



## Q3 2018 Earnings Release

Taoyuan, Taiwan, R.O.C. –November 7, 2018 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for 3Q of 2018. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

### Highlights

- Sales of Q3 2018 totaled NT\$38 million, Net loss after taxes was NT\$177 million, EPS was -NT\$0.51, and the loss was reduced significantly when compared to last quarter.
- With 5.8% of debt ratio, the company's financial structure restored stable and healthy shape with 484% of current ratio and 381% of quick ratio.

### Messages from the Managements

Due to the double negative effect from the new and immediately executed policy which significantly reduced the photovoltaic subsidy announced by China at June first, and Europe relieved MIP trading barrier of China, the demand and price of global solar product continuously dropped to unreasonable level at Q3. All the sections of supply chain took the policy of stock clearing and capacity utilization reducing to keep cash and to reduce lost. Although the sales revenue of the company reduced significantly when compared to last quarter, the net loss reduced than last quarter, too.

Look into the market condition in short term, since the installation volume of single China market constituted more than fifty percentage of global installation at 2017, the research institute predicted that the demand will reduce resulted from the executed China new policy and the global installation volume will decrease which is the first time in recent year. Although Europe relieved the MIP solar trading barrier of China that will recover the installation volume of Europe market in middle-long term, the market price is predicted not to rise quickly to the reasonable level thus the supply chain may not raise the capacity utilization in short time before the stock cleared. The low season of industry still need a new policy to promote the demand for achieving the balance of supply and demand.

The company will continuously execute the strategy of strictly selecting orders, keep cash for maintaining the stable finance, and aggressively search potential target out of solar industry.

## I. Profit & Loss

Unit : Mil.NT	Q3'18	Q2'18	Q3'17	QoQ	YoY
Revenue	38	144	234	-74%	-84%
Cost of Good Sold	(230)	(347)	(372)	-34%	-38%
Cost of Good Sold-LCM	28	22	(3)	27%	-1033%
Gross Profit	(164)	(181)	(141)	-9%	16%
<b>Gross Margin</b>	-432%	-126%	-60%	244%	618%
Operating Expenses	(15)	(17)	(16)	-12%	-6%
Operating Income (Loss)	(179)	(198)	(157)	-10%	14%
<b>Operating Margin</b>	-472%	-137%	-67%	245%	604%
Pre-Tax Income (Loss)	(177)	(444)	(156)	-60%	13%
<b>Pre-Tax Income Margin</b>	-466%	-308%	-67%	51%	599%
Net Income (Loss)	(177)	(444)	(156)	-60%	13%
<b>Net Margin</b>	-466%	-308%	-67%	51%	596%
Comprehensive Income (Loss)	(177)	(444)	(156)	-60%	13%
<b>Comprehensive Income</b>	-466%	-308%	-67%	51%	596%
EPS(NT\$)	(0.51)	(1.27)	(0.45)	0.76	(0.06)

- The demand and price of continuously dropped to unreasonable level at Q3, the sales revenue of the company reduced significantly since the company executed the strategy of strictly selecting orders, but the loss reduced than last quarter

## II. Balance Sheet

Unit : Mil.NT	Q3'18	Q2'18	Q3'17	QoQ	YoY
Cash and Cash Equivalents	426	531	660	-20%	-35%
Accounts Receivable	-	-	75	0%	-100%
Inventories	85	118	141	-28%	-40%
Property, Plant & Equipment	1,595	1,672	2,304	-5%	-31%
Short-term Loans	55	20	55	175%	0%
Long-term Bank Loans	15	23	4	-35%	275%
Total Liabilities	133	184	301	-28%	-56%
Shareholders' equity	2,183	2,359	3,125	-7%	-30%
<b>Total Assets</b>	<b>2,316</b>	<b>2,543</b>	<b>3,426</b>	-9%	-32%

- The cash and cash equivalents reduced at bottom of Q3 which is resulted from the payment of suppliers and the strategy of strictly selecting orders.

### III. Ratio Analysis

%	Q3'18	Q2'18	Q3'17
Gross Margin*	-433% *	-126% *	-60% *
Net Margin*	-466% *	-308% *	-67% *
Return on Assets	-28.6%	-21.4%	-14.9%
Return on Equity	-30.9%	-23.3%	-16.1%
Debt Ratio	5.8%	7.2%	8.8%
Current Ratio	484%	429%	321%
Quick Ratio	381%	341%	253%

\*Represents quarterly figures

- The gross margin and return became worse at the bottom of Q3 2018, but the operating indexes of debt ratio, current ratio and quick ratio maintained in stable which demonstrated the company's financial structure is stable with healthy shape.

### IV. Cash Flow

Unit : Mil. NT	Q3'18	Q2'18	Q3'17	QoQ	YoY
<b>Cash Flow from Operating Activities</b>	(121)	0	(21)	(121)	(100)
Net Income	(177)	(444)	(156)	267	(21)
Depreciation & Amortization	111	128	136	(17)	(25)
Others	(55)	316	(1)	(371)	(54)
<b>Cash Flow from Investing Activities</b>	(19)	(3)	(5)	(16)	(14)
Capital Expenditure	(18)	(3)	(5)	(15)	(13)
Other Financial Assets	(1)	0	0	(1)	(1)
<b>Cash Flow from Financing Activities</b>	35	8	(56)	27	91
Bank Loans	35	8	(56)	27	91
Issuance of Common Stock	0	0	0	0	0
<b>Net Cash Flow</b>	(105)	5	(82)	(110)	(23)
<b>Cash Balance-Beginning</b>	531	526	742	5	(211)
<b>Cash Balance-Ending</b>	426	531	660	(105)	(234)

- Due to the partial payment of suppliers deferred from Q2 to Q3, the cash demonstrated a larger outflow. However the situation didn't worsen when compared with last quarter.

### 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.