Annual Report 2009

Danionics A/S

Danionics A/S
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The English version is provided by convenience only**. In case of discrepancy, the Danish version shall prevail.**

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Company information

The company:

Danionics A/S
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Website: www.danionics.dk
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CVR No.: 71 06 47 19
Financial year: 1 January – 31 December
Reg. office: City of Copenhagen

Board of Directors:

Karsten Borch, Chairman
Frank Gad
Henrik Ottosen

Management Board:

Henning O. Jensen

Annual General Meeting:

26 April 2010, at 3.00 pm at
Dansk Arkitektur Center, Strandgade 27 B, 1401 Copenhagen K.

Auditors:

KPMG
Borups Allé 177
DK-2000 Frederiksberg

Bankers:

Nordea Bank Danmark A/S
Vestergade 64
DK-5100 Odense C

Registrar:

ComputerShare A/S
Kongevejen 418
DK-2840 Holte

Legal advisers:

Law firm Dahl
Gravene 2
DK-8800 Viborg

Letter from the Chairman

At the Danionics annual general meeting in April 2009, we explained about the many difficulties our joint venture in China had encountered.

The Board recommended to wait and see how things would develop over the following months. Shortly before the annual general meeting, we had had to inform our joint venture partners that we were not in a position to contribute any more money to the company. They then accepted providing funds to the company as a loan and to make an extraordinary effort to improve the situation.

Over the next couple of months, it looked as if the plan was working. In the third quarter, the factory in China manufactured 503,000 batteries; 250,000 in September alone. However, only 187,000 batteries were shipped due to a drop in the order inflow and in the fourth quarter sales collapsed. Only the major customer that the company had won in 2008 continued to order batteries, albeit in reduced volumes.

So, just as we seen a shimmer of hope, we and our business partners had to acknowledge that it would not be possible to achieve our plans.

The market situation had changed.

At a board meeting in February 2010, our partners suggested a change of strategy.

They wanted to move away from the low end of the Bluetooth market, in which many small Chinese companies are able to manufacture their products at much cheaper prices than we are. Very often, that is because they do not comply with the tough quality requirements that Danionics applies.

We accepted the idea, and we are now working to attract customers demanding larger sized batteries. We will not be able to say whether we will succeed in winning new orders until in four or five months' time.

Our partners are still funding the loss-making operations alone. We are currently negotiating to set up a formal loan agreement with them. If we do not succeed, we will have to accept that there will hardly be any future for the joint venture.

Karsten Borch
Chairman of the Board

Financial highlights

DKK '000 (except for financial ratios)	2009	2008	2007	2006	2005
Income statement					
Revenue	219	54	0	0	0
Production costs	-208	-51	0	-236	-944
Other operating income	0	0	0	3,853	665
Gross profit/(loss)	11	3	0	3,617	-279
Administrative expenses, net	-3,038	-2,911	-2,776	-2,441	-3,690
Operating profit/(loss)	-3,027	-2,908	-2,776	1,176	-3,969
Write down relating to joint venture	-3,020	-8,122	-32,029	0	-2,881
Net financials	188	702	930	-7	-748
Profit/(loss) before tax	-5,859	-10,328	-33,875	1,169	-7,598
Tax on profit/(loss) for the year	0	0	0	0	0
Profit/(loss) for the year	-5,859	-10,328	-33,875	1,169	-7,598
Cash flow statement:					
Cash flows from operating activities	-2,917	-3,107	-8,787	4,515	-5,044
Cash flows for investing activities	-3,020	-8,118	-23,005	13,919	-2,877
Cash flows from financing activities	0	0	-425	34,108	-485
Balance sheet:					
Total assets	7,733	13,568	24,862	86,619	25,862
Land and buildings	0	0	0	0	21,417
Investment in joint venture	0	0	0	0	0
Cash	6,678	12,615	23,840	56,057	3,515
Non-current liabilities	0	0	0	0	23,242
Current liabilities	402	378	1,344	28,752	1,722
Share capital	13,965	13,965	13,965	13,946	9,255
Equity	7,331	13,190	23,518	57,867	898
Capital investments:					
Intangible assets	0	0	0	0	0
Property, plant and equipment	0	0	0	0	0
Investments	3,020	8,118	-20,264	20,264	2,877
Total capital investments	3,020	8,118	-20,264	20,264	2,877
Depreciation, amortisation and impairment	0	0	0	-236	-944
Financial ratios:					
EBITDA margin (%)	-	-	-	-	-
EBIT margin (%)	-	-	-	-	-
Equity ratio (%)	94.8	97.2	94.6	66.8	3.5
Return on equity (%)	-31.9	-56.3	-83.3	4.0	-157.9
Earnings per share (EPS) (DKK)	-0.42	-0.74	-2.43	0.08	-0.82
Net asset value per share (DKK)	0.52	0.94	1.68	4.15	0.10
Market price per share, year end (DKK)	3.71	2.50	11.60	28.20	2.44
Average number of employees	1	1	1	1	1

The financial highlights for 2008 and 2009 are presented in accordance with the International Financial Reporting Standards as adopted by the EU, whereas the financial highlights for 2005-2007 have not been restated to reflect the change in accounting policies. Financial ratios have been calculated in accordance with the definitions provided on page 20.

Management’s report

Last chance for Danionics.

The upcoming 12-month period will determine whether there is a future for Danionics as a manufacturer of batteries in Asia or if the project will have to be abandoned.

The situation at the end of 2009 was bleak.

Sales collapsed in the first half of 2009 in the shadow of the global economic crisis and because both our technical and managerial challenges remained unsolved.

Substantial improvements were achieved under the new management in the third quarter.

The technical problems were resolved and Danionics Asia produced more than half a million batteries, or more than in the entire first half of the year.

The factories expanded their capacity, the in-house production of negative electrodes went as planned, and the company prepared for external quality testing.

The situation in the autumn months spurred some optimism. Unfortunately, it was short-lived.

The order inflow collapsed. The company shipped 187,000 batteries in October, 150,000 in November, 82,000 in December, 85,000 in January 2010 and 94,000 batteries in February 2010.

GP Batteries, Danionics’ joint venture partner, analysed the situation and concluded that competition in the Bluetooth market had changed. The consequences of the sustained price pressure exerted by the large customers were two-fold: it was difficult for the largest manufacturers to make money, and small manufacturers that do not meet the rigorous quality requirements accounted for a larger proportion of batteries sold in the market simply because they provided a cheaper product.

As a result, Danionics and GP Batteries decided in February 2010 to revise the target for Danionics Asia’s sales. The company has begun to develop larger battery types than before and aims to sell them to a new customer segment.

The intention is to retain the serious customers in the Bluetooth market and to abandon the low end of this market. Additional cost saving and efficiency-improving measures have also been implemented.

