

# DANEN TECHNOLOGY CORP.

## Investors Conference

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 **Danen**

# Safe Harbor Notice

Except for statements in respect of historical matters, the statements in this presentation are “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual performance, financial condition or results of operations of Danen Technology Corporation. (Danen) to be materially different from any future such matters implied by such forward-looking statements. Investors are cautioned that actual events and results could differ materially from these statements as a result of a variety of factors, including conditions in the overall market and economy, acceptance and demand for products, and technological and development risks.

The financial statements included were prepared and published in accordance with ROC GAAP.

The financial forecasts and forward-looking statements in this release reflect the current belief of Danen as of the date of this release and Danen undertakes no obligation to update these forecasts and forward-looking statements for events or circumstances that occur subsequent to such date.

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# Business Overview



# 2010 Sales Summary

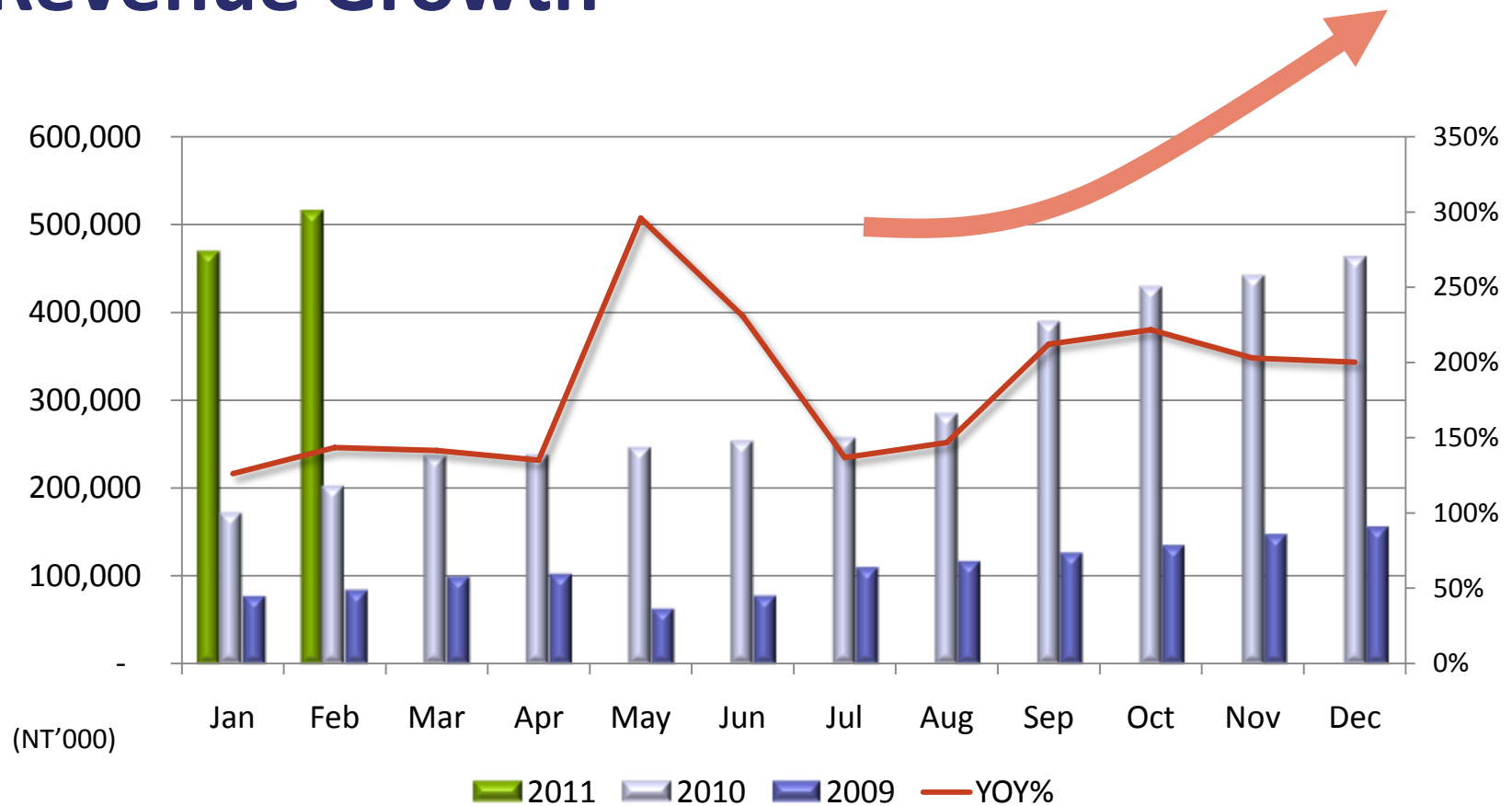
