



2011 3Q Earnings Release

Taoyuan, Taiwan, R.O.C. – October 25, 2011 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for the 3Q, 2011. The information is according to ROC GAAP in millions of NT\$, except where otherwise indicated.

Highlights

- Accumulated Sales of NT\$3,580 million up to September 2011, 57.4% higher year-over-year.
- Accumulated gross profit of NT\$1,10 million, which representing a gross margin of 3%, up to Q3 of 2011.
- Net income of NT\$13 million, net loss 7 million, EPS after tax -NT\$0.04 up to Q3 2011 accumulated.

Messages from the Managements

The uncertainty of European debt crisis and the conservative support from financial sector resulted in the dispirited market demand, also the price kept falling in end of Q3 due to oversupply of the industry supply chain, which affected the revenue and profitability of the company. Because the price decline was beyond expectation, we eased off the pressure from further loss by reducing the cost/expense, accepting orders carefully, and decreasing utilization rate.

To respond the current market situation, Danen Technology Corporation will continuously adjust the utilization rate by preferred orders, and we will adjust further, the schedule of new capacity installation to keep best flexibility for possible market demand recovery.

I. Profit & Loss

TWD in millions	Q3'11	Q2'11	Q3'10	QoQ	YoY
Revenue	867	1,153	929	-25%	-7%
Gross margin	-11%	-12%	24%	1%	-35%
Operating Expenses	(14)	(20)	(53)	-30%	-74%
Operating Income	(113)	(162)	165	-30%	-168%
Operating Margin	-13%	-14%	18%	1%	-31%
Net Income	(94)	(164)	128	-43%	-173%
Net Margin	-11%	-14%	14%	3%	-25%
EBITDA	16	(50)	208	66	(193)
EBIT	(100)	(161)	160	62	(259)
EPS(NTD)	(0.49)	(0.87)	0.79	0.38	(1.28)

Due to market demand recession and price kept declining, Danen eased the further loss by preferred orders and flexible capacity utilization by end of Q3. Net sales of NT\$870 million, down 25% & 7% compared with previous quarter and same period last year; Accumulated Sales of NT\$3,580 million up to September 2011, 57.4% higher year-over-year.

Due to the wafer price declining largely at end of Q3 and loss of capacity utilization, the profit has been eroded. However, Danen adjusted production strategy, controlled inventory, and lowered down the costs, the Q3 gross margin is -11%, which rose 1% against -12% of Q2; Gross profit of NT\$1,10 million up to September 2011, which representing a gross margin of 3%.

Due to well control of expenses in Q3 2011, the operating expenses are less than previous quarter and same period of last year.

Accumulated net profit before tax is NT\$13 million, net profit after tax is -NT\$7 million, net earning per share after tax -NT\$0.04 up to September 2011.

II. Balance Sheet

TWD in millions	Q3'11	Q2'11	Q3'10	QoQ	YoY
Cash and Cash Equivalents	3,203	3,337	1,137	-4%	182%
Accounts Receivable	172	427	209	-60%	-18%
Inventories	362	473	277	-23%	31%
Net Fixed Assets	4,635	4,565	2,720	2%	70%
Short-term Loans	1,179	749	141	57%	736%
Long-term Bank Loans	1,865	2,216	564	-16%	231%
Total Liabilities	3,626	3,976	1,611	-9%	125%
Shareholders' equity	5,101	5,196	2,987	-2%	71%
Total Assets	8,727	9,172	4,598	-5%	90%

At the end of 3Q 2011, Danen held cash and cash equivalents of NT\$3.20 billion, amount increased due to mid-term syndication loan, and capital injection at the end of Q1 2011.

Account receivables decreased 60% then previous quarter, due to the weak sales revenue of Q3; inventory decreased 23% than Q2, mainly because we lowered down inventory level in responding the market situation for minimizing loss.

III. Ratio Analysis

(%)	Q3'11	Q2'11	Q3'10
Gross Margin*	-11%	-12%	24%
Net Margin*	-11%	-14%	14%
Return on Assets	0.4%	3%	14%
Return on Equity	-0.2%	4%	20.1%
Debt Ratio	42%	43%	35%
Current Ratio	226%	255%	172%
Quick Ratio	196%	220%	135%
AR Turnover Ratio(x)	24	17	22
AR Turnover Days	15	22	17
Inventory Turnover Rati	13	13	10
Inventory Turnover Day	27	29	37

*represents quarterly figures.

Gross Margin and Net Profit Margin both declined. Owing to the market demand changed dramatically and price declined continuously, so that the profitability was harmed.

IV. Cash Flow

TWD in millions	Q3'11	Q2'11	Q3'10	QoQ	YoY
Cash Flow from Operation Activities	234	(207)	131	441	103
Net Income	(94)	(164)	128	70	(222)
Depreciation & Amortization	116	111	49	5	67
Others	212	(154)	(46)	366	258
Cash Flow from Investment Activities	(242)	(432)	(469)	190	227
Capital Expenditure	(235)	(518)	(498)	283	263
Others	(7)	86	29	(93)	(36)
Cash Flow from financial Activities	(126)	1,196	776	(1,322)	(902)
Bank Loans	75	1,196	(66)	(1,121)	141
Cash from right issue	0	0	840	0	(840)
Cash Dividend	(201)	0	2	(201)	(203)
Net Cash Flow	(134)	557	438	(691)	(572)
Cash Balance-Beginning	3,337	2,780	699	557	2,638
Cash Balance-Ending	3,203	3,337	1,137	(134)	2,066

Cash generated from operation activities in Q3 2011 was NT\$234 million, increased NT\$441 million from previous quarter and NT\$103 million from same period last year, mainly due to net loss decreased, inventory and accounts receivable reduced. Negative cash flow from financial activities in Q3 is NT\$126 million, mainly due to the grant to shareholders for year 2010 profit sharing.

V. Capacity Expansion

(MW)	4Q10	2Q11	2012
Plant I	120	120	120
Plant II	90	210	210
Plant III			220
TOTAL	210	330	550

210 MW capacity installation of Plant II has come on-line since first quarter 2011, current total capacity is 330MW. The construction of Plant III will be completed by fourth quarter of 2011, and the schedule of capacity installation will be adjusted according to the market demand situation.

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About the Company

Established in 2007, Danen Technology is a specialized multi-crystalline silicon ingots and wafers manufacturer, based in Taoyuan High-Tech Industrial Park, Taiwan. Danen has 490 employees, and the management team is composed of highly experienced executives and engineers from semiconductor, financial, and related solar industries. The company owns two wafer manufacturing plants, with 330MW capacity currently, wafer plant III is under construction, and will be completed for capacity installation by end of the year. Since its establishment, Danen has obtained certifications and good reputations from major international cells manufacturers, and becomes the leading wafer manufacturer of solar value chain in Taiwan by providing cost advantage, superior quality, and diversity of service to customers.