In the spring of 2009, Danionics A/S was compelled to inform GP Batteries that the company was no longer in a position to take part in providing financing for Danionics Asia. GP Batteries has since financed the operations. The parties are currently negotiating an extension of the financing and on providing collateral security for the amount involved.

It is still the intention of the Board of Directors, as informed at the most recent annual general meeting, to raise capital if possible, in part to repay the loan GP Batteries is in fact extending to Danionics A/S and in part also to contribute to the further development of the company.

Whether actual developments prove to be sufficiently positive for this to happen remains to be seen.

It will require substantial advances to complete a share issue capable of attracting sufficient funds.

As the unsettled global economy, market conditions (partly in completely new markets) and the thin organisation all continue to weigh heavily on the company, the prospects for continuing battery production beyond 2010 are not very bright at the present time.

Management's report

Financial performance

Danionics recorded a loss of DKK 2.9 million in 2009 before value adjustments of the investment in Danionics Asia Ltd. This is consistent with the expectations at the beginning of the year of a loss of DKK 2-3 million.

Danionics has contributed DKK 3.0 million to Danionics Asia Ltd. in 2009. Based on the uncertain expectations for the future, Danionics continues to recognise the value of its investment in Danionics Asia Ltd. at DKK 0 in the balance sheet, which means that the capital injection made by Danionics in 2009 has been written down over the income statement. The loan to Danionics Asia Ltd. amounting to a total of DKK 94 million was converted to share capital in 2009.

Including the write-down of the investment, Danionics incurred a net loss of DKK 5.9 million in 2009. The loss reduced the equity to DKK 7.3 million, against DKK 13.2 million at 31 December 2008. Accordingly, the share capital is not intact.

At the end of the year, Danionics had cash of DKK 6.7 million, compared with DKK 12.6 million at the end of 2008. The decline was due to ordinary operating costs and the contribution of operating capital to Danionics Asia Ltd.

Events after the balance sheet date

Currently negotiations are pending with the jont venture partner on setting up the future funding of the factory. Such funding implies a satisfactory loan agreement for both parties. If we do not succeed to have an agreement, there will hardly be any future for the joint venture.

Except from the above no significant events have occurred between the balance sheet date and the publication of the annual report for 2009 that have not been included and disclosed in the annual report and that materially affect the income statement or the balance sheet.

Outlook for 2010

The result for 2010 will be affected by marketing and sales costs related to the joint venture and administrative expenses of around DKK 2.5 million. Overall, Danionics expect 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 adjustments in Danionics Asia Ltd.

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

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

Corporate social responsibility

Danionics' business activity is largely restricted to the development of the activities related to the investment in Danionics Asia Ltd. Having a very limited organisation, Danionics A/S has not adoped actual policies on corporate social responsibility. The company consistently endeavours to ensure that the business activities of Danionics Asia Ltd. comply with international standards for corporate social responsibility.

Risk factors

This section describes a number of risk factors that could have a material effect on the results of operations, financial position and cash flows of Danionics A/S. These factors do not constitute an exhaustive list of risks, and they are not set out in any order of priority or listed according to size or probability. However, they are the risks that the management believes are the most significant.

Risks associated with Danionics A/S

- Insurance

The company has taken out a product liability insurance covering any damage caused by defective batteries manufactured by the former Danionics factory in Odense, Denmark. As no claims have been received and six years have passed since batteries were last produced, the product liability insurance was terminated effective from April 2009 on a recommendation by the company's insurance advisers.

- Key personnel

The three members of the Board of Directors and the CEO have all participated intensely in recent years' developments of the company and the restructuring in 2005-2006. They possess extensive knowledge about Danionics and the joint venture, and they have also established very close relations with the business partner GP Batteries. Danionics would be vulnerable if one or more of these key persons ceased to be connected to the company.

- The joint venture

Today, the sole activity of Danionics is the ownership interest in the Danionics Asia Ltd. joint venture; consequently, the development of the joint venture is decisive for the future of the company. If the joint venture is not successful in delivering large quantities of batteries within agreed timeframes, of an agreed quality and at competitive prices, the joint venture will experience poorer financial developments than expected. In such case, Danionics may have to inject additional capital into the joint venture. Ultimately, Danionics may have to sell or otherwise dispose of its investment in the joint venture.

Risks associated with Danionics Asia Ltd.

- Customer relations and market conditions

The joint venture pursues a strategy of supplying products to a small number of large customers. Accordingly, it is exposed to the risk of losing individual customers. The joint venture relies on the products of its customers being sold with success. If they are not, it may affect the capacity utilisation of the joint venture and thus its earnings.

The joint venture is competing in a market characterised by severe price pressure and growing demands from customers regarding efficiency, quality, reliability of delivery and flexibility. There is a risk that competitors may develop improved products at lower prices or that the joint venture cannot compete efficiently.

Moreover, it is difficult to predict market developments, and the joint venture is exposed to the risk of lower market growth, a sharp fall in prices and tougher competition than expected. This might be detrimental to the earnings and financial position of the joint venture.

Finally, there is a risk that non-payment or a delay in payment from debtors may lower the operating profit of the joint venture, even though the joint venture seeks to minimize this risk by only dealing with major, well-renowned groups.

- Mass production

Recent years have presented major challenges in achieving sufficient production volumes. If the joint venture is to become profitable, the output must be increased significantly and this requires both an extension of capacity and the appointment of new employees. If the joint venture fails to do so, it will not be able to meet the budget and in addition to poorer earnings, the consequence may also be that the ability to retain existing customers and attract new customers is impaired.

Risk factors

- **Dependence on suppliers**

The joint venture is dependent on the supply of critical raw materials. Large and unexpected increases in the price of raw materials such as lithium, aluminium and cobalt may have a negative effect on earnings. In respect of selected raw materials and components, the joint venture is dependent on a few suppliers that can ensure a high quality standards, and any discontinuation of supplies constitutes a risk. The joint venture's production is dependent on on-time delivery of raw materials from sub-suppliers, and the joint venture's solvency and ability to pay are important factors in achieving this. The joint venture seeks to minimise these risks by making purchases through the GB Batteries purchasing organisation and having a share in the large-scale benefits and the associated security.

- **Relations with GP Batteries**

Any problems arising from the relations or cooperation with GP Batteries may be detrimental to Danionics' investment in the joint venture.

GP Batteries and the joint venture work closely together in a number of areas such as development, sales, marketing, purchasing, production and management/organisation. Even though the shareholders' agreement between Danionics and GP Batteries ensures equality when final decisions are made, there is also a risk of deadlock between the parties. If the cooperation comes to an end, a dispute may arise about rights to products, etc., and there is a significant risk of losing customers if GP Batteries does not contribute actively to the sales, marketing and development of the joint venture.

