



## Q1 2018 Earnings Release

Taoyuan, Taiwan, R.O.C. –May 14, 2018 - DANEN (TWSE: 3686), a specialized solar ingot and wafer manufacturer based in Taiwan, announces its financial report for 1Q of 2018. The information is according to IFRSs in millions of NT\$, except where otherwise indicated.

### Highlights

- Sales of Q1 2018 totaled NT\$261 million, a 15% increase over the same quarter last year.
- Net loss after taxes was NT\$179 million, EPS was -NT\$0.51, and the loss was reduced when compared to the same quarter last year.
- With 6.8% of debt ratio, the company's financial structure restored stable and healthy shape with 386% of current ratio and 295% of quick ratio.

### Messages from the Managements

The market condition of total solar industry at Q1 2018 was influenced by the traditional low season whose trend demonstrated re-organizing condition. Thus, the sale revenue of Q1 was decrease when compared to last quarter by better than the same period of last year.

Look into the forward, the industry research institute predicted that China market will maintain a growing trend resulted from government's policy and expanding production capacity. Furthermore, European market will step into a recovering stage wherefore the global installation volume will be maintained over 100GW even achieve a new growing record. In general, the application of solar energy will still be an important and indispensable role of the energy development in the future.

The company will uphold stable financial structure and operating strategy to reduce production cost continuously and focus on improving wafers' quality and conversion efficiency to maintain the company's leading position of the market, moreover, to make efforts for achieving the growing target season by season.

## I. Profit & Loss

Unit : Mil.NT	Q1'18	Q4'17	Q1'17	QoQ	YoY
Revenue	261	333	226	-22%	15%
Cost of Good Sold	424	458	398	-7%	7%
Cost of Good Sold-LCM	6	7	(4)	-14%	-250%
Gross Profit	(169)	(131)	(168)	29%	1%
<b>Gross Margin</b>	-65%	-39%	-74%	65%	-13%
Operating Expenses	(14)	(15)	(17)	-7%	-18%
Operating Income	(182)	(146)	(185)	25%	-2%
<b>Operating Margin</b>	-70%	-44%	-82%	59%	-15%
Pre-Tax Income	(181)	(144)	(192)	26%	-6%
<b>Pre-Tax Income Margin</b>	-69%	-43%	-85%	60%	-18%
Net Income	(179)	(143)	(192)	25%	-7%
<b>Net Margin</b>	-69%	-43%	-85%	60%	-19%
<b>Comprehensive Income</b>	-69%	-43%	-85%	60%	-19%
EBITDA	(50)	(11)	(54)	(39)	4
EBIT	(180)	(144)	(192)	(36)	12
EPS(NT\$)	(0.51)	(0.41)	(0.55)	(0.10)	0.04

- The Q1 2018 was influenced by traditional low season which demonstrated weak demand and dropping price, but better than the same period of last year.

## II. Balance Sheet

Unit : Mil.NT	Q1'18	Q4'17	Q1'17	QoQ	YoY
Cash and Cash Equivalents	526	705	902	-25%	-42%
Accounts Receivable	62	51	66	22%	-6%
Inventories	138	112	105	23%	31%
Property, Plant & Equipment	2,045	2,172	2,574	-6%	-21%
Short-term Loans	42	48	37	-13%	14%
Long-term Bank Loans	-	-	54	0%	-100%
Total Liabilities	206	280	275	-26%	-25%
Shareholders' equity	2,803	2,982	3,480	-6%	-19%
<b>Total Assets</b>	<b>3,009</b>	<b>3,262</b>	<b>3,755</b>	<b>-8%</b>	<b>-20%</b>

- In response to the traditional low season Q1 and maintaining the stable financial structure, the company adjusted the condition of transaction with clients and payment of supplier which lead the case and cash equivalents influenced by the market condition of short term.

### III. Ratio Analysis

%	Q1'18	Q4'17	Q1'17
Gross Margin*	-65% *	-39% *	-74% *
Net Margin*	-69% *	-43% *	-85% *
Return on Assets	-5.7%	-19.2%	-5.0%
Return on Equity	-6.2%	-20.8%	-5.4%
Debt Ratio	6.8%	8.6%	7.3%
Current Ratio	386%	332%	518%
Quick Ratio	295%	276%	449%
AR Turnover Ratio (x)	18.49	15.54	13.13
AR Turnover Days	20	23	28
Inventory Turnover Ratio (x)	13.76	12.56	12.98
Inventory Turnover Days	27	30	29

\*Represents quarterly figures

- The operating conditions were influenced by the low season of industry. However, the debt-paying ability and each operating indicators of the company are maintained in the relatively stable conditions.

### IV. Cash Flow

Unit : Mil. NT	Q1'18	Q4'17	Q1'17	QoQ	YoY
<b>Cash Flow from Operating Activities</b>	<b>(161)</b>	<b>81</b>	<b>4</b>	<b>(242)</b>	<b>(165)</b>
Net Income	(181)	(144)	(192)	(37)	11
Depreciation & Amortization	130	133	138	(3)	(8)
Others	(110)	92	58	(202)	(168)
<b>Cash Flow from Investing Activities</b>	<b>(12)</b>	<b>0</b>	<b>(2)</b>	<b>(12)</b>	<b>(10)</b>
Capital Expenditure	(12)	0	(2)	(12)	(10)
Other Financial Assets	0	0	0	0	0
<b>Cash Flow from Financing Activities</b>	<b>(6)</b>	<b>(36)</b>	<b>24</b>	<b>30</b>	<b>(30)</b>
Bank Loans	(6)	(36)	24	30	(30)
Issuance of Common Stock	0	0	0	0	0
<b>Net Cash Flow</b>	<b>(179)</b>	<b>45</b>	<b>26</b>	<b>(224)</b>	<b>(205)</b>
<b>Cash Balance-Beginning</b>	<b>705</b>	<b>660</b>	<b>876</b>	<b>45</b>	<b>(171)</b>
<b>Cash Balance-Ending</b>	<b>526</b>	<b>705</b>	<b>902</b>	<b>(179)</b>	<b>(376)</b>

- The operating activities demonstrated a larger cash outflow resulted from the traditional low Q1 and the condition of transaction with clients in response to Q1 and payment of supplier on time.

## V. Capacity Expansion

(MW)	2010	2011	2012	2018Q1
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 2018 Q1, the total capacity remained at 330MW. The company will increase its production utilization according to the market demand, and the capacity of Fab 3 will be put in place dynamically depending on market condition.

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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.