



Q3 2013 Earnings Release

Taoyuan, Taiwan, R.O.C. – November 7, 2013 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for the 3Q of 2013. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

Highlights

- Sales of Q3 totaled NT\$ 301 million, 34% increased over the previous quarter. Both gross and net losses were improved via quarterly basis.
- EPS of Q3/13, NT\$ -0.55/share was better than previous quarter and even the same period of last year.
- Up to the end of Q3, debt ratio sustained at 29%, but current ratio and quick ratio both declined to 68% and 58%, caused by major part of long term loans turned into short term liability. With the syndication loan of NT. 922 million granted on September 17 and drawn down since October, a better financial structure is foreseeable.

Messages from the Managements

After the solar anti-dumping dispute between the EU and China settled down, the development of industry gradually turns to positive. Along with US, Japan, China and emerging markets' growing demands, the ASP of solar products have risen stably. Thanks to the growing demands for high efficiency products, the Company's revenue of Q3 increased significantly and the sales hit a 20-month high in October/13 recently.

Although the growth of wafer's ASP remained insignificant, the Company's operation result improved quarter by quarter due to the combined value contribution from strong demand of high efficiency wafers and cost reduction.

With solid global demand of system installation, the whole industry will remain on an upward growth trend in 4Q13. The growth of solar market will continue in the coming years and the ASP of solar wafer will restore to a reasonable profit level in the near future, driven by the gradually balanced supply-demand and soaring demands from US, Japan, China and other emerging markets.

I. Profit & Loss

Unit : Mil.NT	Q3'13	Q2'13	Q3'12	QoQ	YoY
Revenue	301	224	187	34%	61%
Cost of Sales	(435)	(377)	(388)	15%	12%
Gross Profit	(134)	(153)	(201)	-12%	-33%
Gross Margin	-44%	-69%	-107%	-36%	-60%
Operating Expenses	(19)	(20)	(20)	-5%	-5%
Operating Income	(153)	(173)	(221)	-12%	-31%
Operating Margin	-51%	-78%	-118%	-35%	-57%
Net Income	(141)	(150)	(198)	-6%	-29%
Net Margin	-47%	-67%	-106%	-29%	-56%
Comprehensive Income	-47%	-67%	-106%	-30%	-56%
EPITDA	(31)	(44)	(97)	-30%	-68%
EBIT	(156)	(169)	(212)	-8%	-26%
EPS(NTS)	(0.55)	(0.59)	(0.97)	-6%	-43%

Due to the recovery of market demand, risings of ASP and shipments, Q3 revenue grew drastically, compared with previous quarter and same period last year. Owing to uprising utilization rate and reduced production cost, the gross margin of Q3 was improved significantly.

II. Balance Sheet

Unit : Mil.NT	Q3'13	Q2'13	Q3'12	QoQ	YoY
Cash and Cash Equivalen	716	887	1,615	-19%	-56%
Accounts Receivable	151	135	69	12%	119%
Inventories	117	108	178	8%	-34%
Property, Plant & Equipn	4,044	4,156	4,427	-3%	-9%
Short-term Loans	1,518	1,716	1,439	-12%	5%
Long-term Bank Loans	6	9	1,315	-33%	-100%
Total Liabilities	1,790	1,919	2,947	-7%	-39%
Shareholders' equity	4,410	4,550	4,234	-3%	4%
Total Assets	6,200	6,469	7,181	-4%	-14%

The AR increased, due to the growth of sales. At the end of Q3, the debt was largely reduced, with the drawdown of the syndication loan of NT. 922 million, the financial structure has been improved.

III. Ratio Analysis

%	Q3'13	Q2'13	Q3'12
Gross Margin*	-44% *	-69% *	-107% *
Net Margin*	-47% *	-67% *	-106% *
Return on Assets	-6.9%	-4.8%	-6.4%
Return on Equity	-11.1%	-7.6%	-11.6%
Debt Ratio	29%	30%	41%
Current Ratio	68%	75%	124%
Quick Ratio	58%	66%	108%
AR Turnover Ratio (x)	10.25	9.39	9.73
AR Turnover Days	36	39	38
Inventory Turnover Ratio (x)	14.89	14.34	12.45
Inventory Turnover Days	25	26	30

*Represents quarterly figures

With all operational performance indices turn into positive trend, the bottom line is expected to improve in coming quarters gradually. As the syndication loan drawn down in October, current ratio and quick ratio are both expected to improve as well.

IV. Cash Flow

Unit : Mil. NT	Q3'13	Q2'13	Q3'12	QoQ	YoY
Cash Flow from Operating Activities	(61)	(65)	(112)	4	51
Net Income	(166)	(178)	(229)	12	63
Depreciation & Amortization	125	125	115	0	10
Others	(20)	(12)	2	(8)	(22)
Cash Flow from Investing Activities	19	(120)	(116)	139	135
Capital Expenditure	(81)	(39)	(72)	(42)	(9)
Others	100	(81)	(44)	181	144
Cash Flow from Financing Activities	(129)	5	(104)	(134)	(25)
Bank Loans	(129)	5	(104)	(134)	(25)
Issuance of Common Stock	0	0	0	0	0
Cash Dividend	0	0	0	0	0
Net Cash Flow	(171)	(180)	(332)	9	161
Cash Balance-Beginning	887	1,067	1,947	(180)	(1,060)
Cash Balance-Ending	716	887	1,615	(171)	(899)

With the rising wafer ASP and cost reduction contribution, cash flow from operating activities is expected to be improved gradually in the upcoming quarters.

V. Capacity Expansion

(MW)	2010	2011	2012	3Q13
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(-)
TOTAL	210	330	330	330

The process of high efficiency wafers has been fully implemented into production line since Q2/13, with the total capacity remaining at 330MW, the utilization rate accelerated as customers' demand grew. To align with dynamic market demands, the schedule of re-launching Fab3 capacity built-up will be positively forward looking for customer demands in the near future.

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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.