



Q3 2017 Earnings Release

Taoyuan, Taiwan, R.O.C. –November 8, 2017 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for Q3 of 2017. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

Highlights

- For the third quarter of 2017, revenues amounted to NT\$ 2.34 million, increasing 51% from last quarter. Net loss was NT\$ 156 million, and -NT\$0.45 per share in the third quarter of 2017, which was improved to last quarter and the corresponding period last year.
- At the end of the third quarter of 2017, debt ratio was 8.8%, the current and quick ratios were 321% and 253% individually, reflecting a stable and healthy financial condition of the company.

Messages from the Managements

Due to the cases of 630 photovoltaic subsidy of China at 1H partially deferred to Q3 and the market of Q3 was stimulated by the stocking tide resulted from the trade war hesitation induced by the investigation of code 201 activated by US and the support of the installation demand from the promoting of distributed photovoltaic subsidy at China, the total demand and price of solar supply chain continued growing at Q3. Therefore, the company's sales revenue of Q3 increased 51% from last quarter and the trend may continue to the bottom of November even to the end of the year which is predicted by the visibility of orders currently.

Look into the market conditions of short term, although the US market of Q3 accumulated some stock resulted from the expectation of trade war, the influence of variation still be limited to the global market since the demand of US market next year will be approaching to 10GW at least, which is predicted by some research institutes of industry according to the protecting step and taxes rules raised by US ITC after the investigation of code 201. Besides, the information, related to the activating of new PV Leader program and poverty alleviation plan, is conducted outward from the market of China recently, which will be advantageous to the short term demand of market. Look into the trend of middle and long term, after the multi

c-Si product speeds to introduce diamond wire slicing for manufacturing multi c-Si wafer, the producing cost of multi c-Si product will be reduced in effect for competing with mono c-Si product, which will lead the solar energy generation become the renewable energy with more competitiveness.

In response to the variation of industry, the company will plan the middle and long term operating direction properly according to the technical development of industry with currently stable financial shape and more flexible operating strategy to make the operation of company turn to the direction with profit.

I. Profit & Loss

Unit : Mil.NT	Q3'17	Q2'17	Q3'16	QoQ	YoY
Revenue	234	155	279	51%	-16%
Cost of Good Sold	(378)	(344)	(463)	10%	-18%
Cost of Good Sold-LCM	3	8	(34)	-63%	-109%
Gross Profit	(141)	(181)	(218)	-22%	-35%
Gross Margin	-60%	-117%	-78%	-48%	-23%
Operating Expenses	(16)	(19)	(19)	-16%	-16%
Operating Income	(157)	(200)	(237)	-22%	-34%
Operating Margin	-67%	-129%	-85%	-48%	-21%
Pre-Tax Income	(156)	(197)	(237)	-21%	-34%
Pre-Tax Income Margin	-67%	-127%	-85%	-48%	-22%
Net Income	(156)	(199)	(232)	-22%	-33%
Net Margin	-67%	-128%	-83%	-48%	-19%
本期綜合(損)益總額	(156)	(199)	(232)	-22%	-33%
Comprehensive Income	-67%	-128%	-83%	-48%	-19%
EBITDA	(19)	(60)	(99)	41	80
EBIT	(155)	(197)	(237)	42	82
EPS(NT\$)	(0.45)	(0.57)	(0.66)	0.12	0.22

- Due to the raising of market demand, the increasing price of the product and the managing benefit of reducing cost, the sales revenue and the operating result of Q3 improved significantly when compared to last quarter.

II. Balance Sheet

Unit : Mil.NT	Q3'17	Q2'17	Q3'16	QoQ	YoY
Cash and Cash Equivalents	660	743	843	-11%	-22%
Accounts Receivable	75	66	63	14%	19%
Inventories	141	77	136	83%	4%
Property, Plant & Equipment	2,304	2,440	2,838	-6%	-19%
Short-term Loans	80	105	-	-24%	
Long-term Bank Loans	4	35	-	-89%	
Total Liabilities	301	303	191	-1%	58%
Shareholders' equity	3,125	3,281	4,031	-5%	-22%
Total Assets	3,426	3,584	4,222	-4%	-19%

- Without influence to the stable financial shape, the company adjusted the financing amount to reduce the expense of interest by repaying partial loan with bank, which resulted to the decreasing of cash and cash equivalents.
- The stock at the end of Q3 increased when compared to last quarter, which was resulted from the preparing of raw material in advance for responding to the raising demand of orders and operation.

III. Ratio Analysis

%	Q3'17	Q2'17	Q3'16
Gross Margin*	-60% *	-117% *	-78% *
Net Margin*	-67% *	-128% *	-83% *
Return on Assets	-14.9%	-10.4%	-8.3%
Return on Equity	-16.1%	-11.3%	-8.9%
Debt Ratio	8.8%	8.5%	4.5%
Current Ratio	321%	354%	585%
Quick Ratio	253%	309%	488%
AR Turnover Ratio (x)	11.19	11.07	14.71
AR Turnover Days	33	33	25
Inventory Turnover Ratio (x)	10.56	13.59	13.16
Inventory Turnover Days	35	27	28

*Represents quarterly figures

- With the stable financial shape and solvency, the company will plan the short, middle, and long term operating strategy properly in response to the market variation of demand and supply and the technical development of product, and improve the performance of operating.

IV. Cash Flow

Unit : Mil. NT	Q3'17	Q2'17	Q3'16	QoQ	YoY
Cash Flow from Operating Activities	(21)	(53)	(67)	32	46
Net Income	(156)	(197)	(237)	41	81
Depreciation & Amortization	136	137	138	(1)	(2)
Others	(1)	7	32	(8)	(33)
Cash Flow from Investing Activities	(5)	(155)	(4)	150	(1)
Capital Expenditure	(5)	0	(4)	(5)	(1)
Other Financial Assets	0	(155)	0	155	0
Cash Flow from Financing Activities	(57)	49	(95)	(106)	38
Bank Loans	(57)	49	(95)	(106)	38
Issuance of Common Stock	0	0	0	0	0
Net Cash Flow	(83)	(159)	(166)	76	83
Cash Balance-Beginning	743	902	1,009	(159)	(266)
Cash Balance-Ending	660	743	843	(83)	(183)

- The cash flow from operating activities improved significantly when compared to last quarter and the same period of last year. Simultaneously, with the premise of maintaining stable financial shape, the company repay partial loan with bank to reduce the expense of interest, thus cash and cash equivalents reduced when compared to last quarter.

V.Capacity Expansion

(MW)	2010	2011	2012	3Q17
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(-)
TOTAL	210	330	330	330

- Up to the end of Q3 2017, 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.