29 September 2014

Acta S.p.A. ("Acta" or "the Company")

Interim Results for the six months ended 30 June 2014

Acta S.p.A (AIM; ACTA), the hydrogen energy company, announces its Interim Results for the six months ended 30 June 2014.

Financial Highlights

- Total revenues of €304,000 (1H 2013: €238,000)
    - Product sales of €302,000 (1H 2013: €231,000)
- Operating loss of €1.7 million (1H 2013: €1.9 million loss*)
- Operating cash outflow of €1.0 million (1H 2013: €0.8 million outflow)
- Period end cash of €0.3 million (1H 2013: €1.1 million)

*Excluding reversal of share option expense of €2.4 million

Operational Highlights

- Increasing volume of unit sales, at positive gross margins
- Increase in repeat orders for electrolyser products from growing customer base
- Expansion of production capacity to 40 electrolyser and back-up power units per month
- First two Acta Power system sales for renewable energy storage in Thailand
- Three Acta Power site evaluations successfully concluded for back-up power for the telecom sector, one still in progress
- Signed a strategic Marketing and Co-operation agreement with ReliOn, a leading US fuel cell manufacturer
- Successful launch of the Acta Power Cube, a 200W self-recharging fuel cell
- Development of 23" rack-mounted electrolyser for the US market
- Development of larger electrolyser stack to address the significant industrial hydrogen market

Post Period End Highlights:

- Repeat order for three Acta Power systems for major Australian mobile phone operator
- Product development partnership with Dantherm Power A/S (Ballard Group) for renewable energy storage in harsh environments
- Continuous back-up power successfully delivered by Acta Power system in Cairo, Egypt during major regional electricity black-out.
- Successfully raised £2 million (gross) from existing and new shareholders

Robert Drummond, Chairman, said today: "During the first half of 2014, our flagship product, the Acta Power energy storage system, proved itself repeatedly in demanding real-world conditions under the watchful eyes of commercial customers.

"To achieve such a level of commercial and technical validation only one year after the launch of this product has been exceptional. It is testimony to the strength of our underlying technology as well as to the dedication of our staff who have worked under tight constraints to deliver these results.

"The sales of our electrolysers are also increasing in both volume and value, and this further indicates the adoption of our technology by our partners and their customers. We are also seeing recognition of the

commercial value of our technology on the part of some of the leaders in the fuel cell and electrolysis industry, through partnership requests and joint business proposals.

"Our strategy is first to address the telecom back-up power sector as the fastest route to profitability, and thereafter to expand into other hydrogen markets where our unique electrolyser technology can offer key cost and performance advantages. We are encouraged by our developments in the energy storage and fuel cell vehicle refuelling sectors, and are investing in the development of larger capacity electrolysers to widen our addressable market in these applications and the industrial hydrogen market.

"Our next challenge is to close larger volume orders with the major mobile phone operators which have been evaluating our products over the last year, and we are pushing hard to conclude these. This is likely to bring a step-change to the business, providing further validation of our business proposition and visibility for the next stage of our growth."

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Chairman's Statement

Introduction

The first half of 2014 has seen the repeated validation of our technology through successful live site evaluations in remote locations and challenging environments.

This critical process has demonstrated that our technology is robust, reliable and works well when installed in real-world applications. It also proves that the efficiency and performance of our systems is unmatched, despite the significant cost advantage of our electrolysers over competing technologies.

The profile of the Company and its products has increased among customers and current and potential commercial partners. Fuel cell manufacturers are increasingly recognising that on-site hydrogen generation can re-write the economic case for the adoption of fuel cell solutions, avoiding the servicing and logistics barriers of bottled hydrogen deliveries, particularly in remote locations. This allows fuel cells to compete effectively with diesel generators and battery systems, which frequently suffer limitations in performance as well as high operating costs due to maintenance, servicing and replacement requirements, fuel deliveries and theft.

