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Interim report for the period 1 January – 30 June 2010

Summary

- As expected, Danionics reported a loss for the first half year of DKK 1.7 million before recognition of a DKK 5.3 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 5.3 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 2010 financial performance

As expected, Danionics reported a loss for the first half year of DKK 1.7 million before recognition of a DKK 5.3 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 2009.

The loan capital to Danionics Asia is recognised in the amount of DKK 0, which is unchanged compared to 30 June 2009. The capital contribution made during the period has been written down over the income statement.

Receivables and prepaid expenses amounted to DKK 1.7 million, of which a VAT receivable amounted to DKK 1.3 million. Talks are still ongoing with the Danish tax authorities about this receivable, and the amount is subject to uncertainty.

Cash amounted to DKK 3.9 million. Equity amounted to DKK 5.2 million at 30 June 2010, down from DKK 7.3 million at 31 December 2009. The private placement completed in the first half of 2010 lifted equity by DKK 4.8 million net of costs.

The joint venture

A number of positive developments occurred on several fronts in the second quarter and this has continued into the third quarter.

A total of 208,000 batteries were sold and shipped in the first quarter and the number rose to 354,000 in the second quarter. In July, 142,000 batteries were shipped and in August, the number will reach 276,000. The joint venture has orders of similar volumes on hand for the next two months.

A very large part of these shipments are made to one specific customer, one of the world's largest manufacturers of mobile phones, which has now been a customer of Danionics Asia for two years. This is a positive situation, as the customer has gradually increased its orders, but obviously it also involves a risk.

During the summer, the joint venture received a first order from the European high-tech business for 15,000 batteries. This is a battery custom-developed by Danionics for one of this company's products.

Progress has also been made in production. The factory has now installed its first winding machines for various battery sizes. They make for more efficient production and consistent quality.

This has reduced the monthly losses substantially, but the joint venture is still losing money each month. The number of batteries manufactured and sold each month must be increased in order to reach break even.

Outlook for 2010

Danionics retains the forecast for 2010 presented in the annual report for 2009 released on 11 March 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 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 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.

For additional information, please contact:

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Financial figures and key ratios (unaudited)

DKK '000 except financial ratios	1st half 2010	1st half 2009	Full year 2009
Income statement:			
Revenue	101	56	219
Production costs	-96	-53	-208
Gross profit/(loss)	5	3	11
Administrative expenses	-1,665	-1,781	-3,038
Operating profit/(loss) (EBIT)	-1,660	-1,778	-3,027
Profit/(loss) from joint venture	0	0	0
Writedown relating to joint venture	-5,251	-2,871	-3,020
Net financial income/expenses)	10	132	188
Profit/(loss) before tax	-6,901	-4,517	-5,859
Tax on the profit/(loss) for the period	0	0	0
Net profit/(loss) for the period	-6,901	-4,517	-5,859
Balance sheet			
Assets			
Investments in joint venture	0	0	0
Loan capital, joint venture	0	0	0
Total investments	0	0	0
Receivables and accruals	1,672	1,250	1,055
Cash	3,879	7,807	6,678
Total current assets	5,551	9,057	7,733
Total assets	5,551	9,057	7,733
Equity and liabilities			
Total equity	5,242	8,673	7,331
Total short-term liabilities other than provisions	309	384	402
Total equity and liabilities	5,551	9,057	7,733
Cash flow statement:			
Net cash inflows/outflows, operating activities	-1,532	-1,937	-2,917
Net cash inflows/outflows, investing activities	-5,251	-2,871	-3,020
Net cash inflows/outflows, financing activities	4,812	0	0
Capital investment:			
Investments	5,251	2,871	3,020
Total capital investments	5,251	2,871	3,020
Depreciation, amortisation and impairment	5,251	2,871	3,020
Financial Ratios:			
Equity ratio (%)	94.4	95.8	94.8
Net asset value per share (DKK)	0.34	0.62	0.52
Market price per share, end of period (DKK)	2.13	3.85	3.71
Average number of employees	1	1	1
Earnings per share (EPS)	-0.45	-0.32	-0.42
Diluted earnings per share (EPS-D)	-0.45	-0.32	-0.41

Statement of changes in equity (unaudited)

DKK'000	Share capital	Retained earnings, incl. share premium account	Total
Equity			
1 January 2009	13,965	-775	13,190
Net loss	0	-4,517	-4,517
Equity at 30 June 2009	13,965	-5,292	8,673
Equity			
1 January 2010	13,965	-6,634	7,331
Capital increase	1,395	3,417	4,812
Net loss	0	-6,901	-6,901
Equity at 30 June 2010	15,360	-10,118	5,242

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 2010.

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 2010 and of the results of the company’s operations and cash flows for the period 1 January – 30 June 2010.

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

Copenhagen, 27 August 2010

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.