

Annual Report 2012

Danionics A/S

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Company information

<i>The company:</i>	Danionics A/S Dr. Tværgade 9, 1. DK-1302 Copenhagen K Tel: +45 88 91 98 70 Fax: +45 88 91 98 01	<i>Auditors:</i>	KPMG, Statsautoriseret Revisionspartnerselskab Osvald Helmuths Vej 4 DK-2000 Frederiksberg
	Website: www.danionics.dk E-mail: investor@danionics.dk	<i>Bankers:</i>	Nordea Bank Danmark A/S Vesterbrogade 8 DK-0900 Copenhagen C
	CVR No.: 71 06 47 19 Financial year: 1 January – 31 December Reg. office: City of Copenhagen	<i>Registrar:</i>	ComputerShare A/S Kongevejen 418 DK-2840 Holte
<i>Board of Directors:</i>	Karsten Borch, Chairman Frank Gad Henrik Ottosen Edward Lam	<i>Legal advisers:</i>	Dahl Lawfirm Lundborgvej 18 DK-8800 Viborg
<i>Management:</i>	Henning O. Jensen		
<i>Annual General Meeting:</i>	23 April 2013, at 10.00 a.m. at Dansk Arkitektur Center, Strandgade 27 B, 1401 Copenhagen K.		

Letter from the Chairman

It has not been possible to reverse the negative performance of Danionics' joint venture, Danionics Asia.

Furthermore, Danionics' business partners, who have been the sole provider of funding for the operation of the factory, have announced that they do not wish to continue to provide such funding.

The Board of Directors has informed the business partners that Danionics A/S is currently unable and will remain unable to participate in a funding arrangement.

The Board of Directors has therefore focused on identifying opportunities to sell the company's stock exchange shell. Despite a dedicated effort to this effect, it has not been successful.

If the ongoing negotiations prove unsuccessful, the Board of Directors intends to propose to the shareholders in general meeting that the company be liquidated.

In such case, unfortunately there would be no proceeds to be distributed to the shareholders.

Karsten Borch
Chairman of the Board

Financial highlights

DKK '000 (except for financial ratios)	2012	2011	2010	2009	2008
Income statement					
Revenue	499	1,678	325	219	54
Production costs	-475	-1,600	-309	-208	-51
Gross profit/(loss)	24	78	16	11	3
Administrative expenses, net	-2,738	-2,765	-4,593	-3,038	-2,911
Operating profit/(loss)	-2,714	-2,687	-4,577	-3,027	-2,908
Writedown relating to joint venture	-213	-337	-5,605	-3,020	-8,122
Net financials	4	45	28	188	702
Profit/(loss) before tax	-2,923	-2,979	-10,154	-5,859	-10,328
Tax on profit/(loss) for the year	0	0	0	0	0
Net profit/(loss) for the year	-2,923	-2,979	-10,154	-5,859	-10,328
Cash flow statement:					
Cash flows regarding operating activities	-2,388	-3,002	-3,248	-2,917	-3,107
Cash flows regarding investing activities	-213	-337	-5,605	-3,020	-8,118
Cash flows regarding financing activities	0	4,134	4,812	0	0
Balance sheet:					
Total assets	864	3,574	2,679	7,733	13,568
Investment in joint venture	0	0	0	0	0
Loan capital, joint venture	0	0	0	0	0
Cash	831	3,432	2,637	6,678	12,615
Short-term liabilities	643	430	690	402	378
Share capital	16,894	16,894	15,360	13,965	13,965
Equity	221	3,144	1,989	7,331	13,190
Capital investments:					
Non-current assets	213	337	5,605	3,020	8,118
Total capital investments	213	337	5,605	3,020	8,118
Depreciation, amortisation and impairment	0	0	0	0	0
Financial ratios:					
EBITDA margin (%)	-	-	-	-	-
EBIT margin (%)	-	-	-	-	-
Equity ratio (%)	25.6	88.0	74.2	94.8	97.2
Return on equity (%)	-173.7	-116.1	-217.9	-31.9	-56.3
Net earnings per share (EPS) (DKK)	-0.18	-0.18	-0.68	-0.42	-0.74
Net asset value per share (DKK)	0.01	0.19	0.13	0.52	0.94
Market price per share, year end (DKK)	0.84	1.61	3.18	3.71	2.50
Average number of employees	1	1	1	1	1

Management's review

As disclosed in the Management's review in the Annual Report 2011 and as announced at the annual general meeting held on 20 March 2012, the continuing operations of Danionics Asia's factory in Shenzhen was subject to the Chinese partner Surplus Enterprise Limited, Hong Kong (a company owned by GP Batteries International Ltd., Singapore) continuing to fund the ongoing operation of the factory.

Unfortunately, it proved impossible to reverse the factory's negative results of operations in 2012. Against this background, our Chinese partner has announced that we should not expect continued funding on their part.

During 2012, the Board of Directors searched for potential new investors for Danionics A/S. The Board contacted and negotiated with specific investors, but unfortunately these negotiations did not prove fruitful.

