Acta

Press release **27 September 2012**

Acta S.p.A.

Interim Results for the six months ended 30 June 2012

Acta S.p.A ("Acta" or the "Company"), the clean energy products company, today announces its Interim Results for the six months ended 30 June 2012.

First Half Commercial Highlights

●	Sales and Marketing - Product sales, order book and proposals pipeline increasing rapidly - Three new marketing and distribution partnerships in telcoms, educational and consumer markets - 10-year licensing agreement with Heliocentris, strategic partner and investor - Commercial interest developing across six market sectors
●	Operational and Product Development - Recruitment of Operations Manager - Three new products and two ancillary units developed - Professional welding equipment PUREFlame 600 launched - High purity electrolyser developed for October 2012 launch to educational market

First Half Financial Results

●	Revenues of €0.3 million (1H 2011: €5.9 million including photovoltaic EPC services; €0.1 million excluding photovoltaic EPC services)
●	Revenues from products and research services of €102,000 (1H 2011: €34,000). Proposals pipeline up from €20,000 to over €300,000
●	10% reduction in operating loss to €1.5 million (1H 2011: €1.6 million loss)
●	Fundraising of £2.0 million before expenses completed in March 2012
●	Operating cash outflow of €1.4 million (1H 2011: €0.3 million outflow)
●	Period end cash of €1.1 million (1H 2011: €0.7 million)

Highlights since Period End:

●	Business Development – Recruitment of Global Sales Director and sales support staff – Recruitment of Technical Production Manager – Strengthening of Board industrial experience – Successful product demonstration in Hawaii: from renewable energy to fuel cell scooters – Receipt of €0.3 million grant funding in August 2012

Robert Drummond, Chairman, said today: "I am pleased to report that the Company is making substantial progress in the market adoption of its products and in the transformation of the business from research and development to manufacturing and commercialisation.

Our commercial metrics continue to be encouraging, and while still at an early stage we have seen significant increases in product sales, orders, order pipeline and proposals in all the markets that we are addressing. The year to date has seen the development and launch of several important new products to extend our range of customer solutions. We are developing commercial relationships with some of the largest fuel cell manufacturers in the world, and have established partnerships with system integrators and distributors to extend our reach into new sectors and applications.

Our products and technologies continue to inspire enthusiasm among our customers and have been described by our Australian distributor as "the hydrogen breakthrough that the market in Australia has been waiting for". In February 2012 we signed a 10-year licensing agreement with our strategic partner Heliocentris, who invested in Acta at the same time to become a 5% shareholder, and we expect orders from this partnership to increase strongly by the end of this year.

As with any new technology, the adoption rate of our products is determined by factors that are not entirely within the Company's control, including the speed of customer product integration and testing procedures. These have moved more slowly than we and our partners had previously anticipated, resulting in a slippage of the Board's revenue growth expectations for 2012 and to a lesser degree for 2013. The Company has consequently reduced its cost base, while relocating its expenditure from research and development to commercial and production activities, and the Board continues to review its working capital and funding requirements to meet the expected range and timing of commercial demand through to breakeven and profitability."

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Chairman's Statement

Introduction

During the first half of 2012 the Company has achieved several important milestones on the road to full commercialisation, including establishing partnerships with key players in the fuel cell sector and the development of new products specified to meet these partners' requirements. At the same time we have focused on the transformation of the business into full commercial operations based around our outstanding product range of electrolysers and hydrogen generator stacks so that we are now delivering the rapidly growing levels of production and support required by our customers.

For the six months ended 30 June 2012 the Company generated turnover of €276,000 (1H 2011: €5.9 million) and reduced operating losses by 10% to €1.5 million (1H 2011: €1.6 million loss). For purpose of comparison it should be noted that the first half of 2011 revenues include photovoltaic project sales and installation services for €5.9 million, an activity which the Group decided to exit during the second half of 2011 due to adverse changes in Italian legislation and which was consequently deconsolidated from the group accounts at the end of the year.

Revenues from electrolyser products and research services grew from €34,000 in 1H 2011 to €102,000 in 1H 2012, while our order book has risen to €78,000 and our proposals pipeline currently stands at over €300,000. While still at an early stage, this represents a level of commercial activity and customer demand that the Company has never experienced before.

The reduction in operating losses reflects the sharp reduction achieved in operating costs, from €7.5 million in 1H 2011 to €1.8 million in 1H 2012, following our exit from the photovoltaic sector. Operating cash outflow was €1.4 million for the period (1H 2011: €0.3 million), broadly in line with losses, and as at 30 June 2012 cash balances stood at €1.1 million (1H 2011: €700,000).

