



## 2012 1Q Earnings Release

Taoyuan, Taiwan, R.O.C. – April 27, 2012 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for the 1Q of 2012. The information is according to ROC GAAP in millions of NT\$, except where otherwise indicated.

### Highlights

- Net Sales were NT\$295 million in Q1 2012, up 3% compared with previous quarter.
- Gross profit was -NT\$132 million, much improved from the previous quarter.
- Operating margin was -NT\$157 million, net loss was -NT\$136 million, the loss declined 58% compared with the previous quarter.
- EPS after tax was -NT\$0.67.

### Messages from the Managements

Owing to rush orders, the market demand and price bounced back steadily in Q1 2012. Although the market became conservative at the end of Q1 due to the FiT cuts of German and Italy, the subsidy policy of the emerging markets such as China, the U.S. and Japan will stimulate the market demands of Q2 and 2<sup>nd</sup> half of the year.

The market price may not recover easily back to a profitable level in short term due to the oversupply situation of the industry. However, the operation and financial performance of the company will be improved progressively by reducing material cost and enhancing internal production efficiency.

Suffering from the stagnation of the solar industry for the past one year, Danen still keeps a healthy financial structure. The company will strive for the breakthrough of technology, quality and cost reduction continuously, and look forward to achieving a new milestone in operating performance and gaining back profitability on the premise of stable financial support, since the supply and demand problem will be eased gradually.

## I. Profit & Loss

Unit : Mil.NT	Q1'12	Q4'11	Q1'11	QoQ	YoY
Revenue	295	285	1,564	3%	-81%
Cost of Sales	(427)	(627)	(1,212)	-32%	-65%
Gross Profit	(132)	(342)	353	-61%	-137%
Gross margin	-45%	-120%	22%	75%	-67%
Operating Expenses	(25)	(28)	(48)	-11%	-48%
Operating Income	(157)	(370)	304	-58%	-152%
Operating Margin	-53%	-130%	19%	77%	-72%
Net Income	(136)	(320)	251	-58%	-154%
Net Margin	-46%	-112%	16%	66%	-62%
EBITDA	(33)	(256)	400	223	(433)
EBIT	(149)	(371)	310	222	(459)
EPS(NTS)	(0.67)	(1.63)	1.47	0.96	(2.14)

Due to rush orders, the market demand and price bounced back steadily in Q1. Net sales were NT\$295 million, up 3% compared with previous quarter. Owing to the price recovery and cost reduction, gross margin was much improved than Q4 2011, thus the operation performance is moving positively.

## II. Balance Sheet

Unit : Mil.NT	Q1'12	Q4'11	Q1'11	QoQ	YoY
Cash and Cash Equivalent	2,067	2,546	2,780	-19%	-26%
Accounts Receivable	115	147	362	-22%	-68%
Inventories	205	103	393	99%	-48%
Net Fixed Assets	4,790	4,619	4,232	4%	13%
Short-term Loans	1,102	939	742	17%	49%
Long-term Bank Loans	1,651	1,725	1,025	-4%	61%
Total Liabilities	3,109	3,006	2,730	3%	14%
Shareholders' equity	4,646	4,781	5,561	-3%	-16%
<b>Total Assets</b>	<b>7,755</b>	<b>7,787</b>	<b>8,291</b>	<b>0%</b>	<b>-6%</b>

Inventories increased at the end of Q1 2012 compared with previous quarter, was due to price recovery and more materials prepared for production, part of which was in transit for Q2 growing demand.

### III. Ratio Analysis

%	Q1'12	Q4'11	Q1'11
Gross Margin*	-45% *	-120% *	22% *
Net Margin*	-46% *	-112% *	16% *
Return on Assets	-1.6%	-4.3%	3.7%
Return on Equity	-2.9%	-8.3%	5.8%
Debt Ratio	40%	39%	33%
Current Ratio	181%	232%	231%
Quick Ratio	157%	215%	194%
AR Turnover Ratio(x)	9	20	21
AR Turnover Days	41	18	17
Inventory Turnover Ratio(:	11	19	13
Inventory Turnover Days	33	19	27

\*represents quarterly figures.

At the end of Q1 2012, the company adjusted utilization and controlled the cost/expense cautiously in response to the market demand situation. The company will improve the operation efficiency continuously with the premise of healthy financial structure, and expect to turn back profitable and grow business again.

### IV. Cash Flow

TWD in millions	Q1'12	Q4'11	Q1'11	QoQ	YoY
<b>Cash Flow from Operation Activities:</b>	<b>(16)</b>	<b>(132)</b>	<b>25</b>	<b>116</b>	<b>(41)</b>
Net Income	(136)	(320)	251	184	(387)
Depreciation & Amortization	116	116	89	0	27
Others	4	72	(315)	(68)	319
<b>Cash Flow from Investment Activities:</b>	<b>(550)</b>	<b>(141)</b>	<b>(1,029)</b>	<b>(409)</b>	<b>479</b>
Capital Expenditure	(380)	(140)	(1,022)	(240)	642
Others	(170)	(1)	(7)	(169)	(163)
<b>Cash Flow from financial Activities</b>	<b>87</b>	<b>(384)</b>	<b>2,549</b>	<b>471</b>	<b>(2,462)</b>
Bank Loans	87	(384)	378	471	(291)
Cash from right issue	0	0	2,171	0	(2,171)
<b>Net Cash Flow</b>	<b>(479)</b>	<b>(657)</b>	<b>1,545</b>	<b>178</b>	<b>(2,024)</b>
<b>Cash Balance-Beginning</b>	<b>2,546</b>	<b>3,203</b>	<b>1,235</b>	<b>(657)</b>	<b>1,311</b>
<b>Cash Balance-Ending</b>	<b>2,067</b>	<b>2,546</b>	<b>2,780</b>	<b>(479)</b>	<b>(713)</b>

Due to the improvement of operation performance, cash depreciated from operation activities of Q1 decreased NT\$116 million than the previous quarter.

Negative cash flow from investment activities of Q1 was NT\$550 million, mainly due to the payment of Fab3 construction and equipments purchased.

## V. Capacity Expansion

(MW)	4Q10	4Q11	1Q12	2012
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				( 220 )
TOTAL	210	330	330	550

At the end of Q1 2012, total plant capacity is 330MW. The construction of Plant III building will be completed by Q2 2012, and the schedule of production equipments' installation will be adjusted according to the market demand situation.

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### About the Company

Established in 2007, Danen Technology is a specialized multi-crystalline silicon ingots and 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 two wafer manufacturing plants, with 330MW capacity currently, wafer plant III is under construction, and building will be completed by Q2 of the year. The company will continue to be the leading wafer manufacturer of solar value chain in Taiwan by providing cost advantage, superior quality, and diversity of service to customers.