In all of these negotiations, none of the potential investors were interested in buying Danionics A/S' stake in Danionics Asia Co. Ltd. As a result, the Board has accepted that, as part of the negotiations, the ownership stake and a loan receivable of DKK 4.7m should be transferred to Surplus Enterprise concurrently with a potential new investor buying into Danionics A/S. Accordingly, the Board of Directors has held concurrent negotiations with Surplus Enterprise for that company to acquire Danionics' stake in Danionics Asia Co. Ltd. and the receivable at a price of HKD 5.

The Board of Directors will seek to sell Danionics A/S' stake in the Joint Venture and the loan receivable for HKD 5. In this context, it should be noted that Danionics Asia had a negative balance at 31 December 2012 of HKD 51 million.

Danionics A/S' disposal of the stake and the loan receivable in Danionics Asia Co. Ltd. to Surplus Enterprise Limited would not have any financial impact on Danionics A/S because the assets have been written down to DKK zero.

Financial performance

Danionics recorded a loss of DKK 2.7 million in 2012 before writedowns of the investment in Danionics Asia Ltd. This is consistent with the expectations expressed on 30 November 2012 of a loss of DKK 3 million.

Danionics contributed DKK 0.2 million to Danionics Asia Ltd. in 2012. 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 loan granted by Danionics in 2012 has been written down over the income statement.

Due to the investment write-down, Danionics incurred an overall DKK 2.9 million loss in 2012.

At the end of 2012, equity amounted to DKK 0.2 million. This means that largely the entire equity has been lost. At 31 December 2011, equity was DKK 3.1 million. Changes in equity consists solely of the loss for the year.

At the end of the year, Danionics had cash of DKK 0.8 million, compared with DKK 3.4 million at the end of 2011.

Events after the balance sheet date

No significant events have occurred between the balance sheet date and the publication of the annual report for 2012 that have not been included and disclosed in the annual report and that materially affect the income statement or the balance sheet.

Management's review

Outlook for 2013

The Board of Directors continues the efforts to identify a potential investor to carry on the company under a new name and with a new activity. If the efforts are successful, new capital would have to be contributed to Danionics A/S in a directed issue of shares, and the company would be expected to change its objects.

The intention remains for the company's shareholders, in such event, to be given an opportunity either to sell their shares or keep them, thereby retaining a proportion of their assets.

The Board of Directors believes that a solution involving a new investor needs be found before the annual general meeting is held. If the efforts are unsuccessful, the Board of Directors will have to acknowledge that the company cannot continue as a going concern.

Accordingly, the Board of Directors has submitted a proposal for consideration at the annual general meeting for Danionics A/S to go into liquidation with a view to a final winding up of the remaining activities. In the subsequent event that the company has insufficient assets to cover operations until a final winding up as well as the costs of winding up, the company may become subject to bankruptcy proceedings. A possible liquidation or bankruptcy is not expected to produce proceeds to the shareholders.

Statutory report on 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 limited organisation, Danionics A/S has not adopted actual policies on corporate social responsibility. The company has consistently endeavoured to ensure that the business activities of Danionics Asia Ltd. comply with international standards for corporate social responsibility. Management seeks to promote corporate social responsibility in Danionics Asia Ltd., but due to the limited organisation and resources available, Danionics A/S does not follow up on such matters.

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

➤ **Capitalisation and cash position**

With equity of DKK 0.2 million at 31 December 2012, largely the entire share capital has been lost. Given the prospect of continuing losses, equity will be DKK 0 in the foreseeable future.

The Board of Directors continues the efforts to identify a potential investor to carry on Danionics A/S under a new name and with a new activity. If the efforts are successful, new capital would have to be contributed to Danionics A/S in a directed issue of shares, and the company would be expected to change its objects.

The Board of Directors still intend for the shareholders of Danionics A/S, in such event, to be given an opportunity either to sell their shares or keep them, thereby retaining a proportion of their assets.

The Board of Directors believes that a solution involving a new investor needs be found before the annual general meeting is held. If the efforts are unsuccessful, the Board of Directors will have to acknowledge that the company cannot continue as a going concern.

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➤ **INSURANCE**

The company and the joint venture have product liability insurance cover through GP Batteries' insurance programme for damages caused by defective batteries sold by the company on the Danish market. There is a risk that the insurance may be insufficient, and there can be no assurance that full cover can be achieved. The company has received no claims since the joint venture began operations in 2004.

Members of the Board of Directors and the chief executive officer are covered by directors' and executive liability insurance.

➤ **Key employees**

The members of the Board of Directors and the CEO have key roles in recent years' developments of the company and the restructuring in 2005–2006. They possess extensive knowledge about Danionics and the joint venture and have all established very close relations with the business partner, GP Batteries.

➤ **The joint venture**

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.

However, the company does not have sufficient financial strength to contribute additional capital to the joint venture. Until a solution has been found to the capital situation, the operations are being financed exclusively by GP Batteries, the joint venture partner, who has announced that it does not expect to continue to provide funding.

Risk factors

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 also 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 of companies.

➤ 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 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.

