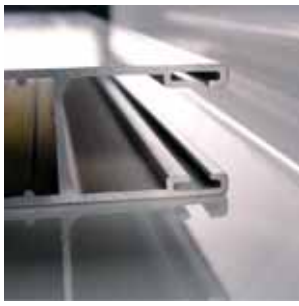
ZENERGY POWER plc

Interim Results 2009



ZENERGY POWER

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Highlights

- Installation of first superconductor Fault Current Limiter ('FCL') into United States electricity grid in Southern California;
- Receipt of commercial FCL contract from The Consolidated Edison Company of New York;
- Receipt of additional funding from the U.S. Department of Energy for development of low-cost '2G' superconductor wire;
- Receipt of commercial contract from RWE Power AG for superconductor hydropower evaluation;
- Order backlog of €2.3m;
- Institutional placing to raise €10.3m (net); and
- Exceptional cash expenditure in the Period of €1.3m in respect of strategic marketing study and leasehold improvements.

Since Period End

- Further commercial order for Induction Heater received from the world's largest aluminium profiles producer, the Sapa Group;
- Successful development and testing of new high-voltage FCL design; and
- Manufacture and delivery of coil set for the production of superconductor renewable energy generator for E.ON AG ('E.ON').

Open Day and Company Presentation

As part of our continuing efforts to assist shareholders in deepening their knowledge of Zenergy Power and to further the transparency of our superconductor technology development, we will be holding an Open Day at our main production facility in Rheinbach, Germany on Thursday the 1st of October 2009.

The purpose of the Open Day is to provide the opportunity to shareholders, analysts, journalists and other interested parties to visit our European production facilities, tour our research and development operations, meet with a number of our technical personnel and witness first hand the operation of a Superconductor Induction Heater. As well as the tours of our facility and technology demonstrations, there will be a series of management presentations throughout the day providing an updated overview on Zenergy Power, our technology development progress, our biggest challenges and main market opportunities. During these presentations there will be the opportunity to field questions to both management and technical personnel.

If you would like to attend this Open Day and require further information then please contact Andrew Tan via email andrew.tan@zenergypower.com

Matrix New Energy Conference

Further to this, Zenergy Power will also be presenting at the upcoming Matrix New Energy Conference being held on Thursday the 8th of October 2009.

If you are interested in attending this event please contact john.howes@matrixgroup.co.uk.

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Company Overview

Core expertise, key focus and commercial strategy

At Zenergy Power plc ('Zenergy' or the 'Group') we focus on engineering and patenting clean energy solutions centred on the exploitation of the incredible electrical properties of superconductive materials. The Group's key value proposition is to develop a range of patented technology solutions and engineering know-how that define the means with which to enable quantum leaps in the efficiency and performance of industrial scale electrical equipment. By focussing on the design and creation of core superconductive components, Zenergy's commercial strategy is to enter into collaborative partnerships with established industry participants with whom it can rapidly develop and deploy highly competitive energy efficient products into multi-billion Euro global markets.

Zenergy Power plc is a UK registered and AIM quoted energy Technology Company comprising three operating subsidiaries located in Germany, USA and Australia. Currently we provide products and solutions for renewable power production, efficient power use and increased power grid reliability and security. Zenergy achieved the world's first sale of an industrial scale commercial application incorporating superconductor technology in 2007.

About superconductivity

Superconductive materials are capable of conducting electricity without any electrical resistance and were first discovered in 1911 in what was to prove to be one of the most significant scientific breakthroughs of the 20th century.

The global market for high efficiency power applications incorporating these incredible materials is substantial and growing, with a number of market studies projecting multi-billion Euro opportunities across a number of clean energy markets. The proliferation of the use of superconductor materials is largely being driven by the following key factors:

(a) Superconductive materials conduct electricity with no electrical losses and so are complementary to energy efficient aspirations as an ideal substitute for traditional copper
(b) Superconductive materials can carry over 100X more electrical power than copper and enable a huge reduction in materials use
(c) Current developments are leading to the production of superconductive wires that are projected to become cheaper than their copper equivalents over the next few years
(d) Power applications incorporating superconductive components are delivering exceptional energy efficiencies and thus reduced power consumption, running costs and carbon emissions
(e) The widespread adoption of superconductors would lead to a significant reduction in CO2 emissions produced by a wide range of industries
(f) Superconductor applications are helping to deliver end consumers more power with increased reliability and reduced raw material usage.

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Current Activities and core commercial focus

It has been over twenty years since the core development team of Zenergy recognised the profound implications of superconductors' electrical properties. Since that time we have been committed to the development of industrial-scale commercial applications for this technology and are the current market leaders in a number power applications for our technology.

In 2007 we became the first company to ever achieve a commercial sale of an industrial-scale device based on superconductor technology and have since that time grown from strength to strength both in our technical development and our commercial deployment. To date the Group is focused on three main areas of commercialisation for superconductor technology:

Induction Heaters – Superior Efficiency in Non-Ferrous Metal Processing

Also known as Magnetic Billet Heaters these are sold to industrial producers of metals goods our induction heaters are setting new standards for productivity, energy efficiency, and process flexibility in industrial aluminium, brass, bronze, and copper processing. The precision and energy efficient heating process softens raw material billets before they are shaped into end products and uses superconductors to deliver:

Benefits:

- 50% reduction in energy consumption together with 25% productivity increase;
- Improved product quality;
- Single block heating system with very short start-up time, highly flexible and cost effective for just-in-time production;
- Energy cost savings alone can amortise purchase price within five years of operation.

Smart Grid Technology

Acting like a firewall, Zenergy's Fault Current Limiter (FCL) protects power grid equipment from the damaging power surges caused, for example, by short circuits or lightning strikes. The FCL significantly reduces the risk of power grid failures and contributes to preparing electricity grids for the wide scale integration of renewable energy production.