- **Other risk factors**

A number of other factors may also affect the operation of the joint venture and its financial position:

Key personnel: Retention and attraction of key employees become more difficult if the joint venture does not develop as expected, and loss of key employees may damage the future prospects.

Insurance: The joint venture has product liability and other coverage through the GP Batteries insurance portfolio, but there is a risk that the insurances do not provide adequate coverage and there can be no assurance that all potential claims would be covered in full.

Copying: There is a risk that issued patent rights do not provide adequate protection of products and processes. There are still certain risks associated with protecting intellectual property rights and preventing copying in China.

For more information on risks, see note 16 to the financial statements on financial risks, which describes foreign exchange risks, interest rate risks and liquidity risks.

Control and risk management systems

The primary responsibility for Danionics's risk management and internal controls in relation to the financial reporting process rests with the Board of Directors and the Management Board.

The Board is in charge of ensuring efficient risk management, including the identification of material risks, that systems are developed for risk management and that a risk policy and risk limits are defined. Policies for operational and financial risk management have been adopted by the Board of Directors; and reporting significant risks is included in routine reporting to the Board.

The Management Board is responsible for the ongoing risk management, including to map and assess individual risks resulting from Danionics' business activities.

Risk factors

- **Control environment**

It is the duty of the audit committee, whose functions are handled by the entire Board of Directors, to assess whether Danionics applies well-established accounting policies, has written policies and procedures for all material business areas.

Powers and responsibilities are defined in the Board of Directors' instructions to the Management Board as well as in policies and procedures. The organisational structure and the internal guidelines combine with laws and other regulations to make up the control environment. The management of Danionics is responsible for establishing and approving general policies, procedures and controls in relation to the financial reporting process.

- **Risk assessment**

The Board of Directors and the Management Board currently assess significant risks and internal controls in relation to the company's operations and their potential impact on the financial reporting process. The significant risks in relation to the financial reporting are described in Management's report, to which reference is made.

- **Control activities**

Danionics' control procedures are integrated in the accounting and reporting systems and include procedures in respect of certification, authorisation, approval and reconciliation.

- **Information and communication**

The Board of Directors emphasises open communications in the company with due respect to the confidentiality required of listed companies.

Danionics maintains information and communications systems to ensure that its financial reporting is correct and complete. The financial reporting manual and other reporting instructions are updated when considered necessary and are reviewed at least once a year.

- **Monitoring**

Danionics monitors its business activities by means of regular assessments and controls at all levels of the company. The scope and frequency of such periodic assessments depend mainly on the risk assessments of the particular area and on the effectiveness of the regular controls.

By way of the long-form audit report, the auditors appointed by the shareholders in general meeting report to the Board of Directors on any significant weaknesses in the company's internal control systems in relation to the financial reporting process.

Corporate Governance

Danionics' corporate governance reporting is available from the company's web site, www.danionics.dk.

Remuneration of the Board of Directors and the Management Board
Remuneration of the Board of Directors consists of a fixed fee. For 2009, we propose an unchanged fee to the Board of Directors of DKK 420,000, with DKK 180,000 being payable to the Chairman and DKK 120,000 being payable to each of the other members.

Remuneration of the Management Board is payable by the hour on the basis of time spent. There is no incentive-based compensation, nor does the company have pension schemes or severance plans for members of the Board of Directors or the Management Board.

The Board of Directors and their other directorships

Karsten Borch, Chairman of the Board. Born in 1943. Chairman of Danionics since 1995. Number of shares held in the company: 79,609 (of which 20,000 were acquired in 2009).

Chairman of the board of C&I International GmbH.. K.T. Trading AG, KRM AG and ESI AG.

Board member of Atrium Partners A/S, Dansk Generationsskifte A/S, Danionics Asia Ltd., ECCO Holding A/S, ECCO Sko A/S and a number of subsidiaries of the ECCO group.

Frank Gad. Born in 1960. Member of the Board of Danionics since 2004. Number of shares held in the company: 27,888. Managing Director of SP Group A/S, SP Moulding A/S and Frank Gad ApS and Gadmol ApS.

Chairman of the board and board member of a number of subsidiaries of the SP Group. Chairman of the boards of Skamol A/S and Skamol Holding A/S. Board member of Danionics Asia Ltd. and The Danish Plastics Federation.

Henrik Ottosen. Born in 1960. Board member of Danionics since 2005. Number of shares held in the company: 5,388. Lawyer and partner of the law firm DAHL in Viborg.

Chairman of the boards of A. Andersens Enke A/S, Investeringsforeningen ATRIUM Value Partner, Samson Agro A/S, Samson Group A/S, Selta Viborg A/S, Unik-Funkis A/S, Airmaster A/S, Royal Danish Seafood Group A/S, J.P. Group, Viborg A/S, Wind 1 A/S, World Wide Wind A/S and subsidiaries of the World Wide Wind group.

Board member of Bjerringbro Fornikling A/S, Danglas A/S, Glerup A/S, H.R. Nielsen Holding ApS, Investeringsselskabet af 5. januar 2005 A/S, Mezzanin Kapital A/S, Norhaven A/S, Norhaven Holding A/S, Holdingselskabet af 21.12.2009 A/S, SEC Scandinavia A/S, Seelen A/S, TOPO Holding A/S, Unik-Funkis Ejendomme A/S, Goppe A/S and Viborg Rørteknik A/S.

The Board of Management and its positions
The Board of Management consists of Henning O. Jensen, Chief Executive Officer. Danionics has entered into a consultancy agreement with HOJE Management ApS, which is Henning O. Jensen's consultancy firm. According to this agreement, Henning O. Jensen is a part-time employee with Danionics and is paid on an hourly basis.

Henning O. Jensen was born in 1942 and has acted as CEO of Danionics since 2004. Number of shares held in Danionics: 3,388. CEO of HOJE Management ApS.

Board member of LogiCon-Nordic A/S, TriNova Management II A/S.

Shareholder information

Listing
Danionics A/S is listed on NASDAQ OMX Copenhagen under the ISIN code DK0010271238 (ticker: DANIO).

The company is a component of the Small Cap index of NASDAQ OMX Copenhagen.

Share capital
The nominal share capital amounts to DKK 13,964,524, distributed on 13,964,524 shares with a nominal value of DKK 1. All shares are listed for trade, freely negotiable and no shares have special rights.

At the end of February 2010, the company had 7,247 registered shareholders owning a total of 78.3 percent of the capital. The number of registered shareholders was unchanged from the previous year.

No shareholders own more than 5 percent of the share capital and the shares continue to be widely held. Hence, the 20 largest shareholders own only 17.2 percent of the share capital and 21.9 percent of the registered capital. The corresponding figures last year were 18.7 per cent and 24.2 per cent.

The Board of Directors and the Management Board own a total of 0.83 percent of the share capital. The management increased its ownership interest during 2009 from 0.69 percent of the share capital at 31 December 2008.

