Aug 14, 2019

DAQO NEW ENERGY

Q2 2019 Financial Results Presentation

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 and the full year of 2019 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; the Company’s ability to significantly expand its polysilicon production capacity and output; the reduction in or elimination of government subsidies and economic incentives for solar energy applications; and the Company’s ability to lower its production costs. Further information regarding these and other risks is included in the reports or documents the Company has filed with, or furnished to, the Securities and Exchange Commission. All information provided in this press release is as of the date hereof, and the Company undertakes no duty to update such information or any forward-looking statement, except as required under applicable law.

DAQO NEW ENERGY

"A leading manufacturer of high-purity polysilicon for the global solar PV industry"

Management remarks I

"We are pleased to report a solid quarter, in which we made good progress in capacity increase and quality improvement. During the second quarter, we completed our capacity debottlenecking project on time, which allowed us to increase our annual capacity to 35,000 MT. At the same time, we also completed the annual maintenance of our Xinjiang facilities, which was originally scheduled in the third quarter. While our production volume was temporarily impacted by the debottlenecking project and the annual maintenance of our facilities, we were still able to produce 7,151 MT of polysilicon in the second quarter at the total production cost and cash cost of $8.12/kg and $6.65/kg, respectively. With the production ramp up at our newly debottlenecked facilities, we anticipate our production volume in the third quarter to be approximately 9,200 to 9,500 MT of polysilicon, with the total production cost returning to the normal level of approximately $7.50/kg."

"During the second quarter, we also significantly improved the quality of our products. Out of our entire sales volume during the quarter, approximately 80% was sold to mono customers. With the completion of our debottlenecking project and annual maintenance, we expect the percentage of mono-grade polysilicon of our product to further increase to approximately 85% in the third quarter. In addition, we are now working closely with some leading mono wafer producers to test our ultra-high purity polysilicon for application in the potential N-type mono wafer market."

"The expansion of our Phase 4A project is progressing smoothly and remains on schedule. The equipment installation has already begun and will continue through to the end of the third quarter of 2019. Based on our current assessment, we expect to complete the Phase 4A project by the end of 2019 and ramp up to the full capacity of 70,000 MT by the end of the first quarter of 2020. Upon the full ramp up, we expect that 90% of our total production volumes will be sold to mono customers, including 40% for the N-type mono wafer market."

Management remarks II

"In early July this year, China's National Energy Administration released a list of 22.8 GW approved solar projects that secured government subsidies for 2019. Combining these approved subsidized projects, grid-parity projects, residential distributed-generation projects, top-runner projects and poverty alleviation PV projects, China is expected to install approximately 40GW to 45GW of new solar PV projects in 2019. During the first half of 2019, China has already installed 11.4GW, which means the installation volumes could triple in the second half of 2019. Realistically, it will take some time to complete the preparation work for these recently approved subsidized solar projects, which includes detailed designs and rounds of procurement bidding and contract negotiations. All of these stages have to be completed before the actual modules can be shipped. All in all, we anticipate China's solar demand to pick up significantly starting from early September."

"The second quarter of 2019 was a challenging time for polysilicon industry as prices dropped to their lowest levels in history, particularly for multi-grade products. While prices for mono-grade products declined sequentially, they were relatively stable. We believe that polysilicon supply and demand will balance out and begin to improve when Chinese project developers begin to place orders by the end of the third quarter. Incremental demand from China is expected to gradually exceed the additional supply that is currently hitting the market. We believe polysilicon ASP will begin to improve in the third quarter of 2019 to a level that the majority of marginal high-cost players are able to break even on a cash-cost basis, which we estimate to be approximately $10.5 to $11/kg. Moreover, the pricing spread between mono-grade and multi-grade polysilicon products will likely remain significant, because output of mono-grade polysilicon still lags behind market demand and new capacities of mono wafer are still growing."