Benefits:

- Suppression of overloads, while the downstream power supply is maintained without any interruption and at its regular strength;
- Improved operational reliability of fully stretched grids;
- Greatly reduced risk of large scale "blackout" due to cascading grid failures following a local defect;
- Cost-effective protection of power grid equipment against power surge damages;
- Cost-effective integration of renewable power generation into the grid infrastructure.

Zenergy's Fault Current Limiter with superconductor technology has been put into operation in the United States electricity grid and is the first such device to be adopted by a commercial utility company in the United States.

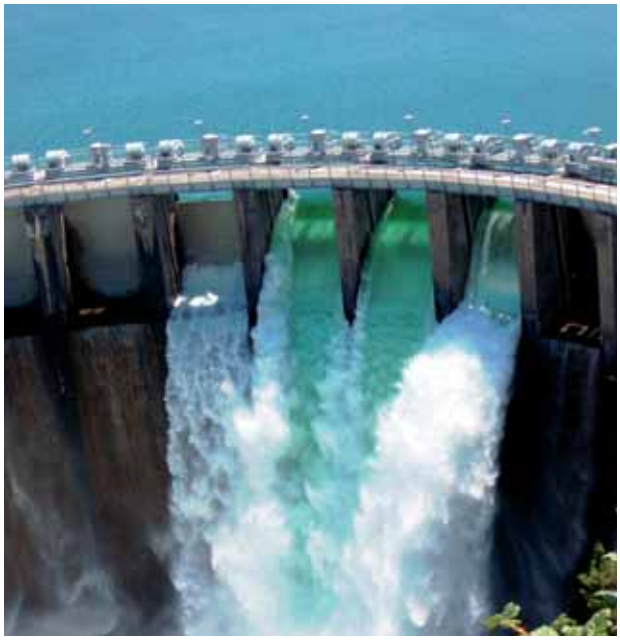
Renewable Energy Production

By exploiting the incredible current carrying capability of superconductor wire Zenergy has been developing over a number of years a new generation of lightweight and compact electricity generations designed specifically for reducing the costs associated with the production of renewable energy. We are focussed purely on small hydro power generation and offshore wind generation and are due to see E.ON AG make the landmark installation of the first of these superconductor generators early 2010. Also within our hydro activities we recently completed a wide spread technical evaluation for RWE AG.

Within offshore wind we are currently in conjunction with Converteam SAS, developing a 10MW class of lightweight superconductor generators that are set to eliminate the use of complex gear-boxes in wind turbines and dramatically reduce the costs of deploying offshore technology.

Benefits:

- 25% reduction in cost of offshore wind power production
- Improved reliability and lower maintenance owing to greatly improved thermal management;
- Improved grid stability due to unique electrical properties of superconductors.



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Chairman's Statement

It is with great pleasure that I present our report on what has been another successful period for the Group during which we achieved substantial progress with each of our commercial, research and development objectives. In this respect it is testament to all our teams that, whilst our primary commercial focus remained on the first of our superconductor products the Induction Heater, we were still able to simultaneously and with great vigour bring about great advancements in the development of our smart grid and renewable energy products.

Perhaps of greatest significance during the Period, we became the first company to ever install and operate a superconductor Fault Current Limiter in the United States electricity grid. An event we view as the most significant harbinger for our next commercial application. This landmark installation, occurring as it did after a long and gruelling period of testing and qualification, not only marks our entry into the rapidly growing multi-billion dollar smart grid market, but also represents the second successful deployment of a new and demonstrably proven superconductor product into real-world operating conditions within the space of a year. No other group can boast such an achievement, which evidences the beginning of an exciting transitional growth phase for the Group. Characterised by the progression from product development to commercial sales, this transition phase represents a key value converter for the Group during which our commercial prospects become ever more visible, proven and de-risked. In the case of Zenergy Power, this phase of value creation is particularly pronounced when it is considered that our groundbreaking superconductor technology has been under development for more than 20 years. Testament to this, it is satisfying to note that during the Period we also passed the first year anniversary of the inaugural delivery of our Induction Heater product for installation into real-world industrial operations. I am pleased to report that the machine has performed consistently since its landmark installation and has to date processed in excess of 200,000 billets whilst exceeding all performance expectations of our customer and ourselves.

To complete the first installation of one new product and celebrate the first anniversary of another in the same six month period is particularly satisfying for everyone involved with Zenergy Power and highlights the exciting phase of product development and deployment that we have entered. Having advanced this remarkable technology for over two decades it is particularly satisfying to note its emergence at a time when global trends in electricity generation, distribution and usage are so obviously conducive to its commercial success. These energy trends are ubiquitous, irreversible and increasingly underpinned by local, national and international legislation. Resultantly, the way in which society generates, distributes and uses electrical energy is changing on an unprecedented scale. For this reason, it is crucial that the Group continues its success in deploying superconductor energy technology at a time when the huge emerging commercial opportunities being created by these dramatic changes can be captured. Accordingly, in support of these efforts during the Period, we continued to invest in the resources and capacity necessary to endow the Group with the means with which to drive its future commercial expansion.

The first half of 2009 has been a great success in this respect and substantial progress was made in the development of the superconductor components required for the production of a revolutionary new class of electricity generator designed specifically to reduce the cost of producing electricity from offshore wind farms and run-of-river hydropower stations. Renewable energy generators based on superconductor

components promise to be significantly more efficient, compact and lightweight than conventional generators. These features have considerable economic implications and already our technology is receiving sustained interest from a number of parties including utility companies, power generation companies, project developers, equipment manufacturers and government organisations. For this reason, the groundbreaking work that we are carrying out in conjunction with our collaborative development partner, Converteam SAS ('Converteam'), is of particular commercial importance to the Group at this time. Looking to the second half of 2009, we will see the completion of some of the most significant stages of this development work and expect to progress towards what will be the world's first grid installation of a superconductor generator in the early part of 2010. The landmark installation will take place in the hydropower station of E.ON and will mark one of the Group's most significant achievements to date.