## Operational Aspect

- ✓ The demand/supply gap of solar wafer capacity and solar cell capacity of 2010, driving the sales revenue growth positively quarter by quarter through the whole year.
- ✓ Strong demand from customers, no pressure for price reduction, profitability maintained high level the whole year.
- ✓ The expansion has been accelerated for fulfilling the customers' demand. Wafer plant II was completed for production ramp in 2H, 2010. New capacity has been fully utilized in Q3 2010, which reflected in the shipments and revenue growth.

## Financial Aspect

- ✓ Net sales of NT\$3,607 million, 182% higher than previous year
- ✓ Gross margin, 21%, up 22 p.p. year-on-year
- ✓ Operating profit, NT\$554 million, representing an operating profit margin of 15%, a 24 p.p. improvement over the -9% in the previous year.
- ✓ EPS after tax, NT\$3.16 for the full year, largely increased from NT\$-0.97 of previous year

# Revenue Growth



- Full utilization rate of production capacity since July 2009.
- Revenue of 2010 grew by 182% compared to previous year.
- Sales of February 2011 grew 154% YOY, strong growth with 20<sup>th</sup> month consecutive record high.

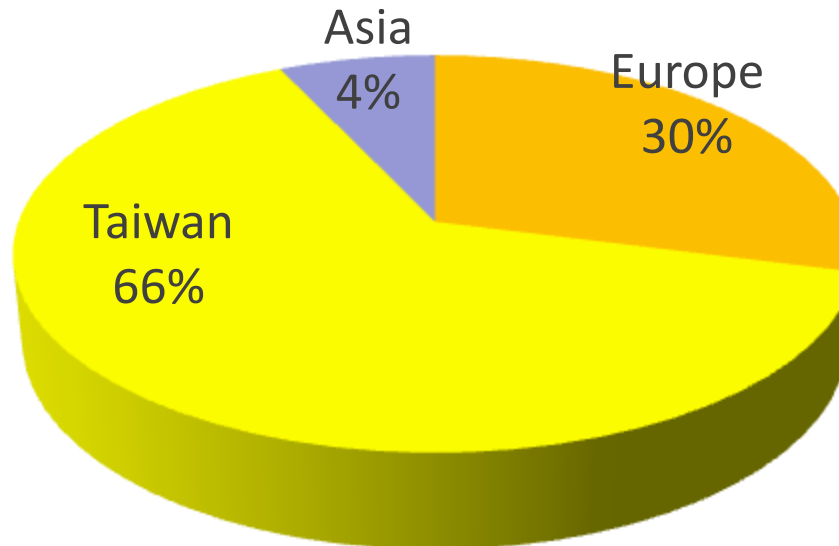
# Danen Sales Breakdown

- Expanding domestic and overseas customers aggressively, focus on high-end market, work with tier 1 cell manufacturers only.



