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Danionics A/S
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Interim report for the period 1 July – 30 September 2009

Summary

- As expected, Danionics reported a loss for the third quarter of the year of DKK 0.7 million.
- 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.
- Positive developments in the factory's production and sales in third quarter 2009.
- Danionics has contributed DKK 2.9 million to Danionics Asia in 2009 to date. Danionics has not made any commitment to provide further capital to Danionics Asia.

Management's report

Third quarter 2009 financial performance

As expected, Danionics reported a loss for the third quarter of DKK 0.7 million before recognition of a DKK 0.1 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 third quarter. In the third quarter of 2008, the writedown amounted DKK 2.6 million. Apart from the writedown, the third quarter financial performance was approximately DKK 0.3 million lower than the results achieved in same period of last year. The decline is primarily due to reduced interest income.

The loan capital to Danionics Asia is recognised in the amount of DKK 0, which is unchanged compared to the third quarter of 2008.

Cash amounted to DKK 7.6 million. Equity amounted to DKK 7.9 million at 30 September 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

The joint venture made substantial progress in production. The new management at Shenzhen managed to keep the scrap rate below 10% and has now set a target of 5%. The batteries manufactured are of a high quality and complaints received from clients have been immaterial. The work to automate the production process is also progressing well. New machines are being developed in close cooperation with GP Batteries' development centre. The production of negative electrodes, which was sourced in, is running perfectly and plans to source in production of positive electrodes are developing as projected.

After shipping 132,000 batteries in July, the joint venture shipped 158,000 batteries in August and 209,000 in September.

This brought the volume of shipped batteries in the third quarter to 503,000, up from 289,000 in the second quarter. The volume of production reached an all-time high of 250,000 batteries in September.

Unfortunately, the order inflow lost some momentum in October as only 187,000 batteries were shipped.

The factory now has the capacity to manufacture more than 300,000 batteries per month, and current efforts aim to increase this number to 500,000 per month. The joint venture expects to achieve this target in mid-2010. As previously announced, the company's point of break-even is between 400,000 and 500,000 batteries per month, depending on the price of the individual batteries.

The main focus for the next few months will be to lift sales in 2010. The sales department of Danionics' business partner GP Batteries is in charge of this work. The department has performed extensive analysis work and contacted a number of potential clients. Another two major customers are expected to conduct demanding audits of the Shenzhen factory within the next few months.

The future of the company

In light of the recent positive reports from the joint venture, Danionics A/S maintains its plans to utilise the authority provided by the annual general meeting to increase the share capital by 10% by placing new shares in the market as soon as production nears the break-even point.

Until such placement, operations will still be financed by GP Batteries. The part of the operations being financed on behalf of Danionics A/S will be repaid on completion of the placement.

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	Q3 2009	Q3 2008	Q1-Q3 2009	Q1-Q3 2008	Full year 2008
Income statement:					
Revenue	0	0	56	1	54
Production costs	0	0	-53	0	-51
Gross profit/(loss)	0	0	3	1	3
Administrative expenses	-707	-602	-2,488	-2,511	-2,911
Operating profit/(loss) (EBIT)	-707	-602	-2,485	-2,510	-2,908
Profit/(loss) from group enterprise	0	0	0	0	-91
Net result in affiliated company (joint venture)	-60	-2,578	-2,931	-7,539	-8,122
Net financial income/expenses)	31	213	163	632	793
Profit/(loss) before tax	-736	-2,967	-5,253	-9,417	-10,328
Tax on the profit/(loss) for the period	0	0	0	0	0
Net profit/(loss) for the period	-736	-2,967	-5,253	-9,417	-10,328
Balance sheet					
Assets					
Investments in associate	0	0	0	0	0
Loan capital, associate	0	0	0	0	0
Other investments	0	429	0	429	0
Total investments	0	429	0	429	0
Receivables and accruals	930	1,375	930	1,375	953
Cash	7,620	13,480	7,620	13,480	12,615
Total current assets	8,550	14,855	8,550	14,855	13,568
Total assets	8,550	15,284	8,550	15,284	13,568
Equity and liabilities					
Total equity	7,937	14,101	7,937	14,101	13,190
Total short-term liabilities other than provisions	613	1,183	613	1,183	378
Total equity and liabilities	8,550	15,284	8,550	15,284	13,568
Cash flow statement:					
Net cash flow from/to operating activities	-127	-522	-2,064	-2,821	-3,107
Net cash flow from/to investing activities	-60	-2,578	-2,931	-7,539	-8,118
Net cash flow from/to financing activities	0	0	0	0	0
Capital investment:					
Investments	60	2,578	2,931	7,539	8,122
Total capital investments	60	2,578	2,931	7,539	8,122
Depreciation, amortisation and impairment (excl. inventory write down)	60	2,578	2,931	7,539	8,122
Financial Ratios:					
Equity ratio (%)	92.8	92.3	92.8	92.3	97.2
Booked value per share (DKK)	0.57	1.01	0.57	1.01	0.94
Market price per share, end of period (DKK)	3.61	4.65	3.61	4.65	2.50
Average number of employees	1	1	1	1	1
Earnings per share (EPS)	-0.05	-0.21	-0.38	-0.67	-0.74
Diluted earnings per share (EPS-D)	-0.05	-0.21	-0.37	-0.66	-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	-9.417	-9.417
Equity at 30 September 2008	13.965	425	-289	14.101
Equity				
1 January 2009	13.965	0	-775	13.190
Net loss	0	0	-5.253	-5.253
Equity at 30 September 2009	13.965	0	-6.028	7.937

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 September 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 September 2009 and of the results of the company’s operations and cash flows for the period 1 July – 30 September 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 November 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.