DAQO NEW ENERGY CORP

Daqo New Energy Corp.

Unaudited Q2 2017 Financial Results Presentation

August 8, 2017

Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Among other things, the outlook for the third quarter of 2017 and quotations from management in this announcement, as well as Daqo New Energy’s strategic and operational plans, contain forward-looking statements. The Company may also make written or oral forward-looking statements in its reports filed or furnished to the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: the demand for photovoltaic products and the development of photovoltaic technologies; global supply and demand for polysilicon; alternative technologies in cell manufacturing; our ability to significantly expand our polysilicon production capacity and output; the reduction in or elimination of government subsidies and economic incentives for solar energy applications; and our ability to lower our production costs. Further information regarding these and other risks is included in the reports or documents we have filed with, or furnished to, the Securities and Exchange Commission. Daqo New Energy does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this press release and in the attachments is as of the date of this press release, and Daqo New Energy undertakes no duty to update such information, except as required under applicable law.

Agenda

- Business Highlights and Summary
- Financial Results and Update
- Q&A

Business update and Q2 2017 highlights

- **<u>Polysilicon Cost Structure</u>** (1)

  -- **total production cost** (including depreciation) of $8.53/kg in Q2 2017, compared to $8.41/kg in Q1 2017

  -- **cash cost** (excluding depreciation) of $6.77/kg in Q2 2017, decreased from $6.68/kg in Q1 2017

- **<u>Polysilicon production volume</u>** of 4,993 MT in Q2 2017, increased from 4,927 MT in Q1 2017
- **<u>Polysilicon external sales volume</u>** (2) of 4,497 MT in Q2 2017, increased from 4,223 MT in Q1 2017
- **<u>Wafer sales volume</u>** (2) of 27.0 million pieces in Q2 2017, increased from 22.4 million pieces in Q1 2017
- **<u>Polysilicon ASP</u>** of $13.58/kg in Q2 2017, compared to $16.66/kg in Q1 2017
- **<u>Net Income attributable to Daqo New Energy shareholders</u>** of $12.1 million in Q2 2017, compared to $22.9 million in Q1 2017 and $19.8 million in Q2 2016
- **<u>Earnings per ADS</u>** (basic) of $1.15 in Q2 2017, compared to $2.18 in Q1 2017, and $1.90 in Q2 2016
- **<u>EBITDA</u>** (3) of $29.8 million in Q2 2017, compared to $41.7 million in Q1 2017
- **<u>EBITDA margin</u>** (3) of 39.2% in Q2 2017, compared to 49.8% in Q1 2017
- **<u>Gross margin</u>** of 31.9% in Q2 2017, compared to 42.8% in Q1 2017
- **<u>Non-GAAP gross margin</u>** (4) of 32.6% in Q2 2017 , compared to 44.0% in Q1 2017

Note:

(1) Production cost and cash cost only refer to production in our Xinjiang polysilicon facilities. Production cost is calculated by the inventoriable costs relating to production of polysilicon in Xinjiang divided by the production volume in the quarter. Cash cost is calculated by the inventoriable costs relating to production of polysilicon excluding depreciation expense in Xinjiang, divided by the production volume in the quarter.

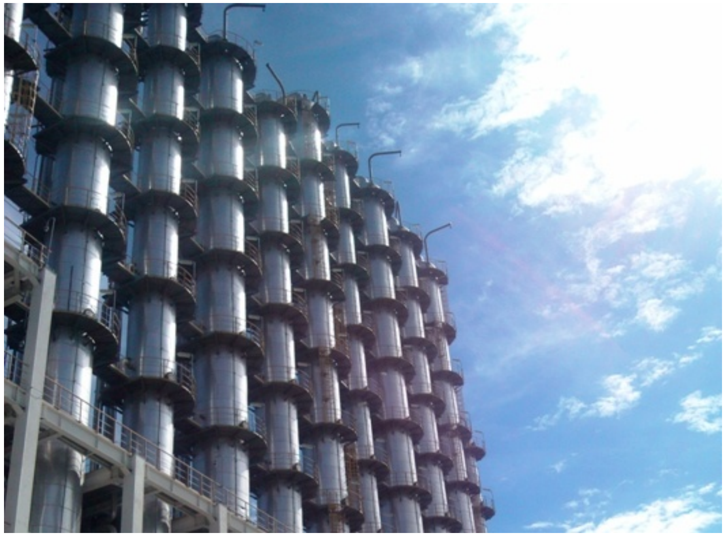
(2) The external sales volume is the quantity of the goods which has been accepted by customers and thus the corresponding revenue has been recognized during the reporting period.

