24 September 2008

Acta S.p.A

Interim Results for the six months ended 30 June 2008

Acta, the AIM-listed catalyst developer, today announces its interim results for the six months ended 30 June 2008.

Results Highlights

- Revenues increased to €360,000 (1H 07: €212,000)
- First stage of development contract with major Asian manufacturer completed on time
- £2.3m second subscription by Sumitomo Corporation
- Repeat orders from Asian manufacturers and technical institutes
- 8 new customers gained, and 17 Non Disclosure Agreements signed
- 5 new patent filings, plus 3 after period end
- Period end cash position as expected at €8.8m (1H 07: €5.3m)
- Italian and UK grant projects on schedule

Business Outlook:

- Reduction in revenue outlook following slow-down in R&D expenditure by major customer. Cost reduction programme initiated to mitigate impact
- Continued commercial and technical progress expected in core applications
- Product development focused on near-term revenue opportunities
- Development contract with major Asian manufacturer moving to next stage
- Completion of €2.1m FIT Lombardia grant project (direct ethanol stack prototype)

Robert Drummond, Chairman, said today:

"Acta has had a successful half-year, and has continued to meet its commercial and technical milestones. We are particularly pleased with our progress into new industrial applications, which we are pursuing in collaboration with major potential customers. Meanwhile, the completion of the first stage of our development contract with Sumitomo and a major Asian manufacturer has allowed Acta to develop and launch six new catalysts across four applications. We are hopeful that the second stage of the contract will commence by the year end.

"Macro-economic support for the renewable energy, environmental, and energy security sectors continues to increase, and this underpins our confidence in the future. However, the current business environment is challenging, and we foresee a reduction in our revenue outlook over the short to medium term due to a slow-down in R&D expenditure by our major customer. As a result, we are responding with a programme to reduce our non-core costs, and to dedicate our resources to our key commercial and technical activities. In particular we are focusing our product development programmes on those applications where we have near-term revenue opportunities directly with major industrial end users."

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Notes to Editors

About Acta

Acta develops and manufactures unique patented catalysts which have been launched to the renewable energy, automotive, battery and industrial markets. Acta is also developing other commercial opportunities using its catalysts for industrial waste treatment.

Acta's catalysts and alkaline system know-how are at the heart of the Company's development of a new, high pressure water electrolyser technology which has demonstrated low cost, platinum free, high pressure hydrogen generation. Combined with a platinum free fuel cell, the system offers a solution to the problem of how to store surplus energy produced from large scale, intermittent renewable energy sources (eg wind farms).

Acta's catalysts are also undergoing customer tests in applications such as ammonia treatment (removal of ammonia from an industrial waste stream, and use of ammonia as a hydrogen carrier for automotive and industrial applications), and zinc-air batteries (a high performance and environmentally friendly battery technology), as well as fuel cell and other applications.

Chairman's Statement

I am delighted to report that Acta has enjoyed a successful six months, meeting its commercial and technical targets for the period. Revenues were up by 70% as a result primarily of development contract revenues. We met each of the milestones for the first stage of our development contract with Sumitomo and our major Asian customer, and six new products resulting from this development work have now been scaled up and launched to the market. The second stage of the Sumitomo investment was completed on time, and the business continues to be funded to mid-2010.

As announced on 5 September 2008, the challenging business environment has led our major customer to reduce its R&D expenditure, and to shift the emphasis of its research towards technologies that are closer to market. As a result, we have reduced our revenue outlook over the short to medium term, and have taken appropriate action to contain our costs. This includes suspending the investment and costs that would have been incurred from proceeding with the development contract as originally intended, as well as reducing external services and other non-core costs.

Despite this headline change, our technology continues to progress well, and we are increasing our focus on those applications where we have good commercial engagement with major industrial end users or other near-term revenue potential. These include water electrolysis for renewable energy storage, alkaline fuel cells, industrial ammonia waste treatment, and advanced battery technologies.

Commercial Progress

A major success of the first half has been the delivery of the development contract announced in November 2007 between Acta, Sumitomo Corporation (our Asian distributor and significant shareholder), and a major Asian manufacturer. The contract was delivered on schedule with successful technical results, and we are hopeful that the second stage of the contract will commence by the year end.