The success of the Acta Power has therefore generated increased interest from fuel cell manufacturers and system integrators in our core technology, the electrolyser. As such, we have seen an increase in electrolyser sales this year, particularly in larger volume orders and repeat orders from our channel partners. We see strong growth opportunities in developing our electrolyser range to include larger systems in order to address the industrial hydrogen, vehicle refuelling and renewable energy storage markets.

Financial review

For the six months ended 30 June 2014, the Company generated turnover of €302,000 relating to product sales - compared to product sales of €231,000 for 1H 2013, and €397,000 for 2013 as a whole.

Total revenues for the period were €304,000 (1H 2013: €238,000) including delivery charges and other income. No revenues from technical services or other projects were recognised in the period. Grant income of €25,000 (1H 2013: €19,000) was recognised as a reduction of research and development costs.

An operating loss of €1,683,000 was registered for the period (1H 2013: €1,851,000 operating loss, which becomes an operating profit of €547,000 following the reversal of share option costs for €2,398,000). The reduction in operating loss is due to lower operating costs in the period compared to the first half of last year when the Company was increasing its commercial and production staff and facilities.

Operating cash outflow increased to €998,000 for the period (1H 2013: €805,000 outflow) and benefited from favourable movements in working capital. Cash and equivalents at the period end were €344,000 (1H 2013: €1,070,000) following investing activities of €668,000 relating to product development and investments in plant and equipment (1H 2013: €634,000).

Commercial Review

Our commercialisation strategy has been to develop and launch an integrated fuel cell and electrolyser system, the Acta Power, and to sell this for back-up power and renewable energy storage applications. This strategy has allowed us to address applications that require a smaller volume of hydrogen production than is typical for industrial electrolyser systems, which is a perfect entry point for the compact electrolyser units that we have developed to date.

Our success in these applications, as testified by the success of customer live site trials and increasing product sales, has underlined the commercial opportunity that we face in other hydrogen applications, such as industrial hydrogen, large scale renewable energy storage and fuel cell vehicle refuelling. We believe that the low capital cost and high efficiency of our core technology will also offer even greater competitive advantages at large scale. As such, we are exploring opportunities to develop larger systems together with partners.

Acta Power: the "Hydrogen Battery"
The Acta Power is an energy storage system that integrates Acta's unique electrolyser technology with a fuel cell system, coupled with an advanced remote monitoring, management and servicing interface. The system has been designed to meet the needs of the large and rapidly growing market for back-up power systems for telecom base stations in remote, bad-grid and off-grid locations in Asia, Africa and other emerging economies.

By generating its own hydrogen on site, the system avoids the cost and logistical barriers of delivering bottled hydrogen to the site. At €30,000 to €40,000 cost for a 4kW fuel cell power, $1m^3/h$ hydrogen generating capacity system suitable for base station applications, the capital cost is approximately half the current selling price of comparable systems using a fuel cell and standard PEM electrolyser. The low maintenance and service costs make the system cost-competitive with battery or diesel systems over a two to three year period, since the replacement cycle of batteries and the frequent maintenance and refuelling requirements of gensets can be avoided. In addition, the system offers a significantly lower theft risk than these traditional solutions, which is an important cost and service factor for remote locations.

Since launch in 2013, the Acta Power has been under evaluation by four major mobile phone operators located in Australia, Egypt and the Philippines, where they have provided back-up power to the live operations of mobile network base stations. With one trial still continuing, three of these four trials have now been concluded. In each case, the system performed to the customer's satisfaction, and in one case far beyond the customer's specifications.

In July 2014, following the conclusion of the system evaluation in Australia, three further Acta Power systems were sold to our Australian distribution partner for installation with an unnamed mobile operator. During the first half of 2014, Acta has also been developing a partnership signed in February 2014 with ReliOn Inc, a major US fuel cell manufacturer, to address opportunities in the US telecom back-up power market, where ReliOn is currently the market leader.

