

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 1, 2006

ACTIVE POWER, INC.

(Exact Name of Registrant as Specified in Its Charter)

000-30939

(Commission File Number)

Delaware

74-2961657

(State of Other  
Jurisdiction of Incorporation)

(IRS Employer  
Identification No.)

2128 W. Braker Lane, BK12, Austin, Texas

78758

(Address of Principal Executive Offices)

(Zip Code)

(512) 836-6464

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registration under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On February 1, 2006, Active Power, Inc. issued a press release reporting its results of operations for its fiscal quarter and year ended December 31, 2005. A copy of the press release is furnished herewith as Exhibit 99.1.

In accordance with General Instruction B.2 of Form 8-K, the information contained in this Current Report, including the exhibit attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference into any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01. EXHIBITS AND FINANCIAL STATEMENTS.

(d) EXHIBITS

Exhibit 99.1 Press Release dated February 1, 2006

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ACTIVE POWER, INC.

Dated: February 1, 2006

By: /s/ Joseph F. Pinkerton III  
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Joseph F. Pinkerton III  
Chairman of the Board and  
Chief Executive Officer

PRESS RELEASE DATED FEBRUARY 1, 2006

## ACTIVE POWER ANNOUNCES FOURTH QUARTER RESULTS

AUSTIN, Texas (February 1, 2006) -- Active Power, Inc. (NASDAQ: ACPW) today announced results for its fourth quarter ended December 31, 2005. Revenue for the fourth quarter of fiscal 2005 was \$5.2 million, up 9% from the same period last year and 14% from the previous quarter. Revenue for the year ended December 31, 2005 was \$17.8 million, up 13% from the 2004 total of \$15.8 million.

Net loss for the fourth quarter of 2005 was \$6.8 million, or 14 cents per share, compared to a net loss of \$5.1 million, or 12 cents per share, for the same period last year and a net loss of \$5.2 million, or 11 cents per share in the third quarter of 2005. Net loss for the current quarter was affected by \$2.1 million in charges for technology impairments related to license agreements signed in 2000 and 2001 for third party technologies that we have decided not to commercialize and by an increase in our provision for doubtful accounts relating to certain foreign customer receivables.

Cash and investments usage for the quarter was \$6.4 million, as compared to \$10.8 million for the same period last year and \$6.8 million for the previous quarter. The fourth quarter's cash and investment usage was greater than expected due to lower than anticipated collections from certain foreign customers. Cash and investments at December 31, 2005 were \$42.0 million.

"We continue to see growth in our megawatt-class UPS business, with five systems shipping during the fourth quarter and the receipt of our largest megawatt-class UPS order to date earlier this week," said Joe Pinkerton, Chairman and CEO of Active Power. "We have also made significant progress on our newest product, CoolAir(TM) DC, with its public launch and the first sale during the quarter. Our company enters 2006 with the broadest offering of three-phase UPS and energy storage systems on the market. We are making significant investments in sales and marketing to increase our market penetration with these products. To that end, we promoted Jim Clishem to be our President and COO. Jim is focusing our sales teams by geography and has hired two industry veterans to run these groups."

## Recent Business Highlights:

- o Announced this week the receipt of an 11 Megawatt UPS order from Caterpillar that will be used to protect a large datacenter in the United States. This order is our largest single megawatt-class UPS order received to date. We believe this order will be shipped over the first half of this year.
- o Launched our new battery-free extended runtime product, CoolAir(TM) DC, at the 7 x 24 Exchange Fall Conference in November. We followed up this launch with the first sale of a CoolAir(TM) DC product in December. The sale followed a detailed evaluation process over several months in which a leading utility company tested the unit in a number of different applications.
- o Completed the enlistment and training of manufacturer's representative firms that will sell our CoolAir(TM) DC product throughout North America. We now have over 25 representative firms engaged, trained and ready to sell our equipment.
- o Shipped 1.8 MVA of UPS systems to protect the runway lights at the largest airport in Mexico, Aeropuerto Internacional de la Ciudad de Mexico. We shipped an additional 1 MVA of UPS equipment to an airport in the Middle East.
- o Entered into an early adopter agreement with a multi-billion dollar corporation and UPS systems manufacturer to test and evaluate our CoolAir(TM) DC at one of its test facilities in Europe.
- o Shipped multiple DC and UPS flywheel units to seven separate datacenter customers in Q4. We believe equipment sales will continue to increase with the resurgent growth of the datacenter market.
- o Continued our strong international presence with shipments to seven countries. International sales constituted 36% of revenue in Q4.
- o Received the 2005 Award for Customer Development Leadership from Frost & Sullivan, a leading backup power industry analyst.
- o Announced the appointment of Jim Clishem as President and Chief Operating Officer of the Company. Mr. Clishem will run the day-to-day operations of the company, with a particular focus on sales, marketing and operating expense reduction.
- o Announced Ian Bitterlin as the new Vice President of Sales for the European, Middle East, and African (EMEA) markets. Mr. Bitterlin brings a wealth of international UPS sales experience to Active Power. His appointment reinforces our strategy to dramatically grow our global power quality solutions business.
- o Promoted industry veteran John Rodenhausen to be our Vice President of

Sales for the Americas. Mr. Rodenhausen had been serving as our Director of Static UPS Business, focusing primarily on the establishment of a North American manufacturer's representative sales channel selling our double conversion UPS line and new CoolAir(TM) DC product.