➤ 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 relies on a few suppliers that can provide 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 sharing 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: It will become more difficult to attract and retain key employees 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 insurance and other cover through GP Batteries' insurance programmes, but there is a risk that such insurances may be insufficient and there can be no assurance that full cover can be achieved.

For more information on risks, see note 17 to the financial statements on financial risks, which describes foreign exchange risks, interest rate risks and liquidity risks.

Statutory Corporate Governance Statement

Danionics has the sole function of a holding company. Its chief executive officer and two external consultants are all employed part time. The only business activity is in the joint venture, in which Danionics is represented by two board members. Consequently, no written policies, instructions or actual business procedures have been drawn up for the company. Instead, developments are monitored by the Board of Directors.

Control and risk management systems

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

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

➤ **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 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 assess on an ongoing basis 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 consideration for 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 as and 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, <http://www.danionics.dk/investorrelations/corporategovernance/redegørelse>.

Remuneration of the Board of Directors and the Management Board

Remuneration of the Board of Directors consists of a fixed fee. For 2012, we propose an unchanged fee to the Board of Directors of DKK 540,000, with DKK 180,000 being payable to the Chairman and DKK 120,000 being payable to each of the other members (amounts indicated exclusive of VAT).

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.

In light of the company's capital position, the Board of Directors and the Management Board resolved at the end of 2012 to defer payment of their remuneration until it is clear whether a buyer can be found. Of the total remuneration of DKK 540,000, DKK 208,500 remains unpaid. The amount has been recognised in the financial statements for 2012 as part of the remuneration for the Board of Directors and the Management Board and allocated under other payables in the balance sheet.

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: 144.609 (of which 30,000 were acquired in 2012).

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, Gadmol ApS and Gadplast ApS.

Chairman of the board and board member of a number of subsidiaries of the SP Group. 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, Samson Agro A/S, Samson Group A/S, Selta Viborg A/S, Unik-Funkis A/S, Airmaster A/S, Royal Danish Fish 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, MK 2012 A/S, Holdingselskabet af 21.12.2009 A/S, SEC Scandinavia A/S, TOPO Update A/S, Unik-Funkis Ejendomme A/S, Goppe A/S and Viborg Rørteknik A/S.

Edward Lam. Born in 1969. Board member of Danionics since 2012. Number of shares held in the company: none. Head of Lithium Business Unit, Goldpeak Batteries Ltd.

Board member of Gold Peak Industries (Taiwan) Limited, GWA Energy, Inc, Amita Technologies, Inc, Vectrix International Ltd and Vectrix Holdings Ltd.

The Management Board and positions held

The Management Board consists of Henning O. Jensen, Chief Executive Officer. Number of shares held in the company: 3,388. 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. CEO of HOJE Management ApS and Hydro Blaster Impeller ApS.

Board member of LogiCon-Nordic A/S, TriNova Management II A/S, Ejendomsselskabet Kokbjerg 25 A/S, Hydro Blaster Impeller ApS and B2A s.m.b.a. (Business to Africa).

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 16,894,002, distributed on 16,894,002 shares, each with a nominal value of DKK 1. All shares are listed for trade, freely negotiable and no shares carry special rights.

At the end of February 2013, the company had 6,103 registered shareholders owning a total of 84.5 percent of the share capital. Since end of February 2012, the number of registered shareholders has decreased by about 400. The aggregate ownership interest of the registered shareholders is almost unchanged from last year.

Surplus Enterprise Ltd. of Hong Kong has reported an ownership of 17.34 percent of the share capital and the voting rights in the company. The shares continue to be widely held. Hence, the 20 largest shareholders own 38.2 percent of the share capital and 45.2 percent of the registered capital. The corresponding figures last year were 33.1 per cent and 39.6 per cent.

Members of the Board of Directors and the Management Board own a total of 1.07 percent of the share capital.

The Board of Directors has been authorised to increase the share capital by up to a nominal amount of DKK 1,535 during the period until 28 April 2016.

Share trading and share price performance

The share started the year at a price of DKK 1.61 and ended the year at DKK 0.84.

During the year, 4.6 million shares were traded, compared with 3.3 million in 2011.

Investor Relations policy

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 interest in 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 88 91 98 70.

Proposed resolutions for the annual general meeting

The company's Annual General Meeting will be held on 23 April 2013 at 10.00 a.m at the Danish Centre for Architecture, Strandgade 27B, DK-1401 Copenhagen K, Denmark.

The Board of Directors recommends to the Annual General Meeting that no dividend be declared in respect of the 2012 financial year.

