



3Q 2012 Earnings Release

Taoyuan, Taiwan, R.O.C. – October 26, 2012 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for the 3Q of 2012. The information is according to ROC GAAP in millions of NT\$, except where otherwise indicated.

Highlights

- Net Sales up to 3Q2012 was NT\$790 million, gross profit was -NT\$523 million and operating loss was NT\$593 million.
- Net loss was NT\$525 million, equivalent EPS after tax was -NT\$2.58.
- With debt ratio of 41%, current ratio and quick ratio kept at 125% and 109% respectively.

Messages from the Managements

Owing to industrial overcapacity, weak market demand and the uncertainty caused by China's trade disputes with the US and EU, demand declined continuously, and the price of the solar wafer was driven down sharply in this quarter. In response to this market situation, the company invoked a policy of low utilization rate so that it can reduced its loss and maintained a stable finance status to face possible challenges from the market. However, as the preparation for the market rebound in the future, activities of product quality and operation efficiency improvements continue.

I. Profit & Loss

Unit : Mil.NT	Q3'12	Q2'12	Q3'11	QoQ	YoY
Revenue	187	308	866	-39%	-78%
Cost of Sales	(389)	(498)	(965)	-21%	-60%
Gross Profit	(201)	(190)	(99)	6%	104%
Gross Margin	-107%	-62%	-11%	-46%	-97%
Operating Expense	(21)	(24)	(14)	-11%	57%
Operating Income	(222)	(213)	(113)	4%	97%
Operating Margin	-119%	-69%	-13%	-49%	-106%
Net Income	(199)	(190)	(94)	5%	111%
Net Margin	-106%	-62%	-11%	-44%	-95%
EBITDA	(98)	(97)	16	(2)	(114)
EBIT	(213)	(212)	(100)	(1)	(114)
EPS(NTS)	(0.98)	(0.93)	(0.49)	(0.04)	(0.48)

In response to weak demand and low market price, the company mitigated further loss by filtering orders and adjusting utilization rates. As a result, net sales was NT\$187 million and net loss was NT\$199 million for 3Q 2012.

II. Balance Sheet

Unit : Mil.NT	Q3'12	Q2'12	Q3'11	QoQ	YoY
Cash and Cash Equivalents	1,615	1,947	3,203	-17%	-50%
Accounts Receivable	69	169	172	-59%	-60%
Inventories	178	100	362	78%	-51%
Net Fixed Assets	4,669	4,770	4,635	-2%	1%
Short-term Loans	1,439	1,238	1,179	16%	22%
Long-term Bank Loans	1,315	1,619	1,865	-19%	-29%
Total Liabilities	2,945	3,122	3,626	-6%	-19%
Shareholders' equity	4,236	4,435	5,101	-4%	-17%
Total Assets	7,181	7,557	8,727	-5%	-18%

The account receivable of Q3 decreased as the sales fell. The inventory increased, compared to previous quarter, due to weak demand and strategic utilization reduction, but the inventory turnover remained within reasonable shape.

III. Ratio Analysis

%	Q3'12	Q2'12	Q3'11
Gross Margin*	-107% *	-62% *	-11% *
Net Margin*	-106% *	-62% *	-11% *
Return on Assets	-6.5%	-3.9%	0.3%
Return on Equity	-11.6%	-7.1%	-0.2%
Debt Ratio	41%	41%	42%
Current Ratio	125%	156%	226%
Quick Ratio	109%	143%	196%
AR Turnover Ratio (x)	9.73	7.62	23.70
AR Turnover Days	38	48	15
Inventory Turnover Ratio (x)	12.48	18.27	13.46
Inventory Turnover Days	30	20	27

*Represents quarterly figures

At the end of 3Q 2012, the company remained with a healthy financial position by controlling the inventory and reducing costs and expenses. Looking forward, the company will continuously strive to reduce costs as well as improve operational performance.

IV. Cash Flow

Unit : Mil. NT	Q3'12	Q2'12	Q3'11	QoQ	YoY
Cash Flow from Operation Activities	(110)	(119)	233	9	(343)
Net Income	(199)	(190)	(94)	(8)	(104)
Depreciation & Amortization	115	116	115	(1)	0
Others	(26)	(45)	212	18	(239)
Cash Flow from Investment Activities	(119)	(104)	(242)	(15)	123
Capital Expenditure	(73)	(68)	(236)	(5)	163
Others	(46)	(36)	(6)	(10)	(40)
Cash Flow from Financial Activities	(103)	103	(125)	(206)	22
Bank Loans	(103)	103	76	(206)	(179)
Cash Dividend	0	0	(201)	0	201
Net Cash Flow	(332)	(120)	(134)	(212)	(198)
Cash Balance-Beginning	1,947	2,067	3,337	(120)	(1,390)
Cash Balance-Ending	1,615	1,947	3,203	(332)	(1,588)

V. Capacity Expansion

(MW)	4Q10	4Q11	3Q12	2H12
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(-)
TOTAL	210	330	330	330

At the end of Q3 2012, the total capacity is 330MW. Capacity in Plant III will undergo periodic adjustments depending on the prevailing market 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, superior quality and customized service to our customers.