

Copenhagen, 27 August 2009

Announcement No. 8/2009

Danionics A/S
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Interim report for the period 1 January – 30 June 2009

Summary

- As expected, Danionics reported a loss for the first half-year of DKK 1.6 million before recognition of a DKK 2.9 million value adjustment in Danionics Asia.
- The company reiterates its full-year forecast of a loss of DKK 2–3 million before recognition of the share of the profit/loss or value adjustment in Danionics Asia.
- Danionics contributed DKK 2.9 million to Danionics Asia in the first half-year. Danionics has not made any commitment to provide any additional capital to Danionics Asia.

Management's report

H1 2009 financial performance

As expected, Danionics reported a loss for the first half-year of DKK 1.6 million before recognition of a DKK 2.9 million writedown of the loan capital to Danionics Asia. The writedown equals the amount which Danionics contributed to Danionics Asia as loan capital in the first half-year. Apart from the writedown, the H1 financial performance was on a level with the results achieved in H1 2008.

The loan capital to Danionics Asia is recognised in the amount of DKK 0, which is unchanged compared to the end of H1 2008. The capital contribution made during the period has been written down over the income statement.

Cash amounted to DKK 7.8 million. Equity amounted to DKK 8.7 million at 30 June 2009, down from DKK 13.2 million at 31 December 2008. The reduction in equity corresponds to the net loss for the period.

The joint venture

Following the disappointing performance in the first quarter of 2009, we had greater expectations for the second quarter. These expectations were only partly met, however.

Ahead of the Danionics A/S AGM in April, the Shenzhen factory indicated that they believed they would be able to supply 165,000 batteries per month, or almost as many as they shipped in the entire first quarter.

Unfortunately, the projection did not hold. Once again, the factory reported quality problems, primarily with respect to the quality of electrodes delivered by a subcontractor. In the final pre-shipping tests to measure internal battery resistance and capacity, 80% of the batteries produced had to be scrapped.

The issues were solved in May, as new requirements were introduced for testing to be made at an earlier stage, both at the supplier's site and in the control of incoming shipments at Danionics Shenzhen. In April and May, the monthly battery production was at around 40,000 units, and the volume was increased in May through the sale of around 100,000 additional batteries from our inventories.

In June, production stabilised, and the factory reached an output volume of 111,500 new batteries. The positive performance was repeated in July, when 136,000 new batteries were produced and shipped, and the production output in August is estimated at about 140,000 batteries. The factory has orders for 200,000 batteries for September.

At the end of July, the scrap rate had dropped from 80% to less than 10% and it is still falling, which is also positive.

The new management has successfully stabilised production, but the big challenge this autumn will be to increase output volumes using the existing production apparatus and to retain battery quality. These efforts will be strengthened further this autumn, when Michael Ho of GP Batteries takes over the day-to-day management of Danionics Shenzhen. Simon Norst, who remains the chief executive of Danionics Asia, will focus especially on international sales in the upcoming period.

The future of the company

GP Batteries, Danionics A/S' joint venture partner, has applied very substantial resources to optimise the factory operations.

When the factory comes closer to a break even situation with stable sales of quality products, Danionics A/S intends to exercise its authority granted by the shareholders in general meeting to place new shares in the market for up to 10% of the share capital with a view to raising funds needed to invest in additional growth.

When presenting Annual Report 2008 at 31 March 2009, the company's Board of Directors resolved to convert all of the joint venture partners' subordinated loan capital into share capital with a view to strengthening the equity of Danionics Asia Ltd. The conversion has no financial effects on Danionics A/S, because the loan capital is recognised at DKK 0 in the financial statements.

Outlook for 2009

Danionics retains the guidance for 2009 presented in Annual Report 2008 released on 24 March 2009. The profit/loss for 2009 will be affected by marketing and selling costs related to the joint venture and administrative expenses of about DKK 2.5 million. Overall, Danionics expects a loss in the range of DKK 2–3 million after interest income but before recognition of the share of the profit/loss for the year or value adjustment in Danionics Asia Ltd.

Moreover, the company may still generate sales revenue if the sales efforts undertaken by Danionics A/S continue to result in new orders.

