



Q2 2016 Earnings Release

Taoyuan, Taiwan, R.O.C. –August 2, 2016 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announced its financial report for Q2 of 2016. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

Highlights

- Sales of Q2 totaled NT\$467 million and sales of 1H totaled NT\$919 million, a 26% higher than the same period last year.
- Net loss after taxes of Q2 was NT\$72 million, Net loss after taxes of 1H was NT\$144 million, and EPS of 1H was -NT\$0.41 which was improved significantly when compared to -NT\$0.84, the EPS of the same period last year.
- With 8.5% of debt ratio, the management of cash flow was extremely healthy. The company's financial structure restored stable and healthy shape with 400% of current ratio and 334% of quick ratio.

Messages from the Managements

Due to the strong demand of China market at 1H 2016, the solar installation volume combined to the grid reached to more than 20GW which is triple times than 7.73GW of 1H 2015. Cell and wafer dealers of Taiwan were benefited by the strong installation tide leded the market price and demand of hi-efficiency and super hi-efficiency wafers of the company maintained high during the period and the sales revenue grew month by month. The net cash inflows continuously expand to hold the total operative conditions and financial structure of the company maintained stable and healthy shape.

Look into the short term of 2H 2016, although the market condition of China demonstrated a cooling trend after the end of installation tide of 1H which resulted to the demand and price of cell and wafer fell. The research institute and players generally predicted that the Q3 will be an off-season for China industry. However the prediction from China domestic players shows that the total installation volume combined to the grid will reach 30GW. Within the support of the demand from the emerging markets including India, the market conditions may have chance to recover gradually at Q4. Look into the middle and long term of the industrial trend, the supporting policy of countries, related technology for improving the conversion efficiency,

and the reducing cost of slicing all will make the multi c-Si product reach the targets of efficiency promoting and cost reducing thus the superiority at market share of the multi c-Si products will be maintained continuously.

The company will uphold stable financial structure and operating strategy to reduce production cost continuously and focus on improving wafers' quality and conversion efficiency. Moreover, the company will adjust the production strategy with flexibility according to the change of market conditions to response to the fluctuation of the off-season in short term and evaluate the introduction of replacing technology of the industry for satisfying the demand of clients by adjusting the capacity of utilization immediately when the market condition recovery and the relationship of supply and demand changes.

I. Profit & Loss

Unit : Mil.NT	Q2'16	Q1'16	Q2'15	QoQ	YoY
Revenue	467	452	372	3%	26%
Cost of Good Sold	(524)	(505)	(525)	4%	0%
Cost of Good Sold-LCM	3	8	18	-63%	-83%
Gross Profit	(54)	(45)	(135)	20%	-60%
Gross Margin	-11%	-10%	-36%	11%	-69%
Operating Expenses	(22)	(20)	(20)	10%	10%
Operating Income	(76)	(65)	(155)	17%	-51%
Operating Margin	-16%	-14%	-41%	14%	-61%
Pre-Tax Income	(72)	(70)	(154)	3%	-53%
Pre-Tax Income Margin	-15%	-16%	-41%	-1%	-63%
Net Income	(72)	(72)	(157)	0%	-54%
Net Margin	-15%	-16%	-42%	-6%	-64%
本期綜合(損)益總額	(72)	(72)	(157)	0%	-54%
Comprehensive Income	-15%	-16%	-42%	-6%	-64%
EBITDA	67	68	(20)	(1)	87
EBIT	(71)	(70)	(153)	(1)	82
EPS(NT\$)	(0.21)	(0.21)	(0.45)	0.00	0.25

- The price and demand of multi c-Si wafer maintained high which brought by the rush installation tide of China at 1H 2016, thus the sales revenue of Q2 increases with 26% when compared to the same period of last year and the gross margin and net income improved significantly when compared to the same period of last year.

II. Balance Sheet

Unit : Mil.NT	Q2'16	Q1'16	Q2'15	QoQ	YoY
Cash and Cash Equivalents	1,009	970	926	4%	9%
Accounts Receivable	137	136	171	1%	-20%
Inventories	188	158	165	19%	14%
Property, Plant & Equipment	2,975	3,105	3,340	-4%	-11%
Short-term Loans	50	75	115	-33%	-57%
Long-term Bank Loans	45	40	104	13%	-57%
Total Liabilities	395	394	470	0%	-16%
Shareholders' equity	4,263	4,334	4,718	-2%	-10%
Total Assets	4,657	4,729	5,188	-2%	-10%

- By the end of 2016 Q2, the cash and cash equivalents were continuous inflow since the operative activities improved continuously. The company's financial structure restored stable and healthy shape with 8.5% of debt ratio, 400% of current ratio and 334% of quick ratio.

III. Ratio Analysis

%	2015	Q2'16	Q1'16	Q2'15
Gross Margin*	-29%	-11% *	-10% *	-36% *
Net Margin*	-38%	-15% *	-16% *	-42% *
Return on Assets	-3.0%	-3.0%	-1.5%	-5.4%
Return on Equity	-3.3%	-3.3%	-1.6%	-6.0%
Debt Ratio	8.5%	8.5%	8.3%	9.1%
Current Ratio	400%	400%	375%	356%
Quick Ratio	334%	334%	318%	306%
AR Turnover Ratio (x)	12.63	12.63	12.46	8.36
AR Turnover Days	29	29	29	44
Inventory Turnover Ratio (x)	11.35	11.35	12.07	11.43
Inventory Turnover Days	33	33	31	32

*Represents quarterly figures

- Due to the significant improvement of operating conditions, all operating indicators demonstrated the positive and stable trend.

IV. Cash Flow

Unit : Mil. NT	2015	Q2'16	Q1'16	Q2'15	QoQ	YoY
Cash Flow from Operating Activities	91	65	87	(66)	(22)	131
Net Income	(525)	(72)	(70)	(154)	(2)	82
Depreciation & Amortization	538	138	138	133	0	5
Others	78	(1)	19	(45)	(20)	44
Cash Flow from Investing Activities	(62)	(6)	(1)	(18)	(5)	12
Capital Expenditure	(62)	(6)	(2)	(18)	(4)	12
Other Financial Assets	0	0	1	0	(1)	0
Cash Flow from Financing Activities	(80)	(20)	(19)	28	(1)	(48)
Bank Loans	(80)	(20)	(19)	28	(1)	(48)
Issuance of Common Stock	0	0	0	0	0	0
Net Cash Flow	(51)	39	67	(56)	(28)	95
Cash Balance-Beginning	954	970	903	982	67	(12)
Cash Balance-Ending	903	1,009	970	926	39	82

- The company's net cash demonstrated an increasing cash inflow when compared with the same period of last year, which keeps the working capital of the company for future continuously and stably maintained at a low-risk condition.

V. Capacity Expansion

(MW)	2010	2011	2012	2016Q2
Plant I	120	120	120	120
Plant II	90	210	210	210
Plant III				(220)
TOTAL	210	330	330	330(550)

- Up to the end of 2016 Q2, the total capacity remained at 330MW. The company will increase its production utilization when the market demand and pricing are both favorable, and the capacity of Fab 3 will be put in place dynamically 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.