



## 1H 2012 Earnings Release

Taoyuan, Taiwan, R.O.C. – August 28, 2012 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for 1H of 2012. The information is according to ROC GAAP in millions of NT\$, except where otherwise indicated.

### Highlights

- Net Sales of 1H2012 was NT\$603 million with gross profit –NT\$322 million and operating margin –NT\$370 million.
- Net loss was –NT\$326 million, equivalent EPS after tax -NT\$1.60.
- With debt ratio of 41%, current ratio and quick ratio kept at 156% and 143% respectively.

### Messages from the Managements

Owing to the U.S anti-dumping and countervailing duty policy against China as well as the installation rush in European major markets, Taiwanese cell and wafer makers both have enjoyed a rebound in shipments of second quarter. However, the market price was not able to sustain due to oversupply situation still; thus, the overall contribution to profitability was very limited.

Given the global PV market still faces challenges in light of the Eurozone debt crisis, solar subsidy cuts, and the supply and demand imbalance which are all retrenching the market in short term. However, there are increasing demands in the emerging markets such as China, the United States, Japan and Southeast Asia and these developments will drive solar market growth positively in medium to long term.

Despite the difficult market situation at present, Danen will continue to maintain a solid business direction in preparation for future business rebound by reducing operation costs, controlling capacity utilization, managing cash flow and driving sustainable business operation with steady and healthy pace continuously.

## I. Profit & Loss

Unit : Mil.NT	Q2'12	Q1'12	Q2'11	QoQ	YoY
Revenue	308	295	1,153	4%	-73%
Cost of Sales	(498)	(427)	(1,295)	17%	-62%
Gross Profit	(190)	(132)	(142)	44%	34%
<b>Gross Margin</b>	-62%	-45%	-12%	-17%	-50%
Operating Expenses	(24)	(25)	(20)	-4%	20%
Operating Income	(213)	(157)	(162)	36%	31%
<b>Operating Margin</b>	-69%	-53%	-14%	-16%	-55%
Net Income	(190)	(136)	(164)	40%	16%
<b>Net Margin</b>	-62%	-46%	-14%	-16%	-48%
EBITDA	(97)	(33)	(50)	(64)	(47)
EBIT	(212)	(149)	(161)	(63)	(51)
EPS(NTS)	(0.93)	(0.67)	(1.00)	(0.26)	0.07

Net sales was NT\$308 million of Q2, representing an increase of 4% compared with previous quarter. On a quarter-over-quarter basis, the decreases in gross margin and EPS were mainly due to wafer price erosion and provision for losses on inventories.

## II. Balance Sheet

Unit : Mil.NT	Q2'12	Q1'12	Q2'11	QoQ	YoY
Cash and Cash Equivalents	1,947	2,067	3,337	-6%	-42%
Accounts Receivable	169	115	427	47%	-60%
Inventories	100	205	473	-51%	-79%
Net Fixed Assets	4,770	4,790	4,565	0%	4%
Short-term Loans	1,238	1,102	749	12%	65%
Long-term Bank Loans	1,619	1,651	2,216	-2%	-27%
Total Liabilities	3,122	3,109	3,976	0%	-21%
Shareholders' Equity	4,435	4,646	5,196	-5%	-15%
<b>Total Assets</b>	<b>7,557</b>	<b>7,755</b>	<b>9,172</b>	<b>-3%</b>	<b>-18%</b>

Owing to revenue increase and payment term prolongation, account receivables higher than previous quarter. We lowered down inventory level in responding the weakening market demand, thus inventories of Q2 end reduced significantly.

### III. Ratio Analysis

%	Q2'12	Q1'12	Q2'11
Gross Margin*	-62% *	-45% *	-12% *
Net Margin*	-62% *	-46% *	-14% *
Return on Assets	-2.30%	-1.6%	-1.8%
Return on Equity	-4.1%	-2.9%	-3.0%
Debt Ratio	41%	40%	43%
Current Ratio	156%	181%	255%
Quick Ratio	143%	157%	220%
AR Turnover Ratio (x)	8	9	17
AR Turnover Days	47	41	22
Inventory Turnover Ratio (x)	20	11	13
Inventory Turnover Days	19	33	29

\*Represents quarterly figures

At the end of Q2 2012, the company remained with relative healthy financial position through inventories reduction and costs control in response to the market demand situation. Looking forward, the company will continuously strive for further cost reduction to improve operational performance.

### IV. Cash Flow

Unit : Mil.NT	Q2'12	Q1'12	Q2'11	QoQ	YoY
<b>Cash Flow from Operation Activities</b>	<b>(119)</b>	<b>(16)</b>	<b>(207)</b>	<b>(103)</b>	<b>88</b>
Net Income	(190)	(136)	(164)	(54)	(26)
Depreciation & Amortization	116	116	111	(0)	5
Others	(45)	4	(154)	(49)	109
<b>Cash Flow from Investment Activities</b>	<b>(104)</b>	<b>(550)</b>	<b>(432)</b>	<b>446</b>	<b>328</b>
Capital Expenditure	(68)	(380)	(518)	312	450
Others	(36)	(170)	86	134	(122)
<b>Cash Flow from Financial Activities</b>	<b>103</b>	<b>87</b>	<b>1,196</b>	<b>16</b>	<b>(1,093)</b>
Bank Loans	103	87	1,196	16	(1,093)
<b>Net Cash Flow</b>	<b>(120)</b>	<b>(479)</b>	<b>557</b>	<b>359</b>	<b>(677)</b>
<b>Cash Balance-Beginning</b>	<b>2,067</b>	<b>2,546</b>	<b>2,780</b>	<b>(479)</b>	<b>(713)</b>
<b>Cash Balance-Ending</b>	<b>1,947</b>	<b>2,067</b>	<b>3,337</b>	<b>(120)</b>	<b>(1,390)</b>

Compared to the first quarter of 2012, capital expenditures of Q2 reduced drastically which mainly caused by the tactical adjustment of the equipment move-in schedule of new Plant III.

## V. Capacity Expansion

(MW)	4Q10	4Q11	1H12	2H12
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				( - )
TOTAL	210	330	330	330

At the end of Q2 2012, the total capacity is 330MW, capacity of Plant III will be adjusted according to market demand conditions.

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### About Danen:

Established in 2007, Danen Technology is a specialized multi-crystalline silicon ingots and wafers manufacturer, based in Taoyuan High-Tech Industrial Park, Taiwan, 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. Since its establishment, Danen has obtained certifications and good reputations from major international cells manufacturers, and continues to be the leading wafer manufacturer of solar value chain in Taiwan by providing competitive price, superior quality and customized service to our customers.