Confirmation of the robustness of the Acta Power system was seen in September 2014 when the system installed on a base station in the Cairo region provided continuous power throughout a major regional black-out which Vodafone, the leading mobile operator in the country, reported had taken down 2,000 base stations across the area.

Although the process of evaluation and product adoption for new technologies in the telecoms sector is slow, the Company has seen an increase in opportunities for growth in the telecom back-up power market, where the Acta Power provides higher performance and lower total cost of ownership than traditional back-up power systems, especially in remote or off-grid locations.

The small system footprint and clean, reliable performance of the Acta Power is also ideal for distributed renewable energy storage applications, e.g. for off-grid communities storing solar power for night-time use, for remote locations where surplus renewable energy cannot be fed into the electricity grid, and for environmentally sensitive locations where diesel generators are not desirable. Three Acta Power systems have been sold in Singapore and Thailand for renewable energy storage, and the Company is addressing a number of opportunities to supply this solution in large quantities for off-grid communities and remote locations.

Electrolyser Systems
Sales of the Company's electrolyser systems have grown strongly during the first half of 2014, supported by larger repeat orders from our largest customers.

M-Field Energy Ltd, a telecom back-up power fuel cell system integrator based in Taiwan, ordered 15 electrolyser systems in May 2014, plus two smaller units, following an order of six systems in October 2013, and has indicated further repeat orders within the year. Heliocentris, the renewable energy solutions supplier to the education sector, placed an order for ten of Acta's 500L/hr electrolyser stacks in June 2014, following numerous previous orders received since 2012.

In July 2014, the Company agreed a product development partnership with Dantherm Power A/S, part of the Ballard group, to integrate its electrolyser system with Dantherm's fuel cell for renewable energy storage and back-up power applications in cold environments. An initial electrolyser system has been sold to Dantherm for a wind energy storage application in a remote cold location, and the partners intend to pursue a number of opportunities in the Nordic and other regions together during 2015.

The Company's electrolyser is also being used for a renewable energy storage application in a trial in Cheshire incorporating a 20kW wind turbine, and a number of similar opportunities are being explored at a larger scale within the UK wind sector.

Fuel cell vehicle refuelling applications are also continuing to provide opportunities for the Company's electrolyser products, particularly in the fuel cell scooter, fork-lift truck and small fuel cell vehicle fleet sectors. In addition to shipping further products to its partner APFCT in Taiwan during the first half of 2014, Acta has been addressing a number of new opportunities for refuelling systems for small fuel cell electric vehicle fleets.

Product Development
Product development during 2013 focused on the development of the Acta Power system and the subsequent simplification of the design towards a modular structure to reduce system cost and assembly time. During 2014, the Company has focused on mounting its electrolyser module on a 23" rack, the standard configuration for the US market; the development of the 200W Acta Power Cube system; and moving its electrolyser technology platform up in scale towards a 10m3/hr hydrogen production capacity to address the significant industrial hydrogen market opportunity.

Good early progress has been made in this development, with the completion of a larger capacity electrolyser stack in February 2014. This has achieved double the capacity and a greater operating efficiency than the largest stack currently produced by the Company. Further time and investment will be required to arrive at the target of a 10m3/hr electrolyser system, suitable to address a wide range of industrial hydrogen and other market opportunities. The Company is, however, confident that there are no engineering or other technical barriers to scaling up its product range.

Grant-Funded Projects and Research Services
The Company received €12,000 in grant funding during the period (1H 2013: €189,000 grant funds received) and recognised a total of €25,000 in grant income as a reduction in costs in the period (1H 2013: €19,000 cost reduction). The Company is engaged in a number of Italian and EU grant-funded research activities, including the Hydrostore and Alkammonia projects, from which up to €972,000 of further grant funding is expected to be received over the next two years.

Outlook
The Acta Power system was launched a little over one year ago, and the adoption of new technologies in new markets understandably takes time. However, we believe that the combination of our proprietary patented

technology, outstanding technical performance, cost leadership and enormous addressable markets is compelling, and will drive our financial performance and the value of the business going forward.