"In early August, we signed a three-year supply agreement with LONGi Green Energy to supply 112,800 MT of polysilicon products. LONGi is our long time strategic partner with strong balance sheet and growth momentum in mono wafer sector. This is the second long term supply agreement between us. It's also a testament to our supply stability and excellent quality of polysilicon product for mono-applications. We are confident that the combination of our premium product quality and competitive cost structure will set a benchmark for the polysilicon industry and solidify our position as the market leader. Our competitive advantage will be further strengthened once the Phase 4A project is completed and ramped up to full capacity in the first quarter of 2020 which will double our capacity and drive our production cost even lower."

Operational and financial highlights in Q2 2019

- Polysilicon production volume of 7,151 MT in Q2 2019, compared to 8,764 MT in Q1 2019
- Polysilicon sales volume of 7,130 MT in Q2 2019, compared to 8,450 MT in Q1 2019
- Polysilicon average total production cost(1) of \$8.12 /kg in Q2 2019, compared to \$7.42 /kg in Q1 2019
- Polysilicon average cash cost(1) of \$6.65/kg in Q2 2019, compared to \$6.20/kg in Q1 2019
- Polysilicon average selling price (ASP) was \$9.10/kg in Q2 2019, compared to \$9.55/kg in Q1 2019
- Revenue from continuing operations was \$66.0 million in Q2 2019, compared to \$81.2 million in Q1 2019
- Gross profit from continuing operations was \$8.6 million in Q2 2019, compared to \$18.3 million in Q1 2019. Gross margin from continuing operations was 13.0% in Q2 2019, compared to 22.6% in Q1 2019
- EBITDA (non-GAAP)(2) from continuing operations was \$10.2 million in Q2 2019, compared to \$20.0 million in Q1 2019. EBITDA margin (non-GAAP)(2) from continuing operations was 15.5% in Q2 2019, compared to 24.6% in Q1 2019.
- Adjusted net income (non-GAAP)(2) attributable to Daqo New Energy shareholders was \$2.3 million in Q2 2019, compared to \$11.1 million in Q1 2019 and \$18.2 million in Q2 2018.
- Adjusted earnings per basic American Depository Share (ADS) (non-GAAP)(2) was \$0.17 in Q2 2019, compared to \$0.83 in Q1 2019, and \$1.44 in Q2 2018.
- Net loss from continuing operations was \$2.7 million in Q2 2019, compared to net income from continuing operations of \$5.9 million in Q1 2019 and \$10.9 million in Q2 2018.
- Net income from discontinued operations was \$0.5 million in Q2 2019, compared to \$0.8 million in Q1 2019 and \$2.7 million in Q2 2018.
- Net loss attributable to Daqo New Energy shareholders was \$2.2 million in Q2 2019, compared to net income attributable to Daqo New Energy shareholders of \$6.6 million in Q1 2019 and \$13.4 million in Q2 2018.
- Loss per basic ADS was \$0.16 in Q2 2019, compared to earnings per basic ADS of \$0.50 in Q1 2019, and \$1.06 in Q2 2018.

Notes:

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

Xinjiang polysilicon facilities update

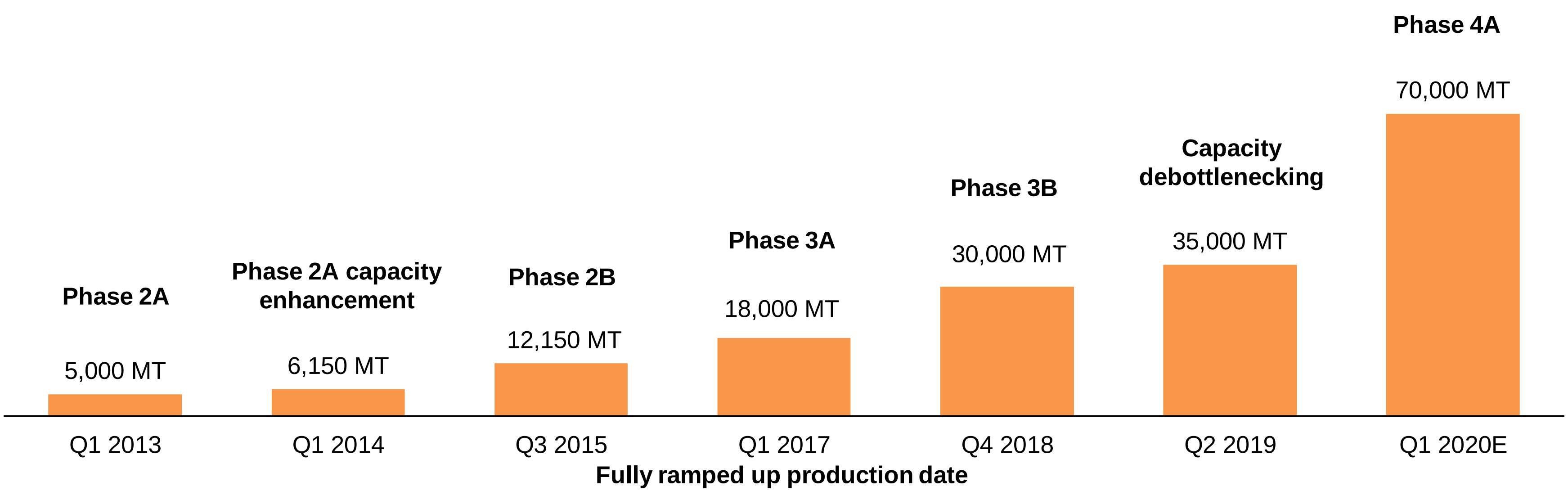
Q2 2019 key facts

- Quarterly production volume of 7,151 MT
- External sales volume of 7,130 MT
- Average total production cost : $8.12/kg
- Average cash cost: $6.65/kg
- Capacity debottlenecking project and annual maintenance was completed in Jun. 2019
- Phase 4A project is progressing smoothly and remains on schedule

Outlook

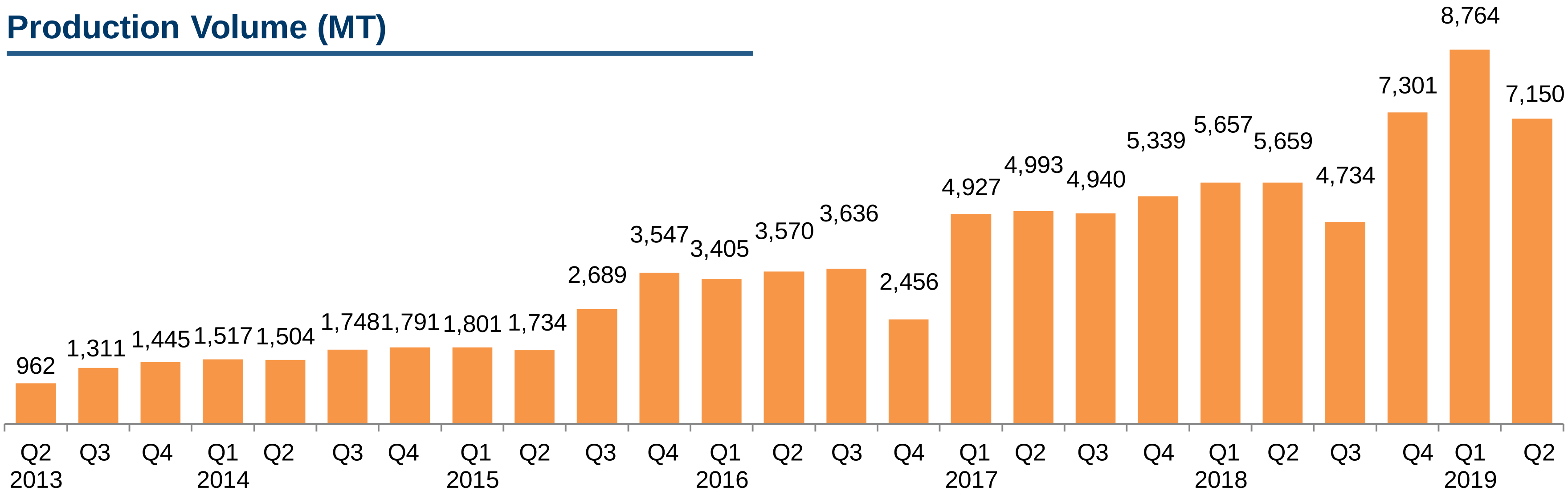
- Expected production volume in Q3 2019: 9,200 ~ 9,500 MT
- Expected external sales volume in Q3 2019: 9,000 ~ 9,300 MT
- Expected annual production volume in 2019: 37,000 ~ 40,000 MT

