



## Q1 2016 Earnings Release

Taoyuan, Taiwan, R.O.C. –April 28, 2016 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announced its financial report for 1Q of 2016. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

### Highlights

- Sales of Q1 totaled NT\$452 million, a 7% increase over the previous quarter and 15% higher than the same period last year.
- Net loss after taxes was NT\$72 million, EPS was -NT\$0.21, and the loss was respectively 64% and 47% reduced when compared to previous quarter and the same period last year, which demonstrated the operation result of company substantially improved.
- With 8.3% of debt ratio, the management of cash flow was extremely healthy. The company's financial structure restored stable and healthy shape with 375% of current ratio and 318% of quick ratio.

### Messages from the Managements

Although the 1<sup>st</sup> quarter of each year is the traditional low season of solar industry, the supply of company's main products, high efficiency and super high efficiency multi Si wafers, was unable to meet the demand and the price of market maintained in the high peak, which is resulted from the active domestic market of China since 4<sup>th</sup> quarter of last year, for the reason that the company's sale of Q1 2016 set a new high record in recent year. Additionally, coping with the reducing cost quarter by quarter, the loss rate continuously reduced and the cash inflow was well improved, which demonstrated the operation of company maintained with a stable and healthy shape.

Looking forward to the middle and long-term development of solar industry, the domestic market is predicted to be well developed in Taiwan by the observation of the industry due to the new elected government will vigorously promote the using of green energy and the developing plan of renewable energy industry. Besides, the growth of 2015 global PV installation volume reached over 20% compared with 2014, according to the industry research

institute's statistics. Furthermore, many countries revised their renewable energy target upward or extend their subsidy policy related to the price of electricity generated by solar energy due to the continuous cost reduction of installation and the consensus of carbon emission reduction by Paris Climate Summit, which drives the predicted global PV installation volume of 2016 to reach 60-65GW. These data demonstrated the solar energy market may be influenced by seasonal fluctuation but its overall development still presents a considerable and exciting trend of growing.

The company will uphold stable financial structure and operating strategy to reduce production cost continuously and focus on improving wafers' quality and conversion efficiency to maintain the company's leading position of the market, moreover, to make efforts for achieving the growing target season by season in order to reach the objective of turning business into profitable shape shortly.

#### I. Profit & Loss

Unit : Mil.NT	Q1'16	Q4'15	Q1'15	QoQ	YoY
Revenue	452	423	392	7%	15%
Cost of Good Sold	(505)	(520)	(475)	-3%	6%
Cost of Good Sold-LCM	8	(7)	(37)	-221%	-123%
Gross Profit	(45)	(104)	(120)	-57%	-63%
<b>Gross Margin</b>	-10%	-24%	-31%	-60%	-68%
Operating Expenses	(20)	(18)	(20)	11%	0%
Operating Income	(65)	(122)	(140)	-47%	-54%
<b>Operating Margin</b>	-14%	-29%	-36%	-52%	-61%
Pre-Tax Income	(70)	(121)	(142)	-42%	-51%
<b>Pre-Tax Income Margin</b>	-15%	-29%	-36%	-46%	-57%
Net Income	(72)	(198)	(136)	-64%	-47%
<b>Net Margin</b>	-16%	-47%	-35%	-66%	-54%
Comprehensive Income	(72)	(198)	(136)	-64%	-47%
<b>Comprehensive Income</b>	-16%	-47%	-35%	-66%	-54%
EBITDA	68	18	(7)	50	75
EBIT	(70)	(120)	(141)	50	71
EPS(NT\$)	(0.21)	(0.57)	(0.39)	0.36	0.18

- Owing to the strong domestic demand of China, the wafer supply was unable to meet the demand and the price of market maintained in the high peak at Q1 2016. Therefore, the sales of company reached a 7% increase over the previous quarter together with the cost reduction which made the net loss after taxes substantially reduced when compared with last quarter and the same period of last year.