## ➤ 2010

- NSP
- E-ton
- Solartech
- Taienergy
- Motech
- Topcell
- Unitech
- Bigsun



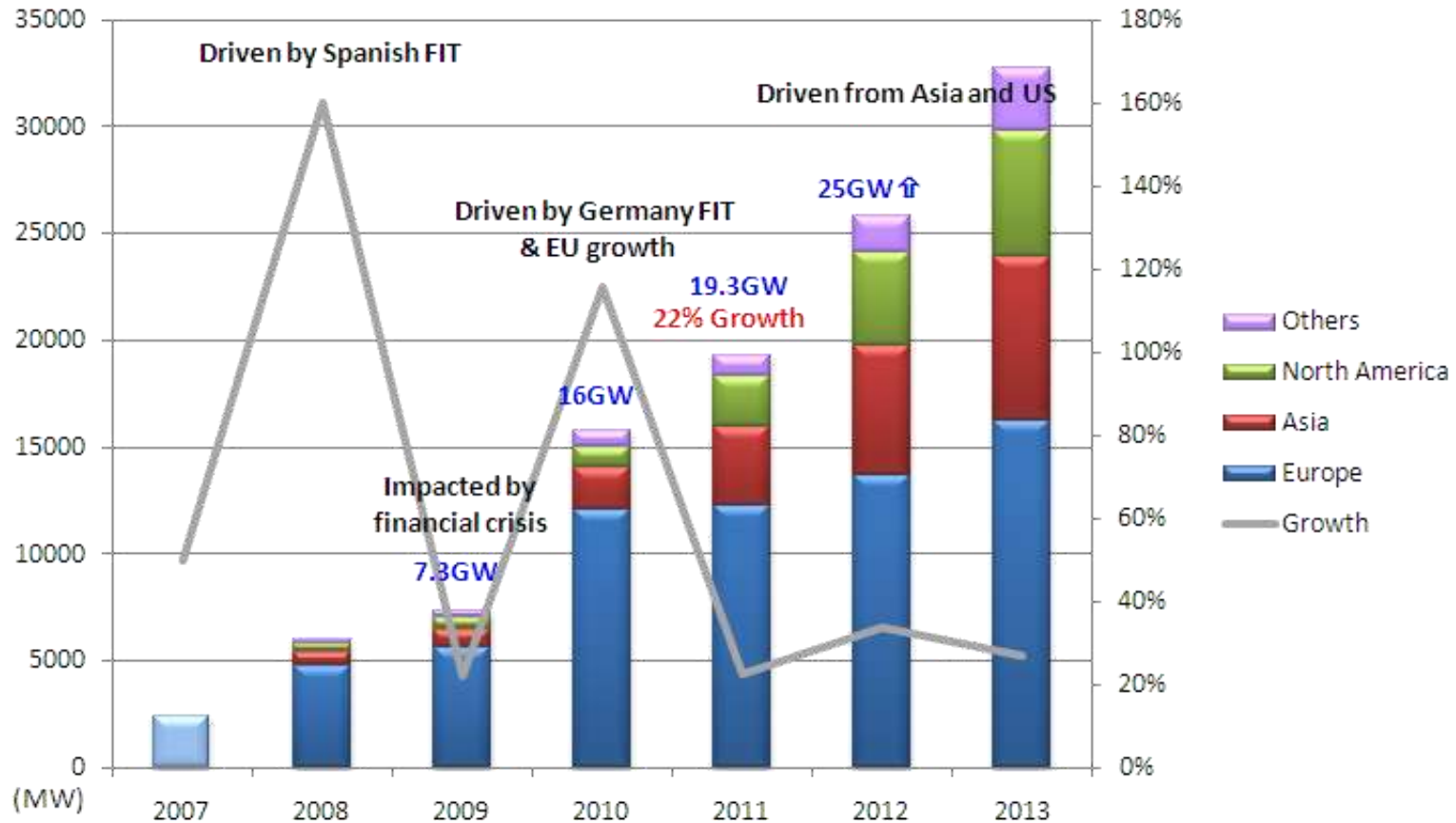
- Conergy (Germany)
- Samsung /HHI (Korea)
- Millinet (Korea)
- Euromultivision (India)