In addition to the period end cash balances, the Company received €300,000 in grant funding in August 2012 and is expecting to receive up to a further €900,000 from grant project funding by the year end or shortly thereafter (€1,200,000 in total since 30 June 2012, before further awards/receipts). This financing plus the operational cash flow generated from the gross margin contributions on product sales and bank financing will be used to fund the expected sales growth going forwards. Due to uncertainties in relation to the timing of future sales growth, the Board continues to monitor the working capital position and cost controls carefully to assess the future funding requirements of the Company.

Product Review

Acta's products generate low cost, compressed, dry hydrogen onsite and on demand. Demand for onsite hydrogen generation is being driven by the resurgence of interest in fuel cell systems: every fuel cell sold creates a demand for hydrogen, and onsite generation of hydrogen offers many economic, logistic and environmental benefits over alternative hydrogen sources.

I am pleased to note that our products and technologies have now found demand across six different market applications, although the underlying components for us remain the same, allowing standardisation and efficiencies in our production processes. These six applications are as follows:

Back-Up Power for Telecommunications

One of the major markets for fuel cells is in the installation of back-up power systems for telecoms base stations. Acta has been working with system integrators to develop an integrated fuel cell / electrolyser back-up power unit that will replenish its own hydrogen fuel reserves from water when the grid comes back online following a power failure. One of these systems is undergoing final testing and is expected to be shipped shortly for installation with a major Australian telecoms company.

We are developing other opportunities for this application in South East Asia and elsewhere, where weak power infrastructures are compounded by limited hydrogen infrastructure and logistic barriers to hydrogen delivery, and we are actively pursuing supply chain and distribution partnerships in the area.

Educational and Laboratory Applications

Following the Company's development of a drying unit to allow hydrogen purity from our electrolysers to reach 99.9995%, Acta will be launching its electrolyser for educational and lab applications at the global trade fair for educational resources in Basel on 24 October 2012, together with Heliocentris, our global distribution partner in these marketplaces. The product allows a significant cost saving versus comparable products available on the market, and we are confident that sales in volume will commence before the year end.

Renewable Energy Storage

Acta has developed a high efficiency electrolyser to be powered directly from photovoltaic panels without energy conversion loss, combined with a rainwater module for the resupply of water to the electrolyser from rainwater. This combination allows service-free operations for back-up power systems in remote locations, and is also ideal for renewable energy storage applications (off-grid housing, eco-villages, distributed energy generation and storage, time-shifting etc). Acta is working with partners in Australia, Europe and elsewhere to specify and install demonstration systems in renewable energy storage. In view of the scalability of Acta's technology, from domestic systems to utility scale, and the growing need for effective storage solutions for intermittent renewable power sources, the Company believes that the future market for these systems is very significant.

Light Electric Vehicles ("LEVs")

Our partner in the LEVs sector, Asia Pacific Fuel Cell Technologies (APFCT), has made good progress over the summer, with the announcement of an 80-scooter beta test with the Taiwanese Government, and the release of road safety standards for fuel cell scooters by the Taiwanese and Chinese governments, based on an extensive road test of APFCT's scooters. Acta and APFCT are currently jointly developing a hydrogen refilling station for fuel cell scooters incorporating onsite hydrogen generation from grid or renewable energy.

A further demonstration of this clean mobility solution was successfully carried out in Hawaii during August 2012. Photovoltaic panels were used to power Acta's electrolyser, the hydrogen from which was used to refuel APFCT's fuel cell scooters via a canister vending machine refuelling station. This demonstration has particular significance due to Hawaii's role as a natural hub for US clean technologies. The island has abundant renewable energy resources, very high energy and transportation costs (four times the US average), and the highest petroleum dependency of any US state. The partners believe that the demonstration of the technology in such a key environment will assist the adoption of the fuel cell scooters and refuelling system in Hawaii and the US.

Consumer Fuel Cell Applications

Acta is working with a leading fuel cell manufacturer for the development of small, low cost electrolysers to support the introduction of consumer fuel cell products (phone chargers, small electric devices, fuel cell bicycles, etc). Depending on the application, these electrolysers may range from very small desktop units up to domestic refuelling products. Success in this area would allow the introduction of a consumer hydrogen infrastructure for the first time. The Company hopes to be able to announce further details of these developments within the next four to six months.

Gas Welding

The development of the professional PUREFlame 600 model of our oxy-hydrogen gas welding system has created a wider interest in this technology, and we have seen demand from distributors and manufacturers in Australia, Brazil and India for the product and production rights. We are considering subcontract production arrangements for the welding system in India and Brazil to access these markets without distracting our resources from our core fuel cell markets.

Grant-Funded Projects and Research Services

The Company is pleased to report that it has received grant funding of €0.3 million in the year to date, relating to the NanoCatGeo grant funded project. This is less than previously expected due to delays in the receipt of the €700,000 FIT grant. Grant income of €149,000 was recognised as a reduction of costs during the first half. Further grant project receipts with a total value of up to €0.9 million, including the receipt of the delayed FIT grant, are expected be received by the year end or shortly thereafter.

