



Q1 2014 Earnings Release

Taoyuan, Taiwan, R.O.C. –May 7, 2014 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for the 1Q of 2014. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

Highlights

- Sales of Q1 totaled NT\$434 billion, a 29% increase over the previous quarter and 191% higher than the same quarter last year. Both gross and net losses were improved via quarterly basis.
- EPS was -NT\$0.28, improved significantly, comparing previous quarter and the same period of last year.
- After receiving new capital injection in this quarter, the company's financial structure restored stable and healthy shape. With debt ratio going down to 19%, current ratio and quick ratio were up to 254% and 216% respectively.

Messages from the Managements

Due to U.S.'s dual-anti investigations on Taiwan and China's solar industry, downstream customers' pull-in orders surged to Taiwan's solar supply chain to avoid possible tariffs. In addition, Japan, U.S. and Chinese governments' ongoing subsidy policies and emerging markets' growing demands of installation, the global solar market shows no sign of slowing down in 14Q1. As the demand for high efficiency solar products continued growing, the supply of high efficiency wafer fell to meet the demand, which drove the wafer prices up steadily. Under such circumstances, the company's shipments and ASPs both went up and therefore push 1Q's sales grew 29% QoQ and 191% YoY.

Looking forward, as U.S. tends to postpone its dual-anti preliminary judgment, the uncertainty of solar industry in the second quarter thus reduce, and the customers turn more aggressively to pull the shipments. In response to the strong demand of high efficiency wafers, the company keeps recruiting more manpower to maximize its production output. Along with healthy supply-demand balance as well as higher utilization and ASPs, the company's breakeven point will soon be foreseeable in coming seasons.

I. Profit & Loss

Unit : Mil.NT	Q1'14	Q4'13	Q1'13	QoQ	YoY
Revenue	434	337	149	29%	191%
Cost of Sales	(497)	(467)	(317)	6%	57%
Gross Profit	(63)	(130)	(168)	-52%	-63%
Gross Margin	-15%	-38%	-112%	-62%	-87%
Operating Expenses	(26)	(19)	(24)	37%	8%
Operating Income	(89)	(149)	(192)	-40%	-54%
Operating Margin	-21%	-44%	-128%	-52%	-84%
Net Income	(96)	(159)	(174)	-40%	-45%
Net Margin	-22%	-47%	-116%	-53%	-81%
Comprehensive Income	-21%	-47%	-115%	-55%	-82%
EBITDA	38	(39)	(76)	77	114
EBIT	(96)	(182)	(194)	86	98
EPS(NT\$)	(0.28)	(0.62)	(0.71)	0.34	0.43

- Due to the increasing demand of solar system installations in 1Q, the supply of high efficiency wafers fell to meet the demand. Not only the company's shipments grew, but the ASP went up also. Both sales and margin improved significantly, compared to the previous quarter and the same period of last year.

II. Balance Sheet

Unit : Mil.NT	Q1'14	Q4'13	Q1'13	QoQ	YoY
Cash and Cash Equivalents	1,156	564	1,067	105%	8%
Accounts Receivable	212	131	98	62%	116%
Inventories	239	115	83	108%	188%
Property, Plant & Equipment	4,006	3,960	4,253	1%	-6%
Short-term Loans	344	710	814	-52%	-58%
Long-term Bank Loans	517	600	905	-14%	-43%
Total Liabilities	1,290	1,632	1,877	-21%	-31%
Shareholders' equity	5,492	4,268	4,700	29%	17%
Total Assets	6,782	5,900	6,577	15%	3%

- With the capital injection in this quarter, the company repaid portions of existing bank loan so that the interest expense was reduced and the financial structure restored stable and healthy shape.
- AR increased along with the growth of sales during the period.
- Considering the upward trend in poly-silicon price, the company purchased additional raw materials for Q2's production plan to reduce the material cost, which caused the increase of inventory value in this quarter.

III. Ratio Analysis

%	Q1'14	Q4'13	Q1'13
Gross Margin*	-15% *	-39% *	-112% *
Net Margin*	-22% *	-47% *	-116% *
Return on Assets	-1.5%	-9.6%	-2.5%
Return on Equity	-2.0%	-15.1%	-4.0%
Debt Ratio	19%	28%	29%
Current Ratio	254%	88%	151%
Quick Ratio	216%	72%	136%
AR Turnover Ratio (x)	10.12	13.03	9.80
AR Turnover Days	36	28	38
Inventory Turnover Ratio (x)	11.21	15.91	15.04
Inventory Turnover Days	33	23	25

*Represents quarterly figures

- With the improved operating results and the capital injection, the financial structure turns to be more stable and healthy.
- The company is planning to adjust its financial leverage by raising long term loans, which will suffice the working capital and the fund for Fab 3's capacity expansion.

IV. Cash Flow

Unit : Mil. NT	Q1'14	Q4'13	Q1'13	QoQ	YoY
Cash Flow from Operating Activities	(63)	(2)	(96)	(62)	33
Net Income	(104)	(191)	(205)	87	101
Depreciation & Amortization	133	142	119	(9)	14
Others	(93)	47	(10)	(140)	(83)
Cash Flow from Investing Activities	(202)	73	(188)	(275)	(14)
Capital Expenditure	(2)	(49)	(27)	47	25
Other Financial Assets	(200)	122	(161)	(322)	(39)
Cash Flow from Financing Activities	858	(223)	172	1,081	686
Bank Loans	(456)	(223)	(673)	(233)	217
Issuance of Common Stock	1,314	0	845	1,314	469
Net Cash Flow	592	(152)	(112)	744	704
Cash Balance-Beginning	564	716	1,179	(152)	(615)
Cash Balance-Ending	1,156	564	1,067	592	89

- The reason of net cash-out in this quarter was because of the additional purchase of poly silicon for Q2's production to reduce the risk of material shortage and price surge.
- Other financial assets from investing activities increased by NTD 200 million mainly because part of capital injection fund was invested in time deposits of 3 months or above. The account must be classified as "other financial assets" per regulation, but it will not impact company's working capital.

V.Capacity Expansion

(MW)	2010	2011	2012	1Q14
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(-)
TOTAL	210	330	330	330

- Till the end of 14Q1, the total capacity remains 330MW. As demands of high efficiency wafers keep rising, the company has resumed the production of Fab 1, and will gradually increase the utilization in the coming quarters. The capacity of Fab 3 will be put in place depending on market demand and manpower recruited

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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.