# Solar Industry Update





# Global Demand Forecast

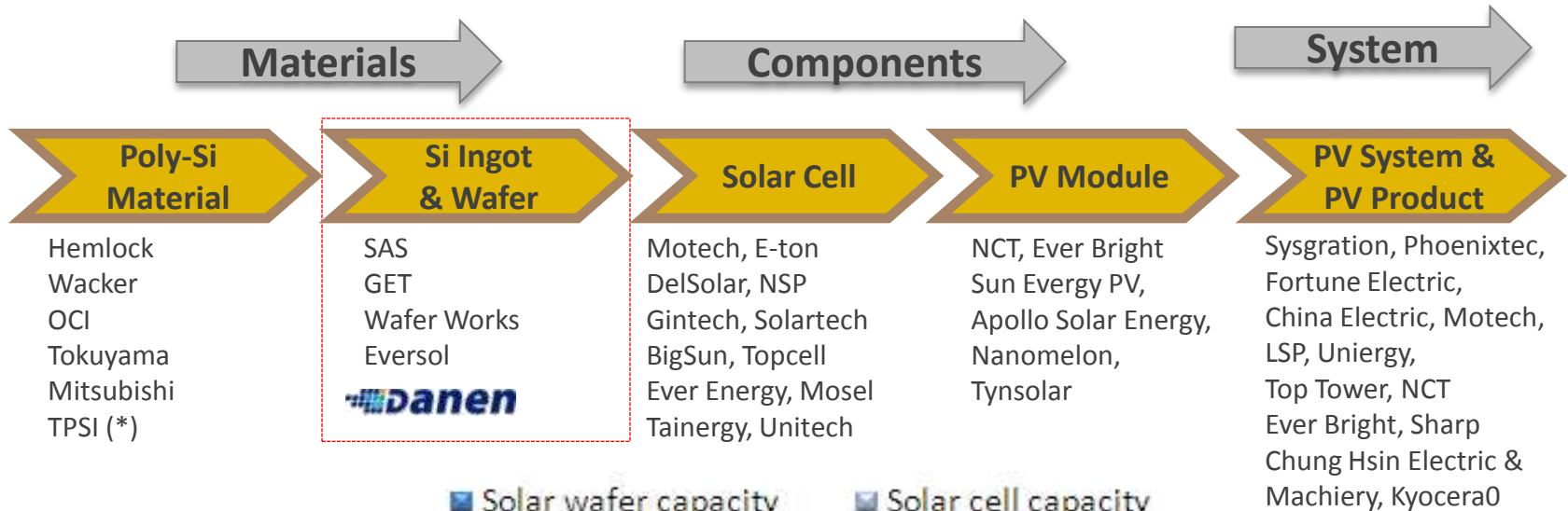


Data Source: PIDA (Feb. 2011) ; Danen

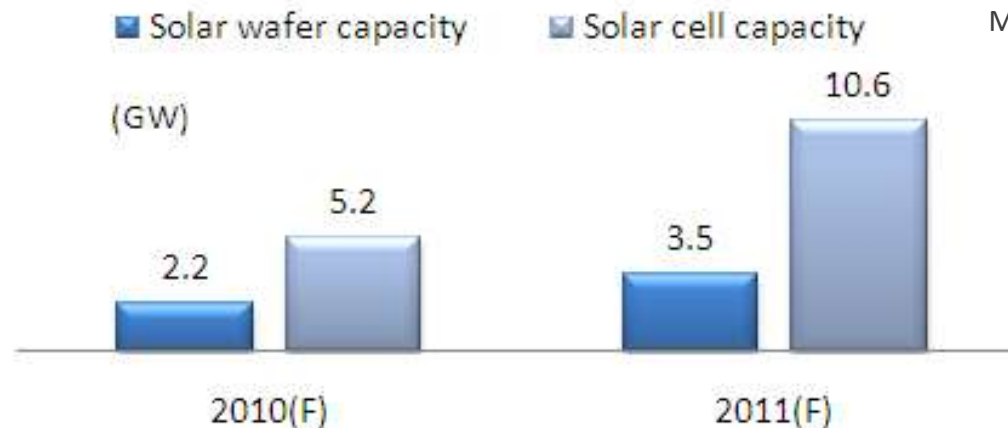
- Global demand will be able to reach 19-20GW in 2011 and hopefully achieve 25GW in 2012 continuously.

# Taiwan Solar PV Market Update

## Taiwan Solar PV Supply Chain



\*TPSI is the first poly-si maker in Taiwan.



\*Taiwan solar wafer supply-demand gap will be increased in 2011.