Shareholder information

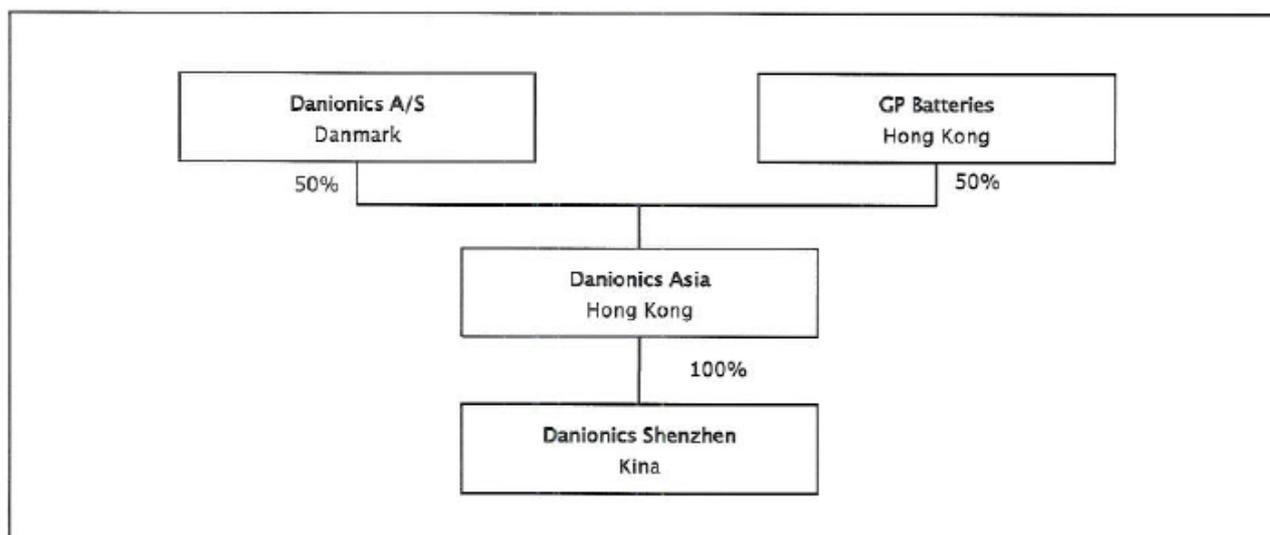
Financial calendar for 2013

27 March 2013	Annual Report 2012
23 April 2013	Annual General Meeting 2013
23 April 2013	Quarterly Report 1 st Quarter 2013
27 August 2013	Interim Report 1 st Half 2013
29 November 2013	Quarterly Report 3 rd Quarter 2013

Stock exchange announcements 2012

No. 1/2012	10 February 2012	Changed financial calendar 2012
No. 2/2012	27 February 2012	Changed financial calendar 2012
No. 3/2012	27 February 2012	Annual report 2011
No. 4/2012	27 February 2012	Notice convening the Annual General Meeting of Danionics A/S
No. 5/2012	20 March 2012	Proceedings at the Annual General Meeting 2012
No. 6/2012	23 April 2012	Interim report for 1 st Quarter 2012
No. 7/2012	28 August 2012	Interim report for 1 st Half 2012
No. 8/2012	30 November 2012	Interim report for 3 rd Quarter 2012
No. 9/2012	20 December 2012	Financial Calendar 2013

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 leads to customer orders from the Danish market is invoiced by Danionics A/S.

Revenue

Revenue amounted to DKK 0.5 million in 2012, consisting of battery sales to Danish customers. In 2011, revenue amounted to DKK 1.7 million.

Production costs

Production costs, amounting to DKK 0.5 million, follow developments in revenue and consisted of the cost of goods relating to batteries sold.

Administrative expenses

Administrative expenses comprise general administrative expenses, remuneration to the Board of Directors, including expenses related to the company's 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 2.7 million in 2012 as compared with DKK 2.8 million in 2011.

Operating profit/loss

The company incurred an operating loss for the year of DKK 2.7 million, which was unchanged from 2011.

Writedown of investment in joint venture

The writedown for the year equals the amount which Danionics contributed to Danionics Asia in 2012. The capital contribution totalled DKK 0.2 million in 2012 as compared with DKK 0.3 million in 2011. The investment in the joint venture is recognised at DKK 0 million after being tested for impairment and, among other things, due to a lack of orders to the joint venture.

Financial income and expense

Financial income amounted to DKK 0 million compared with DKK 0.1 million in 2011. Financial income comprises interest income from the company's cash holdings placed in term deposits and net exchange adjustments. Financial expense was DKK 0 million, which was unchanged from 2011.

Tax on profit for the year

Tax on the profit for the year was DKK 0. The company's tax asset is calculated at approximately DKK 126 million, compared with DKK 125 million in 2011. The tax asset has not been recognised in the balance sheet.

Net loss

Danionics reported a loss of DKK 2.9 million for 2012 after recognition of a DKK 0.2 million write-down of the investment in Danionics Asia Ltd. The loss is consistent with the guidance provided of a loss of approximately DKK 3 million before recognition of the share of the profit or loss in Danionics Asia Ltd.

Financial review

CASH FLOW STATEMENT AND CAPITAL RESOURCES

Cash flows

Cash flows from operating activities were an outflow of DKK 2.4 million in 2012 (2011: outflow of DKK 3.0 million). Cash flows from investing activities were an outflow of DKK 0.2 million (2011: outflow of DKK 0.3 million). For both years, the outflow related to loan capital provided to the joint venture.

Cash flows from financing activities amounted to DKK 0 million (2011: DKK 4.1 million relating to the directed issue).