The Board of Directors has been authorised to increase the share capital by up to a nominal amount of DKK 1,396,452 during the period until 14 April 2013.

In addition, the Board of Directors has been authorised to increase the company's share capital by up to a nominal amount of DKK 222,577 in connection with a previous share issue under the existing warrant programme for former employees.

Share trading and share price performance
The share started the year at a price of DKK 2.5 and ended the year at DKK 3.71.

During the year, 6 million shares were traded, compared with 7.1 million in 2008.

Investor Relations policies
Danionics strives to provide clear, factual and true and fair information about the company's operations, results and expected developments. In addition to the Rules of Ethics of NASDAQ OMX Copenhagen, Danionics is subject to limitations in providing information to the effect that value creation depends on the ownership of a joint venture and that this joint venture as a sub-supplier is subject to a number of restrictions in respect of providing information about customer-specific orders.

We strive to maintain open and active relations with our shareholders and other stakeholders. Current information on the company can be found on our website, www.danionics.dk.

Investor Relations contact
Henning O. Jensen, CEO
E-mail: investor@danionics.dk
Tel: +45 70 23 81 30.

Proposed resolutions for the annual general meeting
The company's Annual General Meeting will be held on 26 April 2010 at 3.00 pm at the Danish Centre for Architecture, Strandgade 27B, DK-1401 Copenhagen K, Denmark. Notice to convene the Annual General Meeting will be given not later than 17 April 2010.

The Board of Directors recommends to the Annual General Meeting that no dividend be declared in respect of the 2009 financial year. The Board of Directors also proposes that the current Board members be re-electedand that KPMG be re-appointed as the company's auditors.

Shareholder information

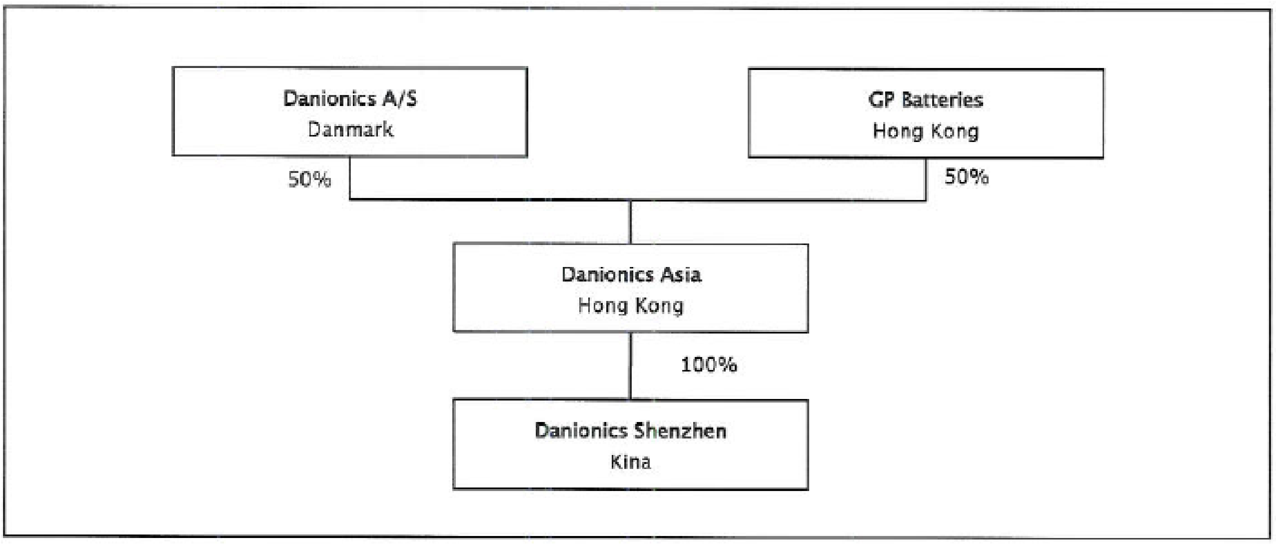
Financial calendar for 2010

	11.03.2010	Annual Report 2009
	26.04.2010	Quarterly Report 1st Quarter 2009 and Annual General Meeting 2010
	27.08.2010	Interim Report 1st Half 2009
	26.11.2010	Quarterly Report 3rd Quarter 2009

Stock exchange announcements 2009

No. 1/2009	12 January 2009	Report to the police of too late reporting of insiders transaction
No. 2/2009	24 March 2009	Annual Report 2008
No. 3/2009	15 April 2009	Notice convening the Annual General Meeting of Danionics A/S
No. 4/2009	30 April 2009	Interim report for the period 1 January – 31 March 2009
No. 5/2009	1 May 2009	Proceedings at the Annual General Meeting held on 30 April 2009
	4 May 2009	Reporting of transactions by senior employees and related parties involving Danionics shares
No. 6/2009	13 May 2009	Cancellation of warrants
No. 7/2009	27 August 2009	Interim report for the period 1 January – 30 June 2009
	9 September 2009	Reporting of transactions by senior employees and related parties involving Danionics shares
No. 8/2009	27 November 2009	Interim report for the period 1 July – 30 September 2009
No. 9/2009	27 November 2009	Financial Calendar 2010
		Reporting of transactions by senior employees and related parties involving Danionics shares

Company structure of joint venture:



Financial review

OPERATIONS

In 2004, Danionics entered into an agreement to establish the Danionics Asia Ltd. joint venture. As part of this agreement, Danionics transferred assets, operations and employees to the joint venture which at the same time took over a number of obligations from Danionics.

Hence, the assets of Danionics A/S consisted of the ownership in the joint venture and a cash position.

Danionics A/S performs a number of tactical and operational activities on behalf of the joint venture. The operating income and costs of the joint venture are recognised, in accordance with the accounting policies applied, in Danionics A/S' financial statements under the line item 'Write-down of investment in joint venture'. The part of the activities that lead to customer orders from the Danish market is invoiced by Danionics A/S.

Revenue

Revenue amounted to DKK 0.2 million in 2009, consisting of battery sales to Danish customers. Accordingly, revenue improved slightly on 2008.

Production costs

Production costs, amounting to DKK 0.2 million, follow developments in revenue and consisted of the cost of goods relating to batteries sold.

Administrative expenses

The administrative expenses comprise general administrative expenses, remuneration to the Board of Directors, including expenses related to its active protection of interests in the joint venture and other costs payable as a result of the company's status as a listed company. Administrative expenses amounted to DKK 3.0 million in 2009 as compared with DKK 2.9 million in 2008.

Operating results

The company incurred an operating loss for the year of DKK 3.0 million, compared with a loss of DKK 2.9 million in 2008.