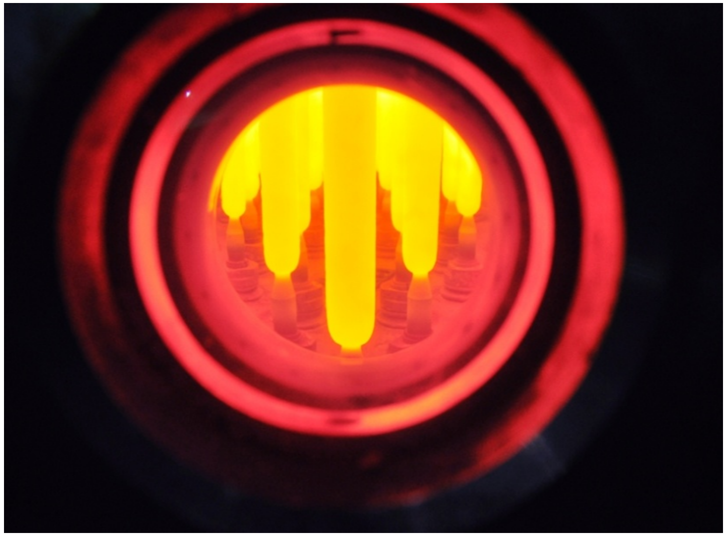
(3) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization.

(4) Non-GAAP margin has excluded costs related to polysilicon operations in Chongqing which halted production in September 2012.

Phase 3A Polysilicon Facilities

Record-high quarterly production volume – 4,993 MT in Q2 2017





Management commentary

We are pleased to report that the second quarter of 2017 was a solid quarter with new records on both polysilicon production volume and external sales volume. During the quarter, we produced 4,993 MT of polysilicon and sold 4,497 MT to external customers. We also conducted various experiments to improve polysilicon quality, particularly for the mono-crystalline grade polysilicon, which had a slight impact to overall production cost and volume. However, we are seeing meaningful quality improvements. Production volume as well as shipment of mono-crystalline quality polysilicon hit a record high in June.

Due to downstream customer inventory management at the end of the first quarter, ASP fell in April, but ASP started to recover in May. Demand and pricing improved throughout the second quarter, with the ASP in June approximately 15% higher than that in April. So far in the third quarter, customer demand has remained robust with pricing continuing to improve."