Cash was reduced by a total of DKK 2.6 million in 2012, compared with an increase of DKK 0.8 million in 2011. At 31 December 2012, cash stood at DKK 0.8 million against DKK 3.4 million as at 31 December 2011.

Balance sheet items

Total assets amounted to DKK 0.9 million at 31 December 2012 against DKK 3.6 million at year-end 2011. The assets consist of the value of the cash holdings of DKK 0.8 million and receivables of DKK 0.1 million.

Liabilities and equity consist of equity of DKK 0.2 million and liabilities for a total of DKK 0.6 million.

The company has no interest-bearing debt.

Capital resources and outlook for 2013

With equity of DKK 0.2 million at 31 December 2012, largely the entire share capital has been lost. Given the prospect of continuing losses, equity will be DKK 0 in the foreseeable future.

The Board of Directors continues the efforts to identify a potential investor to carry on Danionics A/S under a new name and with a new activity. If the efforts are successful, new capital would have to be contributed to Danionics A/S in a directed issue of shares, and the company would be expected to change its objects.

The Board of Directors still intend for the shareholders of Danionics A/S, in such event, to be given an opportunity either to sell their shares or keep them, thereby retaining a proportion of their assets.

The Board of Directors believes that a solution involving a new investor needs be found before the annual general meeting is held. If the efforts are unsuccessful, the Board of Directors will have to acknowledge that the company cannot continue as a going concern.

Accordingly, the Board of Directors has submitted a proposal for consideration at the annual general meeting for Danionics A/S to go into liquidation with a view to a final winding up of the remaining activities. In the subsequent event that the company has insufficient assets to cover operations until a final winding up as well as the costs of winding up, the company may become subject to bankruptcy proceedings. A possible liquidation or bankruptcy is not expected to produce proceeds to the shareholders.

Statement by Management and the Board of Directors

The Management and the Board of Directors have today discussed and approved the annual report of Danionics A/S for the financial year 1 January – 31 December 2012.

The annual report has been prepared in accordance with the International Financial Reporting Standards as approved by the EU and Danish disclosure requirements applying to listed companies.

It is our opinion that the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2012 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2012.

In our opinion, the management's review includes a fair account of the development and performance of the company, the results for the year and of the financial position of the company, together with a description of the principal risks and uncertainties that the company faces.

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

Copenhagen, 27 March 2013

Management Board

Henning O. Jensen
Managing Director

Board of Directors

Karsten Borch
(Chairman)

Frank Gad

Henrik Ottosen

Edward Lam

Independent auditors' reports

To the shareholders of Danionics A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Danionics A/S for the financial year 1 January – 31 December 2012. The financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 of financial statements that give a true and fair view 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 opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2012 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Independent auditors' report

Emphasis of matter regarding matters in the financial statements

Without qualifying our opinion, we draw your attention to note 2 to the financial statements on "Significant accounting estimates and judgements" in which Management has outlined the Company's capital resources and expectations and stated that Management continues to consider certain possibilities for obtaining additional financing through a sale of the Company's stock exchange shell. Management has stated that it is uncertain whether such a solution is possible. If the efforts are unsuccessful, Management intends for the Company to go into solvent liquidation. It also appears that the costs of a possible liquidation will be provided for in the financial statements if and when the decision on liquidation is made. According to the Management, the assets of the Company are expected to cover the liquidation, but in the subsequent event that the Company has insufficient means to cover its operations during the period until it is finally wound up as well as to cover the costs of winding up, the Company may become subject to bankruptcy proceedings. According to the Management, a possible liquidation or bankruptcy in the course of 2013 is not expected to produce proceeds to the shareholders.

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 further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 27 March 2013

KPMG

Statsautoriseret Revisionspartnerselskab

Finn L. Meyer
State Authorised
Public Accountant

Per Ejning Olsen
State Authorised
Public Accountant

Income statement for the year ended 31 December

Note		2012 DKK'000	2011 DKK'000
3	Revenue	499	1.678
	Production costs	-475	-1.600
	Gross profit/(loss)	24	78
4,5	Administrative expenses	-2,738	-2,765
	Operating profit/(loss)	-2,714	-2,687
6	Writedown of investment in joint venture	-213	-337
7	Financial income	11	50
7	Financial expense	-7	-5
	Profit/(loss) before tax	-2,923	-2,979
8	Tax on profit/(loss) for the year	0	0
	Profit/(loss) for the year	-2,923	-2,979
	Earnings per share		
17	Earnings per share (EPS)	-0,18	-0,18
17	Diluted earnings per share (EPS-D)	-0,18	-0,18
	Proposed profit appropriation/distribution of loss		
	Retained earnings (loss)	-2,923	-2,979
	Total	-2,923	-2,979

Statement of comprehensive income

Statement of comprehensive income:			
	Net profit/(loss) for the year	-2,923	-2,979
	Other comprehensive income after tax	0	0
	Total comprehensive income	-2,923	-2,979

Balance sheet at 31 December – Assets

Note		2012 DKK'000	2011 DKK'000
	Non-current assets:		
	<i>Other non-current assets:</i>		
6	Investments in joint venture	0	0
6	Loan capital, joint venture	0	0
	Other non-current assets	0	0
	Total non-current assets	0	0
	<i>Current assets:</i>		
	Other receivables	8	66
	Accruals	25	76
10	Cash	831	3,432
	Total current assets	864	3,574
	TOTAL ASSETS	864	3,574