Shareholders will recall that E.ON have elected to use the generator as the station's pole generator meaning that it will be responsible for the base-load supply of electricity to over 3,000 homes in the local area. The willingness of E.ON to use the first ever superconductor hydropower generator in this way is a huge endorsement not only of the incredible potential of superconductor generators, but also of the engineering capabilities of our in-house technical teams (that were evaluated by E.ON prior to the decision to entrust the generator with the responsibility of supplying power to so many end customers). A further important factor influencing E.ON's decision will have been the significant economic gains afforded to them as a result of the increased electrical output of the hydropower station driven by the 36% increased capacity of the high-efficiency superconductor machine.

The installation of the generator will also mark the deployment into real-world operating conditions of the third and most technically challenging of our superconductor-based industrial scale products. The achievement of a third successive new product installation in less than 2 years will be a significant one and looking to the successes enjoyed with the deployment of our first two products I have little doubt that the generator will live up to all of our performance expectations.

Outlook

As we progress into the second half of 2009 and towards the eventual deployment of the third of our superconductor products, it is important to note the growing importance of the development work that we are carrying out to enable us to produce and supply industrial scales of low-cost superconductor wire. Known as '2G' this low-cost wire will eventually be used in the construction of all of our superconductor products and forms the basis of one of our strongest barriers to entry to competitors. Unlike other industry participants, we are developing a revolutionary continuous production technique that involves coating textured nickel tape with selected chemical solutions that deposit layers of material on the tape to produce superconductor wire.

As with our other development activities, the work on our 'all-chemical' 2G production techniques goes back many years. It is however vitally important that our 2G development and production scaling converge with our emerging commercial activities – and the next 12 months will play an important role in this. To this end, the second half of 2009 will see a growing focus and resource commitment from the Group towards its 2G activities as we begin to refine our processes and deepen our working relationships with both ThyssenKrupp and Honeywell. Shareholders will recall that both ThyssenKrupp and Honeywell are working to become qualified by us as industrial suppliers of base materials for the mass production of 2G wire. Once qualified, both ThyssenKrupp and Honeywell will make considerable contributions to our ability to mass produce economic superconductor products designed to improve the way in which society generates, distributes and uses electrical energy.

Michael Fitzgerald
Chairman

11 September 2009

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Chief Executive's Operational Report

The first half of 2009 saw the Group make strong progress across of all its product areas both in terms of its development activities and also its commercial sales and marketing activities. As reflected in our financial results we began to allocate dedicated resources to sales and marketing activities in the Period and made significant internal investments in bolstering production capacity and organisational infrastructure. These activities have greatly increased our commercial presence in both the metals industry and utilities market in which we now operate and I expect our efforts to bear significant fruit over the next 12 months and beyond.

Revenues

When reviewing our periodical revenue generation the comparison between the revenues for the second half of 2008 (€985,000) and of the first half of 2009 (€214,000) is notable and starkly evidences the inherently lumpy nature of our revenues at this early stage of our commercial expansion. It is important to both stress and explain these symptomatic attributes to avoid any confusion. Unsurprisingly, it will be appreciated that the unit cost of our products represents not merely a major capital investment for any purchaser, but a major revenue stream for the Group. Thus, one induction heater sale roughly equates to half of our 2009 consensus revenue forecasts. The combined effect of equipment manufacturing and delivery lead times, coupled with the way in which the accounting rules require that revenue be recognised by the Group explains not merely our first half revenues but also our yet to be recognised revenues from sales and our order backlog which currently stands at over €2.3m. Another relevant cash and income feature that is particular to the Group and requires an explanation concerns the use and treatment of grants. During the Period we committed significant resources and capital expenditure to progressing a number of our government supported development programs. As a result we made substantial progress in our development activities especially in relation to our FCL product offering and earned €1.6m from grants. A 52% increase on the annualised amount of €2.1m for the full year in 2008. The practical results of these development programmes include the grid installation of a medium-voltage FCL unit and the successful development and testing of a high-voltage FCL design. However, applicable accounting rules mean that roughly 72% of this amount is not reflected in our income statement but is instead capitalised through our balance sheet.

As well as explaining the lumpiness of our revenues, these idiosyncrasies afford us good visibility of the significant revenue generation which we expect for the remainder of the current year. Accordingly, we remain confident of meeting our full year consensus revenue forecasts.

Despite the success of the Group we recognise that we are still at a relatively early stage of commercialising our products. Thus, looking ahead we can expect this lumpiness to be a feature of our revenue reporting until such a time when both our product mix and forecast unit sales are numerous enough to offset the non-linear completion of sales across any one particular reporting period. A continuing growth in our order backlog will also provide us with the means to 'smooth' our revenue recognition over reporting periods. However, in the short-term we expect lumpiness to be a feature of our revenue generation and this is certainly the case with our 2009 reporting.

Renewable Energy Generators

In 2007 the Group entered into a 5-year exclusive collaboration agreement with Converteam SAS ('Converteam') to develop a range of groundbreaking superconductor electricity generators for the offshore wind and small hydropower markets. The establishment of this agreement came about after a number of years of collaborative work between ourselves and Converteam and provided the basis through which we could formally combine our expertise for development of a revolutionary generator design based around Zenergy Power superconductor components.

