

# **DANEN TECHNOLOGY CORP.**

**3Q10 Earnings Presentation**

**STOCK CODE: 3686-TW**

**November 1, 2010**



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# Agenda

- Quarterly Highlights
- Financial Performance
- Solar Industry Overall
- Expansion Plan and Outlook
- Q&A

# Quarterly Highlights



# Operational and Financial Highlights

## Operational

- Company's solar wafer efficiency ratio rose to 16.5% in Q3'10 along with steady yield improvement
- Completed in Aug. 2010, Plant II is expected to move 90MW out of its 200-MW first-phase design capacity into production by end-2010
- Capacity put into operation at Plant I and II reached 200 MW at end of Q3'10

## Financial

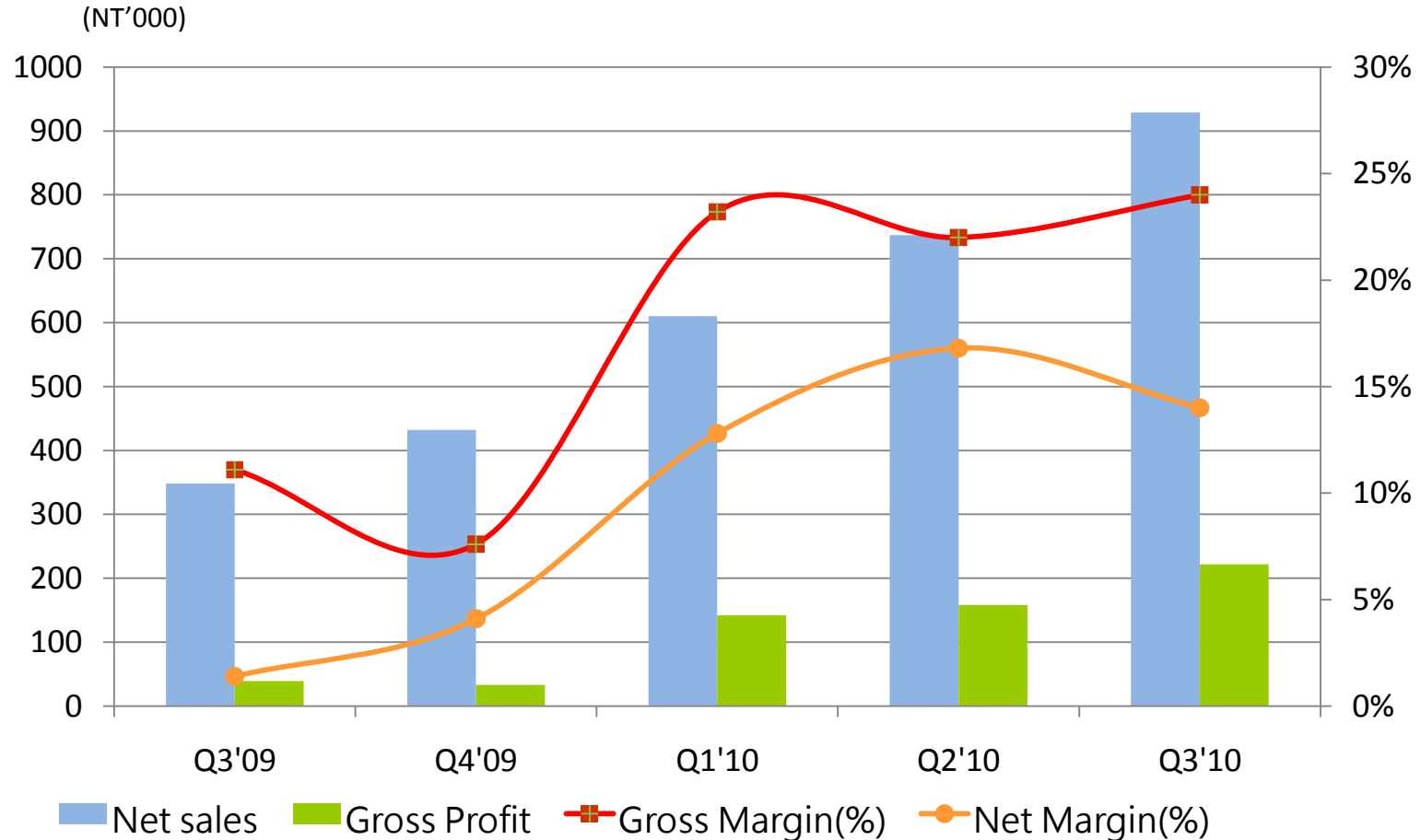
- Net sales up 167% from the year-ago quarter, reaching NT\$929 million
- Gross margin of 24% in the quarter, up 13 p.p. year-over-year
- Operating profit up 927% to NT\$166 million, translating into an operating margin of 18% vs. 5% a year ago
- EPS of NT\$0.87 during the quarter, growing 1,640% year-over-year; EPS of NT\$2.25 for the first nine months of the year



# Financial Performance



# Main Financial Performance of Third Quarter



- Revenue grew by 26% of Q3'10.
- Gross profit increased by 37% quarterly at Q3'10.

