



## Q3 2016 Earnings Release

Taoyuan, Taiwan, R.O.C. –November 7, 2016 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for Q3 of 2016. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

### Highlights

- For the first three quarters of 2016, revenues amounted to NT\$ 1,198 million, increasing 4% from same period of last year. Net loss was NT\$ 375 million, and -NT\$1.07 per share in the first three quarters of 2016, representing 7.7% improvement to the corresponding period last year.
- At the end of the third quarter of 2016, debt ratio was 4.5%, the current and quick ratios were 585% and 488% individually, reflecting a stable and healthy financial condition of the company.
- The market demand of Q4 is predicted to keep recovering and the operative conditions of Q4 will improve gradually.

### Messages from the Managements

Due to the total installation volume of China market exceeded the prediction during the rush installation period of 1H, the market demand froze rapidly at Q3 and the price and demand of total supply chain fell which resulted to the reducing sales revenue of the company when compared the last quarter. However, the price of supply chain had stopped falling at the end of Q3 since the wafer and cell dealers reduced the stock and turned down the capacity of utilization during Q3. The price and demand of wafer is rising gradually at October based on the peak season of the end of the year and the growing installation demand generated from the energy policy adjustment of China market, thus the operative conditions may be predicted to improve gradually at Q4.

Look into the future, excepting the Europe and US market which was developed early, the demand from the markets of Africa, South America, Asian and Middle-East is growing gradually especially the most installation volume of India may reach the 10GW target of the year predicted by research institute. Furthermore, the domestic market is predicted to reach 900MW of installation demand at 2017 which is pushed by the policy of new government. The

energy policy of the new government not only improve the technical skills of the total supply chain but also help the domestic dealers to face the market situation now. The company will continuously improve the operation for returning to profit with aggressive and positive attitude.

## I. Profit & Loss

Unit : Mil.NT	Q3'16	Q2'16	Q3'15	QoQ	YoY
Revenue	279	467	388	-40%	-28%
Cost of Good Sold	(463)	(524)	(516)	-12%	-10%
Cost of Good Sold-LCM	(34)	3	32	-1233%	-206%
Gross Profit	(218)	(54)	(96)	304%	127%
<b>Gross Margin</b>	-78%	-11%	-25%	610%	212%
Operating Expenses	(19)	(22)	(20)	-14%	-5%
Operating Income	(237)	(76)	(116)	212%	104%
<b>Operating Margin</b>	-85%	-16%	-30%	431%	183%
Pre-Tax Income	(237)	(72)	(107)	229%	121%
<b>Pre-Tax Income Margin</b>	-85%	-15%	-28%	453%	208%
Net Income	(232)	(72)	(113)	222%	105%
<b>Net Margin</b>	-83%	-15%	-29%	453%	186%
Comprehensive Income	(232)	(72)	(113)	222%	105%
<b>Comprehensive Income Margin</b>	-83%	-15%	-29%	453%	186%
EBITDA	(99)	67	26	(166)	(125)
EBIT	(237)	(71)	(107)	(166)	(130)
EPS(NT\$)	(0.66)	(0.21)	(0.32)	(0.46)	(0.34)

- The price and demand of the products was influenced by the rapidly frozen market of Q3. It's lucky that the price has stopped falling at the end of Q3 and the price and demand is growing gradually at Q4 which is predicted to be improved at Q4.

## II. Balance Sheet

Unit : Mil.NT	Q3'16	Q2'16	Q3'15	QoQ	YoY
Cash and Cash Equivalents	843	1,009	829	-16%	2%
Accounts Receivable	63	137	161	-54%	-61%
Inventories	136	188	164	-28%	-17%
Property, Plant & Equipment	2,838	2,975	3,364	-5%	-16%
Short-term Loans	-	50	69	-100%	-100%
Long-term Bank Loans	-	45	48	-100%	-100%
Total Liabilities	191	395	380	-52%	-50%
Shareholders' equity	4,031	4,263	4,604	-5%	-12%
<b>Total Assets</b>	<b>4,222</b>	<b>4,657</b>	<b>4,984</b>	<b>-9%</b>	<b>-15%</b>

- The case and cash equivalents and total liabilities reduced since the long-term bank loans repaid.
- The company took selective orders, adjusted the capacity of utilization and controlled the feeding demand of raw materials at the same time to response to the rapidly frozen market of Q3 thus the stock of the end of Q3 reduced significantly when compared to last quarter.

## III. Ratio Analysis

%	Q3'16	Q2'16	Q3'15
Gross Margin*	-78% *	-11% *	-25% *
Net Margin*	-83% *	-15% *	-29% *
Return on Assets	-8.3%	-3.0%	-7.7%
Return on Equity	-8.9%	-3.3%	-8.5%
Debt Ratio	4.5%	8.5%	7.6%
Current Ratio	585%	400%	359%
Quick Ratio	488%	334%	306%
AR Turnover Ratio (x)	14.71	12.63	8.65
AR Turnover Days	25	29	42
Inventory Turnover Ratio (x)	13.16	11.35	11.27
Inventory Turnover Days	28	33	33

\*Represents quarterly figures

- The adjustment of strategy processed by the company for response to the change of market and maintained the flexible operation until the end of Q3 2016 made all indices of liquidity and operation suggested that the company's operation remained with good shape.

#### IV. Cash Flow

Unit : Mil. NT	Q3'16	Q2'16	Q3'15	QoQ	YoY
<b>Cash Flow from Operating Activities</b>	<b>(67)</b>	<b>65</b>	<b>46</b>	<b>(132)</b>	<b>(113)</b>
Net Income	(237)	(72)	(107)	(165)	(130)
Depreciation & Amortization	138	138	133	0	5
Others	32	(1)	20	33	12
<b>Cash Flow from Investing Activities</b>	<b>(4)</b>	<b>(6)</b>	<b>(40)</b>	<b>2</b>	<b>36</b>
Capital Expenditure	(4)	(6)	(40)	2	36
Other Financial Assets	0	0	0	0	0
<b>Cash Flow from Financing Activities</b>	<b>(95)</b>	<b>(20)</b>	<b>(102)</b>	<b>(75)</b>	<b>7</b>
Bank Loans	(95)	(20)	(102)	(75)	7
Issuance of Common Stock	0	0	0	0	0
<b>Net Cash Flow</b>	<b>(166)</b>	<b>39</b>	<b>(96)</b>	<b>(205)</b>	<b>(70)</b>
<b>Cash Balance-Beginning</b>	<b>1,009</b>	<b>970</b>	<b>925</b>	<b>39</b>	<b>84</b>
<b>Cash Balance-Ending</b>	<b>842</b>	<b>1,009</b>	<b>829</b>	<b>(166)</b>	<b>13</b>

- Although the company's cash flow from operation turned negative during Q3 influenced by the falling price resulted from the rapidly frozen market at Q3 2016, the total cash flow from operation still be NT 84.7 million positive during the first three quarters.

#### V.Capacity Expansion

(MW)	2010	2011	2012	3Q16
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(-)
TOTAL	210	330	330	330

- Up to the end of 3Q16, 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.