



Q1 2017 Earnings Release

Taoyuan, Taiwan, R.O.C. –May 2, 2017 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for 1Q of 2017. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

Highlights

- Sales of Q1 2017 totaled NT\$262 million, a 31% increase over the previous quarter.
- Net loss after taxes was NT\$197 million, EPS was -NT\$0.55, and the loss was reduced when compared to previous quarter.
- With 7.3% of debt ratio, the company's financial structure restored stable and healthy shape with 518% of current ratio and 449% of quick ratio.

Messages from the Managements

Due to the over-heat installation volume of the China market at the first half of 2016 resulted to the freezing market conditions of the second half of 2016 and the total installation volume of 2016 significantly exceed the prediction, the market demand of Q1 2017 is weak. Furthermore, the market demand and price of multi c-Si products fall down at Q1 not only because it was the industry's traditional off-season but also the China photovoltaic subsidy "Top Runner Program" over prefer the mono c-Si products which resulted in the Q1 sales of the company less than the same period of last year. However, the overall operation is recovering when compare with Q4 2016.

In Q2, a pull-in tide against the June 30, the deadline of photovoltaic subsidy of China market, is launched after the ending of SNEC International Photovoltaic Power Generation Conference & Exhibition in Shanghai hold at late April. Besides, some delivering rumor discloses that the China National Energy Administration will amend the threshold of the subsidy policy "Top Runner Program" due to the current threshold over prefer the mono c-Si products and cause the multi c-Si products hard to promote. To make the competition more equitable, the threshold of mono c-Si products and multi c-Si products will be made individually. In the aspect of medium and long term, the US market may occur with a pull-in tide in high possibility based on psychological expectations from the brewing trade war. Furthermore,

most industry research institute predicted the installation volume of the global solar power generation instrument of 2017 will demonstrate a growing trend. In general, the application of solar energy will still be an important and indispensable role of the energy development in the future.

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.

I. Profit & Loss

Unit : Mil.NT	Q1'17	Q4'16	Q1'16	QoQ	YoY
Revenue	226	173	452	31%	-50%
Cost of Good Sold	(398)	(325)	(505)	22%	-21%
Cost of Good Sold-LCM	4	13	8	-69%	-53%
Gross Profit	(168)	(139)	(45)	21%	273%
Gross Margin	-74%	-80%	-10%	-7%	650%
Operating Expenses	(17)	(17)	(20)	0%	-15%
Operating Income	(185)	(156)	(65)	19%	185%
Operating Margin	-82%	-90%	-14%	-9%	486%
Pre-Tax Income	(192)	(151)	(70)	27%	174%
Pre-Tax Income Margin	-85%	-87%	-15%	-3%	449%
Net Income	(193)	(358)	(72)	-46%	168%
Net Margin	-85%	-207%	-16%	-59%	431%
Comprehensive Income	-85%	-207%	-16%	-59%	431%
EBITDA	(54)	(13)	68	(41)	(122)
EBIT	(192)	(151)	(70)	(41)	(122)
EPS(NT\$)	(0.55)	(1.03)	(0.21)	0.47	(0.35)

- The product price did not recover as predicted resulted from the weak domestic demand of China at Q1 2017 which was extended from Q4 2016. However, based on the consideration to reduce the fixed cost per unit, the sales was expanded to increase revenue for apportion the expense of fixed cost.

II. Balance Sheet

Unit : Mil.NT	Q1'17	Q4'16	Q1'16	QoQ	YoY
Cash and Cash Equivalents	902	876	970	3%	-7%
Accounts Receivable	66	71	136	-7%	-51%
Inventories	105	138	158	-24%	-34%
Property, Plant & Equipment	2,574	2,712	3,105	-5%	-17%
Short-term Loans	38	25	75	52%	-49%
Long-term Bank Loans	54	43	40	26%	35%
Total Liabilities	275	240	394	15%	-30%
Shareholders' equity	3,480	3,673	4,334	-5%	-20%
Total Assets	3,755	3,913	4,729	-4%	-21%

- Based on the market conditions of Q1 2017 did not recover significantly, the company reduced the stock for maintaining the financial structure in stable and healthy shape.

III. Ratio Analysis

%	2015	Q1'17	Q4'16	Q1'16
Gross Margin*	0%	-74% *	-80% *	-10% *
Net Margin*	0%	-85% *	-207% *	-16% *
Return on Assets	-5.0%	-5.0%	-16.7%	-1.5%
Return on Equity	-5.4%	-5.4%	-18.2%	-1.6%
Debt Ratio	7.3%	7.3%	6.1%	8.3%
Current Ratio	518%	518%	588%	375%
Quick Ratio	449%	449%	493%	318%
AR Turnover Ratio (x)	13.13	13.13	12.17	12.46
AR Turnover Days	28	28	30	29
Inventory Turnover Ratio (x)	12.98	12.98	11.83	12.07
Inventory Turnover Days	29	29	31	31

*Represents quarterly figures

- The operating conditions were influenced by the un-recovery industry. However, the debt-paying ability and each operating indicators of the company are maintained in the relatively stable conditions.

IV. Cash Flow

Unit : Mil. NT	2015	Q1'17	Q4'16	Q1'16	QoQ	YoY
Cash Flow from Operating Activities	616	4	(40)	87	44	(83)
Net Income	0	(192)	(151)	(70)	(41)	(122)
Depreciation & Amortization	538	138	138	138	0	0
Others	78	58	(27)	19	85	39
Cash Flow from Investing Activities	(62)	(2)	5	(1)	(7)	(1)
Capital Expenditure	(62)	(2)	0	(2)	(2)	0
Other Financial Assets	0	0	5	1	(5)	(1)
Cash Flow from Financing Activities	(80)	24	68	(19)	(44)	43
Bank Loans	(80)	24	68	(19)	(44)	43
Issuance of Common Stock	0	0	0	0	0	0
Net Cash Flow	474	26	33	67	(7)	(41)
Cash Balance-Beginning	954	876	843	903	33	(27)
Cash Balance-Ending	1,428	902	876	970	26	(68)

- The control of cash flow from operating activities was the major issue since the solar market conditions of Q1 2017 did not recover. However, the cash flow from operating activities demonstrated a cash inflow by continuously reduced the stock and the expenses of fixed cost.

V. Capacity Expansion

(MW)	2010	2011	2012	2017Q1
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(220)
TOTAL	210	330	330	330(550)

- Up to the end of 2017 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.

IR Contact

Kevin Shih, Manager

pr@danentech.com

Phone : +886 3 4738788

Fax : +886 3 4738368

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.