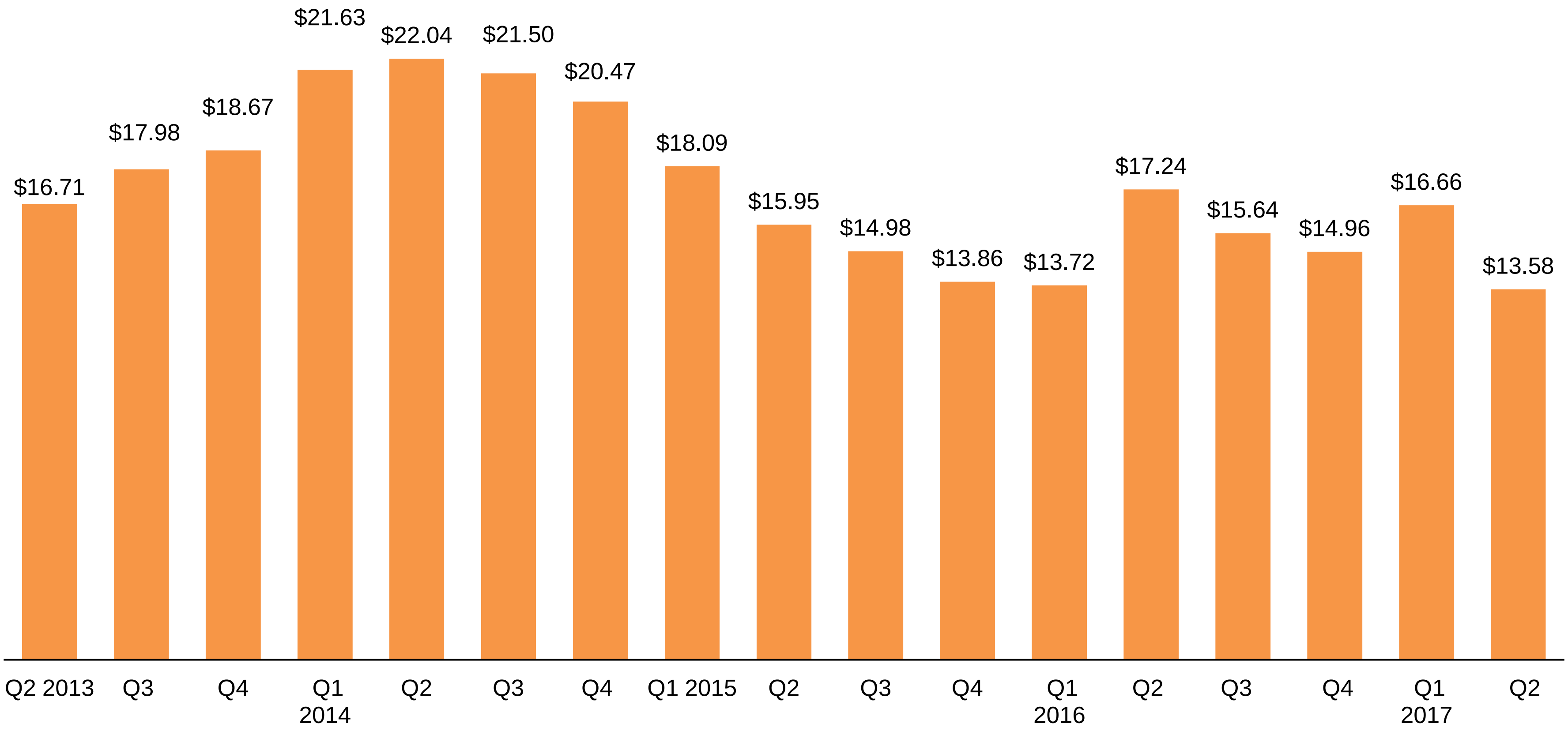
In terms of the PV end market, China installed 24.4 GW of solar PV in the first half of 2017, representing a new record high and a 9% increase from the first half of 2016. For the full year of 2017, China's annual PV installation forecast is currently expected to exceed 35GW. Based on discussions with our customers, we believe that China's PV market demand continues to be strong, driven by top-runner projects as well as distributed generation. Globally, the U.S. and Indian markets are also seeing strong PV product demand. Starting in late July, we have seen a fairly significant shortage of polysilicon in the China market and continued improvements in polysilicon pricing. With a much stronger than expected solar PV installations in China, the annual total global solar installation in 2017 is likely to exceed 80 GW for the first time ever.

During the second quarter of 2017, the company generated $12.1 million in net income attributable to Daqo New Energy shareholders and $29.8 million in EBITDA with an EBITDA margin of 39.2%. In particular, our operating cash flow remains strong. In the first half of 2017, we generated $73.6 million in net cash provided by operating activities.

Going forward, we will continue our efforts to improve quality throughout the year. With our high product quality and stable supply capabilities, we continue to be a supplier of choice with strong demand for our high quality polysilicon from our diverse customer base.

Daqo's quarterly polysilicon Average Selling Prices

Quarterly Polysilicon ASPs($/kg)



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Xinjiang polysilicon facilities update