The work that we have been doing with Converteam is truly groundbreaking and can be considered as one of only a few true advancements in generator technology to occur over the past 50 years. And whilst other advancements in power electronics have enabled incremental improvements to generator performance, it is anticipated that the use of superconductors will enable the production of a new class of generators that are over 98% efficient, just one sixth of the weight of conventional generators and one third of their size. It is widely recognised that generators offering these improvements in efficiency, size and weight would deliver substantial economic improvements to the generation of renewable energy and play a significant role in the industry's future growth. This is of particular excitement to the Group when it is considered that very nearly all electricity generated on the planet comes from conventional copper generators.

Reflecting upon the continuing proliferation of renewable energy generation across the world it is with pleasure that, after many years of design and planning, we and Converteam entered into the final stages of the production E.ON's superconductor generator in the first half of this year. To begin this final phase of our development work is truly exciting and we now expect the first generator to be constructed in the second half of 2009 with its eventual installation into E.ON's hydropower station early next year. The direct installation of the first generator into a commercial dam is of huge significance to the Group and its superconductor technology and its successful completion will mark the beginning of a new era in electricity generation.

Accordingly, in the first half of 2009 we commenced the production of the full set of superconductor coils required for the assembly of a full-scale 1.7MW hydropower generator. For Zenergy Power the biggest challenge presented by this phase of machine's development was one of scaling. Unlike the Group's other products (the induction heater and the FCL), a superconductor generator requires the use of a far greater number of superconductor coils which all had to be produced in quick succession and with a high degree of uniformity. It is with great pleasure that I can report that we were successful in scaling up our coil production activities and have now completed the construction of the 28 full-scale coils which have been subsequently delivered to Converteam. During the course of the rest of the year our engineers will continue to work closely with Converteam to bring about the timely construction and installation of the machine into E.ON's hydropower station in the early part of next year.

Low cost 2G wire

At Zenergy Power we are aware that superior performance alone is not enough for our customers and for the commercial success of our products. In the development of all of our products we are particularly aware of our need to be competitive on an overall cost basis and this ethos has shaped the way in which we have selected the applications for development and the markets in which to commercialise them. With regard to the groundbreaking work that we are carrying out on renewable energy generators we are particularly aware of the need to be cost competitive and to able to deliver economic gains to our customers' operations. In the case of renewable energy production, our superconductor solutions will achieve this by firstly improving efficiency and reliability; and then secondly by being cost competitive with conventional technology. It is for this reason that the development work that we are carrying out on our patented low-cost production techniques for superconductor wire is in many ways our most important.

Our approach to superconductor wire manufacture has been to develop our own low-cost production techniques that will ensure that we can achieve a wire quality with the optimal balance between cost and performance that ensures the commercial competitiveness of our products. This low-cost wire, known as 2G, will be used in the mass production of renewable energy generators ensuring not only the cost competitiveness of the machines, but also the long-term

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competitiveness of Zenergy Power in its market place. Our ability to produce superconductor wire significantly cheaper than anyone else in the industry will not only safeguard the future cost base of our products but also represents a substantial barrier to entry to new industry participants attempting to replicate our work.

With this in mind we can see that, in the first half of 2009, the substantial progress made with the development of E.ON's superconductor generator was matched by a growth in activity in the development of our 2G wire. Most importantly, the Period saw us deepen our working relationships with both Honeywell and ThyssenKrupp who we hope to qualify as industrial suppliers to the Group over the course of the next 12 months. Our approach to this is unique and enables us to focus our resources on the development of our patented mass production techniques whilst we secure third party industrial supply of raw materials specifically suited to our processes. This approach ensures that as we begin to scale our production activities we will be able to produce wire on industrial scales with a high degree of consistency. Work on both of these activities progressed well in the first half and I expect this to continue in the second half as we further increase our 2G development activities.

Superconductor Induction Heaters

Also known as Magnetic Billet Heaters, our low-energy/ high-productivity superconductor induction heaters are used by metals producers to heat and soften metal billets before carrying out processes of shaping and drawing to produce goods. Following on from a difficult second half of trading in 2008, conditions in the metals industry in the first half of 2009 continued to be dominated by restricted capital expenditure and lowering output levels. However, as we entered into the second half of the year these conditions showed real signs of improvement and shortly after the close of the Period we successfully secured a further commercial order from the world's largest aluminium profiles producer, The Sapa Group. Despite these difficult trading conditions across the entire industry and a delay in further sales in the first half of this year, I remain confident that we will see further activity in this market and that we will meet our forecast unit sales figures for the full year.

Although securing sales has been difficult in the Period, it gives me great pleasure to report that our sales efforts have been very productive and there has been a significant increase in the awareness of our superconductor solution in the market place. This is demonstrated by the increasing number of customer driven sales inquiries we received in the Period and also growing occurrences of positive industry comment. The intangible value of this should not be underestimated, and it is important to note that our product is a groundbreaking new technology solution which, despite obvious economic advantages, has to overcome perceptions of technology risk to secure sales. With respect to this, it is also important to note that by far and away the single most effective tool that our sales team has in overcoming perceptions of technology risk is time. With each week that passes our first superconductor induction heater continues to prove itself in the facilities of our first customer making it evermore easier for our sales teams to address concerns based around technology risk. For this reason our growing list of accomplishments with the induction heater that now include the first commercial sale, the first installation and operation in commercial premises and sales to two further highly regarded metals producers, all demonstrate the continued progress we are making with the commercialisation and de-risking of our product. Accordingly, it should be noted that the general slowdown in the industry is creating a continually growing latent equipment demand that in the future will need to be serviced. For this reason we have every confidence that whilst the slowdown has delayed sales, it has also served to increase the overall value proposition of our nascent induction heater business as we will now compete for future sales with an ever more de-risked, recognised and accepted technology solution.

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Fault Current Limiters

As announced on the 9th of March the first half of 2009 saw the successful installation of our first superconductor grid protection device (called the Fault Current Limiter 'FCL') into the United States electricity grid. This FCL is a medium-voltage unit that was installed by Southern California Edison into their Avanti distribution grid located in Los Angeles. Since that time we have continued to work with Southern California Edison on monitoring the performance of the FCL unit.

