



Q3 2014 Earnings Release

Taoyuan, Taiwan, R.O.C. –November 5, 2014 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for Q3 of 2014. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

Highlights

- For the first nine months of 2014, revenues amounted to NT\$ 1,383 million, increasing 105% from same period of last year.
- Net loss was NT\$ 355 million, or NT\$1.03 per share in the first nine months of 2014, representing significant improvement to the corresponding period last year.
- At the end of the third quarter of 2014, debt ratio going down to 8.5%, both the current and quick ratios were well above 200%, reflecting a stable and healthy financial condition of the company.

Messages from the Managements

Suffering uncertainty caused by US's dual-anti measures in Q3, the market demands in China and Taiwan regions declined higher than expected, resulted in sharp falls in prices throughout the solar supply chain. As the impact faded out gradually and China's domestic demand rebounded recently, the solar market have turned positively and the prices moved up. As the demand for high efficiency products increased but the capacity expansion of which was limited, the price of high efficiency product was relatively stable. While the market demand and ASP both turned up, the company's sales has seen a pick-up since August.

Looking ahead, after the final decisions of US's dual-anti measures being made, the trend of solar industry will become more clear. Along with the steady growth of China and Japan's markets, and the new emerging market's surging demand, the global market will be expected to regain its positive momentum soon. According to Solarbuzz latest report, the solar industry will continue its steady growth in the coming 5 years and reach 100GW in 2018. Thus the company remains her optimistic outlook about the business development of the industry.

I. Profit & Loss

Unit : Mil.NT	Q3'14	Q2'14	Q3'13	QoQ	YoY
Revenue	446	504	301	-12%	48%
Cost of Sales	(584)	(602)	(435)	-3%	34%
Gross Profit	(138)	(98)	(134)	41%	3%
Gross Margin	-31%	-19%	-44%	63%	-30%
Operating Expenses	(19)	(23)	(19)	-17%	0%
Operating Income	(157)	(121)	(153)	30%	3%
Operating Margin	-35%	-24%	-51%	46%	-31%
Net Income	(145)	(114)	(141)	27%	3%
Net Margin	-33%	-23%	-47%	43%	-30%
Comprehensive Income	(145)	(116)	(142)	25%	2%
EBITDA	(5)	7	(31)	(12)	26
EBIT	(142)	(131)	(156)	(11)	14
EPS(NT\$)	(0.42)	(0.33)	(0.55)	(0.09)	0.13

- Due to the impact from US's dual-anti measures, the sales of 3Q14 fell behind the expectation. However, in light of the market situation from 3Q13 to 3Q14, the demand and price were both on the track of growth, and the company's operation result improved gradually.

II. Balance Sheet

Unit : Mil.NT	Q3'14	Q2'14	Q3'13	QoQ	YoY
Cash and Cash Equivalents	634	1,020	716	-38%	-11%
Accounts Receivable	209	216	151	-3%	38%
Inventories	158	190	117	-17%	35%
Property, Plant & Equipment	3,736	3,871	4,044	-3%	-8%
Short-term Loans	83	321	1,518	-74%	-95%
Long-term Bank Loans	117	437	6	-73%	1850%
Total Liabilities	486	1,088	1,790	-55%	-73%
Shareholders' equity	5,250	5,395	4,410	-3%	19%
Total Assets	5,736	6,483	6,200	-12%	-7%

- For maintaining its health in finance condition, the company repaid a syndicated loan of NT\$ 680 million in August to lower its interest expense. Thus the amount of outstanding debt, both short-and long-term, decreased significantly at the end of Q3, while the cash balance was still maintained at a sufficient level.
- At the end of 3Q14, the company's debit ratio was 8.5%, current ratio and quick ratio were 284% and 233% respectively. Working capital for future development can be backed up by the strong financial condition.

III. Ratio Analysis

%	Q3'14	Q2'14	Q3'13
Gross Margin*	-31% *	-19% *	-44% *
Net Margin*	-33% *	-23% *	-47% *
Return on Assets	-5.8%	-3.2%	-6.9%
Return on Equity	-7.5%	-4.3%	-11.1%
Debt Ratio	8%	17%	29%
Current Ratio	284%	269%	68%
Quick Ratio	233%	234%	58%
AR Turnover Ratio (x)	10.84	10.82	10.25
AR Turnover Days	34	34	36
Inventory Turnover Ratio (x)	16.39	14.40	14.89
Inventory Turnover Days	23	26	25

*Represents quarterly figures

- Operating result of 3Q14 fell behind expectation due to the impact of US's dual-anti measures; nevertheless, it has being improved compared to the past year.
- All indices of liquidity and operation suggested that the company's operation remained with good shape.

IV. Cash Flow

Unit : Mil. NT	Q3'14	Q2'14	Q3'13	QoQ	YoY
Cash Flow from Operating Activities	39	7	(61)	32	100
Net Income	(145)	(137)	(166)	(8)	21
Depreciation & Amortization	137	137	125	0	12
Others	49	7	(20)	42	69
Cash Flow from Investing Activities	191	(33)	19	224	172
Capital Expenditure	(9)	(33)	(81)	24	72
Other Financial Assets	200	0	100	200	100
Cash Flow from Financing Activities	(617)	(110)	(129)	(507)	(488)
Bank Loans	(617)	(110)	(129)	(507)	(488)
Issuance of Common Stock	0	0	0	0	0
Net Cash Flow	(387)	(136)	(171)	(251)	(216)
Cash Balance-Beginning	1,020	1,156	887	(136)	133
Cash Balance-Ending	633	1,020	716	(387)	(83)

- Thanks to steady growths of demand and price, the company's cash flow from operation turned positive during Q2 and Q3.
- With a healthy financial structure, the company repaid the syndicated loan to lower its interest expense in 3Q14.

V.Capacity Expansion

(MW)	2010	2011	2012	3Q14
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(-)
TOTAL	210	330	330	330

- Up to the end of 3Q14, the total capacity remained at 330MW. The company will increase its production utilization when the market demand and pricing are both favorable.

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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.