Q2 2017 key facts

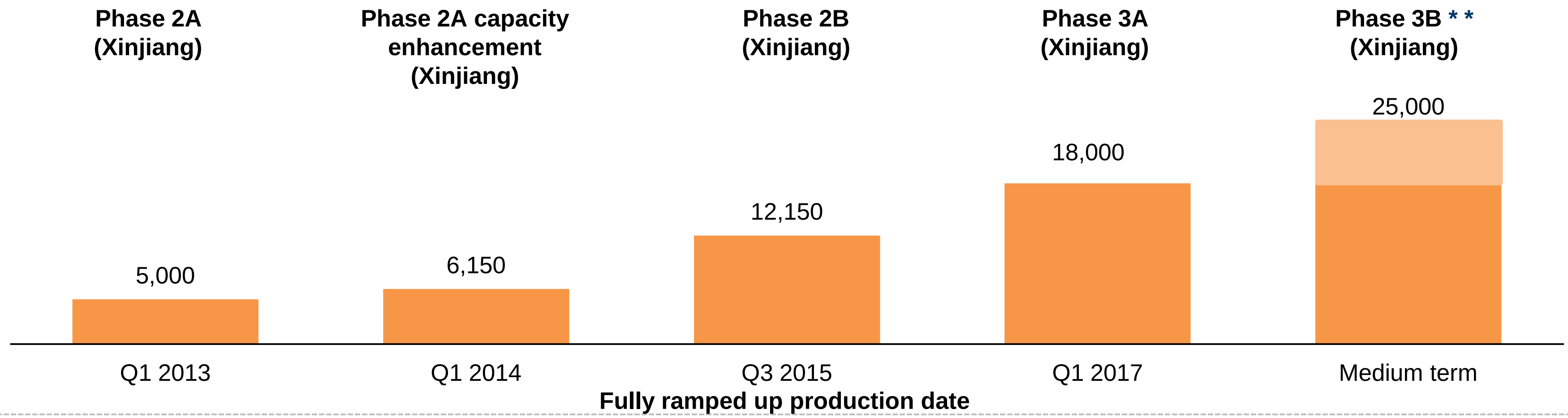
- Record-high quarterly production volume of 4,993 MT
- Record-high external sales volume of 4,497 MT(1)
- Average total production cost : $8.53/kg (2)
- Average cash cost: $6.77/kg (2)

Outlook

- Expected external sales volume in Q3 2017: 3,700 ~ 4,000 MT (excluding polysilicon used internally by our Chongqing wafer facility)
- Annual maintenance is scheduled for late Sep. and Oct and would impact production volume by two weeks.

Note:
(1) The external sales volume is the quantity of the goods which has been accepted by customers and thus the correspondin volume g revenue has been recognized during the reporting period.
(2) Production cost and cash cost only refer to production in our Xinjiang polysilicon facilities. Production cost is calculated by the inventoriable costs relating to production of polysilicon in Xinjiang divided by the production volume in the quarter. Cash cost is calculated by the inventoriable costs relating to production of polysilicon excluding depreciation expense in Xinjiang, divided by the production volume in the quarter.

Polysilicon historical and projected capacity * (MT)



*Wanzhou polysilicon facility discontinued polysilicon production in Q4 2012
**Estimated and may change subject to market and industry conditions