Outlook:

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Active Power expects Q1 2006 revenue to be approximately \$4.5 to \$5.5 million, and Q1 earnings per share to be a loss of approximately 13 to 15 cents, which includes approximately 2 cents per share for stock compensation expenses pursuant to FAS 123R. We expect cash and investments usage in Q1 to be in the range of \$5.0 to \$6.0 million.

CONFERENCE CALL:

The Company will host a conference call today, Wednesday, February 1, at 11:00 a.m. Eastern Time, to further review the Company's fiscal Q4 results. A replay of the webcast will be available until February 15th. Investors may access the live broadcast and replay through our web site: [www.activepower.com](http://www.activepower.com).

ABOUT ACTIVE POWER:

Active Power, Inc. ([www.activepower.com](http://www.activepower.com)) designs, manufactures and markets battery-free power quality products that provide the consistent, reliable electric power required by today's digital economy. An ISO 9001-certified company, Active Power is the first to commercialize a flywheel energy storage system, CleanSource(R), that provides a highly reliable, low-cost and non-toxic replacement for lead-acid batteries used in conventional power quality installations. Active Power has also recently developed a new battery-free extended runtime product line (CoolAir(TM)) based on its proprietary thermal and compressed air storage technology.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:

This release may contain forward-looking statements that involve risks and uncertainties. Among the important factors that could cause actual results to materially differ from those in the forward-looking statements are: the potential for significant losses to continue; inability to accurately predict revenue and budget for expenses for future periods; fluctuations in revenue and operating results; overall market performance; decreases and/or delays in capital spending; limited product offerings; inability to expand and integrate new distribution channels; inability to manage new and existing product distribution relationships; our dependence on our relationship with Caterpillar(R); competition; delays in research and development; dependence on sole or limited source suppliers; inability to increase product sales; inventory risks; dependence upon key personnel; inability to protect our intellectual property rights; potential future acquisitions; potential Sarbanes-Oxley Section 404 compliance issues; the volatility of our stock price regardless of our actual financial performance; and other factors detailed in our filings with the Securities and Exchange Commission. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect us. Active Power expressly disclaims any obligation to release publicly any updates or revisions to the information contained in this press release or to update or revise any forward-looking statements to reflect any changes in expectations, or any change in events or circumstances on which those statements are based, unless otherwise required by law.

Active Power and our Active Power logo and CleanSource are registered trademarks of Active Power, Inc. All other trademarks are the properties of their respective companies.

ACTIVE POWER CONTACTS:

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ACTIVE POWER, INC.  
CONDENSED STATEMENTS OF OPERATIONS  
(Thousands, except per share amounts)  
(unaudited)

	THREE MONTHS ENDED DECEMBER 31,		TWELVE MONTHS ENDED DECEMBER 31,	
	2005	2004	2005	2004
Product revenue	\$ 4,786	\$ 4,368	\$ 15,854	\$ 14,050
Service and spares revenue	374	386	1,934	1,733
Total revenue	5,160	4,754	17,788	15,783
Operating expenses:				
Cost of product revenue	4,811	4,152	16,159	16,130
Cost of service and spares revenue	327	473	1,869	1,900
Research and development	3,341	2,520	11,172	9,837
Selling, general & administrative	3,793	2,979	13,854	11,559
Litigation settlement expense	-	-	-	5,080
Amortization of deferred stock compensation	54	-	54	34
Total operating expenses	12,326	10,124	43,108	44,540
Operating loss	(7,166)	(5,370)	(25,320)	(28,757)
Interest income	420	234	1,632	1,066
Other income (expense)	(26)	3	(167)	(89)
Gain due to change in market value of investment rights	-	-	964	-
Net loss	\$ (6,772)	\$ (5,133)	\$ (22,891)	\$ (27,780)
Net loss per share, basic & diluted	\$ (0.14)	\$ (0.12)	\$ (0.48)	\$ (0.65)
Shares used in computing net loss per share, basic & diluted	48,792	42,677	48,058	42,471
Comprehensive loss:				
Net loss	\$ (6,772)	\$ (5,133)	\$ (22,891)	\$ (27,780)
Unrealized gain (loss) on investments in marketable securities	(6)	(51)	(97)	(322)
Realized loss on marketable securities	-	78	91	156
Comprehensive loss	\$ (6,778)	\$ (5,106)	\$ (22,897)	\$ (27,946)

ACTIVE POWER, INC.  
CONDENSED BALANCE SHEETS  
(Thousands)

	DECEMBER 31, 2005	DECEMBER 31, 2004
	----- (unaudited)	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,590	\$ 17,625
Restricted cash	116	741
Short-term investments in marketable securities	31,364	21,308
Accounts receivable, net	5,769	4,143
Inventories	4,242	3,966
Prepaid expenses and other	596	1,028
	-----	-----
Total current assets	49,677	48,811
Property and equipment, net	7,530	7,829
Intangible assets, net	-	725
Long-term investments in marketable securities	2,970	6,001
Deposits and other	188	-
	-----	-----
Total assets	\$ 60,365	\$ 63,366
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,264	\$ 1,649
Accrued expenses	3,780	3,410
Deferred revenue	205	214
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Total current liabilities	6,249	5,273
Stockholders' equity:		
Common stock	49	43
Treasury stock	(5)	(2)
Deferred stock compensation	(293)	-
Additional paid-in capital	235,147	215,937
Accumulated deficit	(180,689)	(157,798)
Other accumulated comprehensive income	(93)	(87)
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Total stockholders' equity	54,116	58,093
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Total liabilities and stockholders' equity	\$ 60,365	\$ 63,366
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