Balance sheet at 31 December – Equity and liabilities

Note		2012 DKK'000	2011 DKK'000
	Equity:		
9	Share capital	16,894	16,894
	Retained earnings	-16,673	-13,750
	Total equity	221	3,144
	Liabilities other than provisions:		
	<i>Short-term liabilities other than provisions</i>		
	Trade payables	80	198
	Payable to joint venture	187	0
	Other payables	376	232
	Total short-term liabilities other than provisions	643	430
	Total liabilities other than provisions	643	430
	TOTAL EQUITY AND LIABILITIES	864	3,574

- 1 Accounting policies
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- 19 New financial reporting regulations

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Share premium account	Total
Equity				
1 January 2011	15,360	-13,371	0	1,989
Profit/loss for the year	0	-2,979	0	-2,979
Other comprehensive income	0	0	0	0
Transactions with capital owners				0
Capital increase, directed issue	1,534	0	2,839	4,373
Expenses related to directed issue	0	0	-239	-239
Transfer between reserves	0	2,600	-2,600	-239
Equity 31 December 2011	16,894	-13,750	0	3,144
Equity				
1 January 2012	16,894	-13,750	0	3,144
Profit/loss for the year	0	-2,923	0	-2,923
Other comprehensive income	0	0	0	0
Equity 31 December 2012	16,894	-16,673	0	221

Cash flow statement

Note	2012 DKK'000	2011 DKK'000	
	Profit/(loss) before financial items and tax	-2,714	-2,687
11	Change in working capital	322	-360
	Cash flows to operating activities before financial items	-2,392	-3,047
12	Financial receipts and disbursements, net	4	45
	Cash flows used for operating activities	-2,388	-3,002
	Net investments, joint venture	-213	-337
	Cash flows used for investing activities	-213	-337
	Capital increase , offering new shares	0	4,134
	Cash flows used for financing activities	0	4,134
	Change in cash	-2,601	795
	Cash at 1 January	3,432	2,637
	Cash at 31 December	831	3,432

Notes to the financial statements

1. Accounting policies

The Annual Report 2012 for Danionics A/S is presented in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and Danish disclosure requirements applying to 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.

No changes in accounting policies have been implemented during 2012.

Implementation of new accounting standards

Effective 1 January 2012, Danionics A/S implemented the following:

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

None of the new standards and interpretations have affected recognition and measurement in 2012 or earnings and diluted earnings per share.

Basis of preparation

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

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 the joint venture

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

Notes to the financial statements

1. Accounting policies (continued)

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

Investments in joint venture

Investments in the joint venture are 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.

Liabilities

Financial liabilities are measured at amortised cost. Other payables are measured at net realisable value.

Notes to the financial statements

1. Accounting policies (continued)

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.

Notes to the financial statements

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 2012" issued by the Danish Society of Financial Analysts and as defined below.

EBITDA margin (%)	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
EBIT margin (%)	$\frac{\text{EBIT} \times 100}{\text{Revenue}}$
Equity ratio (%)	$\frac{\text{Equity at year end} \times 100}{\text{Equity and liabilities}}$
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Earnings per share (EPS) (in DKK)	$\frac{\text{Profit/loss for the year}}{\text{Average number of outstanding shares}}$
Diluted earnings per share (EPS) (in DKK)	$\frac{\text{Diluted profit/loss}}{\text{Diluted average number of outstanding shares}}$
Net asset value per share (in DKK)	$\frac{\text{Shareholders' equity at year end}}{\text{Number of shares at year end}}$

Notes to the financial statements

2. Critical accounting estimates and assessments

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 financial statements for 2012, 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.

Capitalisation and cash position

With equity of DKK 0.2 million at 31 December 2012, largely the entire share capital has been lost. Given the prospect of continuing losses, equity will be DKK 0 in the foreseeable future.

The Board of Directors continues the efforts to identify a potential investor to carry on Danionics A/S under a new name and with a new activity. If the efforts are successful, new capital would have to be contributed to Danionics A/S in a directed issue of shares, and the company would be expected to change its objects.

The Board of Directors still intend for the shareholders of Danionics A/S, in such event, to be given an opportunity either to sell their shares or keep them, thereby retaining a proportion of their assets.

The Board of Directors believes that a solution involving a new investor needs be found before the annual general meeting is held. If the efforts are unsuccessful, the Board of Directors will have to acknowledge that the company cannot continue as a going concern.

Accordingly, the Board of Directors has submitted a proposal for consideration at the annual general meeting for Danionics A/S to go into liquidation with a view to a final winding up of the remaining activities. In the subsequent event that the company has insufficient assets to cover operations until a final winding up as well as the costs of winding up, the company may become subject to bankruptcy proceedings. A possible liquidation or bankruptcy is not expected to produce proceeds to the shareholders.

Costs associated with a potential liquidation and/or bankruptcy will be recognised and provided for in the financial statements if and when a decision to that effect is made.

