY RECOVERY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, | | June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Net revenue | $ 9,089 | $ 11,961 | $ 21,735 | $ 21,081 |
| Cost of revenue | 3,291 | 3,951 | 7,864 | 7,625 |
| Gross profit | 5,798 | 8,010 | 13,871 | 13,456 |
| Operating expenses: | | | | |
| General and administrative | 3,508 | 2,854 | 6,662 | 5,515 |
| Sales and marketing | 1,651 | 1,453 | 3,161 | 2,796 |
| Research and development | 826 | 536 | 1,630 | 1,045 |
| Total operating expenses | 5,985 | 4,843 | 11,453 | 9,356 |
| Income (loss) from operations | (187 ) | 3,167 | 2,418 | 4,100 |
| Other income (expense): | | | | |
| Interest expense | (10 ) | (24 ) | (24 ) | (45 ) |
| Interest and other income (expense), net | 117 | (23 ) | 29 | 624 |
| Income (loss) before provision for income taxes | (80 ) | 3,120 | 2,423 | 4,679 |

| | | | | |
|---|---|---|---|---|
| Provision for income taxes | (9 ) | 1,291 | 940 | 1,903 |
| Net income (loss) | $ (71 ) | $ 1,829 | $ 1,483 | $ 2,776 |
| Earnings per share: | | | | |
| Basic | $ (0.00 ) | $ 0.05 | $ 0.03 | $ 0.07 |
| Diluted | $ (0.00 ) | $ 0.04 | $ 0.03 | $ 0.07 |
| Number of shares used in per share calculations: | | | | |
| Basic | 50,146 | 39,827 | 50,099 | 39,816 |
| Diluted | 50,146 | 42,284 | 52,629 | 42,240 |

Source: Energy Recovery, Inc.