Writedown of investment in joint venture

The writedown for the year equals the amount which Danionics contributed to Danionics Asia in 2009. The capital contribution totalled DKK 3.0 million in 2009 as compared with DKK 8.1 million in 2008. The investment in the joint venture is recognised at DKK 0 million after being tested for impairment and due to a lack of orders to the joint venture.

Financial income and expense

Financial income and expense and similar items were DKK 0.2 million against DKK 0.8 million in 2008. Financial income comprises interest income from the company's cash holdings placed in term deposits. The lower income was due to reduced cash holdings.

Financial expense was DKK 0 million, which was unchanged from 2008.

Tax on profit/loss for the year

Tax on the profit for the year was DKK 0. If the accumulated tax loss were to be utilised, the tax asset would be approximately DKK 123 million, compared with DKK 122 million in 2008.

Net loss

Danionics reported a loss of DKK 5.9 million for 2009 after recognition of a DKK 3.0 million write-down of the investment in Danionics Asia Ltd. The previous guidance was for a loss in the region of DKK 2-3 million after interest income but before recognition of the share of the profit/loss or value adjustment in Danionics Asia Ltd.

Financial review

CASH FLOW STATEMENT AND CAPITAL RESOURCES

Cash flows

Cash flows from operating activities was an outflow of DKK 2.9 million in 2009 (2008: outflow of DKK 3.1 million). Cash flows from investing activities was an outflow of DKK 3.0 million (2008: outflow of DKK 8.1 million). For both years, the outflow related to loan capital provided to the joint venture.

Cash was reduced by a total of DKK 5.9 million in 2009, compared with a reduction of DKK 11.2 million in 2008. At 31 December 2009, cash stood at DKK 6.7 million against DKK 12.6 million as at 31 December 2008.

Balance sheet items

The company's total assets fell from DKK 13.6 million at 31 December 2008 to DKK 7.7 million at 31 December 2009. The assets consist of the value of the cash holdings of DKK 6.7 million and receivables of DKK 1.0 million.

Liabilities and equity consist of equity of DKK 7.3 million and liabilities for a total of DKK 0.4 million.

The company has no interest-bearing debt.

Capital resources and outlook for 2010

Danionics A/S intends to continue the work to cultivate and develop its investment in the joint venture.

Management believes that the company has the necessary capital resources to finance its operations for the next 12 months.

The company expects to incur a loss in the region of DKK 2-3 million in 2010. This forecast does not include the share of results in Danionics Asia Ltd.

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today discussed and approved the annual report of Danionics A/S for the financial year 1 January – 31 December 2009.

The annual report has been prepared in accordance with the International Financial Reporting Standards as approved by the EU.

It is our opinion that the consolidated financial statements give a true and fair view of the Company's financial position at 31 December 2009 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2009.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, the results of the Company's operations and financial position and describes the material risks and uncertainties affecting the Company.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 11 March 2010

Executive Board

Henning O. Jensen
Managing Director

Supervisory Board

Karsten Borch (Chairman)	Frank Gad	Henrik Ottosen

Independent auditors' report

To the shareholders of Danionics A/S

We have audited the financial statements of Danionics A/S for the financial year 1 January – 31 December 2009 set out on pages 18-33 of this annual report. The financial statements comprise accounting policies, income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements have been prepared in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements applying to listed companies. In addition to our audit, we have read the Management's review prepared in accordance with Danish disclosure requirements applying to listed companies and issued a statement in this regard.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements applying to listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a Management's review that gives a fair review in accordance with the Danish Financial Statements Act.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Independent auditors' report

Opinion
In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2009 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2009 in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements applying to listed companies.

Emphasis of matter
While not making a qualification, we refer to the section on Capitalisation in the Management's report on pp. 5-6 and the Outlook for 2010 on page 6, in which management describes capitalisation and expectations. We concur with the views set forth by the management.

Statement on the Management's review
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the financial statements.

Copenhagen, 11 March 2010

KPMG
Statsautoriseret Revisionspartnerselskab

Finn L. Meyer State Authorised Public Accountant	Henrik O. Larsen State Authorised Public Accountant

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. The change has no effect on the income statement, the statement of comprehensive income, the balance sheet or on shareholders' equity.

The annual report of Danionics A/S for 2009 is presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, cf. NASDAQ OMX Copenhagen's disclosure requirements for annual reports of listed companies and the Danish Statutory Order on the Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

Basis of preparation

The financial statements are presented in DKK rounded to the nearest thousand.

The Annual Report is prepared on the basis of the historical cost principle. The accounting policies described below have been consistently applied for the financial year and for the comparative figures.

Foreign currency translation

On initial recognition, transactions denominated in foreign currency are translated at the exchange rate ruling on the transaction date. Exchange differences arising between the exchange rate at the transaction date and the date of payment are recognised in the income statement under financial income or expenses.

Receivables, payables and other monetary items denominated in foreign currency are translated at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling at the balance sheet date and the exchange rate at the date when the receivable or payable arose or was recorded in the most recent financial statements is recognised in the income statement under financial income or expenses.

Exchange differences arising on the translation of a foreign joint venture's opening equity using the exchange rates prevailing at the balance sheet date as well as on the translation of the income statement from average exchange rates to the exchange rates prevailing at the balance sheet date are taken directly to equity.

INCOME STATEMENT

Revenue

Revenue from the sale of goods and services is recognised in the income statement if delivery and transfer of risk to the buyer have taken place before year-end and if the income can be reliably measured and is expected to be received. Revenue is measured exclusive of VAT, taxes and any agency commission in connection with the sale.

Production costs

Production costs comprise cost of goods relating to the income for the year.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the company, including expenses for administrative functions.

Profit/loss from investment in subsidiary

The profit/loss after tax and elimination of unrealised intra-group gains/losses is recognised in the income statement.

Accounting policies

Impairment of assets

The carrying amounts of long-term assets are tested annually to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. The value in use is determined as the present value of expected future cash flows of the asset.

An impairment loss is recognised when the carrying amount of an asset exceeds the recoverable amount of the asset. Impairment write-downs are recognised as a separate line item in the income statement. Impairment losses are reversed to the extent changes have occurred to the assumptions and estimates on which the impairment loss was based.

Financial income and expenses

Financial income and expenses include interest, capital gains and losses on relating to transactions in foreign currency.

Income tax and deferred tax

Tax for the year, consisting of the year's current tax and movements in deferred tax, is recognised in the income statement as regards the amount that can be attributed to the profit/loss for the year and posted directly in equity as regards the amount that can be attributed to movements taken directly to equity. Interest premiums or discounts are recognised as financial items in the period to which they relate.

BALANCE SHEET

Investment in joint venture

The investment in the joint venture is recognised and measured under the equity method. The proportionate share of the net asset value is recognised in the balance sheet. If the recoverable amount of the investment is estimated to be lower than the proportionate share of the carrying amount, the investment is written down to this lower value.

Writedowns are recognised in the income statement together with the proportionate share of the profit/loss for the year of the joint venture.

