

August 3, 2023



**DAQO NEW ENERGY**

## **Q2 2023 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,” “guidance” and similar statements. Among other things, the outlook for the third quarter and the full year of 2023 and quotations from management in these announcements, 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, all of which are difficult or impossible to predict accurately and many of which are beyond the Company’s control. 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; the Company’s ability to lower its production costs; and changes in political and regulatory environment. Further information regarding these and other risks is included in the reports or documents the Company has filed with, or furnished to, the U.S. 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.



*“A leading manufacturer of high-purity polysilicon for the global solar PV industry”*



# Management Remarks I



Mr. Longgen Zhang of Daqo New Energy, commented, “Efficient operation of our polysilicon facilities in the second quarter of 2023 resulted in a production volume of 45,306 MT, representing an increase of 11,458 MT as compared to the previous quarter, as our Phase 5A 100,000 MT polysilicon project in Inner Mongolia reached full production capacity in June. Our production cost decreased by 8.3% from Q1 to \$6.92/kg, primarily due to improvements in manufacturing efficiency, as well as a reduction in the cost of metallurgical-grade silicon. For the quarter, we generated \$230 million in EBITDA with strong operating cash flow and continued to maintain a strong balance sheet with no financial debt. At the end of the quarter, the Company had a cash balance of \$3.2 billion and a combined cash and bank note receivable balance of \$4.0 billion.”

“With the addition of our new Inner Mongolia Phase 5A facility, our total annual polysilicon nameplate capacity has expanded to 205,000 MT. For the third quarter, we expect total polysilicon production volume to be approximately 55,000 MT to 57,000 MT, representing an increase of 21% to 26% as compared to Q2 2023. Full year production is expected to be approximately 193,000 MT to 198,000 MT of polysilicon, representing an increase of 44% to 48% as compared to 2022. In addition, based on our latest schedule, our new semiconductor-grade polysilicon project with 1,000 MT annual capacity is expected to start pilot production by the end of September 2023. With our fully digitalized and highly automated production system that optimizes operational efficiency, improves cost structure and further enhances product quality for the N-type polysilicon product, we are confident that our Inner Mongolia project will further enhance the Company’s competitive edge.”



“The polysilicon industry experienced increased challenges and substantial price volatility during the second quarter. As several new polysilicon facilities and new entrants finally started production with some reaching full production in the first half of this year, the shortage of polysilicon of the past two years came to an end. The increased supply ultimately led to relative oversupply and excess industry inventory. In an effort to gain market shares with inferior-quality products, new entrants and some established industry players engaged in aggressive pricing. Expectations of lower future pricing in the market led to delays and reductions of downstream customer orders, as well as aggressive pricing requests by customers. The situation worsened significantly in the second half of May, as inventory reduction efforts by leading producers led to a race to the bottom that saw polysilicon prices decline by approximately 70% at the end of the second quarter compared to Q1 levels. In the second half of June, polysilicon prices reached bottom and customers began ordering aggressively at the lower prices. By mid-July, we saw an approximately 15%-20% price recovery compared to the bottom reached in June. Recently, we have also seen an increase in the ASP premium for N-type polysilicon with a meaningful increase in demand volume. We expect that this trend will further benefit us as the industry transitions to next-generation N-type technology.”

“We shipped 53,502MT of polysilicon in Q2, meaningfully more than our production level and a substantial increase over Q1 shipments. Polysilicon inventory at our original Xinjiang facility decreased to less than a week’s production volume. As our facility in Inner Mongolia is newly established, its products require customer qualification before we can ship meaningful volumes to customers, and the qualification process took longer than anticipated due to market volatility during the period. At the end of the quarter, with customer orders on hand that covered all our inventory, we had practically sold all shippable products. The customer qualification process for the products of our Inner Mongolia facility completed successfully in July, and at the end of July, with brisk customer orders and demand, we had further reduced our polysilicon inventory to a very healthy level of approximately one week of production across our two facilities.”