# Income Statement

(TWD in millions)	Q3'10	Q2'10	Q3'09	QoQ	YoY
Net Sales	929	737	348	26%	167%
<i>Gross Margin(%)</i>	24%	22%	11%	2%	13%
Operating Expense	(53)	(54)	(23)	-2%	136%
Operating Profit	166	104	16	59%	927%
<i>Operating margin(%)</i>	18%	14%	5%	4%	13%
Net Income	128	124	5	3%	2629%
<i>Net margin(%)</i>	14%	17%	1%	-3%	12%
EBITDA	208	164	30	27%	588%
EBIT	160	117	10	36%	1519%
EPS (NT\$)	0.87	0.88	0.05	-1.1%	1640%

- EPS for the first three quarters of 2010 was NT\$2.25.
- Reduction in net margin was due to changes in investment incentive measures applied toward equipment purchases in Q2'10.



# Balance Sheet

(TWD in millions)	Q3'10	Q2'10	Q3'09	QoQ	YoY
Cash & Cash Equivalent	1,137	699	282	63%	304%
Accounts Receivable, Net	209	196	84	7%	149%
Inventory	277	202	148	37%	88%
Property, Plant and Equipment	2,720	2,041	1,152	33%	136%
Short-term Loans	141	151	484	-7%	-71%
Long-term Loans	564	618	0	-9%	
Total Liabilities	1,611	1,387	638	16%	152%
Total Stockholders' Equity	2,987	2,019	1,229	48%	143%
Total Assets	4,598	3,406	1,868	35%	146%

- Inventory grew at Q3 was in anticipation of new production coming on-line Q4 and strong demand in the year-end quarter.

# Cash Flow

(TWD in millions)	Q3'10	Q2'10	Q3'09
Cash Provided by Operating Activities	133	274	9
Net income	128	124	5
Depreciation & Amortization	49	46	20
Other	(44)	104	(16)
Cash Provided by Investing Activities	(472)	(366)	7
Capital Expenditures	(498)	(399)	(118)
Other	26	33	125
Cash Provided by Financing Activities	777	302	7
Changes in Bank Loans	(66)	212	(99)
Proceeds from New Issue	840	90	162
Other	3	0	(56)
Net increase in cash	438	210	23
Cash at beginning of the period	699	489	259
Cash at end of the period	1,137	699	282

# Financial Ratio

	Q3'10	Q2'10	Q3'09	QoQ	YoY
Gross Margin*	24%	22%	11%	2%	12%
Net Profit Margin*	14%	17%	1%	-3%	12%
Return on Assets	10%	8%	-6%	2%	16%
Return on Equity	15%	12%	-11%	3%	26%
Liability to Asset Ratio	35%	41%	34%	-6%	1%
Current Ratio	172%	168%	98%	4%	74%
Quick Ratio	135%	131%	64%	4%	71%
AR Turnover Ratio(x)	22	20	27		
AR Turnover Days	17	18	14		
Inventory Turnover Ratio(x)	12	13	7		
Inventory Turnover Days	31	29	51		

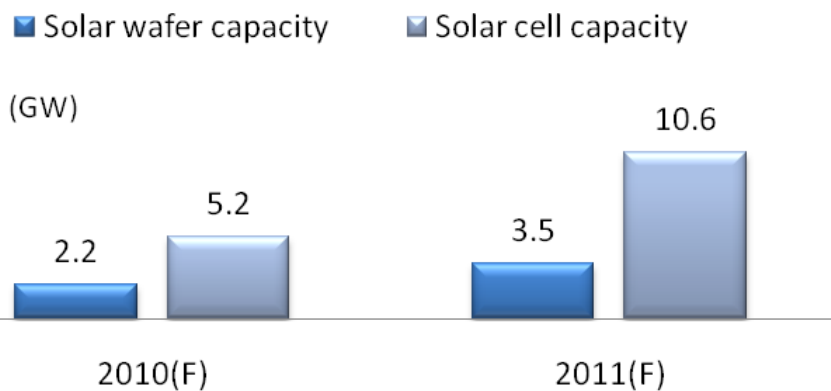
\*Data based on quarterly profit & loss accounts

# Solar Industry Overall



# Taiwan Supply & Demand Overview

## Taiwan solar wafer undersupply to continue into 2011



- For 2010, production capacity of solar cells far exceeded those of solar wafers in Taiwan.
- Solar cell manufacturers are expected to double capacity in 2011, exacerbating solar wafer shortage.