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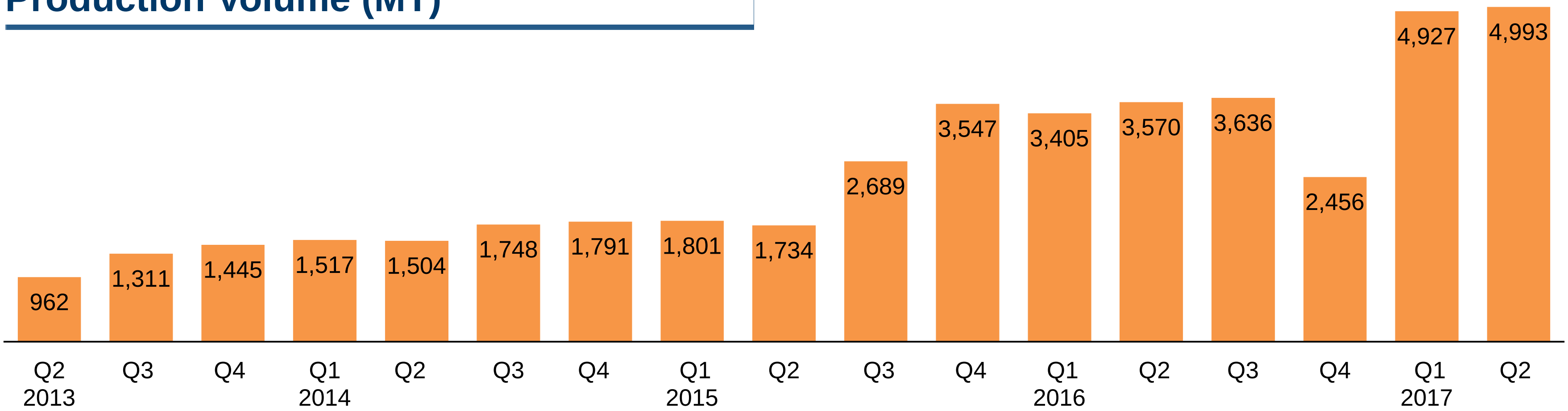
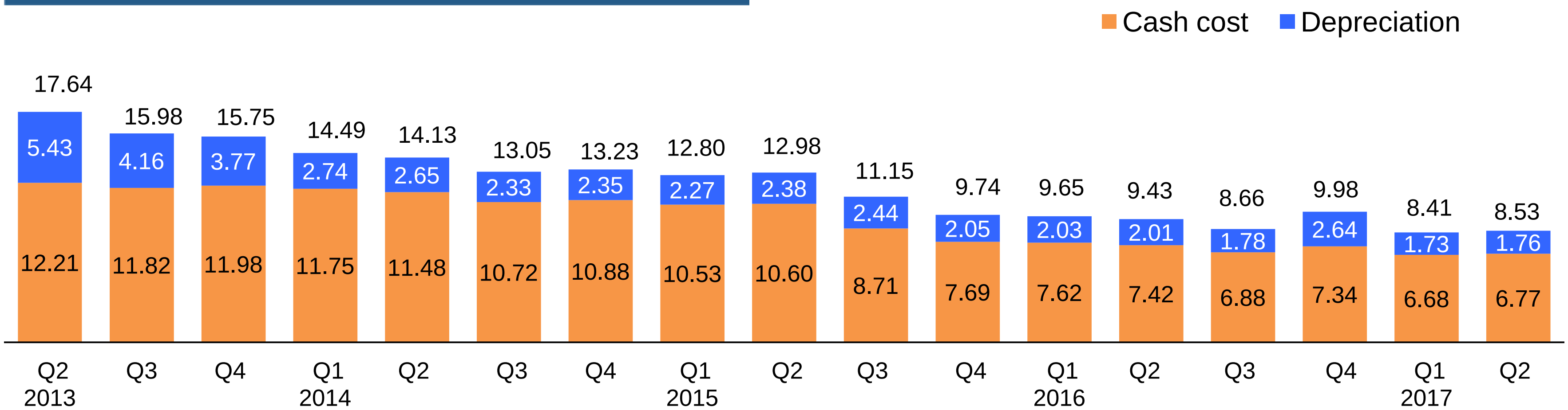
Polysilicon manufacturing overview

Production Volume (MT)



Cash cost and Depreciation ($/kg)*



* The cash cost and depreciation only refer to the polysilicon production in Xinjiang facilities.

Chongqing wafer facilities update

Q2 2017 key facts

- 27.0 million pieces sold to customers

Q3 2017 sales volume outlook

- Q3 2017 wafer sales volume:

  25.0 ~25.5 million pieces

Sales volume in Q2 2017 and outlook for Q3 2017

Sales Volume	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017E guidance
Polysilicon (MT)	2,931	2,838	2,209	4,223	4,497	**3,700~ 4,000***
Wafer (million pieces)	25.0	14.0	21.3	22.4	27.0	**25.0~25.5**

*The Company's annual maintenance for the Xinjiang polysilicon facility is scheduled for late September and October. The annual maintenance is anticipated to impact production volume by approximately two weeks.

