



Q2 2017 Earnings Release

Taoyuan, Taiwan, R.O.C. –August 9, 2017 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announced its financial report for Q2 of 2017. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

Highlights

- Sales of Q2 totaled NT\$155 million and sales of 1H totaled NT\$381 million.
- Net loss after taxes of Q2 was NT\$199 million, Net loss after taxes of 1H was NT\$392 million, and EPS of 1H was -NT\$1.12.
- With 8.5% of debt ratio. The company's financial structure restored stable and healthy shape with 354% of current ratio and 309% of quick ratio.

Messages from the Managements

The effect of 630 subsidy policy in China did not appear at 1H 2017 which resulted to the low installation demand of the industry in the first half of this year and the price did not recover significantly. However, the price of cell and wafer of the solar supply chain had started to rise month by month at the bottom of Q2 and maintained at higher stage, which resulted from the positive effects of the deferred subsidy from part of the booked 630 project of China market and the demand brought by the brewing trade barrier of code 201 of US market. The recovery trend of the market is predicted to extend to Q3, the traditional peak season, and may have chance to continue to the bottom of this years.

Look into the future, the research institute predicted that the total installed volume of China market may have chance to reach 250GW at 2020 after China announced the 4 years photovoltaic installation index of 2017 to 2020 which amended upward the total target of grid-connected. Besides, numerous urgent orders from US and Europe markets appear to become advantage to Taiwan's dealers at the beginning of Q3 which resulted from the final decision announced previously by US Department of Commerce that amended downward the anti-dump and countervailing duty rates of China and Taiwan's cell and wafer and the growing price as a result of US code 201 and short supply of third place. Furthermore, look in the middle-long term of the industrial trend, the manufacturing technology of wafer now is

progressively transferring from traditional slurry-based slicing into diamond-wire slicing for increasing the pieces per unit cost which will lead the wafer cost per piece reduce more. After the wet-etching and dry-etching of the surface treating technology be stabilized, the conversion efficiency and cost performance of multi c-Si wafer will have chance to be further improved. Thus, the maintenance of multi c-Si product's market share could face the challenge from market by the introducing of new technology.

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 market demand 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 domestic market condition recovery and the relationship of supply and demand changes.

I. Profit & Loss

Unit : Mil.NT	Q2'17	Q1'17	Q2'16	QoQ	YoY
Revenue	155	226	452	-31%	-66%
Cost of Good Sold	(340)	(407)	(505)	-16%	-33%
Cost of Good Sold-LCM	4	13	8	-69%	-53%
Gross Profit	(181)	(168)	(45)	8%	302%
Gross Margin	-117%	-74%	-10%	57%	1079%
Operating Expenses	(19)	(17)	(20)	12%	-5%
Operating Income	(200)	(185)	(65)	8%	208%
Operating Margin	-129%	-82%	-14%	57%	821%
Pre-Tax Income	(197)	(192)	(70)	3%	181%
Pre-Tax Income Margin	-127%	-85%	-15%	50%	721%
Net Income	(199)	(193)	(72)	3%	176%
Net Margin	-128%	-85%	-16%	51%	700%
本期綜合(損)益總額	(199)	(193)	(72)	3%	176%
Comprehensive Income	-128%	-85%	-16%	51%	700%
EBITDA	(60)	(54)	68	(6)	(128)
EBIT	(197)	(192)	(70)	(5)	(127)
EPS(NT\$)	(0.57)	(0.55)	(0.21)	(0.02)	(0.36)

- Due to the market demand and price of Q2, the company took selective orders strategy to reduce loss thus the sales revenue fell. However, the market conditions have recovered

at the end of Q2. The wafer is in short supply that demonstrated a growing trend of price and demand, and the operation is improving.

II. Balance Sheet

Unit : Mil.NT	Q2'17	Q1'17	Q2'16	QoQ	YoY
Cash and Cash Equivalents	743	902	1,009	-18%	-26%
Accounts Receivable	66	66	137	0%	-52%
Inventories	77	105	188	-27%	-59%
Property, Plant & Equipment	2,440	2,574	2,975	-5%	-18%
Short-term Loans	105	38	50	176%	110%
Long-term Bank Loans	35	54	45	-35%	-22%
Total Liabilities	304	275	395	11%	-23%
Shareholders' equity	3,281	3,480	4,263	-6%	-23%
Total Assets	3,584	3,755	4,657	-5%	-23%

- By the end of 2017 Q2, the cash and cash equivalents reduced resulted by the investment of biochip industry for improving the operative performance of middle-long term, and the other indexes were maintained relatively stable.

III. Ratio Analysis

%	Q2'17	Q1'17	Q2'16
Gross Margin*	-117% *	-74% *	-11% *
Net Margin*	-128% *	-85% *	-15% *
Return on Assets	-10.4%	-5.0%	-3.0%
Return on Equity	-11.3%	-5.4%	-3.3%
Debt Ratio	8.5%	7.3%	8.5%
Current Ratio	354%	518%	400%
Quick Ratio	309%	449%	334%
AR Turnover Ratio (x)	11.35	13.13	12.63
AR Turnover Days	32	28	29
Inventory Turnover Ratio (x)	13.77	12.98	11.35
Inventory Turnover Days	27	29	33

*Represents quarterly figures

- Although the operating profit margin influenced by the falling of market demand and price, the other indexes were maintained normally and stably. The company will continuously improve the operative performance of original solar profession and develop new business field by technical cooperation and investment.

IV. Cash Flow

Unit : Mil. NT	Q2'17	Q1'17	Q2'16	QoQ	YoY
Cash Flow from Operating Activities	(52)	4	65	(56)	(117)
Net Income	(197)	(192)	(72)	(5)	(125)
Depreciation & Amortization	137	138	138	(1)	(1)
Others	8	58	(1)	(50)	9
Cash Flow from Investing Activities	(155)	(2)	(6)	(153)	(149)
Capital Expenditure	0	(2)	(6)	2	6
Other Financial Assets	(155)	0	0	(155)	(155)
Cash Flow from Financing Activities	48	24	(20)	24	68
Bank Loans	48	24	(20)	24	68
Issuance of Common Stock	0	0	0	0	0
Net Cash Flow	(159)	26	39	(185)	(198)
Cash Balance-Beginning	902	876	970	26	(68)
Cash Balance-Ending	743	902	1,009	(159)	(266)

- The company's net cash of Q2 2017 demonstrated a significantly outflow resulted from a NTD 155 million investment.

V. Capacity Expansion

(MW)	2010	2011	2012	2017Q2
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 2017 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.