# Updates for Solar Subsidies by Country

Country	Policy	Impact
Germany	Maximum 15% FIT cut will be applied by July 2011, and the cut ratio will depend on the volume of installation during Mar.~May 2011.	↘
Italy	Starting a new FIT scheme by June 1, 2011, and this scheme should be notified by the Government by end of April 2011	↘
Spain	Still plan to cut FIT this year.	↘
France	New FIT (20%) cut effected from Mar. 2011.	↘
JAPAN	New FIT starting from Apr. 2011, which provides ¥ 42/KWh subsidy for residential system under 10KW and ¥ 40 /KWh(raising from ¥ 24 /KWh) for system within 10-500KW.	↗
US	US Federal State continuously provide tax deduction of solar system investment till the end of this year. To provide US1.82 billions Preferential loan to solar plant establishment.	↗
China	Golden sun demonstration project, Power plant special permission tender, Surfer electricity price subsidy, local authority special fund, etc.	↗
Others	Positively promote new policy to stimulate market growth.	↗

# Solar Industry Overall

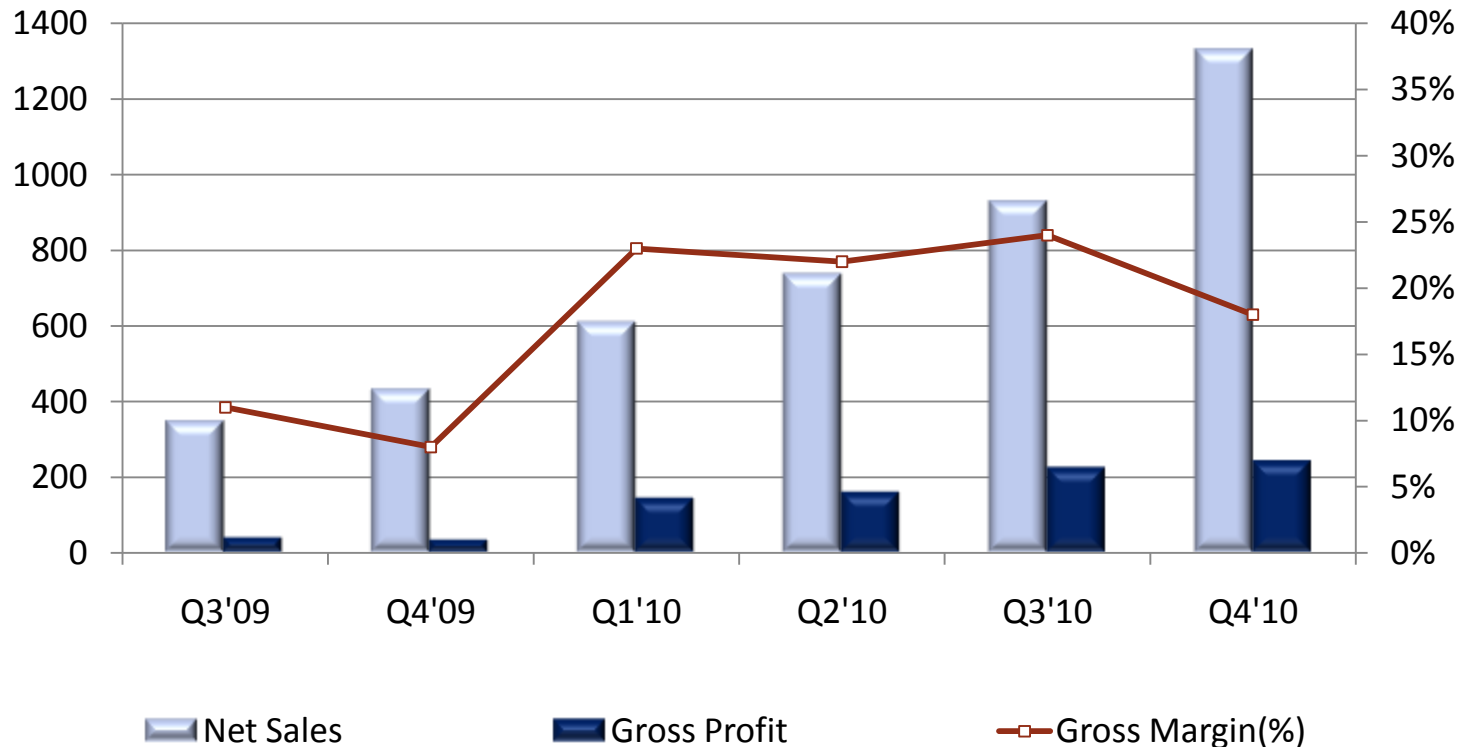
- **Poly silicon & Multi wafers**
  - The supply of high-quality wafer is unable to meet the demand of cell capacity expansion.
  - The upstream of the supply chain has better profitability under tight supply situation.
  - Spot poly-Si price is around US\$70-80/kg;  
Spot multi wafer price is US\$0.90/ watt.
- **Solar cells**
  - Capacity expansion is far more than wafers, thus higher risk on capacity utilization rate.
  - Under tight supply of poly-Si materials, cost control ability is critical.
  - Spot solar cell price is about US\$1.15- US1.30/ watt.
- **Solar modules and systems**
  - Being directly affected by demand from end market, government policy matter.
  - Great pressure from market price reduction, but not able to ask the upstream for sharing cost reduction in short term.
  - Spot solar module price is about US\$1.60- US1.70/ watt.