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Q2 2017 financial highlights

- Revenue of $76.0 million in Q2 2017, compared to $83.8 million in Q1 2017
- Gross profit of $24.2 million in Q2 2017, compared to $35.9 million in Q1 2017
- Gross margin of 31.9% in Q2 2017, compared to 42.8% in Q1 2017
- Non-GAAP gross margin (1) of 32.6% in Q2 2017, compared to 44.0% in Q1 2017
- Income from operations of $20.2 million in Q2 2017, compared to $32.2 million in Q1 2017
- EBITDA (2) of $29.8 million in Q2 2017, compared to $41.7 million in Q1 2017
- Net income attributable to Daqo New Energy shareholders of $12.1 million in Q2 2017, compared to $22.9 million in Q1 2017 and $19.8 million in Q2 2016
- Earnings per ADS (basic) of $1.15 in Q2 2017, compared to $2.18 in Q1 2017, and $1.90 in Q2 2016
- Adjusted net income (non-GAAP) (3) attributable to Daqo New Energy shareholders of $13.8 million in Q2 2017, compared to $24.8 million in Q1 2017 and $22.0 million in Q2 2016
- Adjusted earnings per basic ADS (non-GAAP) (3) of $1.31 in Q2 2017, compared to $2.36 in Q1 2017, and $2.10 in Q2 2016

Note:
(1) Non-GAAP margin excluded costs related to polysilicon operations in Chongqing which halted production in September 2012
(2) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization
(3) Adjusted net income attributable to Daqo New Energy shareholders and adjusted earnings per basic ADS excludes costs related to the non-operational polysilicon assets in Chongqing and costs related to share-based compensation.

P&L Summary (Q2 2017 vs. Q1 2017)

US$ in millions (except on otherwise indicated)	Q2 2017	Q1 2017	Change	Analysis
Revenues	**76.0**	**83.8**	(7.8)	Polysilicon: Ext. sales volume ↑ , ASP↓ Wafer: Sales volume↑, ASP↓
Cost of revenues	(51.8)	(47.9)	(3.9)	Polysilicon: Ext. sales volume ↑ Wafer: Sales volume↑
Gross profit	24.2	35.9	(11.7)	
Gross margin	**31.9%**	**42.8%**	(10.9%)	
Non-GAAP Gross margin [(1)]	**32.6%**	**44.0%**	(11.4%)	
SG&A and R&D expense	(4.8)	(4.5)	(0.3)	
Other operating income	0.8	0.8	-	
Income from operations	**20.2**	**32.2**	(12.0)	
Interest expense	(5.3)	(4.3)	(1.0)	
Net income attributable to Daqo New Energy shareholders	**12.1**	**22.9**	(10.8)	
Basic earnings per ADS (US$)	**1.15**	**2.18**	(1.03)	
EBITDA [(2)]	**29.8**	**41.7**	(11.9)	
EBITDA margin [(2)]	**39.2%**	**49.8%**	(10.6%)	

Note:
(1) Non-GAAP margin excluded costs related to polysilicon operations in Chongqing which halted production in September 2012
(2) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization

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Balance sheet summary

US$ in millions	6/30/2017	3/31/2017	Change (Q2 2017 vs. Q1 2017)	6/30/2016
Cash, cash equivalent and restricted Cash	49.8	61.2	(11.4)	42.9
Accounts receivable	3.8	13.1	(9.3)	10.1
Note receivables	10.5	11.7	(1.2)	14.8
Inventories	16.0	16.3	(0.3)	9.5
Prepaid land use rights	25.1	24.9	0.2	26.2
Net PP&E	554.1	559.9	(5.8)	546.2
Total assets	**670.6**	**696.0**	(25.4)	**662.7**
Short-term Borrowings	96.2	106.8	(10.6)	109.5
Notes payable	26.1	23.7	2.4	26.1
Amounts due to related parties	12.2	32.9	(20.7)	41.1
Long-term Borrowings	123.1	129.2	(6.1)	118.4
Total liabilities	**354.2**	**398.1**	(43.9)	**396.6**
Total equity	**316.5**	**297.9**	18.6	**266.1**
Total liabilities and equity	**670.6**	**696.0**	(25.4)	**662.7**

Cash flow summary

US$ in millions	6 months ended Jun. 30, 2017	6 months ended Jun. 30, 2016
Net cash provided by operating activities	**73.6**	**66.6**
Net cash (used in) investing activities	**(36.0)**	**(37.6)**
Net cash (used in) provided by financing activities	**(23.4)**	**(13.5)**
Effect of exchange rate changes	0.3	(0.3)
Net increase in cash and cash equivalents	14.5	15.2
Cash and cash equivalents at the beginning of the period	16.0	14.5
Cash and cash equivalents at the end of the period	30.4	29.7