Building on the successful commercialisation of our medium-voltage unit, we continued throughout the Period to progress the development of our next FCL product designed specifically to operate in high-voltage grid locations. This development work progressed well and we were pleased to announce at the beginning of the second half that we had successfully tested the new high-voltage design that has increased performance with a significantly smaller size (known as the 'compact' design). Following this, we remain in discussion with a number of utility companies who have expressed interest in participating in our ongoing US$11m U.S. Department of Energy project, and hope to secure a partner for the installation of a high-voltage unit in the second half of this year. Separately, we continue to work with The Consolidated Edison Company of New York in the evaluation of their grid protection requirements for New York City.

Recognition

Lastly it is particularly important to note the dedication and hard work of all of our employees in Europe, America and Australia that brought about the significant progress made during the Period. We are now positioned to achieve the third deployment of a new product within 2 years and it is testament to the continuing hard work of all our teams that these three product developments have been achieved so rapidly and with so few unforeseen challenges. To achieve this with a revolutionary group of materials like superconductors is a significant technical accomplishment; our challenge now is to mirror this technical accomplishment with commercial success. I have no doubt in our ability to achieve these commercial goals and thank everyone for their extraordinary efforts and wish them continued success for the rest of 2009.

Dr. Jens Müller
Chief Executive Officer 11 September 2009

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Consolidated income statement
For the six months ended 30 June 2009

	Notes	Unaudited Six months to 30 June 2009 €000	Unaudited Six months to 30 June 2008 €000	Audited Year ended 31 December 2008 €000
Revenue	2	214	1,043	2,028
Cost of sales		(185)	(802)	(1,580)
Gross profit		29	241	448
Other operating income	3	453	307	842
Sales and marketing expenses		(824)	(498)	(876)
Administrative expenses		(1,892)	(1,721)	(3,934)
Research & development expenses		(2,038)	(1,428)	(3,028)
Strategic marketing project	4	(255)	-	(691)
Loss before research & development, depreciation & amortisation, strategic marketing project & equity settled share based payments		(1,486)	(1,179)	(2,478)
Research & development expenses		(2,038)	(1,428)	(3,028)
Depreciation & amortisation		(469)	(307)	(699)
Equity settled share-based payment expenses		(279)	(185)	(343)
Strategic marketing project	4	(255)	-	(691)
Operating loss	2	(4,527)	(3,099)	(7,239)
Financial income	5	30	539	1,974
Financial expenses	5	(489)	(30)	(47)
Net financing (expense)/income	2,5	(459)	509	1,927
Loss before tax	2	(4,986)	(2,590)	(5,312)
Taxation	2	13	92	40
Loss for the period	2	(4,973)	(2,498)	(5,272)
Earnings/(loss) per share (Euros)				
Basic and fully diluted loss per share	6	(0.11)	(0.06)	(0.12)

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Consolidated statement of comprehensive income
For the six months ended 30 June 2009

	Unaudited Six months to 30 June 2009 €000	Unaudited Six months to 30 June 2008 €000	Audited Year to 31 December 2008 €000
Loss for the period	(4,973)	(2,498)	(5,272)
Foreign exchange differences on translation of foreign operations	684	(1,323)	(2,407)
Other comprehensive income for the period, net of tax	684	(1,323)	(2,407)
Total comprehensive income for the period	(4,289)	(3,821)	(7,679)

Consolidated balance sheet

	Note	Unaudited 30 June 2009 €000	Unaudited 30 June 2008 €000	Audited 31 December 2008 €000
Non-current assets				
Property, plant and equipment	7	3,423	2,080	2,685
Goodwill	8	1,335	1,228	1,341
Other intangible assets	8	5,897	3,801	5,174
		10,655	7,109	9,200
Current assets				
Inventories		1,248	501	508
Trade and other receivables		1,353	947	1,902
Research & development tax credit receivable		-	232	-
Cash and cash equivalents		11,710	12,580	6,797
		14,311	14,260	9,207
Total assets		24,966	21,369	18,407
Current liabilities				
Trade and other payables		(2,317)	(1,658)	(1,978)
Non current liabilities				
Deferred tax liabilities		(638)	(594)	(660)
Total liabilities		(2,955)	(2,252)	(2,638)
Net assets		22,011	19,117	15,769
Equity attributable to equity holders of the parent				
Share capital	9	738	646	649
Share premium		42,213	31,701	32,050
Translation reserve		(2,108)	(1,708)	(2,792)
Warrant reserve		200	200	200
Retained loss		(19,032)	(11,722)	(14,338)
Total equity attributable to shareholders		22,011	19,117	15,769

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Consolidated cash flow statement

For the six months ended 30 June 2009

	Notes	Unaudited 30 June 2009 €000	Unaudited 30 June 2008 €000	Audited 31 December 2008 €000
Cash flows from operating activities				
Loss for the period		(4,973)	(2,498)	(5,272)
Adjustments for:				
Depreciation and amortisation	7,8	469	307	699
Foreign exchange gains/(losses)		330	168	2,128
Loss on sale of fixed assets		39	-	70
Financial income	5	(30)	(539)	(1,974)
Financial expenses	5	489	30	47
Equity settled share-based payment expenses		279	185	343
Taxation		(13)	(92)	(40)
Operating loss before changes in working capital and provisions		(3,410)	(2,439)	(3,999)
Increase in trade and other receivables		(223)	(128)	(392)
(Increase)/Decrease in stock		(740)	42	35
Decrease/(Increase) in trade and other payables		290	(299)	4
Cash absorbed by operations		(4,083)	(2,824)	(4,352)
Tax received/(paid)		-	-	133
Net cash from operating activities		(4,083)	(2,824)	(4,219)
Cash flows from investing activities				
Interest received		24	389	614
Proceeds from the sale of fixed assets		1	-	-
Acquisition of property, plant and equipment	7	(1,098)	(689)	(1,637)
Development expenditure capitalised and other intangible assets acquired	8	(873)	(859)	(2,168)
Net cash from investing activities		(1,946)	(1,159)	(3,191)
Cash flows from financing activities				
Proceeds from the issue of share capital	9	10,252	30	30
Equity issued for services		-	-	352
Net cash inflow from financing activities		10,252	30	382
Net (decrease)/increase in cash and cash equivalents		4,223	(3,953)	(7,028)
Cash and cash equivalents at start of period		6,797	17,746	17,746
Effect of exchange rate fluctuations on cash held		690	(1,213)	(3,921)
Cash and cash equivalents at end of period		11,710	12,580	6,797

