



1H 2013 Earnings Release

Taoyuan, Taiwan, R.O.C. – August 13, 2013 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for the 1H of 2013. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

Highlights

- Sales of 1H totaled NT\$ 373 million, with 2Q growth over 50% to 1Q. Both gross loss and net loss were improved via quarterly basis.
- EPS of 2Q/13 improved, NT\$ -0.59/share was better than previous quarter and even the same period of last year.
- Up to the end of 1H, debt ratio maintained at 30% around, but current ratio and quick ratio both declined to 75% and 66%, caused by major part of long term loans turned into short term liability.

Messages from the Managements

During the past six months of 1H13, the Taiwanese solar industry has benefited from the rising in ASP and utilization, both were driven by the strong demands from China, US, Japan and the other emerging markets and the transferred orders avoiding EU and US dual anti tariffs. Even such transferred orders may be impacted in short term due to latest agreements between EU and China on the limitation of the price and quantity of solar products imported from China, the bottom price limitation will eliminate the unfair dumping and restore the balance in supply and demand for solar market in the long run. A stable and long term positive development of global solar industry is foreseeable.

The Company's sales grew over 50% in 2Q13, compared to the previous quarter. The growth was attributed to the significant risings of ASPs and shipments driven by increasing market demands for high efficiency wafers. So far, the Company's planned capacity remains fully loaded. As the uncertainty of EU's dual anti measures has been expelled and the market demand becomes warming, the Company's shipment is expected to expand further and the profitability will go up continuously.

I. Profit & Loss

Unit : Mil.NT	Q2'13	Q1'13	Q2'12	QoQ	YoY
Revenue	224	149	308	50%	-27%
Cost of Sales	(377)	(317)	(497)	19%	-24%
Gross Profit	(153)	(168)	(189)	-9%	-19%
Gross Margin	-69%	-112%	-61%	-38%	13%
Operating Expenses	(20)	(24)	(23)	-17%	-13%
Operating Income	(173)	(192)	(212)	-10%	-18%
Operating Margin	-78%	-128%	-69%	-39%	14%
Net Income	(150)	(174)	(189)	-14%	-21%
Net Margin	-67%	-116%	-61%	-42%	9%
Comprehensive Income	-67%	-115%	-61%	-42%	9%
EPITDA	(44)	(76)	(95)	32	51
EBIT	(169)	(194)	(211)	25	42
EPS(NTS)	(0.59)	(0.71)	(0.93)	0.12	0.34

Thanks to the recovery of market demand, risings of ASP and shipments, the sales of 2Q reached NT\$ 224 million, 50% over previous quarter. Owing to manufacturing cost reduced by process improvements, the gross margin of 2Q was largely improved by 38%.

II. Balance Sheet

Unit : Mil.NT	Q2'13	Q1'13	Q2'12	QoQ	YoY
Cash and Cash Equivalents	887	1,067	1,947	-17%	-54%
Accounts Receivable	135	98	169	38%	-20%
Inventories	108	83	100	30%	8%
Property, Plant & Equipment	4,156	4,253	4,529	-2%	-8%
Short-term Loans	1,716	814	1,238	111%	39%
Long-term Bank Loans	9	905	1,619	-99%	-99%
Total Liabilities	1,919	1,877	3,125	2%	-39%
Shareholders' equity	4,550	4,700	4,433	-3%	3%
Total Assets	6,469	6,577	7,557	-2%	-14%

The AR increased, by following the growth of sales. With major part of loans became short term payable within one year, the short term debt amount increased a lot compared to 1Q.

III. Ratio Analysis

%	Q2'13	Q1'13	Q2'12
Gross Margin*	-69% *	-112% *	-61% *
Net Margin*	-67% *	-116% *	-61% *
Return on Assets	-4.8%	-2.5%	-3.9%
Return on Equity	-7.6%	-4.0%	-7.0%
Debt Ratio	30%	29%	41%
Current Ratio	75%	151%	155%
Quick Ratio	66%	136%	143%
AR Turnover Ratio (x)	9.39	9.80	7.62
AR Turnover Days	39	38	48
Inventory Turnover Ratio (x)	14.34	15.04	18.23
Inventory Turnover Days	26	25	21

*Represents quarterly figures

Owing to the contribution of high efficiency product launched in 2Q, the sales grew with a good shape. As cost-down activities continued, and budgets were well controlled, thus the operation result improved significantly.

In responding to tighter cash flow situation, the Company is organizing a syndication loan to repay these short term ones. Expected, the financial structure will be stabilized and more healthy by 2H/13.

IV. Cash Flow

Unit : Mil. NT	Q2'13	Q1'13	Q2'12	QoQ	YoY
Cash Flow from Operating Activities	(65)	(96)	(119)	31	54
Net Income	(178)	(205)	(228)	27	50
Depreciation & Amortization	125	119	116	6	9
Others	(12)	(10)	(7)	(2)	(5)
Cash Flow from Investing Activities	(120)	(188)	(104)	68	(16)
Capital Expenditure	(39)	(27)	(68)	(12)	29
Others	(81)	(161)	(36)	80	(45)
Cash Flow from Financing Activities	5	172	103	(167)	(98)
Bank Loans	5	(673)	103	678	(98)
Issuance of Common Stock	0	845	0	(845)	0
Cash Dividend	0	0	0	0	0
Net Cash Flow	(180)	(112)	(120)	(68)	(60)
Cash Balance-Beginning	1,067	1,179	2,067	(112)	(1,000)
Cash Balance-Ending	887	1,067	1,947	(180)	(1,060)

The cash outflow totaled NT\$ 120 million, mainly for the payment for Fab 3 related construction expense.

V. Capacity Expansion

(MW)	2010	2011	2012	1H13
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(-)
TOTAL	210	330	330	330

Till the end of 2Q, the Company's capacity remained at 330MW. As the process of high efficiency products has been fully implemented into production line of fab2, the schedule for re-launching of Fab3 capacity will be positively forward looking for demands in 2014.

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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.