



## 1H 2014 Earnings Release

Taoyuan, Taiwan, R.O.C. –August 5, 2014 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report of 1H 2014. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

### Highlights

- Sales of 1H 2014 totaled NT\$ 937 million, representing a year-on-year jump of 151%.
- Although the operational results were impaired by US anti-dumping and countervailing measures, sales and net operating loss were improved largely, compared to the same period last year.
- With debt ratio going down to below 17%, both current and quick ratio are keeping above 200% respectively. Given the Company's sound financial status, it is conducive to support its future business development needs and respond to challenges accordingly.

### Messages from the Managements

As the trend of pursuing high quality products is consistently increasing in the end market, the demand of high efficiency wafers has been growing quarter by quarter. Focusing on the high-conversion efficiency product segment, the ASP of the company's wafers and shipments of Q2 both increased significantly QoQ and YoY. Although the growth momentum was impacted by US dual anti measures, the company still achieved her business goal and kept financial structure with healthy shape.

Recently, the global market has been adversely affected by the preliminary anti-dumping verdict announced by U.S. against solar products imported from China and Taiwan. As the duty rates on Taiwanese products were much higher than expected, Taiwan manufacturers' solar products directly or indirectly supply to U.S. will be impaired in short term. However, since the uncertainty was eliminated, the market will get back on track eventually. As many industry research institutes revealed that the global installation of 2014 would reach 45GW but the actual installation volume was far less than 20GW in the first half year, and Chinese market is expected to pick up by mid-August, therefore the end market demand in second half of the year will rebound significantly and the growth in the coming quarters can be optimistically expected.

## I. Profit & Loss

Unit : Mil.NT	Q2'14	Q1'14	Q2'13	QoQ	YoY
Revenue	504	434	224	16%	125%
Cost of Sales	(602)	(497)	(377)	21%	60%
Gross Profit	(98)	(63)	(153)	56%	-36%
<b>Gross Margin</b>	-19%	-15%	-69%	27%	-72%
Operating Expenses	(23)	(26)	(20)	-12%	15%
Operating Income	(121)	(89)	(173)	36%	-30%
<b>Operating Margin</b>	-24%	-21%	-78%	14%	-69%
Net Income	(114)	(96)	(150)	19%	-24%
<b>Net Margin</b>	-23%	-22%	-67%	5%	-66%
<b>Comprehensive Income</b>	-23%	-21%	-67%	10%	-66%
EBITDA	7	38	(44)	(31)	51
EBIT	(131)	(96)	(169)	(35)	38
EPS(NT\$)	(0.33)	(0.28)	(0.59)	(0.05)	0.26

- The company's sales of Q2 increased 16% along with growths of ASP and shipments. However, the operational results were affected by accounting LCM loss reserve, and US dual-anti measures.

## II. Balance Sheet

Unit : Mil.NT	Q2'14	Q1'14	Q2'13	QoQ	YoY
Cash and Cash Equivalents	1,020	1,156	887	-12%	15%
Accounts Receivable	216	212	135	2%	60%
Inventories	190	239	108	-21%	76%
Property, Plant & Equipmer	3,871	4,006	4,156	-3%	-7%
Short-term Loans	321	344	1,716	-52%	-81%
Long-term Bank Loans	437	517	9	-15%	4756%
Total Liabilities	1,088	1,290	1,919	-16%	-43%
Shareholders' equity	5,395	5,492	4,550	-2%	19%
<b>Total Assets</b>	<b>6,483</b>	<b>6,782</b>	<b>6,469</b>	-4%	0%

The company's financial structure remained healthy at the end of Q2:

- 1,666 million current assets, including 1,020 million bank deposit and 200 million fixed deposits available in three months, which took 73% of total current assets;
- Inventory and Liabilities were reduced, while business revenue grew.

### III. Ratio Analysis

%	Q2'14	Q1'14	Q2'13
Gross Margin*	-19% *	-15% *	-69%
Net Margin*	-23% *	-22% *	-67%
Return on Assets	-3.2%	-1.5%	-4.8%
Return on Equity	-4.3%	-2.0%	-7.6%
Debt Ratio	17%	19%	30%
Current Ratio	269%	254%	75%
Quick Ratio	234%	216%	66%
AR Turnover Ratio (x)	10.82	10.12	9.39
AR Turnover Days	34	36	39
Inventory Turnover Ratio (x)	15.97	11.21	14.34
Inventory Turnover Days	23	33	26

\*Represents quarterly figures

- For Q2, gross margin worsen, due to the provision for losses on inventories. However, it was still significantly improved, compared to previous year.
- The company will bring in more mid to long term loans to adjust its financial leverage to for operation needs and possible fab3 expansion.

### IV. Cash Flow

Unit : Mil. NT	Q2'14	Q1'14	Q2'13	QoQ	YoY
<b>Cash Flow from Operating Activities</b>	7	(64)	(65)	(62)	72
Net Income	(137)	(104)	(178)	(33)	41
Depreciation & Amortization	137	133	125	4	12
Others	7	(93)	(12)	100	19
<b>Cash Flow from Investing Activities</b>	(33)	(202)	(120)	169	87
Capital Expenditure	(33)	(2)	(39)	(31)	6
Other Financial Assets	0	(200)	(81)	200	81
<b>Cash Flow from Financing Activities</b>	(110)	858	5	(968)	(115)
Bank Loans	(110)	(456)	5	346	(115)
Issuance of Common Stock	0	1,314	0	(1,314)	0
<b>Net Cash Flow</b>	(136)	592	(180)	(728)	44
<b>Cash Balance-Beginning</b>	1,156	564	1,067	592	89
<b>Cash Balance-Ending</b>	1,020	1,156	887	(136)	133

- The company's cash flow from operation activities has turned positive in Q2, was the first time since 2H 2012. Expect to see cash flow management to be active and positive in the coming quarters.

## V.Capacity Expansion

(MW)	2010	2011	2012	1H14
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				( - )
TOTAL	210	330	330	330

- Till the end of Q2, the total capacity remains 330MW. The company will maintain its high utilization to meet the market demand of second half, and the recruitment actively will continue as well. The capacity of Fab 3 will be put in place depending on market demand of coming quarters.

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### About Danen:

Established in 2007, Danen Technology is a specialized multi-crystalline silicon ingots and high-efficiency 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 three wafer manufacturing plants, with 330MW capacity currently. Since its establishment, Danen has been highly recognized and earned 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.