Joint ventures with negative equity are measured at DKK 0. If the company has a legal or constructive obligation to cover the negative balance of the joint venture, this obligation is recognised in liabilities.

Tax

Current tax payable but not yet paid is recognised in the balance sheet under current liabilities.

Deferred tax is calculated in accordance with the balance sheet liability method on all timing differences between the accounting and tax value of assets and liabilities. Deferred tax is calculated using the current tax rate.

Deferred tax assets are recognised in the balance sheet as investments to the extent that it is estimated that they can be utilised.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. The company makes provisions for bad debts on the basis of an individual assessment of each receivable.

Segment reporting

The segment information has been prepared in accordance with the company's accounting policies and is based on the internal management reporting.

Segment income and segment costs as well as segment assets and liabilities comprise those items that can be directly attributed to each individual segment and those items that can be allocated to the individual segments on a reliable basis.

Accounting policies

CASH FLOW STATEMENT

The cash flow statement shows cash flows for the year, broken down by operating, investing and financing activities, and the year's changes in cash as well as cash at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated using the indirect method as the profit/loss for the year before financial items and tax adjusted for non-cash operating items, changes in working capital, taxes paid or received and income taxes paid.

Cash flows from investing activities

Cash flows used for investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends.

Cash

Cash comprises net bank balances and any other cash resources.

FINANCIAL HIGHLIGHTS AND KEY RATIOS

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33.

Other key ratios are calculated in accordance with "Recommendations and Ratios 2005" issued by the Danish Society of Financial Analysts and as defined below.

EBITDA margin (%) $\dfrac{\text{EBITDA x 100}}{\text{Revenue}}$

EBIT margin (%) $\dfrac{\text{EBIT x 100}}{\text{Revenue}}$

Equity ratio (%) $\dfrac{\textit{Equity}\text{ at year - end} \times 100}{\text{Equity and liabilities}}$

Return on equity (%) $\dfrac{\textit{Profit / lossfortheyear}\text{ x 100}}{\text{Average equity}}$

Earnings per share (EPS) (in DKK) $\dfrac{\text{Profit/loss for the year}}{\text{Average number of outstanding shares}}$

Diluted earnings per share (EPS-D) (in DKK) $\dfrac{\text{Diluted profit/loss}}{\text{Diluted average number of outstanding shares}}$

Net asset value per share (in DKK) $\dfrac{\text{Shareholders' equity at year end}}{\text{Number of shares at year end}}$

Income statement for the year ended 31 December

Note		2009 DKK'000	2008 DKK'000
	Revenue	219	54
	Production costs	-208	-51
	Gross profit/(loss)	11	3
2, 3	Administrative expenses	-3,038	-2,911
	Operating profit/(loss)	**-3,027**	**-2,908**
4	Profit from group enterprise	0	-91
4	Write-down of investment in joint venture	-3,020	-8,122
5	Interest income and similar items	195	803
5	Interest expense and similar items	-7	-10
	Profit/(loss) before tax	**-5,859**	**-10,328**
6	Tax on profit/(loss) for the year	0	0
	Net profit/(loss) for the year	**-5,859**	**-10,328**
	Earnings per share		
17	Earnings per share (EPS)	-0.42	-0.74
17	Diluted earnings per share (EPS-D)	-0.41	-0.72
	Proposed profit appropriation/distribution of loss		
	Transfer to reserve for net revaluation according to the equity method	0	-425
	Retained earnings (loss)	-5,859	-9,903
	Total	**-5,859**	**-10,328**

Statement of comprehensive income

Statement of comprehensive income:		
Net profit/(loss) for the year	-5,859	-10,328
Other income recognised directly in equity	0	0
Total comprehensive income/(loss) for the year	**-5,859**	**-10,328**

Balance sheet at 31 December – Assets

Note		2009 DKK'000	2008 DKK'000
	Non-current assets:		
	Other non-current assets:		
4	Investments in joint venture	0	0
4	Loan capital, joint venture	0	0
	Other non-current assets	0	0
	Total fixed assets	**0**	**0**
	Current assets:		
7	Other receivables	1,033	911
	Accruals	22	42
8	Cash	6,678	12,615
	Total current assets	7,733	13,568
	TOTAL ASSETS	7,733	13,568

Balance sheet at 31 December – Equity and liabilities

Note		2009 DKK'000	2008 DKK'000
	Equity:		
	Share capital	13,965	13,965
	Retained earnings	-6,634	-775
	Total equity	**7,331**	**13,190**
	Liabilities other than provisions:		
	Current liabilities other than provisions		
	Trade payables	169	169
	Payable to joint venture	73	0
	Other payables	160	209
	Total current liabilities other than provisions	402	378
	Total liabilities other than provisions	**402**	**378**
	TOTAL EQUITY AND LIABILITIES	**7,733**	**13,568**

9	Pledges, security and contingent liabilities
10	Change in working capital
11	Financial receipts and disbursements, net
12	Related parties
13	Outstanding warrants
14	Accounting estimates and judgements
15	New financial reporting regulations
16	Financial risks

Statement of changes in equity

DKK'000	Share capital	Net revaluation acc. to the equity method	Retained earnings	Total
Equity				
1 January 2008	13,965	425	9,128	23,518
Total comprehensive income/(loss) for the year	0	-425	-9,903	-10,328
Equity at 31 December 2008	**13,965**	**0**	**-775**	**13,190**
Equity				
1 January 2009	13,965	0	-775	13,190
Total comprehensive income/(loss) for the year	0	0	-5,859	-5,859
Equity at 31 December 2009	**13,965**	**0**	**-6,634**	**7,331**

	2009	2008	2007	2006	2005
Share capital					
Balance at 1 January	13,965	13,965	13,946	9,255	9,255
Exercise of warrants	0	0	19	53	0
Offering of new shares	0	0	0	4,638	0
Balance at 31 December	13,965	13,965	13,965	13,946	9,255

The share capital consists of 13,964,524 shares of nom. DKK 1 each.

Capital management

The company regularly reviews the capital structure. Equity as a percentage of the balance sheet total at the end of 2009 was 95 per cent (2008: 97 per cent). The return on equity for 2009 was minus 31.9 per cent (2008: minus 56.3 per cent). The objective is to enhance the return on equity.

Cash flow statement

Note		2009 DKK'000	2008 DKK'000
	Profit/(loss) before financial items and tax	-3,027	-2,908
8	Change in working capital	-78	-992
	Cash flows to operating activities before financial items	-3,105	-3,900
9	Financial receipts and disbursements, net	188	793
	Cash flows used for operating activities	**-2,917**	**-3,107**
	Deposits	0	4
	Net investments, joint venture	-3,020	-8,122
	Cash flows used for investing activities	**-3,020**	**-8,118**
	Change in cash	-5,937	-11,225
	Cash at 1 January	12,615	23,840
	Cash at 31 December	**6,678**	**12,615**

Notes to the financial statements at 31 December

1. Segment reporting

The company only has a single segment, as per its investment strategy and risk management, which is the investment in the joint venture. The company's activities are based exclusively in Denmark and its activities are not divided by geography. The Company is not dependent on any single supplier.