As previously indicated, a reduction in the R&D expenditure by the same customer has led to a reduced scope of the next stage of the contract compared to that originally anticipated. Although this reduction has had a significant impact on our short to medium term revenue outlook, we are encouraged that the continuation of the commercial discussions represents a technical validation of our technology. In addition, the shift by our customer to near-term solutions, including batteries, offers the potential to shorten the time to market for our zinc-air battery catalysts.

Acta has seen strong interest in its water electrolysis technologies, where it has developed a prototype alkaline membrane water electrolyser. This electrolyser, when fully proven, will offer the benefits of high efficiency, low cost, platinum free, high pressure hydrogen, and will offer an ideal solution to the problem of how to store surplus energy produced from large scale, intermittent renewable energy sources (eg wind farms). Acta is collaborating on this technology with a major European utility company, with whom a joint grant application has been filed.

During the first half we received strong commercial interest in Acta’s ammonia electrolyser catalyst, which can be used to break down ammonia to remove it from industrial waste water. We believe that this application may have outstanding commercial potential and trials are continuing with a major industrial partner to establish the technical and commercial feasibility.

Interest has continued also in our fuel cell market activities, where partnerships are under discussion in hydrogen-air and liquid fuel systems.

Technical Progress

During the first six months of 2008 Acta has launched two catalysts for hydrogen generation from ammonia by reforming (using catalysts and heat to break down ammonia into hydrogen and nitrogen). Both catalysts offer excellent performance in comparison to currently available products, and have been developed in partnership with potential customers who are conducting trials during the second half of the year.

In addition, Acta has developed two further ammonia electrolysis catalysts, for room temperature hydrogen generation from ammonia, and for ammonia waste treatment. Laboratory trials for ammonia waste treatment at a major industrial customer have been progressing well.

Intellectual Property Development

Acta filed five new patent applications in the first half of the year, and a further three after the period end, including four applications for a European patent extension (PCT). The Company's intellectual property portfolio now contains patent applications covering 21 separate intellectual property claims.

Operational Progress

Acta has strengthened its technical capabilities during the period by creating two new technical laboratories through an internal refurbishment and reallocation of office space, together with the recruitment of new technical staff led by two experienced scientists from the Max Planck Institute. This team will specialise in ammonia cracking and related technologies. Recruitment during the period increased the group headcount to 42 at the end of June 08 (up from 35 at the end of June 2007). The cost reduction programme that we have initiated will not decrease our current operational capabilities.

Financial Performance

Acta incurred an operating loss of €3.1 million in first half (1H 07: €2.5m), as expected. Revenues during the six months to 30 June 2008 increased by 70% to €360,000, compared to €212,000 in the six months to June 2007. These revenues came mainly from our development contract with Sumitomo Corporation and a major Asian manufacturer, announced in November 2007.

Grant income of €119,000 was also recognised against costs in relation to the €250,000 WelTemp project, awarded in 2007 as part of the European FP7 grant programme. No income was recognised in the period on the €2.1 million FIT project (development of a prototype direct ethanol fuel cell stack) which is expected to conclude in the second half of 2008; or the €0.6 million FISR project (development of inorganic and hybrid catalysts for fuel cells): income is expected to be recognised from these projects during the second half.

Operating losses, including non-cash accruals for stock option costs, amounted to €3.1m (1H 07: €2.5m). The higher loss reflects increased costs of personnel and facilities, following the strengthening of the commercial and technical management team and staff, together with the increased costs of the final stage of the FIT project, without the offsetting benefit of the recognition of grant income in relation to these costs.

The loss was in line with budget and market expectations, and costs are expected to fall in the second half of the year as a result of the completion of the FIT project, the expected recognition of grant income, and the implementation of a programme to reduce non-core costs.

Net cash utilisation for the period, at €2.0m (1H 07: €1.7m), was well below operating losses, and cash and short term investments stood at €8.8m as at 30 June 2008 (1H 07: €5.3m). €119,000 was received in relation to grant income during the period, while investments in technical equipment, patents and other capital items amounted to €242,000. At current cash utilisation rates the Group will have sufficient funds until mid-2010.