We believe that the introductory stage of Acta Power evaluation with the telecom back-up power sector is drawing to a close, and has served two purposes: to open a channel into a customer base of very large mobile network operators, which represents a significant end user market for our Acta Power systems; and to demonstrate the capabilities and performance of our electrolyser technology platform to fuel cell manufacturers and system integrators in real world applications.

This success of the trials has therefore generated increased sales of our electrolysers in the first half of 2014, through indirect channels, into back-up power and energy storage applications. We intend to capitalise upon this through support of these channel partnerships, together with the continued development of larger electrolyser systems for industrial hydrogen, renewable energy storage and vehicle refuelling applications.

We will also exploit the success of our entry into the telecom back-up power sector through concluding larger installation contracts and further opportunities currently under negotiation. We believe that this combination of addressable markets, end user sales and commercial partnerships with the fuel cell industry's leading players will provide the Company with multiple growth opportunities over the next few years and will serve to demonstrate the exceptional underlying value of Acta's unique technology platform.

We therefore remain very optimistic about the Company's future, continue to trade in-line with market estimates, and remain focussed on delivering significant shareholder value in the near future.

Condensed consolidated statement of comprehensive income

	Notes	Unaudited Six months ended 30 June 2014 €'000	Unaudited Six months ended 30 June 2013 €'000	Audited Year ended 31 December 2013 €'000
Revenue		**304**	**238**	**411**
Raw materials and consumables used		(137)	(58)	(147)
Personnel expense		*(898)*	*(908)*	*(1,673)*
Share Option Costs reverse previous years		*0*	*2,398*	*2,398*
Total Personnel expense		(898)	1,490	725
Depreciation and amortisation expense		(121)	(157)	(295)
Other operating expenses		(831)	(966)	(1,834)
Result from operations		**(1,683)**	**547**	**(1,140)**
Financial income		8	8	17
Financial expenses		(41)	(39)	(77)
Result before tax		**(1,716)**	**516**	**(1,200)**
Current tax credits		0	0	(12)
Result for the period		**(1,716)**	**516**	**(1,212)**
Attributable to:				
Equity holders of the parent		(1,715)	520	(1,207)
Minority interest		(1)	(4)	(5)
		(1,716)	**516**	**(1,212)**
Basic earnings per share (euro cents)	**3**	(1.01)	0.37	(0.83)
Diluted earnings per share	**3**	(1.01)	0.37	(0.83)

Condensed consolidated statement of financial position

	Unaudited 30 June 2014	Unaudited 30 June 2013	Audited 31 December 2013
ASSETS	€'000	€'000	€'000
Non-current assets			
Property, plant and equipment	948	1,019	982
Intangible assets	2,719	1,625	2,130
Fixed asset investment	0	6	0
Total non-current assets	**3,667**	**2,650**	**3,112**
Current assets			
Inventories	734	416	738
Trade and other receivables	1,094	1,683	1,061
Cash and cash equivalents	344	1,070	2,086
Total current assets	**2,172**	**3,169**	**3,885**
Total assets	**5,839**	**5,819**	**6,997**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	1,023	843	1,023
Capital reserve	33,327	31,204	33,281
Retained losses	(35,161)	(31,739)	(33,445)
	(811)	**308**	**859**
Non controlling interests	6	5	5
Total equity	**(805)**	**313**	**864**
Non-current liabilities			
Employee benefits - non current	318	237	283
Long-term provisions	1,447	1,047	1,292
Long-term borrowings	1,085	1,146	1,147
Total non-current liabilities	**2,850**	**2,430**	**2,722**
Current liabilities			
Short-term borrowings	160	153	174
Trade and other payables	3,634	2,923	3,237
Total current liabilities	**3,794**	**3,076**	**3,411**
Total liabilities	**6,644**	**5,506**	**6,133**
Total equity and liabilities	**5,839**	**5,819**	**6,997**