The Company has also continued its third-party research services contract, now in its third year, paid for by the US Department of Defense, a major US industrial manufacturer, and a number of leading US Universities. Due to the Company's long-established and world-leading expertise in alkaline electro-catalysis, Acta is retained as an expert for the testing and characterisation of new catalysts and membranes developed by the project partners.

Operational Progress

The Board is pleased to welcome Mr Rodney Westhead, appointed as a Non-Executive Director on 24 August 2012. Mr Westhead acted as Chief Financial Officer and then Chief Executive Officer of Ricardo Plc from 1992 to 2005, and is currently Non Executive Director of a number of public companies in the clean technology and other sectors including Clean Air Power plc and Transense plc. We are delighted to have the benefit of his commercial and industrial experience at this crucial time when Acta moves into full production and commercialisation of its products.

In addition, we have recently completed the recruitment of two senior staff, Ms Kim Taylor as Global Sales Director and Mr Alessandro Monti as Operations Manager. They bring expertise and enthusiasm to these key roles within Acta, and we believe that their contribution will be of great benefit to the Company moving forward. We have also supported these senior staff with new personnel recruited in the roles of Technical Production Manager and Sales Support Manager.

Business Outlook

This is an exciting time of transition and development for the Company, and we are greatly encouraged by the positive customer feedback that we have received and the wide range of applications that our core technology is capable of achieving.

Over the next 18 months we will continue to drive up our product volumes, through demonstration and test installations, partnerships with system integrators and product distributors, and market launches of our products across a range of fuel cell and industrial gas applications.

We will continue to manage our costs and financial resources carefully, staying mindful of the difficulties in estimating the adoption rate of new technologies such as ours. We are however confident that the next six months will see the start of volume purchase agreements and distribution of our products, which offer such compelling advantages for fuel cell applications and in other sectors, and that we will see a steady increase in revenues and reduction in losses throughout 2013.

The Board looks forward to notifying the market of the Company's further commercial progress in due course.

Condensed consolidated statement of comprehensive income

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
		€'000	€'000	€'000
Revenue		276	5,895	3,911
Raw materials and consumables used		(31)	(301)	(285)
Personnel expense		(916)	(1,389)	(2,239)
Depreciation and amortisation expense		(185)	(853)	(948)
Other operating expenses		(632)	(4,998)	(2,277)
Loss from operations		**(1,488)**	**(1,647)**	**(1,838)**
Financial income		12	18	32
Financial expenses		(41)	(34)	(135)
Loss before tax		**(1,517)**	**(1,662)**	**(1,941)**
Current tax credits		1	0	2
Loss for the period from continuing operations		**(1,516)**	**(1,662)**	**(1,939)**
Discontinued operations: loss for the period		(3)	0	(281)
Loss for the period		**(1,519)**	**(1,662)**	**(2,220)**
Attributable to:				
Equity holders of the parent		(1,526)	(1,672)	(2,228)
Minority interest		6	10	8
		(1,519)	**(1,662)**	**(2,220)**
Basic earnings per share (euro cents)	**3**	(1.96)	(3.68)	(4.69)
From continuing activities		(1.96)	(3.68)	(4.09)
From discontinued activities		0.00		(0.60)
		(1.96)	(3.68)	(4.69)
Diluted earnings per share	**3**	(1.96)	(3.68)	(4.69)
From continuing activities		(1.96)	(3.68)	(4.09)
From discontinued activities		0.00		(0.60)
		(1.96)	(3.68)	(4.69)

Condensed consolidated statement of financial position

	30 June 2012	30 June 2011	31 December 2011
ASSETS	€'000	€'000	€'000
Non-current assets			
Property, plant and equipment	1,202	1,475	1,334
Intangible assets	974	1,261	719
Fixed asset investment	5	238	5
Total non-current assets	**2,181**	**2,974**	**2,058**
Current assets			
Inventories	61	102	81
Trade and other receivables	2,125	6,169	1,952
Work in progress on contracts	350	2,099	357
Cash and cash equivalents	1,098	700	545
Total current assets	**3,634**	**9,070**	**2,935**
Assets classified as held for sale	**2,992**	**61**	**2,994**
Total Assets classified as held for sale	**2,992**	**61**	**2.994**
Total assets	**8,807**	**12,105**	**7,987**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	589	284	284
Capital reserve	31,517	29,534	29,540
Retained losses	(30,647)	(28,565)	(29,121)
	1,459	1.254	703
Non controlling interests	2	(2)	(4)
Total equity	**1,461**	**1,251**	**699**
Non-current liabilities			
Employee benefits - non current	186	211	175
Long-term provisions	443	1,186	426
Long-term borrowings	1,258	1,219	1,207
Total non-current liabilities	**1,887**	**2,616**	**1,808**
Current liabilities			
Short-term borrowings	196	197	196
Advance payments on contracts	0	2,428	0
Trade and other payables	2,260	5,613	2,281
Total current liabilities	**2,456**	**8,237**	**2,477**
Liabilities of disposal group classified as held-for-sale	**3,003**	**0**	**3,003**
Total liabilities	**7,346**	**10,853**	**7,288**
Total equity and liabilities	**8,807**	**12,105**	**7,987**