The joint venture's primary segment of operation is the sale of batteries in China. The joint venture pursues a strategy of supplying products to a small number of large customers. Accordingly, it is exposed to the risk of losing individual customers.

	2009	2008
	DKK'000	DKK'000
2. Employees, etc.		
Board of Directors		
Remuneration	420	420
	420	420
Management Board		
Remuneration	255	267
Total	255	267
Total staff costs	**675**	**687**
Average number of employees	**1**	**1**
Breakdown of staff costs		
Administrative expenses	675	687
Total	675	687
3. Fees paid to auditors appointed by the Annual General Meeting		
KPMG	174	213
Total	174	213
Which is specified as follows:		
Mandatory audit	75	75
Assurance engagements other than audits	0	0
Tax- and VAT advisory services	99	138
Other services	0	0
Total	174	213

Notes to the financial statements at 31 December

	Invest-ments in associate	Loan capital, associate
4. Investments		
Cost at 1 January 2008	5.653	82.952
Foreign exchange adjustments	0	847
Addtions	0	8.122
Cost at 31 December 2008	5.653	91.921
Value adjustments at 1 January 2008	-5.653	-82.952
Foreign exchange adjustments	0	-847
Disposal on liquidation	0	0
Value adjustment	0	-8.122
Profit/loss for the year	0	0
Value adjustments at 31 December 2008	-5.653	-91.921
Carrying amount at 31 December 2008	0	0

	Invest-ments in associate	Loan capital, associate
Cost at 1 January 2009	5.653	91.921
Foreign exchange adjustments	0	-894
Addtions	93.958	3.020
Disposals	0	-93.958
Cost at 31 December 2009	99.611	89
Value adjustments at 1 January 2009	-5.653	-91.921
Foreign exchange adjustments	0	894
Value adjustment	-93.958	90.938
Value adjustments at 31 December 2009	-99.611	-89
Carrying amount at 31 December 2009	0	0

Notes to the financial statements at 31 December

4. Investments (continued)

2008

Name	Registered office	Equity interest	Share capital [1]	Equity DKK '000 [1]	Profit for the year DKK '000 [1]	Total assets DKK '000 [1]
Investment in associate:						
Danionics Asia Ltd.	Hong Kong	50%	HKD 2	-70.080	-8.219	25.143

2009

Name	Registered office	Equity interest	Share capital [1]	Equity DKK '000 [1]	Profit for the year DKK '000 [1]	Total assets DKK '000 [1]
Investment in associate:						
Danionics Asia Ltd.	Hong Kong	50%	HKD 2	11.125	-9.874	19.744

1) Danionics A/S' share

On 5 June 2009, Danionics Asia Ltd. carried out a capital increase by converting debt into share capital. The amount of HKD 275,659 thousand was converted at face value, equal to HDK 137,829 thousand (DKK 93,958 thousand) for each of the two shareholders.

The financial information about Danionics Asia Ltd. is based on an unaudited set of interim financial statements at 31 December 2009. Excerpt from the interim financial statements:

	2009 DKK '000	2008 DKK '000
Non-current assets	33.746	41,518
Current assets	5.741	8,768
Non-current liabilities	-178	-6.993
Current liabilities	-17.059	-183.453
Revenue	8,478	4,109
Costs	-28,227	-19,804

	2009 DKK'000	2008 DKK'000
5. Interest income and expenses and similar items		
Interest income and similar items:		
Interest income	191	803
Foreign exchange adjustment, net	4	0
Total	195	803
Interest expenses and similar items:		
Other financial expenses	-7	-10
Total	-7	-10

Notes to the financial statements at 31 December

	2009 DKK'000	2008 DKK'000
6. Tax on profit/(loss) for the year		
Current tax for the year	0	0
Change in deferred tax	0	0
Tax for the year	0	0
Tax on the profit/(loss) for the year is derived as follows:		
Calculated tax on pre-tax profit (expense)	-1,465	-2,582
Tax effect of:		
Write down of investment in joint venture	755	2,031
Other tax adjustments	0	-77
Calculated tax for the year (expense)	-710	-628
Value adjustment of tax asset	710	628
Tax for the year	0	0
Deferred tax (asset)		
Deferred tax is the difference between the carrying amounts and the amounts used for taxation purposes of the following items:		
Other assets	-112,896	-109.876
Short term debts	0	0
Tax loss carry-forwards:		
At 1 January	-376,422	-373.816
Prior-year adjustments	91	0
Tax loss for the year	-2,840	-2.606
Basis for calculation	-492,067	-486.298
Calculated deferred tax, 25% (tax asset)	-123,017	-121,575
Write-down of tax asset	123,017	121,575
Carrying amount of deferred tax (asset)	0	0

The company has no deferred tax. At 31 December 2009, the company had a calculated deferred tax asset in the order of DKK 123 million (2008: DKK 122 million) based on a tax rate of 25 per cent. The tax asset relates to tax losses and the difference between the carrying amounts and the amounts used for taxation purposes of other non-current assets.

The tax asset has not been recognised as the future earnings and thus the utilisation of the tax loss are subject to uncertainty.

Total tax losses at 31 December 2009 can be carried forward indefinitely.

7. Other receivables

Other receivables include a VAT receivable. Discussions are ongoing with the Danish tax authorities on this matter, and the amount is subject to uncertainty.

Notes to the financial statements at 31 December

8. Cash holdings

The cash holdings are at the company's full disposal.

9. Pledges, security and contingent liabilities

If the company ceases to be a shareholder of Danionics Asia, the company must discontinue using the name of "Danionics".

	2009 DKK'000	2008 DKK'000
10. Change in working capital		
Change in other receivables	-101	-360
Change in trade payables	0	-8
Change in debt to joint venture	73	0
Change in other payables	-50	-624
Total	-78	-992
11. Financial receipts and disbursements, net		
Interest income and similar items, cf. note 4	195	803
Interest expense and similar items, cf. note 4	-7	-10
Total	188	793

12. Related parties

In addition to members of the Board of Directors and the Management Board, the company's related parties comprise:

- Danionics Asia Ltd. — Joint venture
- C&I International GmbH — Supplier
- Frank Gad ApS — Supplier
- Advokatfirmaet Dahl — Supplier

The following transactions have been made with related parties:

- Transactions with Danionics Asia Ltd. comprised the contribution of shareholder loans of a total of DKK 3.0 million and the purchase of batteries in the amount of DKK 208 thousand. In addition, debt for a total of DKK 94.0 million has been converted, as discussed in note 3.