Consolidated statement of changes in equity
For the six months ended 30 June 2009

	Share capital €000	Share premium €000	Translation reserve €000	Warrant reserve €000	Retained earnings €000	Total equity €000
Balance at 1 January 2009	649	32,050	(2,792)	200	(14,338)	15,769
Loss for the period	-	-	-	-	(4,973)	(4,973)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	684	-	-	684
Total comprehensive income for the period	-	-	684	-	(4,973)	(4,289)
Transactions with equity holders						
Equity settled share based payments transactions	-	-	-	-	279	279
Paid in share capital – cash	89	10,163	-	-	-	10,252
Balance at 30 June 2009	738	42,213	(2,108)	200	(19,032)	22,011

	Share capital €000	Share premium €000	Translation reserve €000	Warrant reserve €000	Retained earnings €000	Total equity €000
Balance at 1 January 2008	645	31,672	(385)	200	(9,409)	22,723
Loss for the period	-	-	-	-	(2,498)	(2,498)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	(1,323)	-	-	(1,323)
Total comprehensive income for the period	-	-	(1,323)	-	(2,498)	(3,821)
Transactions with equity holders						
Equity settled share based payments transactions	-	-	-	-	185	185
Paid in share capital - share options exercised	1	29	-	-	-	30
Balance at 30 June 2008	646	31,701	(1,708)	200	(11,722)	19,117

5 Interim Financial results and notes

	Share capital €000	Share premium €000	Translation reserve €000	Warrant reserve €000	Retained earnings €000	Total equity €000
Balance at 1 January 2008	645	31,672	(385)	200	(9,409)	22,723
Loss for the period	-	-	-	-	(5,272)	(5,272)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	(2,407)	-	-	(2,407)
Total comprehensive income for the period	-	-	(2,407)	-	(5,272)	(7,679)
Transactions with equity holders						
Equity settled share based payments transactions	-	-	-	-	343	343
Paid in share capital - cash and services	4	378	-	-	-	382
Balance at 31 December 2008	649	32,050	(2,792)	200	(14,338)	15,769

The aggregated current and deferred tax relating to items that are charged or credited to equity is €Nil.

Notes

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared using the recognition and measurement principles of applicable International Financial Reporting Standards adopted by the European Union ('IFRS'), which include International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees, which are expected to be endorsed by the European Union.

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the year ended 31 December 2008 are extracted from the statutory financial statements for that financial period which have been filed with the Registrar of Companies and on which the auditor gave an unqualified report, without any statement under section 237(2) or (3) of the Companies Act 1985.

The interim financial statements have been prepared under the same accounting policies as those used for the financial statements for the year ended 31 December 2008 except for the application of revised IAS1 Presentation of Financial Statements (2007) and IFRS8 Operating Segments which became effective on 1 January 2009.

The revised presentation required by IAS1 results in the consolidated statement of recognised income and expense being replaced by a new consolidated statement of comprehensive income which presents all non-owner changes in equity. A consolidated statement of changes in equity is also brought forward to the primary statements, having previously been included in the notes.

This statement presents all owner and non-owner changes in equity. Comparative information has been re-presented so that it is also in conformity with the revised standard.

IFRS 8 Operating segments introduces the management approach to segment reporting based on information presented to the Group's Board of Directors. Following adoption of IFRS 8, the Group's reporting segments have not changed significantly.

Since the change in accounting policies only impacts the presentation of financial statements, there is no impact on earnings per share.

Numerous other IFRS and interpretations have been endorsed by the EU in the period to 1 June 2009 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.

The Group's 2008 annual report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no significant changes to these judgements and estimates during the period.

The interim statements are prepared on a going concern basis. The directors consider that the group has adequate funding to enable it to continue to operate for at least 12 months from the date of signing these accounts.

5 Interim Financial results and notes

2. Segmental reporting

Geographic segments

For management purposes, the Group is currently organised into four geographical regions based on the location of the Group's assets – Germany, USA, Australia and UK. These geographical regions are the basis on which the Group reports its primary segment information.

Business segment

The Group has one business segment, being the development and production of high temperature superconducting wires, components and applications.