Polysilicon historical and projected capacity in Daqo's Xinjiang facilities * (MT)

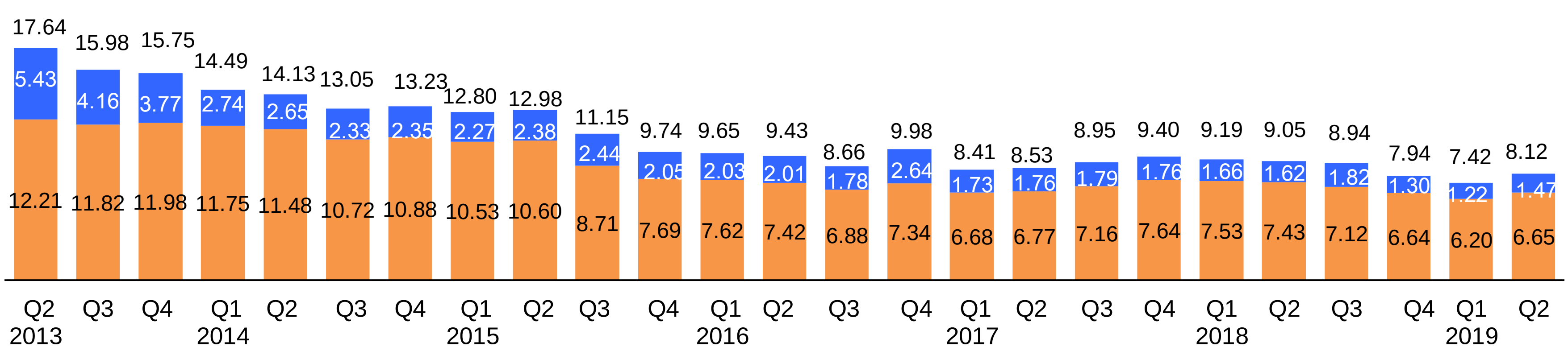


Polysilicon manufacturing overview

Production Volume (MT)



