



## 2011 1H Earnings Release

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

### Highlights

- Net Sales of NT\$2,718 million, 102% higher year-over-year.
- Gross margin of 8%. Operating profit of NT\$140 million, which representing an operating profit margin of 5%.
- Net income of NT\$87 million, EPS NT\$0.46 for the 1H 2011.

### Messages from the Managements

The uncertainty of European countries' solar subsidies resulted in the hesitation of investment for system installation in end market, decreasing demand, and increasing inventory level. Most solar cell manufacturers reduced their utilization rate, besides, the price of solar wafer dropped rapidly, which all affected the profit in the second quarter. However, by clear solar subsidies of major European countries recently, the market demand has been picked up gradually, and the orders come back continuously.

As solar power is still the prime solution for alternative energy in the future, the global demand will grow largely year-by-year. Danen Technology Corporation held the last beam put-up ceremony of wafer plant III last month, and we will adjust the schedule of new capacity installation to keep the best flexibility for responding market demand recovery.

## I. Profit & Loss

TWD in millions	Q2'11	Q1'11	1H/11	Q2'10	1H'10
Revenue	1,153	1,564	2,718	737	1,347
Gross margin	-12%	23%	8%	22%	22%
Operating Expenses	(20)	(48)	(69)	(54)	(96)
Operating Income	(162)	304	142	104	204
Operating Margin	-14%	19%	5%	14%	15%
Net Income	(164)	251	87	124	202
Net Margin	-14%	16%	3%	17%	15%
EBITDA	(50)	400	350	163	296
EBIT	(161)	310	149	117	220
EPS(NTD)	(0.87)	1.47	0.46	0.88	1.43

Due to the market demand recession, inventory increasing and market price decline in Q2 2011, Danen adjusted the production capacity utilization rate, so the sales amount is not as expected, revenue of Q2 is NT\$1,153 million, down 26.3% from previous quarter, while up 56.5% compared with same period last year. The accumulative revenue of 1H 2011 achieved NT\$2,718 million, climbed 101.7% year-on-year.

With gross profit NT\$211 million in 1H 2011, gross margin sustained at 8%, down from same period last year, mainly impacted by wafer price declined largely, loss on poly-Si material inventory, and reduction of capacity utilization rate.

Due to good control of expenses in Q2 2011, the operating expenses are less than previous quarter and same period of last year.

With loss of NT\$164 million in Q2, accumulative net profit NT\$87 million of first half, net earnings per share after tax NT\$0.46 for the 1H 2011.

Looking into the second half of the year, the sales revenue should be able to grow quarter by quarter, as the price of end system declined largely, wafer price is stable and the demand is recovering from major markets.

## II. Balance Sheet

TWD in millions	Q2'11	Q1'11	Q2'10	QoQ	YoY
Cash and Cash Equivalents	3,337	2,780	699	20%	377%
Accounts Receivable	427	362	196	18%	118%
Inventories	473	393	202	20%	134%
Net Fixed Assets	4,565	4,232	2,041	8%	124%
Short-term Loans	749	742	151	1%	396%
Long-term Bank Loans	2,216	1,025	618	116%	259%
Total Liabilities	3,977	2,731	1,387	46%	187%
Shareholders' equity	5,196	5,561	2,019	-7%	157%
<b>Total Assets</b>	<b>9,172</b>	<b>8,291</b>	<b>3,406</b>	<b>11%</b>	<b>169%</b>

At the end of Q2 2011, Danen held cash and cash equivalents of NT\$3.33 billion, amount increased due to mid-term syndication loan, and capital injection by end of Q1 2011.

Inventory grew by end of Q2 was due to raw material inventory build-up, in responding the market situation.

## III. Ratio Analysis

	Q2'11	Q1'11	Q2'10	
Gross Margin*	-12%	23%	22%	<p>Gross Margin and Net Profit Margin both fell, because of the market fluctuated dramatically and price declined hugely, so that the profit was harmed.</p> <p>Current Ratio and Quick Ratio increased, reflecting the mid-term bank loans for operating capital.</p> <p>*represents quarterly figures.</p>
Net Margin*	-14%	16%	17%	
Return on Assets	3%	15%	15%	
Return on Equity	4%	23%	24%	
Current Ratio	255%	231%	168%	
Quick Ratio	220%	194%	131%	
AR Turnover Ratio(x)	17	21	20	
AR Turnover Days	22	17	18	
Inventory Turnover Ratio(x)	13	13	13	
Inventory Turnover Days	29	27	29	

#### IV. Cash Flow

TWD in millions	Q2'11	Q1'11	Q2'10
<b>Cash Flow from Operation Activities</b>	(207)	25	212
Net Income	(164)	251	124
Depreciation & Amortization	111	89	46
Others	(154)	(315)	42
<b>Cash Flow from Investment Activities</b>	(432)	(1,029)	(369)
Capital Expenditure	(518)	(1,022)	(399)
Others	86	(7)	30
<b>Cash Flow from financial Activities</b>	1,196	2,549	367
Bank Loans	1,196	378	277
Cash from right issue	0	2,171	90
<b>Net Cash Flow</b>	557	1,545	210
<b>Cash Balance-Beginning</b>	2,780	1,235	489
<b>Cash Balance-Ending</b>	3,337	2,780	699

Cash depreciated from operation activities in Q2 2011 was NT\$207 million, reflecting the loss.

NT\$518 million was spent for final payment of wafer plant II capacity and pre-payment for construction and equipments of wafer plant III.

Cash generated from financial activities was NT\$1,196 million in the second quarter, mainly came from mid-term loans.

#### 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 at the end of first quarter 2011, 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, and fulfilling the growing demand.

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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 550 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.