Six months to 30 June 2009	Germany €000	USA €000	Australia €000	UK €000	Eliminations €000	Consolidated €000
Revenue						
Total revenue	857	-	388	-	(1,031)	214
Result						
Segment result being loss from operations	(2,187)	(881)	(15)	(1,064)	(380)	(4,527)
Net financial income	1	1	-	(461)	-	(459)
Loss before tax	(2,186)	(880)	(15)	(1,525)	(380)	(4,986)
Tax	-	-	-	-	13	13
Loss for the period	(2,186)	(880)	(15)	(1,525)	(367)	(4,973)
Other information						
Capital additions	1,336	993	8	-	(366)	1,971
Depreciation and amortisation	(300)	(111)	(25)	-	(33)	(469)
Balance sheet						
Segment assets	7,163	4,020	841	37,474	(24,532)	24,966
Segment liabilities	(1,836)	(52)	(31)	(399)	(637)	(2,955)
Net assets/(liabilities)	5,327	3,968	810	37,075	(25,169)	22,011

Six months to 30 June 2008	Germany €000	USA €000	Australia €000	UK €000	Eliminations €000	Consolidated €000
Revenue						
Total revenue	964	79	-	-	-	1,043
Result						
Segment result being loss from operations	(1,723)	(703)	(141)	(503)	(29)	(3,099)
Net financial income	10	(27)	1	525	-	509
Loss before tax	(1,713)	(730)	(140)	22	(29)	(2,590)
Tax	-	-	81	-	11	92
Loss for the period	(1,713)	(730)	(59)	22	(18)	(2,498)
Other information						
Capital additions	963	304	281	-	-	1,548
Depreciation and amortisation	(183)	(103)	(21)	-	-	(307)
Balance sheet						
Segment assets	4,352	1,242	1,021	29,765	(15,011)	21,369
Segment liabilities	(1,308)	(70)	(92)	(187)	(595)	(2,252)
Net assets/(liabilities)	3,044	1,172	929	29,578	(15,606)	19,117

5 Interim Financial results and notes

3. Other operating income

	Six months to 30 June 2009 €000	Six months to 30 June 2008 €000	Year to 31 December 2008 €000
Government grants	451	202	718
Other	2	105	124
	453	307	842

4. Strategic marketing

	Six months to 30 June 2009 €000	Six months to 30 June 2008 €000	Year to 31 December 2008 €000
Strategic marketing study	255	-	691

On the 31st October 2008 the Company contracted Bain & Company to undertake a strategic marketing study for the Group in respect of the induction heater market. The total cost of the project, which was completed in March 2009 was €946,000 (£827,000). The first payment €352,000 (£300,000), was satisfied in shares in accordance with the contract. The remaining fees €594,000 (£527,000) were paid in cash in the first half of 2009.

5. Finance income and expense

	Six months to 30 June 2009 €000	Six months to 30 June 2008 €000	Year to 31 December 2008 €000
Financial income			
Interest income - bank	22	370	589
Foreign exchange gain on forward contracts	-	85	1,332
Foreign exchange gain on cash held	-	-	42
Foreign exchange gain	8	84	11
Financial income	30	539	1,974
Financial expense			
Foreign exchange loss on cash held	(202)	-	-
Foreign exchange loss	(286)	(30)	(45)
Other interest expense	(1)	-	(2)
Financial expense	(489)	(30)	(47)
Net financial (expense)/income	(459)	509	1,927

6. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 was based on the loss attributable to ordinary shareholders of €4,973,000 (Six months ended 30 June 2008: €2,498,000) and a weighted average number of Ordinary Shares outstanding during the period of 45,562,000 (Six months ended 30 June 2008: 44,014,000) calculated as follows:

Thousand of shares	Six months to 30 June 2009	Six months to 30 June 2008	Year to 31 December 2008
Issued ordinary shares at start of period	44,325	43,948	43,948
Placing – May 2009	1,237	-	-
Share options exercised	-	66	78
Shares issued for services	-	-	16
Weighted average number of ordinary shares	45,562	44,014	44,042

Diluted earnings per share

Share options and warrants have not been included in the calculation of fully diluted earnings per share since these are anti-dilutive. The instruments that could potentially dilute the basic earnings per share in the future, but were not included because they were anti-dilutive for the periods presented are:

Thousand of shares	30 June 2009	30 June 2008	31 December 2008
Warrants issued in respect of the working capital facility from Cloverleaf Holdings Limited (issued 16 August 2006)	160	160	160
Share options	2,430	1,402	1,858
Total potential dilutive instruments	2,590	1,562	2,018

Nil share options lapsed in the period (Period to 30 June 2008: 55,008).

5 Interim Financial results and notes

7. Property, plant and equipment

	Technical plant and equipment €000	Tenant improvements €000	Office and business equipment €000	Assets under construction €000	Total €000
Cost					
Balance at 1 January 2008	1,676	-	365	210	2,251
Additions	432	-	61	196	689
Effect of movements in foreign exchange	(37)	-	(3)	-	(40)
Balance at 30 June 2008	2,071	-	423	406	2,900
Balance at 1 January 2009	2,768	155	505	352	3,780
Additions	90	5	44	959	1,098
Disposals	(116)	-	(39)	-	(155)
Effect of movements in foreign exchange	(5)	-	19	-	14
Balance at 30 June 2009	2,737	160	529	1,311	4,737
Depreciation					
Balance at 1 January 2008	(427)	-	(153)	-	(580)
Depreciation charge for the period	(179)	-	(75)	-	(254)
Effect of movements in foreign exchange	14	-	-	-	14
Balance at 30 June 2008	(592)	-	(228)	-	(820)
Balance at 1 January 2009	(807)	(4)	(284)	-	(1,095)
Depreciation charge for the period	(243)	(12)	(79)	-	(334)
Disposals	84	-	31	-	115
Effect of movements in foreign exchange	7	-	(7)	-	-
Balance at 30 June 2009	(959)	(16)	(339)	-	(1,314)
Net book value					
At 30 June 2008	1,479	-	195	406	2,080
At 30 June 2009	1,778	144	190	1,311	3,423

No assets are held under finance leases.