Condensed consolidated statement of cash flows

	Unaudited Six Month ended 30 June 2014	Unaudited Six Month ended 30 June 2013	Audited Year ended 31 December 2013
Cash flows from operating activities	**€'000**	**€'000**	**€'000**
Result for the year	(1,715)	516	(1,207)
Adjustments for:			
Amortisation of tangible assets	65	101	183
Amortisation and depreciation of intangible assets	56	55	111
Impairment of intangible assets	0	0	1
Allowance for future risks	155	(261)	(16)
Share option Costs reverse previous years	0	(2,398)	(2,398)
IFRS recognition of severance pay (TFR)	0	0	(41)
Expense recognised in profit or loss in respect of share based payments	49	0	49
Foreign currency translation reserve	(3)	0	(1)
Net finance income	33	31	60
(Increase) decrease in trade and other receivables	(33)	1,141	1,763
(Increase) decrease in inventories	4	(289)	(611)
Increase in trade and other payables	397	317	631
Increase in provisions and employees' benefits (TFR)	35	21	67
Cash outflow from operations	**(957)**	**(766)**	**(1,409)**
Interest paid	(41)	(39)	(77)
Net cash from operating activities	**(998)**	**(805)**	**(1,486)**
Cash flows from investing activities			
Interest received	8	8	17
Payments for property, plant and equipment	(31)	(115)	(162)
Proceeds from sale of property, plant and equipment	0	73	72
Proceeds from available for sale investments	0	0	5
Payments for intangible assets	(645)	(600)	(1,160)
Net cash used in investing activities	**(668)**	**(634)**	**(1,228)**

Cash flows from financing activities			
Proceeds from issue of share capital (gross value)	0	0	2,465
Paid capital increase December 2012	0	2,395	2,395
Proceeds from minority interest	1	10	5
Payment for share issue costs	0	0	(193)
Proceeds from borrowings	(49)	(51)	82
Repayment of borrowings	(12)	(2)	(94)
Payment of finance lease liabilities	(16)	(21)	(38)
Net cash (outflow) inflow from financing activities	**(76)**	**2,331**	**4,622**
Net (decrease) increase in cash and cash equivalents	**(1,742)**	**892**	**1,908**
Cash and cash equivalents at the beginning of the financial year	2,086	178	178
Cash and cash equivalents at the end of the financial year	**344**	**1,070**	**2,086**

Notes to the interim financial statements
for the six months ended 30 June 2014

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 2013.

3. Result per share

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

	Six months ended 30 June 2014 (unaudited) €'000	Six months ended 30 June 2013 (unaudited) €'000	Year ended 31 December 2013 (audited) €'000
Result	(1,715)	516	(1,207)
Weighted average number of shares	170,431,939	140,431,939	145,938,788

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	Reserve Capital €'000	Retained Earnings €'000	Minority Interest €'000	IFRS Adj Shareholders receivables €'000	Total €'000
Balance at 1 January 2013	**842**	**33,602**	**(32,255)**	**(4)**	**(2,395)**	**(210)**
Paid capital increase	0	0	0	0	2,395	2,395
Result for the period	0	0	516	4	0	520
Share Option Costs reverse previous years	0	(2,398)	0	0	0	(2,398)
Share Capital and Minority Interest	1	0	0	5	0	6
Balance at 30 June 2013	**843**	**31,204**	**(31,739)**	**5**	**0**	**313**
Balance at 1 January 2014	**1,023**	**33,281**	**(33,445)**	**5**	**0**	**864**
Result for the period	0	0	(1,716)	1	0	(1,715)
Share based payment	0	49	0	0	0	49
Foreign Currency Translation Reserve	0	(3)	0	0	0	(3)
Balance at 30 June 2014	**1,023**	**33,327**	**(35,161)**	**6**	**0**	**(805)**

5. Board

The financial information for the period 1 January 2014 to 30 June 2014 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 2014 was approved by the Directors on 26 September 2014.