



## Q2 2018 Earnings Release

Taoyuan, Taiwan, R.O.C. –August 3, 2018 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announced its financial report for Q2 of 2018. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

### Highlights

- Sales of Q2 totaled NT\$144 million and sales of 1H totaled NT\$405 million, a slightly increase when compared with the same period of last year.
- With 7.2% of debt ratio. The company's financial structure restored stable and healthy shape with 429% of current ratio and 353% of quick ratio.

### Messages from the Managements

The 630 installation peak predicted by market disappeared after the China government announced and executed immediately the new reducing-subsidy policy at June first. Partial players who over-stock their product turned into sold their stock for returning cash which lead the market of June demonstrated supply much excessive than demand. The product price of total supply chain drastically dropped to the unreasonable level and players successively turned their production capacity down to wait the stock cleared and market price recovery. However, the sale revenue still be a slightly increase when compared with the same period of last year.

Look into the future, although the installation volume of China market may be first time to decrease this year since the subsidy policy change of China government, the demand of oversea market is appearing except China. Besides, most of the orders are major in multi c-Si products wherefore the price of multi c-Si wafers and cells stopped dropping and stable. Furthermore, the variation of China subsidy policy caused the violently shock of market in short term but will help the market order of demand and supply become normal by releasing the industry from vicious circle of subsidy and unlimited expansion of production capacity.

Although the solar industry located at the bottom of business cycle , The company will uphold the stable operating strategy by reducing operating cost and cash flow with adjustable production capacity and sales strategy to maintain the stable operating of the company.

## I. Profit & Loss

Unit : Mil.NT	Q2'18	Q1'18	Q2'17	QoQ	YoY
Revenue	144	261	155	-45%	-7%
Cost of Good Sold	(347)	(436)	(344)	-20%	1%
Cost of Good Sold-LCM	22	6	8	267%	175%
Gross Profit	(181)	(169)	(181)	7%	0%
<b>Gross Margin</b>	-126%	-65%	-117%	94%	8%
Operating Expenses	(17)	(14)	(19)	21%	-11%
Operating Income (Loss)	(198)	(182)	(200)	9%	-1%
<b>Operating Margin</b>	-138%	-70%	-129%	97%	7%
Pre-Tax Income (Loss)	(444)	(181)	(197)	145%	125%
<b>Pre-Tax Income Margin</b>	-308%	-69%	-127%	345%	143%
Net Income (Loss)	(444)	(179)	(199)	148%	123%
<b>Net Margin</b>	-308%	-69%	-128%	346%	141%
Comprehensive Income (Loss)	(444)	(179)	(199)	148%	123%
<b>Comprehensive Income</b>	-308%	-69%	-128%	346%	141%
EBITDA	(315)	(50)	(60)	(265)	(255)
EBIT	(443)	(180)	(197)	(263)	(246)
EPS(NT\$)	(1.27)	(0.51)	(0.57)	(0.76)	(0.70)

- Due to the market demand and price of Q2 frozen and dropped by China's new subsidy policy, the company took strictly selective orders strategy and refused the unreasonable price orders in short term to avoid the operating result of "more selling caused larger loss", thus the sales revenue decrease.

## II. Balance Sheet

Unit : Mil.NT	Q2'18	Q1'18	Q2'17	QoQ	YoY
Cash and Cash Equivalents	531	526	743	1%	-29%
Accounts Receivable	-	62	66	-100%	-100%
Inventories	118	138	77	-14%	53%
Property, Plant & Equipment	1,672	2,045	2,440	-18%	-31%
Short-term Loans	28	42	105	-33%	-73%
Long-term Bank Loans	23	-	35	100%	-34%
Total Liabilities	184	206	304	-11%	-39%
Shareholders' equity	2,359	2,803	3,281	-16%	-28%
<b>Total Assets</b>	<b>2,543</b>	<b>3,009</b>	<b>3,584</b>	<b>-15%</b>	<b>-29%</b>

- By the end of 2018 Q2, the cash and cash equivalents slightly increased than Q1 and total liabilities reduced than Q1. The other indexes were maintained relatively stable.

### III. Ratio Analysis

%	Q2'18	Q1'18	Q2'17
Gross Margin*	-126% *	-65% *	-117% *
Net Margin*	-308% *	-69% *	-128% *
Return on Assets	-22.7%	-5.7%	-10.4%
Return on Equity	-12.3%	-6.2%	-11.3%
Debt Ratio	7.2%	6.8%	8.5%
Current Ratio	429%	386%	354%
Quick Ratio	353%	295%	309%
AR Turnover Ratio (x)	333.64	18.49	11.35
AR Turnover Days	1	20	32
Inventory Turnover Ratio (x)	13.06	13.76	13.77
Inventory Turnover Days	28	27	27

\*Represents quarterly figures

- Although the operating profit margin influenced by the falling of market demand and price, the other indexes were maintained normally and stably. The company will continuously improve the operative performance of original solar profession and develop new business field by technical cooperation and investment.

### IV. Cash Flow

Unit : Mil. NT	Q2'18	Q1'18	Q2'17	QoQ	YoY
<b>Cash Flow from Operating Activities</b>	0	(161)	(53)	161	53
Net Income	(444)	(181)	(197)	(263)	(246)
Depreciation & Amortization	128	130	137	(2)	(9)
Others	316	(111)	8	426	308
<b>Cash Flow from Investing Activities</b>	(3)	(12)	(155)	9	151
Capital Expenditure	(3)	(12)	0	9	(4)
Other Financial Assets	0	0	(155)	0	155
<b>Cash Flow from Financing Activities</b>	8	(6)	49	15	(40)
Bank Loans	8	(6)	49	15	(40)
Issuance of Common Stock	0	0	0	0	0
<b>Net Cash Flow</b>	5	(179)	(159)	184	164
<b>Cash Balance-Beginning</b>	526	705	902	(179)	(376)
<b>Cash Balance-Ending</b>	530	525	743	5	(213)

- The company's net cash of Q2 2018 demonstrated a slightly inflow which is improved when compared with last quarter. The operating funds of the company continuously maintained at stable and low-risk level.

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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.