Business Outlook

We believe that Acta is well-positioned to see continuing progress during the second half of 2008 and into 2009. Commercial discussions continue with major industrial partners in Asia, Europe and the USA, and we are confident that these negotiations will lead to further customer trials and development partnerships.

As previously announced, we have reduced our revenue outlook over the short to medium term as a result of a slow-down in R&D expenditure by our major customer. We have suspended the investments and other costs that we would otherwise have incurred to deliver the development contract as originally envisaged, and we have initiated a programme to reduce non-core costs (promotional activity, external contracts, professional fees, etc). We are also focussing our product development programmes on near-term research priorities with short, commercially promising routes to market.

Acta will continue to exploit its leadership in platinum-free catalysis and alkaline membrane systems to develop technical and commercial partnerships with major customers and supply chain partners, and will apply for further grant funding to support these developments where such projects are in line with our core technology development stream.

We remain confident of the outlook for the business over the medium and long term and we will continue to pursue our focus on affordable, practical solutions to the environmental and energy security issues that present such challenges to the long term global outlook.

Robert Drummond
Non Executive Chairman

Consolidated income statement

	Notes	Six months ended 30 June 2008 Unaudited €'000	Six months ended 30 June 2007 Unaudited €'000	Year ended 31 December 2007 Audited €'000
Revenue		360	212	600
Other operating revenue		0	-	-
		360	212	600
Raw materials and consumables used		(205)	(123)	(290)
Personnel expense		(2.092)	(1.658)	(3.506)
Depreciation and amortisation expense		(193)	(165)	(326)
Other operating expenses		(931)	(768)	(2.097)
Loss from operations		**(3.061)**	**(2.502)**	**(5.619)**
Financial income		129	69	172
Financial expenses		(20)	(17)	(40)
Loss before tax		**(2.953)**	**(2.450)**	**(5.487)**
Current tax credits		-		3
Loss for the period		**(2.953)**	**(2.450)**	**(5.484)**
Attributable to:				
Equity holders of the parent		(2.890)	(2.425)	(5.404)
Minority interest		(63)	(25)	(80)
		(2.953)	**(2.450)**	**(5.484)**
Basic earnings per share (euro cents)	**3**	(7,45)	(6,74)	(14,70)
Diluted earnings per share (euro cents)	**3**	(7,45)	(6,58)	(14,70)

Consolidated balance sheet

	Six months ended 30 June 2008 Unaudited €'000	Six months ended 30 June 2007 Unaudited €'000	Year ended 31 December 2007 Audited €'000
ASSETS			
Non-current assets			
Property, plant and equipment	1.945	1.769	1.861
Goodwill	11	11	11
Intangible assets	842	897	878
Total non-current assets	**2.798**	**2.677**	**2.750**
Current assets			
Inventories	64	69	74
Other investments	3.493		3.493
Trade and other receivables	402	880	967
Cash and cash equivalents	5.316	5.311	4.442
Total current assets	**9.275**	**6.260**	**8.977**
Total assets	**12.073**	**8.937**	**11.727**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	246	216	234
Capital reserves	25.739	17.093	22.380
Retained losses	(16.651)	(10.782)	(13.762)
	9.333	6.527	8.852
Minority interest	57	175	120
Total equity	**9.390**	**6.702**	**8.972**
Non-current liabilities			
Employee benefits	97	53	62
Long-term provisions	89	89	89
Long-term borrowings	898	862	926
Total non-current liabilities	**1.085**	**1.004**	**1.077**
Current liabilities			
Other financial liabilities	57	57	57
Short-term borrowings	48	82	48
Trade and other payables	1.494	1.092	1.573
Total current liabilities	**1.599**	**1.231**	**1.678**
Total liabilities	**2.683**	**2.235**	**2.755**
Total equity and liabilities	**12.073**	**8.937**	**11.727**