Other matters

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.

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

3. Segment information

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 production 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.

Notes to the financial statements

	2012	2011
	DKK'000	DKK'000
4. Employees, etc.		
Board of Directors		
Remuneration	540	540
VAT	54	54
	594	594
Management Board		
Remuneration	172	183
VAT	39	41
Total	211	224
Total staff costs	805	818
Average number of employees	1	1
Breakdown of staff costs		
Administrative expenses	805	818
Total	805	818
5. Fees paid to auditors appointed by the Annual General Meeting		
<i>Audit:</i>		
KPMG (including VAT)	240	181
Total	240	181
<i>Which is specified as follows:</i>		
Statutory audit	119	119
Other assurance engagements	0	16
Tax- and VAT advisory	64	26
Other services	57	20
Total	240	181

Notes to the financial statements

	Invest- ments in joint venture	Loan capital, joint venture
6. Non-current assets		
Cost at 1 January 2011	99,611	5,694
Additions	0	337
Cost at 31 December 2011	99,611	6,031
Value adjustments at 1 January 2011	-99,611	-5,694
Writedown	0	-337
Profit/loss for the year	0	0
Value adjustments at 31 December 2011	-99,611	-6,031
Carrying amount at 31 December 2011	0	0
	Invest- ments in joint venture	Loan capital, joint venture
Cost at 1 January 2012	99,611	6,031
Additions	0	213
Cost at 31 December 2012	99,611	6,244
Value adjustments at 1 January 2012	-99,611	-6,031
Writedown	0	-213
Profit/loss for the year	0	0
Value adjustments at 31 December 2012	-99,611	-6,244
Carrying amount at 31 December 2012	0	0

Notes to the financial statements

6. Non-current assets, continued

2012	Registered office	Equity interest	Share capital ¹⁾	Equity DKK '000 ¹⁾	Profit/loss for the year DKK '000 ¹⁾	Total assets DKK '000 ¹⁾
			THKD			
<i>Investment in joint venture:</i>						
Danionics Asia Ltd.	Hong Kong	50%	137,829	-18,610	-5,644	12,196

2011	Registered office	Equity interest	Share capital ¹⁾	Equity DKK '000 ¹⁾	Profit/loss for the year DKK '000 ¹⁾	Total assets DKK '000 ¹⁾
			THKD			
<i>Investment in joint venture:</i>						
Danionics Asia Ltd.	Hong Kong	50%	137,829	8,125	-7,440	18,835

¹⁾ Danionics A/S' share

The financial information about Danionics Asia Ltd. is based on an unaudited set of interim financial statements at 31 December 2012. Excerpt from the interim financial statements:

	2012 DKK'000	2011 DKK'000
Revenue	23,936	14,004
EBITDA	-7,436	-3,346
Non-current assets	3,740	28,438
Current assets	20,652	9,232
Current liabilities	52,666	36,300

7. Financial income and expense

Financial income:		
Interest income	11	30
Foreign exchange adjustment, payables group enterprise	0	20
Total	11	50
Financial expense:		
Other financial expenses	-7	-5
Total	-7	-5

Notes to the financial statements

	2012	2011
	DKK'000	DKK'000
8. 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
<i>Tax on the profit/(loss) for the year is derived as follows:</i>		
Calculated tax on pre-tax profit (expense)	-731	-745
<i>Tax effect of:</i>		
Write down of investment in associate	53	84
Adjustments regarding sale of property / Non-deductible costs	0	-13
Calculated tax for the year (expense)	-678	-674
Value adjustment of tax asset	678	674
Tax for the year	0	0
Deferred tax (asset)		
<i>Deferred tax is the difference between the carrying amounts and the amounts used for taxation purposes of the following items:</i>		
Non-current assets	-6,244	-6,031
<i>Tax loss carry-forwards:</i>		
At 1 January	-493,569	-490,874
Tax loss for the year	-2,708	-2,695
Basis for calculation	-502,521	-499,600
Calculated deferred tax, 25% (tax asset)	-125,630	-124,900
Value adjustment of tax asset	125,630	124,900
Carrying amount of deferred tax (asset)	0	0

The company has no deferred tax. At 31 December 2012, the company had a calculated deferred tax asset in the order of DKK 126 million (2011: DKK 125 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 2012 can be carried forward indefinitely.

Notes to the financial statements

9. Equity

	2012	2011	2010	2009	2008
Share capital					
Balance at 1 January	16,894	15,360	13,965	13,965	13,946
Exercise of warrants	0	0	0	0	19
Directed issue	0	1,534	1,395	0	0
Balance at 31 December	16,894	16,894	15,360	13,965	13,965

The share capital consists of 16,894,002 shares of DKK 1 nominal value.

Capital management

The company regularly reviews the capital structure. Equity as a percentage of the balance sheet total at the end of 2012 was 26 per cent (2011: 91 per cent).

The company has lost largely the entire share capital and is therefore, as mentioned in the management's report on pages 5–7, comprised by the rules on capital loss of the Danish Companies Act.