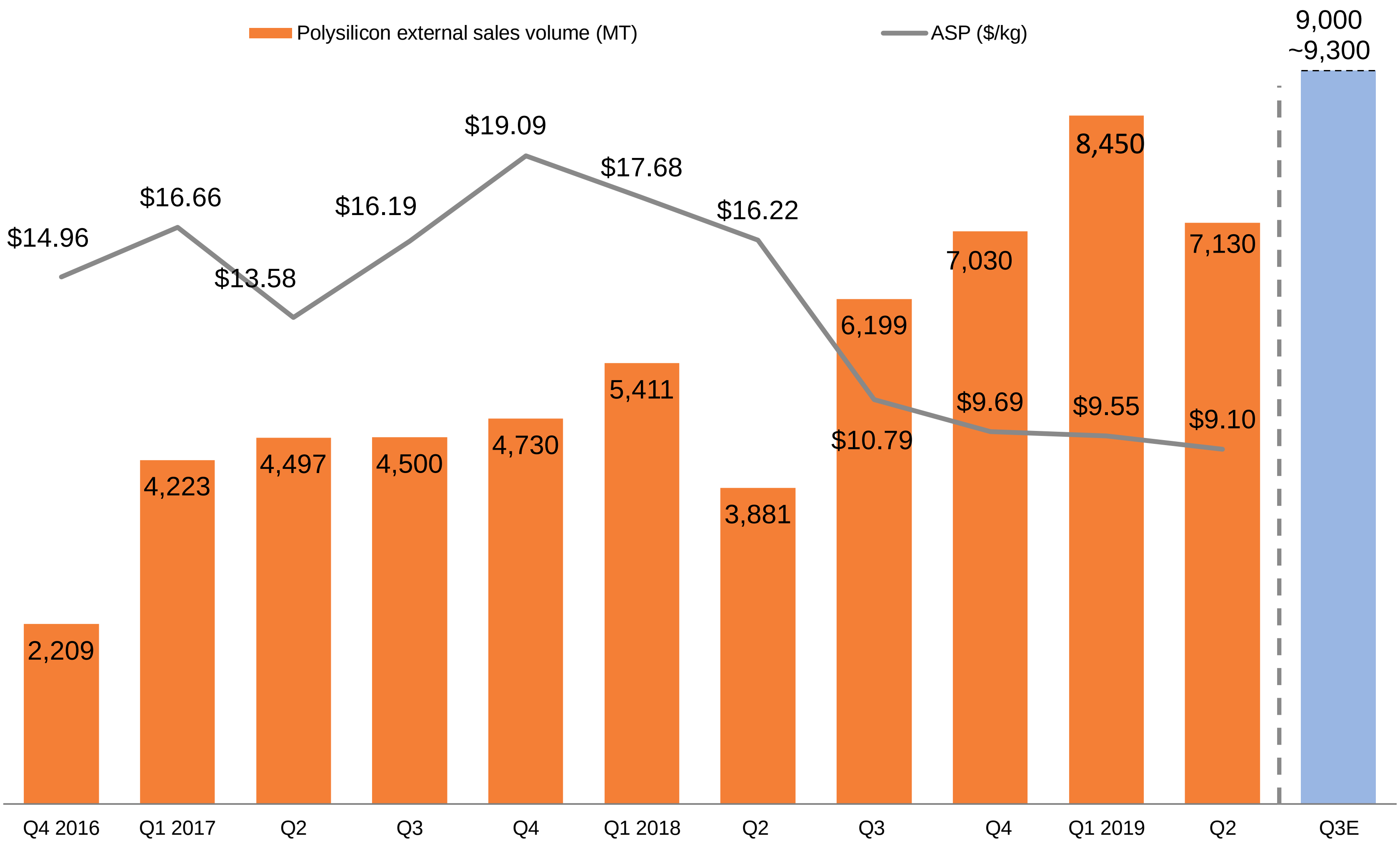
Cash cost and Depreciation ($/kg)*



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

Historical sales volume and Q3 2019 guidance

Polysilicon external sales volume and ASPs



Income statement summary

($ in millions, unless otherwise stated)	Q2 2019	Q1 2019	Q2 2018
Revenues	**66.0**	**81.2**	**63.0**
Cost of revenues	(57.4)	(62.9)	(37.7)
Gross profit	8.6	18.3	25.2
Gross margin	**13.0%**	**22.6%**	**40.1%**
SG&A	(7.8)	(7.9)	(7.5)
R&D expense	(1.5)	(1.3)	(0.2)
Other operating income	0.4	0.07	0.5
(Loss) income from operations	**(0.4)**	**9.2**	**18.0**
Interest expense	(1.9)	(2.2)	(3.1)
Net (loss) income from continuing operations	(2.7)	5.9	10.9
Net income from discontinued operations	0.5	0.8	2.7
Net (loss) income attributable to Daqo New Energy shareholders	**(2.2)**	**6.6**	**13.4**
Basic (loss) earnings per ADS (US$)	**(0.16)**	**0.50**	**1.06**
EBITDA [(1)]	**10.2**	**20.0**	**27.4**
EBITDA margin [(1)]	**15.5%**	**24.6%**	**43.6%**