## II. Balance Sheet

Unit : Mil.NT	Q1'16	Q4'15	Q1'15	QoQ	YoY
Cash and Cash Equivalents	970	903	982	7%	-1%
Accounts Receivable	136	154	134	-12%	1%
Inventories	158	171	208	-8%	-24%
Property, Plant & Equipment	3,105	3,242	3,472	-4%	-11%
Short-term Loans	75	75	90	0%	-17%
Long-term Bank Loans	40	58	101	-31%	-60%
Total Liabilities	394	430	518	-8%	-24%
Shareholders' equity	4,334	4,406	4,874	-2%	-11%
<b>Total Assets</b>	<b>4,729</b>	<b>4,837</b>	<b>5,392</b>	<b>-2%</b>	<b>-12%</b>

- By the end of 2016 Q1, the cash and cash equivalents were continuous inflow with 7% increase. The company's financial structure restored stable and healthy shape with 8.3% of debt ratio, 329% of current ratio and 272% of quick ratio.

## III. Ratio Analysis

%	2015	Q1'16	Q4'15	Q1'15
Gross Margin*	-29%	-10% *	-24% *	-31%
Net Margin*	-38%	-16% *	-47% *	-35%
Return on Assets	-1.5%	-1.5%	-11.6%	-2.5%
Return on Equity	-1.6%	-1.6%	-12.8%	-2.7%
Debt Ratio	8.3%	8.3%	8.9%	9.6%
Current Ratio	375%	375%	339%	329%
Quick Ratio	318%	318%	289%	272%
AR Turnover Ratio (x)	12.46	12.46	9.04	9.58
AR Turnover Days	29	29	40	38
Inventory Turnover Ratio (x)	12.07	12.07	11.21	10.25
Inventory Turnover Days	31	31	33	36

\*Represents quarterly figures

- Due to the improvement of operating conditions, all operating indicators demonstrated the positive and stable trend. The objective of turning business into profitable shape should be optimistic in the event that sales performance can grow quarter by quarter.

#### IV. Cash Flow

Unit : Mil. NT	2015	Q1'16	Q4'15	Q1'15	QoQ	YoY
<b>Cash Flow from Operating Activities</b>	<b>91</b>	<b>87</b>	<b>58</b>	<b>52</b>	<b>29</b>	<b>35</b>
Net Income	(525)	(70)	(121)	(142)	51	72
Depreciation & Amortization	538	138	138	134	0	4
Others	78	19	41	60	(22)	(41)
<b>Cash Flow from Investing Activities</b>	<b>(62)</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>	<b>0</b>	<b>1</b>
Capital Expenditure	(62)	(2)	(1)	(2)	(1)	0
Other Financial Assets	0	1	0	0	1	1
<b>Cash Flow from Financing Activities</b>	<b>(80)</b>	<b>(19)</b>	<b>17</b>	<b>(22)</b>	<b>(36)</b>	<b>3</b>
Bank Loans	(80)	(19)	17	(22)	(36)	3
Issuance of Common Stock	0	0	0	0	0	0
<b>Net Cash Flow</b>	<b>(51)</b>	<b>67</b>	<b>74</b>	<b>28</b>	<b>(7)</b>	<b>39</b>
<b>Cash Balance-Beginning</b>	<b>954</b>	<b>903</b>	<b>829</b>	<b>954</b>	<b>74</b>	<b>(51)</b>
<b>Cash Balance-Ending</b>	<b>903</b>	<b>970</b>	<b>903</b>	<b>981</b>	<b>67</b>	<b>(11)</b>

- Benefiting from the product price maintained at high peak and the significant result of reducing cost at Q1 of 2016, the company's net cash demonstrated an increasing cash inflow when compared with previous quarter and the same period of last year, which keeps the working capital of the company for future maintaining at a low-risk condition.

#### V. Capacity Expansion

(MW)	2010	2011	2012	2016Q1
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(220)
<b>TOTAL</b>	<b>210</b>	<b>330</b>	<b>330</b>	<b>330(550)</b>

- Up to the end of 2016 Q1, the total capacity remained at 330MW. The company will increase its production utilization when the market demand and pricing are both favorable, and the capacity of Fab 3 will be put in place dynamically depending on market demand.

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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.