# Financial Performance



# Financial Performance of 2010

(NT\$ million)



- Net sales of NT\$1,330 million in Q4'10, up 43% from Q3'10.
- Q4'10 Gross margin was down from Q3'10, mainly impacted by price hike of poly-Si material.

# Income Statement

TWD in millions	Q4'10	Q3'10	Q4'09	QoQ	YoY
Revenue	1,330	929	432	43%	208%
Gross margin	18%	24%	8%	-5%	11%
Operating Expenses	(59)	(53)	(29)	11%	103%
Operating Income	184	166	4	11%	4500%
Operating Margin	14%	18%	1%	-4%	13%
Net Operating Incom	149	128	18	16%	728%
Net Margin	11%	14%	4%	-3%	7%
EBITDA	260	208	31	25%	739%
EBIT	184	160	6	15%	2967%
EPS(NTD)	0.98	0.87	0.17	13%	476%

- EPS for the the whole year of 2010 was NT\$3.16.
- Reduction in net margin was due to price hike of poly-Si material.

# Balance Sheet

TWD in millions	Q4'10	Q3'10	Q4'09
Cash and Cash Equivalents	1,235	1,137	195
Accounts Receivable	231	209	67
Inventories	327	277	125
Net Fixed Assets	3,377	2,720	1,243
Short-term Loans	383	141	172
Long-term Bank Loans	1,005	564	326
Total Liabilities	2,334	1,611	630
Shareholders' equity	3,136	2,987	1,389
<b>Total Assets</b>	<b>5,470</b>	<b>4,598</b>	<b>2,018</b>

- Inventory grew at Q4 was in anticipation of strong demand in the next quarter.



# Cash Flow

TWD in millions	Q4'10	Q3'10	Q4'09
Cash Flow from Operating Activities	323	133	67
Net Income	149	128	18
Depreciation & Amortization	76	49	26
Change in Working Capital	98	(44)	23
Cash Flow from Investing Activities	(906)	(472)	(310)
Capital Expenditure	(828)	(498)	(131)
Others	(79)	26	(179)
Cash Flow from financing Activities	682	777	156
Bank Loans	682	(66)	14
Cash from right issue	0	840	142
Others	0	3	
Net Cash Flow	99	438	(87)
Beginning Cash Balance	1,137	699	282
Ending Cash Balance	1,235	1,137	195

# Financial Ratio

	4Q10	3Q10	4Q09
Gross Margin*	18%	24%	8%
Net Profit Margin*	11%	14%	4%
Return on Assets	13%	10%	-4%
Return on Equity	21%	15%	-9%
Liability to Asset Ratio	43%	35%	31%
Current Ratio	156%	172%	220%
Quick Ratio	123%	135%	156%
AR Turnover Ratio(x)	24	22	38
AR Turnover Days	15	17	10
Inventory Turnover Ratio(x)	13	12	8
Inventory Turnover Days	29	31	44