Notes:
(1) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization

Balance sheet summary

($ in millions)	As of 6/30/2019	As of 3/31/2019	As of 6/30/2018
Cash and cash equivalent	31.3	65.1	155.3
Restricted cash	48.4	48.6	17.2
Accounts receivable	0.1	2.2	0.01
Note receivables	9.4	0.7	17.0
Inventories	19.9	18.9	29.6
Prepaid land use rights	22.0	22.7	23.4
Net PP&E	763.4	686.1	511.6
Current assets associated with discontinued operations	1.1	2.7	20.9
Non-current assets associated with discontinued operations	55.2	58.9	87.6
Total assets	**979.4**	**924.1**	**877.8**
Short-term Borrowings	91.8	43.2	78.6
Notes payable	73.1	66.3	26.5
Amounts due to related parties	0.7	2.1	1.2
Long-term Borrowings	151.5	149.7	92.9
Current liabilities associated with discontinued operations	6.9	7.6	34.9
Non-current liabilities associated with discontinued operations	0.7	0.7	0.8
Total liabilities	**440.0**	**374.8**	**334.4**
Total equity	**539.4**	**549.3**	**543.4**
Total liabilities and equity	**979.4**	**924.1**	**877.8**

Cash flow summary

($ in millions)	6 months ended 6/30/ 2019	6 months ended 6/30/ 2018
Net cash provided by operating activities – continuing operations	65.8	58.9
Net cash provided by operating activities – discontinued operations	2.0	8.2
Net cash provided by operating activities	**67.8**	**67.1**
Net cash used in investing activities – continuing operations	(146.5)	(51.3)
Net cash provided by (used in) investing activities – discontinued operations	1.7	(1.2)
Net cash used in investing activities	**(144.9)**	**(52.5)**
Net cash provided by (used in) financing activities – continuing operations	72.3	96.2
Net cash used in financing activities – discontinued operations	(11.0)	(3.0)
Net cash provided by (used in) financing activities	**61.3**	**93.2**
Effect of exchange rate changes	0.4	(1.2)
Net increase in cash, cash equivalents and restricted cash	(15.4)	106.6
Cash, cash equivalents and restricted cash at the beginning of the period	95.1	72.7
Cash, cash equivalents and restricted cash at the end of the period	79.7	179.3

Non-GAAP reconciliation

US$ in millions	Q2 2019	Q1 2019	Q2 2018
Net (loss) income from continuing operations	(2.7)	5.9	10.9
Income tax expenses	0.7	1.4	4.4
Interest expense	1.9	2.0	3.1
Interest income	(0.3)	(0.3)	(0.4)
Depreciation & amortization	10.6	11.0	9.4
EBITDA (1)	**10.2**	**20.0**	**27.4**
EBITDA margin (1)	**15.5%**	**24.6%**	**43.6%**
Costs related to Chongqing poly facilities	-	-	0.4
Share-based compensation	4.5	4.5	4.4
Adjusted net income (non-GAAP) (2) attributable to Daqo New Energy Corp. shareholders	**2.3**	**11.1**	**18.2**
Adjusted earnings per basic ADS (non-GAAP) (2)	**$0.17**	**$0.83**	**$1.44**

Note:
(1) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization
(2) 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 New Energy'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 earnings before interest, taxes, depreciation and amortization ("EBITDA") and EBITDA margin; adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS. Our 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, our 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. Our 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 our 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 our 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.

The Company uses EBITDA, which represents earnings before interest, taxes, depreciation and amortization, and EBITDA margin, which represents the proportion of EBITDA in revenues. Adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS exclude 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, and the Company had removed this adjustment from the non-GAAP reconciling item since the fourth quarter of 2018, since as of the end of the third quarter of 2018, all of the polysilicon machinery and equipment had been either relocated to Xinjiang, disposed, or planned to be disposed. Adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS also exclude costs related to share-based compensation. Share-based compensation is a non-cash expense that varies from period to period. As a result, our management excludes this item from its internal operating forecasts and models. Our 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.

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Thank you