“For the second quarter we recorded approximately \$19.7 million in foreign exchange loss, or approximately \$0.26 per ADS. Near the end of April, the Company received approximately RMB4.96 billion in cash dividends from its subsidiary Xinjiang Daqo, which was approximately \$716.7 million based on the exchange rate on the date the dividend funds were received. During the quarter, the Company converted approximately RMB1.85 billion to US dollars to fund our share repurchase program. As the USD/CNY exchange rate fluctuated significantly during the months of May and June, and as required by accounting standards, we recorded an unrealized foreign exchange loss primarily related to our quarter-end cash balance of RMB3.1 billion held by the Company in an offshore account.”

“Regarding the Company’s share buyback program, at the end of July, the Company had already repurchased 4.16 million ADSs for approximately \$188.7 million under the current program, with average cost of approximately \$45.32 per ADS. Combined with the program completed in 2022, in aggregate, the Company has already repurchased 6.0 million ADSs for approximately \$308.6 million.”

“The continuous cost reduction in solar PV products and the associated reduction in solar energy generation cost are expected to create substantial additional green energy demand, which is likely to exceed most analysts’ expectations. It is generally expected that solar PV will eventually become one of the most important energies to power the world. In addition, as solar PV technology keeps evolving, we believe that the increasing needs for polysilicon of very high purity, such as our N-type polysilicon, will help differentiate us from our competitors. While most of our competitors will likely struggle in the current market environment, Daqo New Energy has one of the best balance sheets in the industry with no financial debt, and this will help us weather the current market environment successfully. We are optimistic that as the solar end market continues to grow, and as our customers continue to expand capacity particularly for N-type solar products, prices will improve. We will continue to maintain solid growth and capture the long-term benefits of the growing global solar PV market.”

# Operational and Financial Highlights in Q2 2023



- Polysilicon production volume was 45,306 MT in Q2 2023, compared to 33,848 MT in Q1 2023
- Polysilicon sales volume was 51,550 MT in Q2 2023, compared to 25,284 MT in Q1 2023
- Polysilicon average total production cost<sup>(1)</sup> was \$6.92/kg in Q2 2023, compared to \$7.55/kg in Q1 2023
- Polysilicon average cash cost<sup>(1)</sup> was \$6.05/kg in Q2 2023, compared to \$6.61/kg in Q1 2023
- Polysilicon average selling price (ASP) was \$12.33/kg in Q2 2023, compared to \$27.83/kg in Q1 2023
- Revenue was \$636.7 million in Q2 2023, compared to \$709.8 million in Q1 2023
- Gross profit was \$258.9 million in Q2 2023, compared to \$506.7 million in Q1 2023. Gross margin was 40.7% in Q2 2023, compared to 71.4% in Q1 2023
- Net income attributable to Daqo New Energy Corp. shareholders was \$103.7 million in Q2 2023, compared to \$278.8 million in Q1 2023
- Earnings per basic American Depositary Share (ADS)<sup>(3)</sup> was \$1.35 in Q2 2023, compared to \$3.56 in Q1 2023
- Adjusted net income (non-GAAP)<sup>(2)</sup> attributable to Daqo New Energy Corp. shareholders was \$134.5 million in Q2 2023, compared to \$310.2 million in Q1 2023
- Adjusted earnings per basic ADS<sup>(3)</sup> (non-GAAP)<sup>(2)</sup> was \$1.75 in Q2 2023, compared to \$3.96 in Q1 2023
- EBITDA (non-GAAP)<sup>(2)</sup> was \$230.0 million in Q2 2023, compared to \$490.2 million in Q1 2023. EBITDA margin (non-GAAP)<sup>(2)</sup> was 36.1% in Q2 2023, compared to 69.1% in Q1 2023

## Notes:

1. Production cost and cash cost only refer to production in our polysilicon facilities. Production cost is calculated by the inventoriable costs relating to production of polysilicon divided by the production volume in the period indicated. Cash cost is calculated by the inventoriable costs relating to production of polysilicon excluding depreciation expense, divided by the production volume in the period indicated.
2. Daqo New Energy provides EBITDA, EBITDA margins, adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS on a non-GAAP basis to provide supplemental information regarding its financial performance. For more information on these non-GAAP financial measures, please see the section captioned "Use of Non-GAAP Financial Measures" and the tables captioned "Reconciliation of non-GAAP financial measures to comparable US GAAP measures" set forth at the end of this press release.
3. ADS means American Depositary Share. One (1) ADS representing five (5) ordinary shares.