## Capacity Expansion for Taiwan Solar Cell Manufacturers:

- Neo Solar Power: 1.6 GW (2011)
- Gintech: 2.2 GW (2013)
- Solartech Energy: 1.2 GW(2011)
- Tainergy: 700MW (2011)
- Topcell Solar:800MW(2011)
- DelSolar: 1GW (Taiwan/2011), 400 MW (China/2010)

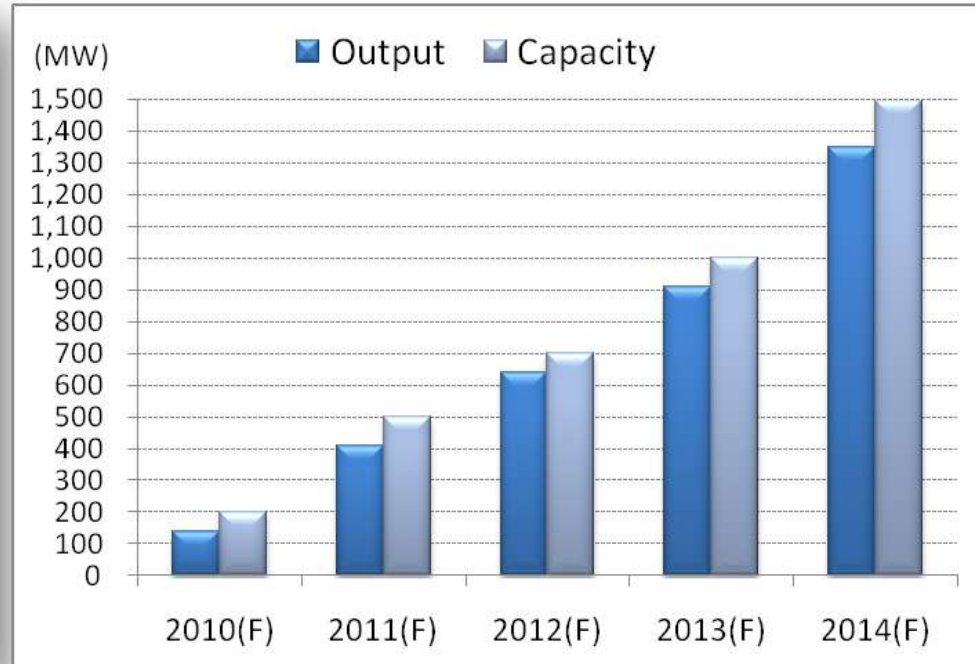
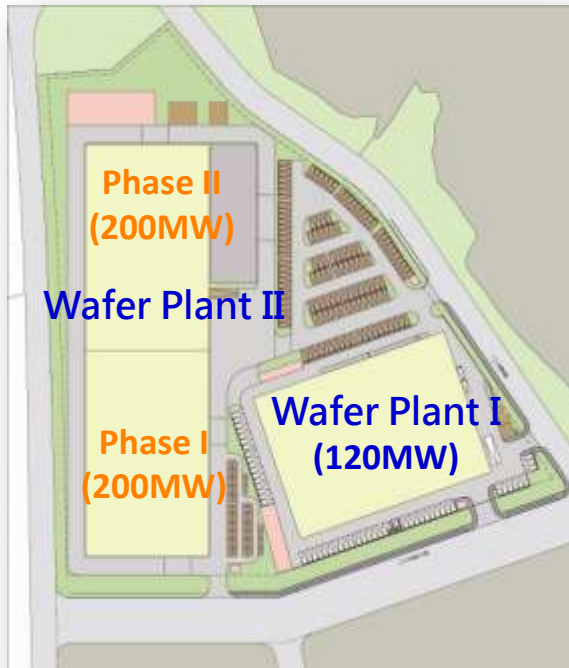
Source : Company news, Danen estimates

# Expansion Plan & Outlook





# Production Facilities



- The 120-MW Plant I will continue running at full capacity in Q4'10
- Plant II is expected to move 90 MW out of its 200-MW first-phase design capacity into production by end-2010, with the remaining capacity coming on-line by March 2011
- The second-phase installation of Plant II is scheduled for H2'11, with volume production to begin in Q4'11.

# 2011 Guidance

## Revenue Growth Outlook

- ↑ Quarter-on-quarter revenue growth aided by new production coming on-line at Plant II
- ↑ Capacity fully booked due to strong demand
- ↑ Positive pricing trends supported by Taiwan's undersupply dynamics of solar wafer business

## Market Dynamics

- ↑ Continuing tight supply of silicon feedstock and solar wafers
- ↑ Demand sustained by end system market for PV
- ↑ Full utilization of Taiwan solar wafer capacity to continue as their pace of capacity building is far outstripped by that of solar cells

# Q & A

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