Non-GAAP reconciliation

US$ in millions	Q2 2017	Q1 2017	Q2 2016
Net income	12.3	23.2	20.0
Income tax expenses	2.8	4.7	2.8
Interest expense	5.3	4.3	3.5
Interest income	(0.1)	(0.1)	(0.2)
Depreciation	9.6	9.6	8.6
EBITDA (1)	**29.8**	**41.7**	**34.7**
EBITDA margin (1)	**39.2%**	**49.8%**	**48.9%**
Gross profit	**24.2**	**35.9**	**29.4**
Costs related to non-operational Chongqing poly facilities	0.5	1.0	1.8
Non-GAAP gross profit (2)	**24.8**	**36.9**	**31.2**
Non-GAAP gross margin (2)	**32.6%**	**44.0%**	**43.9%**
Share-based compensation	1.1	0.8	0.4
Adjusted net income (non-GAAP) (3)	**13.8**	**24.8**	**22.0**
Adjusted earnings per basic ADS (non-GAAP) (3)	**$1.13**	**$2.36**	**$2.10**

Note:
(1) Non-GAAP margin excluded costs related to polysilicon operations in Chongqing which halted production in September 2012
(2) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization
(3) Adjusted Net income and Adjusted Earnings per basic ADS excludes costs related to the non-operational polysilicon assets in Chongqing and costs related to share-based compensation.

Use of Non-GAAP Financial Measures

To supplement Daqo’s consolidated financial results presented in accordance with United States Generally Accepted Accounting Principles (“US GAAP”), the Company uses certain non-GAAP financial measures that are adjusted for certain items from the most directly comparable GAAP measures including non-GAAP gross profit and non-GAAP gross margin; earnings before interest, taxes, depreciation and amortization ("EBITDA") and EBITDA margin; adjusted net income attributable to our shareholders and adjusted earnings per basic ADS. Management believes that each of these non-GAAP measures is useful to investors, enabling them to better assess changes in key element of the Company's results of operations across different reporting periods on a consistent basis, independent of certain items as described below. Thus, management believes that, used in conjunction with US GAAP financial measures, these non-GAAP financial measures provide investors with meaningful supplemental information to assess the Company's operating results in a manner that is focused on its ongoing, core operating performance. Management uses these non-GAAP measures internally to assess the business, its financial performance, current and historical results, as well as for strategic decision-making and forecasting future results. Given management's use of these non-GAAP measures, the Company believes these measures are important to investors in understanding the Company's operating results as seen through the eyes of management. These non-GAAP measures are not prepared in accordance with US GAAP or intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with US GAAP; the non-GAAP measures should be reviewed together with the US GAAP measures, and may be different from non-GAAP measures used by other companies.

Non-GAAP gross profit and non-GAAP gross margin includes adjustments for costs related to the non-operational polysilicon assets in Chongqing. Such costs mainly consist of non-cash depreciation costs, as well as utilities and maintenance costs associated with the temporarily idle polysilicon machinery and equipment, which will be or are in the process of being relocated to the Company's Xinjiang polysilicon manufacturing facility. The Company would expect a majority of these costs, such as depreciation, will continue to occur as part of the production cost at the Xinjiang facilities subsequent to the completion of the relocation plan. Once these assets are placed back in service, the Company will remove this adjustment from the non-GAAP reconciling item. The Company also uses EBITDA, which represents earnings before interest, taxes, depreciation and amortization, and EBITDA margin, which represents the proportion of EBITDA in revenue. Adjusted net income attributable to our shareholders and adjusted earnings per basic ADS excludes costs related to the non-operational polysilicon assets in Chongqing as described above. It also excludes costs related to share-based compensation. Share-based compensation is a non-cash expense that varies from period to period. As a result, management excludes this item from its internal operating forecasts and models. Management believes that this adjustment for share-based compensation provides investors with a basis to measure the company's core performance, including compared with the performance of other companies, without the period-to-period variability created by share-based compensation.

A reconciliation of non-GAAP financial measures to comparable US GAAP measures is presented in this document.

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