\*Data based on quarterly profit & loss accounts

# Expansion Plan & Outlook



# Current Production Facilities



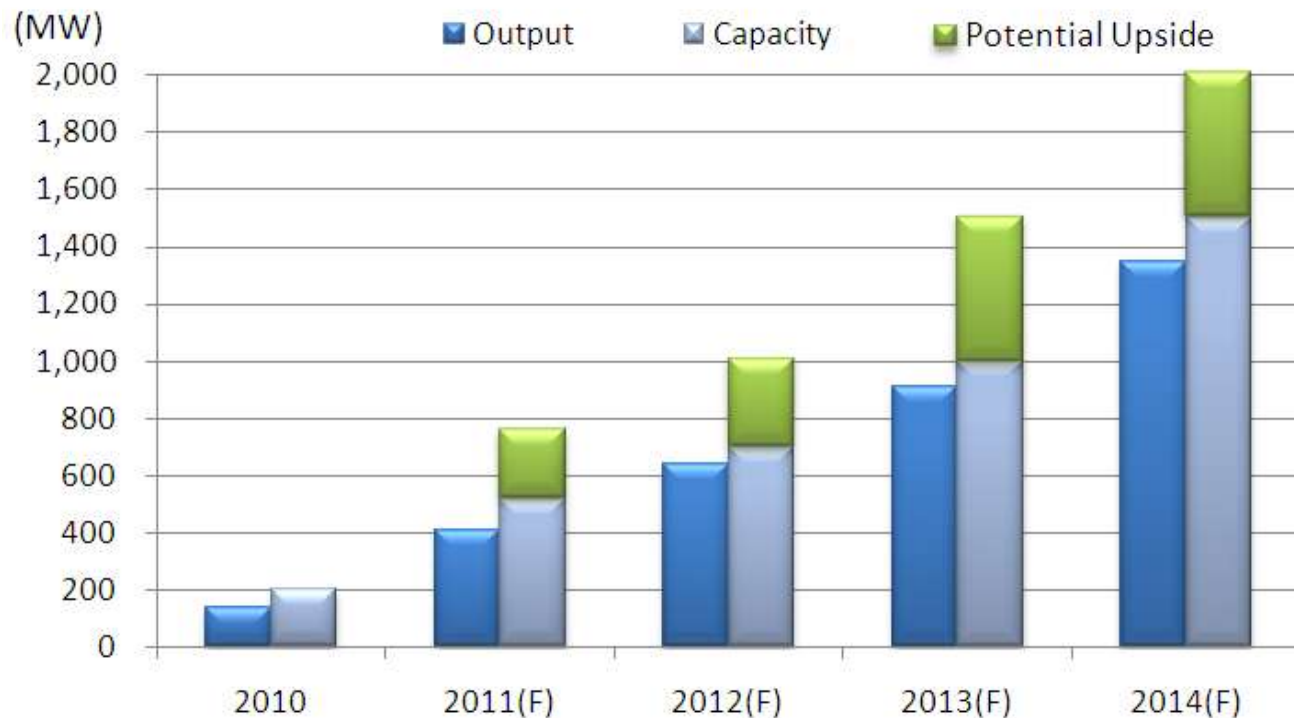
- Wafer Plant I and II (up to 320MW) can be fully loaded for production through the whole 2011.
- Plant III will be ready in Q3 and production loaded in Q4, 2011.



# 3-Year Expansion Plan

➤ **Expansion in next three years:**

Will grow with 30-50% capacity expansion annually in next three years.



# DANEN's Prospects in 2011

- Capacity are fully loaded since 2H/2009, new capacity of 200MW expansion of Plant III will be available from October 2011 to fulfill strong demand of existing customers.
- Both revenue and margin are expected to create new record high through the whole 2011, 520MW capacity will be able to support major customers with strong demand growth.
- Superior wafer quality & productivity will continue be the most competitive wafer solution, through closer collaboration relationship with major customers, DANEN's solar wafer are always the favorite choice of cell customers.
- Further expansion of new capacity in next three years will be aligned closely with market growth and major customers' demands.
- Be the best solar wafer manufacturer in Taiwan, and provide the most competitive wafer product and service to global market demand.

# THANK YOU



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