Danionics A/S expects to have sufficient capital to stay in business for at least the next 12 months.

For additional information, please contact:

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Financial figures and key ratios (unaudited)

DKK '000 except financial ratios	H1 2009	H1 2008	FY 2008
Income statement:			
Revenue	56	1	54
Production costs	-53	0	-51
Gross profit/(loss)	3	1	3
Administrative expenses	-1,781	-1,909	-2,911
Operating profit/(loss) (EBIT)	-1,778	-1,908	-2,908
Profit/(loss) from group enterprise	0	0	-91
Writedown of investment in associate (joint venture)	-2,871	-4,961	-8,122
Net financial income/expenses)	132	419	793
Profit/(loss) before tax	-4,517	-6,450	-10,328
Tax on the profit/(loss) for the period	0	0	0
Net profit/(loss) for the period	-4,517	-6,450	-10,328
Balance sheet			
Assets			
Investments in associate	0	0	0
Loan capital, associate	0	0	0
Other investments	0	429	0
Total investments	0	429	0
Receivables and accruals	1,250	1,239	953
Cash	7,807	16,580	12,615
Total current assets	9,057	17,819	13,568
Total assets	9,057	18,248	13,568
Equity and liabilities			
Total equity	8,673	17,068	13,190
Total short-term liabilities other than provisions	384	1,180	378
Total equity and liabilities	9,057	18,248	13,568
Cash flow statement:			
Net cash flow from/to operating activities	-1,937	-2,299	-3,107
Net cash flow from/to investing activities	-2,871	-4,961	-8,118
Net cash flow from/to financing activities	0	0	0
Capital investment:			
Investments	2,871	4,961	8,122
Total capital investments	2,871	4,961	8,122
Depreciation, amortisation and impairment	2,871	4,961	8,122
Financial Ratios:			
Equity ratio (%)	95.8	93.5	97.2
Net asset value per share (DKK)	0.62	1.22	0.94
Market price per share, end of period (DKK)	3.85	6.20	2.50
Average number of employees	1	1	1
Earnings per share (EPS)	-0.32	-0.46	-0.74
Diluted earnings per share (EPS-D)	-0.32	-0.45	-0.72

Statement of changes in equity (unaudited)

DKK'000	Share capital	Net revaluation acc. to the equity method	Retained earnings, incl. share premium account	Total
Equity				
1 January 2008	13.965	425	9.128	23.518
Net loss	0	0	-6.450	-6.450
Equity at 30 June 2008	13.965	425	2.678	17.068
Equity				
1 January 2009	13.965	425	9.128	13.190
Net loss	0	0	-4.517	-4.517
Equity at 30 June 2009	13.965	425	4.611	8.673

Statement by the Management Board and the Board of Directors

The Board of Directors and the Management Board have today considered and approved the interim report of Danionics A/S for the period 1 January – 30 June 2009.

The interim report, which is unaudited and has not been reviewed, is presented in accordance with the Danish Executive Order on interim financial reporting and additional Danish disclosure requirements for listed companies. The interim report is presented in accordance with the recognition and measurement provisions of the International Financial Reporting Standards (“IFRS”) as adopted by the EU.

We consider the accounting policies to be adequate, the accounting estimates to be reasonable and the overall presentation of the interim report to be appropriate. In our opinion, the interim report gives a true and fair view of the company’s assets and liabilities and financial position at 30 June 2009 and of the results of the company’s operations and cash flows for the period 1 January – 30 June 2009.

Furthermore, in our opinion the management’s report contains a fair review of developments in the company’s operations and financial situation, the results for the period under review and the company’s financial position in general and describes the most significant risk and uncertainty factors that may affect the company.

Copenhagen, 27 August 2009

Management Board

Henning O. Jensen

Board of Directors

Karsten Borch
Chairman

Frank Gad

Henrik Ottosen

Notes to the financial statements (unaudited)

Accounting policies

Effective 1 January 2009, Danionics A/S implemented the International Financial Reporting Standards ("IFRS") as adopted by the EU. Previously, the company presented its financial statements in accordance with the provisions of the Danish Financial Statements Act. The change in accounting policies has not led to any changes in the basis of preparation as regards recognition and measurement.