Statement of changes in equity

	Share Capital €	Reserve Capital €	Retained Earnings €	Minority Interest €	Total €
At 1 January 2007	**216**	**16.686**	**(8.358)**	**52**	**8.596**
Issue of share capital	18	4.933	-	-	4.951
Share issue expenses	-	(131)	-	-	(131)
Net change in fair value available for sale		(6)			(6)
Share-based payment	-	898	-	-	898
Loss for the period	-	-	(5.404)	(80)	(5.484)
Minority contribution	-	-	-	148	148
At 31 December 2007	**234**	**22.380**	**(13.762)**	**120**	**8.972**
At 1 January 2007	**216**	**16.686**	**(8.358)**	**52**	**8.596**
Share-based payment		407			407
Loss for the period			(2.424)	(25)	(2.449)
Minority contribution				148	148
At 30 June 2007	**216**	**17.093**	**(10.782)**	**175**	**6.702**
At 1 January 2008	**234**	**22.380**	**(13.762)**	**120**	**8.972**
Issue of share capital	12	2.903	-	-	2.915
Share issue expenses	-	(6)	-	-	(6)
Share-based payment	-	462	-	-	462
Loss for the period	-	-	(2.890)	(63)	(2.953)
At 30 June 2008	**246**	**25.739**	**(16.652)**	**57**	**9.390**

Consolidated cash flow statement

	Six months ended 30 June 2008 Unaudited	Six months ended 30 June 2007 Unaudited	Year ended 31 December 2007 Audited
Cash flows from operating activities	€'000	€'000	€'000
Loss for the year	(2.953)	(2.450)	(5.484)
Adjustments for:			
Depreciation	127	165	215
Amortisation of intangible assets	67	-	126
Gain on sale of property, plant and equipment	-	-	(18)
Expense recognised in profit or loss in respect of share based payments	462	407	898
Net finance income	(108)	(52)	(131)
Current tax	-	-	3
Movements in working capital			
(Increase) decrease in trade and other receivables	566	28	(175)
(Increase) decrease in inventories	10	5	0
Increase (decrease) in trade and other payables	(79)	27	476
Increase (decrease) in provision for employees' benefits (TFR)	35	19	28
Cash outflow from operations	**(1.874)**	**(1.851)**	**(4.062)**
Interest paid	(21)	(17)	(41)
Income tax paid	-	-	(3)
Net cash from operating activities	**(1.895)**	**(1.868)**	**(4.106)**
Cash flows from investing activites			
Interest received	129	69	172
Payments for property, plant and equipment	(211)	(118)	(354)
Proceeds from sale of property, plant and equipment	-	-	50
Acquisition of available for sale investments	-	-	(3.500)
Payments for intangible assets	(31)	(100)	(146)
Finance leases	-		128
Net cash used in investing activities	**(113)**	**(149)**	**(3.650)**
Cash flows from financing activities			
Proceeds from issue of share capital	2.915	-	4.951
Proceeds from minority interest	-	-	149
Payment for share issue costs	(6)	-	(131)
Proceeds from borrowings	-	291	291
Repayment of borrowings	(27)	-	(16)
Payment of finance lease liabilities	-	(12)	(95)
Net cash inflow from financing activities	**2.882**	**279**	**5.149**
Net increase in cash and cash equivalents	874	(1.738)	(2.607)
Cash and cash equivalents at the beginning of the financial year	4.442	7.049	7.049
Cash and cash equivalents at the end of the financial year	**5.316**	**5.311**	**4.442**

Notes to the interim financial statements

for the six months ended 30 June 2008

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 2007.

3. Loss per share

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

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	(unaudited)	(unaudited)	(audited)
	€'000	€'000	€'000
Loss	(2.953)	(2.450)	(5.484)
Weighted average number of shares	38.778.687	35.995.126	36.767.728

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	Capital Reserve	Retained earnings	Minority Interest	Total
	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2007	216	16.686	(8.358)	52	8.596
Share based payment		407			407
Minority contribution				148	148
Loss for the period			(2.424)	(25)	(2.449)
Balance at 30 June 2007	**216**	**17.093**	**(10.782)**	**175**	**6.702**
Balance at 1 January 2008	**234**	**22.380**	**(13.762)**	**120**	**8.972**
Issue of share capital net of expenses	12	2.897			2.909
Share based payment		462			462
Loss for the period			(2.890)	(63)	(2.953)
Balance at 30 June 2008	**246**	**25.739**	**(16.652)**	**57**	**9.390**

5. Board

The financial information for the period 1 January 2008 to 30 June 2008 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 2008 was approved by the Directors on 23 September 2008.