10. Cash holdings

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

	2012	2011
	DKK'000	DKK'000
11. Change in working capital		
Change in other receivables	109	-100
Change in trade payables	-118	48
Change in payables to joint venture	187	0
Change in other payables	144	-308
Total	322	-360

12. Financial receipts and disbursements, net

Financial income, cf. note 7	11	50
Financial expense, cf. note 7	-7	-5
Total	4	45

13. 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".

No pledges, security or contingent liabilities are incumbent on the company in respect of the joint venture.

Notes to the financial statements

14. Related parties

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

- C&I International GmbH Supplier
- Frank Gad ApS Supplier
- Advokatfirmaet Dahl Supplier

The following transactions have been made with related parties:

- 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.

The company's payables to related parties amounted to DKK 209 thousand at 31 December 2012.

15. Joint Venture

The company's Joint Venture is Danionics Asia Ltd., Hong Kong. The following transactions have taken place:

- Transactions comprised the contribution of shareholder loans of a total of DKK 0.2 million and the purchase of batteries in the amount of DKK 0.5 million.

The company's payables to Danionics Asia Ltd. amounted to DKK 187 thousand at 31 December 2012.

16. Outstanding warrants

The company has no 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.

17. 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 2011 there have been no 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.

Notes to the financial statements

17. Financial risks, continued

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.

	2012		2011	
	DKK'000		DKK'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Other receivables	8	8	66	66
Cash	831	831	3,432	3,432

A receivable of DKK 8 thousand is overdue at 31 December 2012, but it has not been written down as no impairment is deemed to exist.

Liquidity risk and risk of liquidation and/or bankruptcy

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. See above

As described in note 2, there is a significant risk that the company will not have sufficient means to cover its operations in 2013 and, by extension, there is a material risk that the company will enter into liquidation and/or bankruptcy proceedings in 2013.

	2012	2011
	DKK'000	DKK'000
18. Earnings per share		
Profit/loss for the year	-2,923	-2,979
Average number of shares	16,263,418	16,263,418
Average dilutive effect of outstanding warrants (no. of warrants)	0	0
Diluted average number of outstanding shares	16,263,418	16,263,418
Earnings per share (EPS)	-0,18	-0,18
Diluted earnings per share (EPS-D)	-0,18	-0,18

Notes to the financial statements

19. New financial reporting regulations

IASB has issued the following financial reporting standards (IAS and IFRS) and interpretations (IFRIC), which are not mandatory for Danionics A/S in the preparation of the annual report for 2012: IFRIC 20, IFRS 9–13, Amendments to IFRS 1 and 7, Amendments to IAS 1, 19, 27, 28 og 32 and Improvements to IFRSs (2009–2011).

The approved standards and interpretations that have not yet come into force will be implemented as they become mandatory for Danionics A/S. The new standards and interpretations are expected to have a minor effect on the financial reporting of Danionics A/S as described below:

IFRS 9 changes the classification and measurement of financial assets and liabilities (existing IAS 39). Going forward the main categories for the measurement of financial assets will be amortised cost and fair value through either profit or loss or other comprehensive income. The existing categories are fair value through profit or loss, available-for-sale, held-to-maturity and loans and receivables. For financial liabilities the regulations are changed to the effect that changes in own credit risk will no longer affect the income statement but will only be recognised in other comprehensive income. Danionics does not expect that the standard will have any impact on the company. The standard is expected to come into force for financial years starting on or after 1 January 2015.

IFRS 10 changes the principles for consolidation of an entity. Under IFRS 10, an investor must consolidate another entity when it has de facto control over it, even if it does not control a majority of the shares or votes. Furthermore, potential voting rights and conversion features must be considered. Coupled with other rights, this could result in a requirement for consolidation before those rights are exercisable. Danionics does not expect that the standard will have any impact on the company. The effective date in the EU remains to be established but is presumed to be for the financial year starting on 1 January 2014.

IFRS 11 concerning joint ventures and similar arrangements replaces IAS 31 Joint Ventures. Going forward, a company is not free to select between proportionate consolidation and the equity method for joint arrangements. IFRS 11 divides joint arrangements into joint ventures (equity method) and joint operations (proportionate recognition) based on formal matters as well as substantive matters. Danionics expects that the standard will have only a minor impact on the company. The effective date in the EU remains to be established but is presumed to be for the financial year starting on 1 January 2014.

IFRS 12 contains disclosure requirements for consolidated and unconsolidated entities, joint ventures and associates. The objective is to provide information that enables users of financial statements to evaluate the basis of control, risks associated with interests in unconsolidated entities, any restrictions concerning consolidated assets and liabilities, and the involvement of non-controlling interests in the activities of the group. The standard will only affect disclosure requirements in Danionics A/S. The effective date in the EU remains to be established but is presumed to be for the financial year starting on 1 January 2014.

IFRS 13 replaces the fair value measurement guidance currently included in individual IFRSs with a single definition of fair value and a comprehensive guidance on its application. In addition, disclosure requirements are added on how to calculate fair values. The standard will only affect disclosure requirements in Danionics A/S. The standard is effective for financial years starting on or after 1 January 2013.