



2012 Earnings Release

Taoyuan, Taiwan, R.O.C. – March 26, 2013 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for the 4Q of 2012 and the full year. The information is according to ROC GAAP in millions of NT\$, except where otherwise indicated.

Highlights

- Net Sales of NT\$903 million in 2012, gross profit was -NT\$736 million and operating loss was NT\$825 million.
- Net loss was NT\$760 million, equivalent EPS after tax was -NT\$3.73.
- With debt ratio of 38%, current ratio and quick ratio kept at 101% and 90% respectively.

Messages from the Managements

The solar market in 2012 weakened due to European states' cutting renewable energy subsidies under the financial pressure from the EU debt crisis. Furthermore, the oversupply piled up inventory and drove down the prices even lower than the costs. Thus the whole solar industrial was in a difficult situation of "more sale, more loss."

The company's strategy to cope with this hardship was to control its loss by limiting order-taking and reducing capacity utilization. Thus the company's sales in 2012 inevitably declined, comparing to that in 2011, and the operation result was not encouraging. However, with said strategy and well controlled inventory, cost and expenditure, the company successfully maintained its finance shape in a stable status.

Notwithstanding the weak EU market, China, Japan, U.S., and Southeast Asia's solar markets are boosted by local energy policies. A positive development for solar market growth in mid or long term is foreseeable. The company, in addition to maintaining its stable finance, will keep reducing cost, enhancing technology, and developing high quality wafers to maintain its competency and carry out better performances for coming business opportunity.

I. Profit & Loss

Unit : Mil.NT	2012	Q4'12	Q3'12	Q4'11	QoQ	YoY
Revenue	903	112	187	285	-40%	-61%
Cost of Sales	(1,639)	(326)	(389)	(627)	-16%	-48%
Gross Profit	(736)	(214)	(202)	(342)	6%	-37%
Gross Margin	-82%	-191%	-108%	-120%	-83%	-71%
Operating Expenses	(89)	(19)	(20)	(28)	-5%	-32%
Operating Income	(825)	(233)	(222)	(370)	5%	-37%
Operating Margin	-91%	-208%	-119%	-130%	-89%	-78%
Net Income	(760)	(235)	(199)	(320)	18%	-27%
Net Margin	-84%	-210%	-106%	-112%	-103%	-98%
EBITDA	(362)	(134)	(98)	(256)	(37)	122
EBIT	(823)	(249)	(213)	(371)	(36)	122
EPS(NTS)	(3.73)	(1.15)	(0.98)	(1.63)	(0.17)	0.48

Subject to oversupply and weak demand, the product prices kept declining in Q4. Hence, the company reinforced strategic order-taking and utilization optimization. The sale was therefore limited. The revenue in 4Q12 decreased to NT\$112 million and the net loss after tax was NT\$235 million.

II. Balance Sheet

Unit : Mil.NT	Q4'12	Q3'12	Q4'11	QoQ	YoY
Cash and Cash Equivalents	1,179	1,615	2,546	-27%	-54%
Accounts Receivable	24	69	147	-65%	-84%
Inventories	85	178	103	-52%	-17%
Net Fixed Assets	4,560	4,669	4,619	-2%	-1%
Short-term Loans	1,312	1,439	889	-9%	48%
Long-term Bank Loans	1,079	1,315	1,725	-18%	-37%
Total Liabilities	2,478	2,945	3,006	-16%	-18%
Shareholders' equity	4,001	4,236	4,781	-6%	-16%
Total Assets	6,479	7,181	7,787	-10%	-17%

Thanks to successful utilization and procurement strategies, inventory in 4Q12 reduced by 52%, compared with 3Q12, and loss on inventory valuation was well controlled. AR also declined due to weak demand and sales during the period.

III. Ratio Analysis

%	2012	Q4'12	Q3'12	Q4'11
Gross Margin*	-82%	-191% *	-108% *	-120% *
Net Margin*	-84%	-210% *	-106% *	-112% *
Return on Assets	-9.9%	-9.9%	-6.5%	-4.3%
Return on Equity	-17.3%	-17.3%	-11.6%	-8.3%
Debt Ratio	38%	38%	41%	39%
Current Ratio	101%	101%	125%	232%
Quick Ratio	90%	90%	109%	215%
AR Turnover Ratio (x)	10.52	10.52	9.73	20.45
AR Turnover Days	35	35	38	18
Inventory Turnover Ratio (x)	17.42	17.42	12.48	19.10
Inventory Turnover Days	21	21	30	20

*Represents quarterly figures

Compared with 3Q12 and 4Q11, ROA and ROE both declined in 4Q12 as market demand and ASP both decreased. However, with well managed utilization rate and controlled expenditure, the debt ratios and liquidity ratios remained healthy.

IV. Cash Flow

Unit : Mil. NT	2012	Q4'12	Q3'12	Q4'11	QoQ	YoY
Cash Flow from Operation Activities	(333)	(88)	(110)	(132)	22	44
Net Income	(760)	(235)	(199)	(320)	(36)	85
Depreciation & Amortization	462	115	115	116	0	(1)
Others	(35)	32	(26)	72	58	(40)
Cash Flow from Investment Activities	(756)	17	(119)	(141)	136	158
Capital Expenditure	(531)	(9)	(73)	(140)	64	131
Others	(225)	26	(46)	(1)	72	27
Cash Flow from Financial Activities	(278)	(365)	(103)	(384)	(262)	19
Bank Loans	(278)	(365)	(103)	(384)	(262)	19
Cash Dividend	0	0	0	0	0	0
Net Cash Flow	(1,367)	(436)	(332)	(657)	(104)	221
Cash Balance-Beginning	2,546	1,615	1,947	3,203	(332)	(1,588)
Cash Balance-Ending	1,179	1,179	1,615	2,546	(436)	(1,367)

Compared to some period of previous year, the cash outflows from all activities have been improved. The net cash flow from financial activities in 4Q12 was NT\$ -365million, mainly due to loan repayments to the banks.

V. Capacity Expansion

(MW)	4Q10	4Q11	3Q12	2H12
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(-)
TOTAL	210	330	330	330

At the end of 2012, the total capacity is 330MW. Capacity in Plant III will undergo periodic adjustments depending on the prevailing market conditions.

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About Danen:

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. Since its establishment, Danen has obtained certifications and 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.