



## 1H 2015 Earnings Release

Taoyuan, Taiwan, R.O.C. –August 4, 2015 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for 1H of 2015. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

### Highlights

- Sales of Q2 totaled NT\$372 million and cumulative sales of 1H totaled NT\$764 million, loss of NT\$157 million in Q2 was reported due to the price factor of market. Net income of 1H totaled NT\$293 million loss, with EPS after tax claimed NT\$0.84 loss.
- The decline of sales revenue by 16.6% resulted from raising proportion of specific OEM business and only processing fee was accounted. However, net income improved 10.4% compared to previous period.
- The company's financial structure remained stable and healthy with 9.1% of debt ratio, 356% of current ratio and 306% of quick ratio respectively, helping to support future operational development and react to challenges from market.

### Messages from the Managements

Due to the pulling goods from China market demand fell from expectation and the interruption by US's dual-anti verdict, the orders of the whole solar supply chain weakened, resulting in the price decline of downstream cell products and the price of wafers the same, consequently moderated the growth of sales revenue in 1H 2015.

Observing from the business and development trend of the industry, with demand of end market progressively shifts to rooftop system, high efficiency products will continue its path to grow. The company specializes in development and production of high and super high efficiency wafers, which quality and technology retain her leading position in the past few years. As China sets its PV installation target to 17.8 GW this year, consequently the installation of 5GW will be required in Q3 and Q4 each, plus the final decision of US's dual-anti verdict that enormously rose the duties of China's cell products, shipments of Taiwanese products to the US are relatively competitive in price, therefore the upsurge in demand and price of multi-crystalline wafers and cells are expected to continue in the coming months. The company will continue its efforts in enhancing production technology and development of

higher quality wafers and striving to reduce costs with its stable and healthy financial structure, in the meantime trying hard to turn into profit when the market revives.

## I. Profit & Loss

Unit : Mil.NT	Q2'15	Q1'15	Q2'14	QoQ	YoY
Revenue	372	392	504	-5%	-26%
Cost of Sales	(507)	(512)	(601)	-1%	-16%
Gross Profit	(135)	(120)	(97)	13%	39%
<b>Gross Margin</b>	-36%	-31%	-19%	16%	89%
Operating Expenses	(20)	(20)	(23)	0%	-13%
Operating Income	(155)	(140)	(120)	11%	29%
<b>Operating Margin</b>	-41%	-36%	-24%	13%	69%
Net Income	(157)	(136)	(114)	15%	38%
<b>Net Margin</b>	-42%	-35%	-23%	20%	83%
<b>Comprehensive Income</b>	(157)	(136)	(116)	15%	35%
EBITDA	(20)	(7)	7	(13)	(27)
EBIT	(153)	(141)	(131)	(12)	(22)
EPS(NT\$)	(0.45)	(0.39)	(0.33)	(0.06)	(0.12)

- Due to the pulling goods from China fell from expectation and the interruption by US's dual-anti verdict, the orders of the whole solar supply chain weakened in 1H, resulting in the decline of product price, consequently affected the revenue and profit.

## II. Balance Sheet

Unit : Mil.NT	Q2'15	Q1'15	Q2'14	QoQ	YoY
Cash and Cash Equivalents	926	982	1,020	-6%	-9%
Accounts Receivable	171	133	216	29%	-21%
Inventories	165	208	190	-21%	-13%
Property, Plant & Equipment	3,340	3,472	3,871	-4%	-14%
Short-term Loans	115	90	321	28%	-64%
Long-term Bank Loans	104	101	437	3%	-76%
Total Liabilities	470	518	1,088	-9%	-57%
Shareholders' equity	4,718	4,874	5,395	-3%	-13%
<b>Total Assets</b>	<b>5,188</b>	<b>5,392</b>	<b>6,483</b>	-4%	-20%

- The increase of account receivables in Q2 2015 was due to the variation of client portfolio, parts of the accounts have been received before the deadline listed on the terms of sale without any exception.

### III. Ratio Analysis

%	Q2'15	Q1'15	Q2'14
Gross Margin*	-36% *	-31% *	-19% *
Net Margin*	-42% *	-35% *	-23% *
Return on Assets	-5.4%	-2.5%	-3.2%
Return on Equity	-6.0%	-2.7%	-4.3%
Debt Ratio	9.1%	9.6%	16.8%
Current Ratio	356%	329%	269%
Quick Ratio	306%	272%	234%
AR Turnover Ratio (x)	8.36	9.58	10.82
AR Turnover Days	44	38	34
Inventory Turnover Ratio (x)	11.43	10.25	15.97
Inventory Turnover Days	32	36	23

\*Represents quarterly figures

- The debt ratio was 9.1% in Q2 2015 while the current ratio and quick ratio achieved 356% and 306% respectively. The company maintains in a stable and healthy financial structure for future development and operation.
- Although the operation result of Q2 was impacted by the deteriorating demand of market, the company remains optimistic for its future technology development and manufacturing activities.

### IV. Cash Flow

Unit : Mil. NT	Q2'15	Q1'15	Q2'14	QoQ	YoY
<b>Cash Flow from Operating Activities</b>	<b>(66)</b>	<b>53</b>	<b>8</b>	<b>(119)</b>	<b>(74)</b>
Net Income	(154)	(142)	(137)	(12)	(17)
Depreciation & Amortization	133	134	137	(1)	(4)
Others	(45)	61	8	(106)	(53)
<b>Cash Flow from Investing Activities</b>	<b>(18)</b>	<b>(2)</b>	<b>(33)</b>	<b>(16)</b>	<b>15</b>
Gain from Disposal of Investment	0	0	0	0	0
Capital Expenditure	(18)	(2)	(33)	(16)	15
Other Financial Assets	0	0	0	0	0
<b>Cash Flow from Financing Activities</b>	<b>28</b>	<b>(23)</b>	<b>(110)</b>	<b>51</b>	<b>138</b>
Bank Loans	28	(23)	(110)	51	138
Issuance of Common Stock	0	0	0	0	0
<b>Net Cash Flow</b>	<b>(56)</b>	<b>28</b>	<b>(137)</b>	<b>(84)</b>	<b>81</b>
<b>Cash Balance-Beginning</b>	<b>982</b>	<b>954</b>	<b>1,156</b>	<b>28</b>	<b>(174)</b>
<b>Cash Balance-Ending</b>	<b>926</b>	<b>982</b>	<b>1,020</b>	<b>(56)</b>	<b>(95)</b>

- The operation activities in 1H 2015 were influenced by the fluctuations of the market, plus the client portfolio variation in Q2, resulting in slight outflow of cash in 1H 2015.

## V.Capacity Expansion

(MW)	2010	2011	2012	2015Q1
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				( - )
TOTAL	210	330	330	330

- Up to the end of Q2 2015, the total capacity remained at 330MW. The company will adjust its production utilization when the market demand and pricing are both favorable, and the capacity of Fab 3 will be put in place depending on market demand.

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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.