Condensed consolidated statement of cash flows

Cash flows from operating activities	Six months ended 30 June 2012 €'000	Six months ended 30 June 2011 €'000	Year ended 31 December 2011 €'000
Loss for the year	(1,519)	(1,662)	(2,220)
Adjustments for:			
Depreciation of property, plant and equipment	131	145	290
Amortisation of intangible assets	54	708	73
Depreciation of fixed assets	0	0	586
Long term provisions	17	203	(374)
Gain/loss on investments	0	0	10
Net expenses on stock options	100	245	251
Foreign currency translation reserve	0	0	(1)
Net finance income	29	16	103
(Increase) decrease in trade and other receivables	(166)	(2,891)	3,067
Decrease in inventories	20	99	120
Increase (decrease) in trade and other payables	(21)	2,820	(3,122)
Increase in provisions and employees' benefits (TFR)	11	55	19
Variation cash flows operating activities (discontinued activities)	1	0	671
Net cash flow from operating activities	**(1,343)**	**(261)**	**(527)**
Interest expense	(41)	(34)	(135)
Cash from operating activities	**(1,384)**	**(295)**	**(662)**
Cash flows from investing activities			
Interest income	12	18	32
Payments for property, plant and equipment	0	(124)	(126)
Proceeds from sale of property, plant and equipment	2	0	0
Acquisition of other investments	0	(227)	5
Payments for acquisition of intangible assets	(309)	(725)	(220)
Proceeds from new finance leases	0	0	102
Variation Assets - Investments (discontinued operations)	0	0	(524)
Net cash flows from investing activities	**(295)**	**(1,058)**	**(731)**
Cash flows from financing activities			
Proceeds from issue of share capital	2,407	0	0
Proceeds from minority interest	1	9	9
Payment for share issue costs	(225)	0	0
Proceeds from borrowings	71	23	10

Repayment of borrowings	0	(2,420)	(2,420)
Payment of finance lease liabilities	(21)	0	(103)
Cash flows from financing activities	**2,233**	**(2,388)**	**(2,504)**
Net cash flow	**553**	**(3,742)**	**(3,897)**
Cash and cash equivalents at the beginning of the financial year	545	4,442	4,442
Cash and cash equivalents at the end of the financial year	**1,098**	**700**	**545**

Notes to the interim financial statements for the six months ended 30 June 2012

1. Basis of preparation

The financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

2. Principal accounting policies

The financial statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2011.

3. Loss per share

The calculation is based on information in the table shown below:

	Six months ended 30 June 2012 (unaudited) €'000	Six months ended 30 June 2011 (unaudited) €'000	Year ended 31 December 2011 (audited) €'000
Loss	(1,519)	(1,662)	(2,220)
Weighted average number of shares	77,549,510	45,451,632	47,378,938

In accordance with IAS 33.41, the potential ordinary shares have not been treated as dilutive because their conversion to ordinary shares would decrease loss per share for the period.

4. Statement of changes in equity

	Share capital €'000	Capital Reserve €'000	Retained Earnings €'000	Minority Interest €'000	Total €'000
Balance at 1 January 2011	**284**	**29,289**	**(26,893)**	**(21)**	**2,659**
Minority interest contribution	0	0	0	9	9
Share based payment	0	245	0	0	245
Result for the period	0	0	(1,672)	10	(1,662)
Balance at 30 June 2011	**284**	**29,534**	**(28,565)**	**(2)**	**1,251**
Balance at 1 January 2012	**284**	**29,540**	**(29,121)**	**(4)**	**699**
Issue of share capital net of expenses	305	1,877	0	0	2,182
Share based payment	0	100	0	0	100
Result for the period	0	0	(1,526)	6	(1,519)
Balance at 30 June 2012	**589**	**31,517**	**(30,647)**	**2**	**1,461**

5. Board

The financial information for the period 1 January 2012 to 30 June 2012 is unaudited although it has been reviewed by the Company's audit committee. In the opinion of the Directors the financial information for this period presents fairly the position, results of operations and cash flows for the period. The interim report for the six months ended 30 June 2012 was approved by the Directors on 26 September 2012.