- Transactions with C&I International GmbH, Frank Gad ApS and Advokatfirmaet Dahl have involved payment for services charged by the hour and rendered to the company for assignments related to the joint venture.

All related party transactions took place on an arm's length basis.

Notes to the financial statements at 31 December

13. Outstanding Warrants

The company has no incentive plans for the management or employees of the company, and neither the Board of Directors nor the Management Board has such incentive plans. Moreover, no extraordinary bonus schemes or the like have been set up for the Board of Directors or the Management Board.

The company has previously issued warrants to its management and employees. Such persons are no longer employed with the company or the joint venture. Today, no former members of the company's Board of Directors or Management Board have any outstanding warrants. Outstanding warrants are thus only held by former employees of the company.

The active outstanding warrant programmes in the company are listed below. The outstanding warrants in the table were originally granted at prices of between DKK 13 and DKK 200. In connection with the rights issue in December 2006, the warrants held by existing holders were diluted by more than 10 per cent resulting in an adjustment of the number of warrants and their exercise prices. The number of outstanding warrants and the exercise prices set out below are stated following adjustment as a result of dilution.

The following general criteria apply to the programmes:

1. The receivers of warrants have not provided consideration for the warrants received.
2. All outstanding warrants are vested in full and may be exercised when a subscription window is open. For warrants issued in 2001, the subscription window is open from the date of announcement of a financial report and until 6 weeks after the release date. For warrants issued in 2003, the subscription window is open from the date of announcement of a financial report and until 4 weeks after the release date.
3. For warrants issued in 2001, the exercise price is increased by an annual premium from the date of grant.
4. Warrants will be adjusted if changes in the company's share capital change the value of the warrants by more than 10 per cent.
5. Warrants expire successively at the time set out in the table below under "Expiry".

Time of issuance	Number of warrants outstanding as at 31 December 2009	Exercise price DKK per share	Annual premium	Value as at 31 December 2009 1) (DKK'000)	Exercise periods2)	Expiry
December 2001	10,092	165,20	12%	0	6 weeks	Six weeks after publication of the full-year profit announcement. In 2010: 10,092.
December 2003	212,485	10.74	-	83	4 weeks	Four weeks after publication of the full-year profit announcement. In 2010: 163,701 In 2011: 48,784
Total	222,577	-	-	83		

1) The calculation of the value was made using the Black & Scholes formula. The calculation is based on the assumption that warrants will not be exercised until expiry. The risk-free interest rate has been fixed at 1.86 per cent p.a. The volatility of the share has been fixed at 104 per cent, calculated on the basis of historic volatility based on the share prices of the past year (daily quotations). The dividend percentage has been fixed at 0 per cent. The market price has been fixed at DKK 3.71 per share, corresponding to the closing price on 30 December 2009.

2) Warrants can only be exercised during the subscription period when a subscription window is open. Subscription windows are open from the date the profit announcement is released until four or six weeks later, respectively.

No warrants have been granted since 2003.

No warrants were exercised in 2009. The drop in the number of outstanding warrants at 31 December 2009 relative to 31 December 2008 was due to the expiry of warrants in 2009 under the warrant programmes of January 2001, December 2001 and February 2002.

Notes to the financial statements at 31 December

14. Significant accounting estimates and judgments

The calculation of the carrying amounts of certain assets and liabilities is based on judgments, estimates and assumptions regarding future events. The applied estimates are based on past experience and other factors that the management considers appropriate under the given circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the company is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates. It is particularly important, in respect of the Annual Report 2009, to note the following assumptions and uncertainties, which have a significant influence on the assets and liabilities recognised in the annual report and which may necessitate corrections in subsequent financial years if the assumed course of events fails to materialise as expected.

Danionics Asia Ltd. is Danionics' only business activity. Accordingly, the development of the company has a crucial influence of the development of Danionics. Based on the uncertain expectations for the future, Danionics recognises the value of its investment in Danionics Asia at DKK 0 in the balance sheet.

The value of deferred tax assets is recognised at DKK 0. The recognition is based on management's estimate of the earnings for the coming years, considering the limited activity of Danionics Asia Ltd.

As explained in note 7, the receivable from the Danish tax authorities recognised under other receivables is subject to uncertainty.

Management will monitor the future developments on an ongoing basis and make such adjustments of carrying amounts as may be warranted by developments.

15. New financial reporting regulations

Effective 1 January 2009, Danionics A/S implemented the following:

- IAS 1 (revised 2007), Presentation of financial statements
- IAS 23 (revised 2007), Borrowing costs
- IFRS 8, Operating segments.
- IFRS 2 Share-based Payments: Vesting Conditions and Cancellations
- Amendments to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on liquidation
- Amendments to IFRS 1 and IAS 27. Cost of an investment in a Subsidiary, Jointly-Controlled Entity or Associate
- Amendment to IFRS 7: Improving Disclosures about Financial Instruments
- Parts of Improvements to IFRSs May 2008 effective for financial years beginning on or after 1 January 2009

Notes to the financial statements at 31 December

16. Financial risks

Due to the limited nature of its operations, investments and financing, the company is only to a limited extent exposed to changes in exchange and interest rates. The company does not undertake any active speculation in financial risks.

Compared to 2008 there is no significant changes in the risks or risk management of the company.

Currency risks
While Danionics reports its financial results in DKK, the company's sole activity – the joint venture – has its earnings in USD, and the production costs and overheads are primarily denominated in RMB and purchases in USD. Thus, the translation of the financial results and value of the joint venture into DKK involves a foreign exchange risk.

Currency risks relating to the joint venture mainly involve the fact that the joint venture's purchases and sales are mainly settled in USD and its production and overhead costs are mainly settled in RMB. The joint venture is vulnerable to possible fluctuations between USD and RMB. The joint venture does not hedge such potential current risks.

Interest rate risk
Danionics has no interest-bearing debt. Accordingly, the company is subject to interest rate risk only in respect of its cash holdings. Cash holdings are mainly placed as fixed-term deposits.

Credit risks
The company's credit risks involve other receivables and cash. The maximum credit risk is reflected in the carrying amounts of the individual financial assets contained in the balance sheet.

Liquidity risk
Cash reserves consist of cash funds. The company aims to have sufficient cash resources to allow it to continue to operate adequately in case of unforeseen fluctuations in cash.

	2009 DKK '000	2008 DKK '000
17. Earnings per share		
Profit/loss for the year	-5,859	-10,328
Average number of shares	13,964,524	13,964,524
Average dilutive effect of outstanding warrants (no. of warrants)	256,129	323,231
Undiluted average number of outstanding shares	14,220,653	14,287,755
Earnings per share (EPS)	-0.42	-0.74
Diluted earnings per share (EPS-D)	-0.41	-0.72