8. Intangible assets

	Goodwill	Patents and Trademarks	Development rights	Total
	€000	€000	€000	€000
Cost				
Balance at 1 January 2008	1,303	866	2,488	4,657
Additions	-	51	808	859
Effect of movements in foreign exchange	(75)	(54)	(135)	(264)
Balance at 30 June 2008	1,228	863	3,161	5,252
Balance at 1 January 2009	1,341	958	4,586	6,855
Additions	-	2	871	873
Effect of movements in foreign exchange	(6)	(10)	(10)	(26)
Balance at 30 June 2009	1,335	950	5,447	7,732
Amortisation				
Balance at 1 January 2008	-	(133)	(45)	(178)
Amortisation charge for the period	-	(41)	(12)	(53)
Effect of movements in foreign exchange	-	8	-	8
Balance at 30 June 2008	-	(166)	(57)	(223)
Balance at 1 January 2009	-	(242)	(128)	(370)
Amortisation charge for the period	-	(55)	(80)	(135)
Effect of movements in foreign exchange	-	5	-	5
Balance at 30 June 2009	-	(292)	(208)	(500)
Net book value				
At 30 June 2008	1,228	697	3,104	5,029
At 30 June 2009	1,335	658	5,239	7,232

Amortisation and impairment charge

The amortisation charge is recognised in administrative expenses. Patents and Trademarks are amortised over a 15 year period. Development rights are amortised over a five to ten year period, commencing when the product under development is available for sale.

Goodwill

Goodwill is allocated as follows: Zenergy Power GmbH €170,000, Zenergy Power, Inc. €1,087,000 and Zenergy Power Pty Ltd €78,000, the entities are considered to be the smallest cash generating unit to which goodwill can be allocated. Goodwill is tested annually for impairment. Goodwill is denominated in the currency of the acquired entity

5 Interim Financial results and notes

9. Capital and reserves

Share capital

Ordinary shares in thousands of shares	30 June 2009	30 June 2008	31 December 2008
On issue at start of period	44,325	43,948	43,948
Issued for cash	-	90	90
Issued in settlement of services	-	-	287
Placing - May 2009	7,917	-	-
On issue - fully paid	52,242	44,038	44,325

	30 June 2009 £000	30 June 2009 €000	30 June 2008 £000	30 June 2008 €000	31 December 2008 £000	31 December 2008 €000
Authorised						
Ordinary shares of £0.01 each	1,000	1,174	1,000	1,264	1,000	1,050
Allotted, called up and fully paid						
Ordinary shares of £0.01 each	522	738	440	646	443	649
Shares classified in equity		738		646		649

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

On 25 January 2008, 73,119 new Ordinary Shares were issued in respect of an exercise of options resulting in proceeds of £17,998 (€24,289).

On 6 May 2008, 6,873 new Ordinary Shares were issued in respect of an exercise of options resulting in proceeds of £1,500 (€1,905).

On 11 June 2008 10,417 new Ordinary Shares were issued in respect of an exercise of options resulting in proceeds of £3,125 (€3,950).

On 11 December 2008, 287,082 new Ordinary Shares were issued in satisfaction and settlement of fees for services provided by Bain & Company, Inc, £300,000 (€352,000).

On 5 May 2009 7,916,667 new ordinary 1p shares were issued, at a price per share of £1.20, raising £9.5 million gross (£9.1 million net of fees) which at the exchange rate prevailing on that date was equivalent to €10.8 million gross (£10.3 million net of fees).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Warrant reserve

The warrant reserve comprises the fair value of the equity component of warrants issued by the Group.

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Corporate directory

Company registration number:	5509873
ISIN	GB00B19HBR28
Directors:	Michael Fitzgerald - Chairman, Non-executive Director Dr. Jens Müller -CEO, Executive Director Karen Chandler – CFO, Executive Director Keith Hodgkinson - Non-executive Director Christopher Nash - Non-executive Director Tony O'Reilly - Non-executive Director John Voltz - Non-executive Director
Company Secretary:	John Bottomley
Registered Office:	One America Square, Crosswall London, EC3N 2SG
Auditors:	KPMG Audit Plc Arlington Business Park, Theale Reading, RG7 4SD
Nominated Advisor and Broker:	Panmure Gordon & Co Moorgate Hall, 155 Moorgate London, EC2M 6XB
Joint Broker:	Mirabaud Securities Limited 21 St. James's Square London, SW1Y 4JP
Registrars:	Capita Registrars Ltd Northern House Woodsome Park, Fenay Bridge Huddersfield, HD8 0LA
Legal advisors to the Company:	Lawrence Graham LLP 4 More London Riverside London, SE1 2AU

6 Shareholder information

Useful information for shareholders

Shareholder enquiries

Shareholders who have questions relating to Zenergy's business or wish to receive further copies of annual or interim reports should contact us via email at andrew.tan@zenergypower.com.

If you have queries about your shareholding, please contact the Company's registrar, Capita Registrars,

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA
United Kingdom

Telephone: 0871 664 0300
(Calls costs 10 pence per minute plus network extras)
Overseas callers: +44 (0) 208 639 3399
Fax: +44 (0) 1484 601512

Email: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

Electronic communications

Zenergy encourages shareholders to register for electronic communication, registration can be completed via the shareholder portal, found under Investor RelationsShareholders Services on the company's website (www.zenergypower.com).

Choosing electronic shareholder information means you will receive an email every time any new shareholder information is published – instead of paper documents in the post.

These emails will contain weblinks to our annual and interim reports, documents relating to our annual general meeting and any other shareholder communications. The emails will come from our registrar, Capita Registrars. Shareholders are also able to register any shareholder votes online.

Analysts' Coverage

Panmure Gordon (UK)	Mark Davis
Mirabaud Securities LLP	Kam Bansil
Charles Stanley Securities	Richard Hickinbotham
KBC Peel Hunt Ltd	Andrew Shepherd-Barron
Kepler Capital Markets	Ingo Queiser
Killik Capital	Peter Bate
Matrix Corporate Capital	Dr. Steven Fawkes
Nomura Code Securities	John-Marc Bunce
Lux Research Power Journal	Oliver Tassinari

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