# Polysilicon Facilities Update



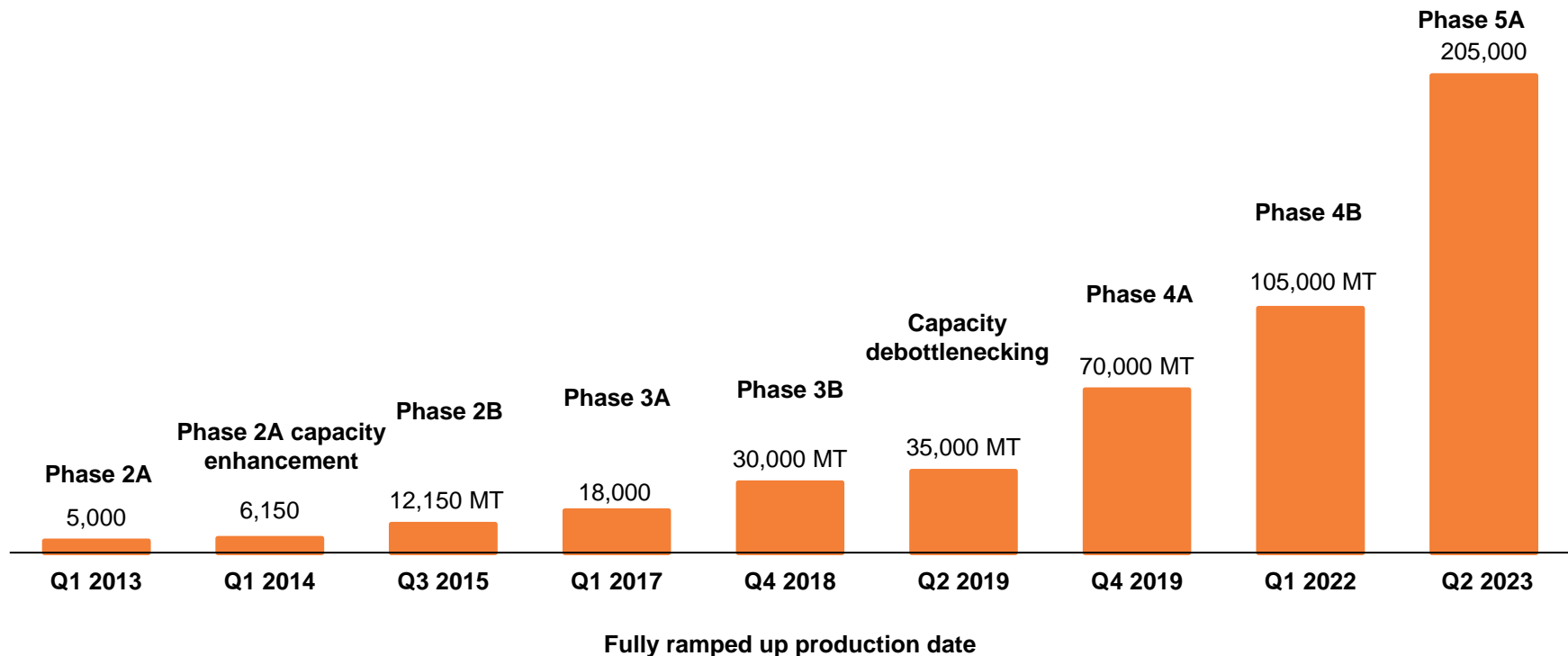
## Q2 2023 Key Figures

- Quarterly production volume: 45,306 MT
- Sales volume: 51,550 MT
- Average selling prices: \$12.33/kg
- Average total production cost: \$6.92/kg
- Average cash cost: \$6.05/kg

## Outlook

- Expected production volume in Q3 2023: 55,000 ~ 57,000 MT
- Expected production volume in the full year of 2023: 193,000 ~ 198,000 MT

## Polysilicon Nameplate Capacity in Daqo's Facilities (MT)

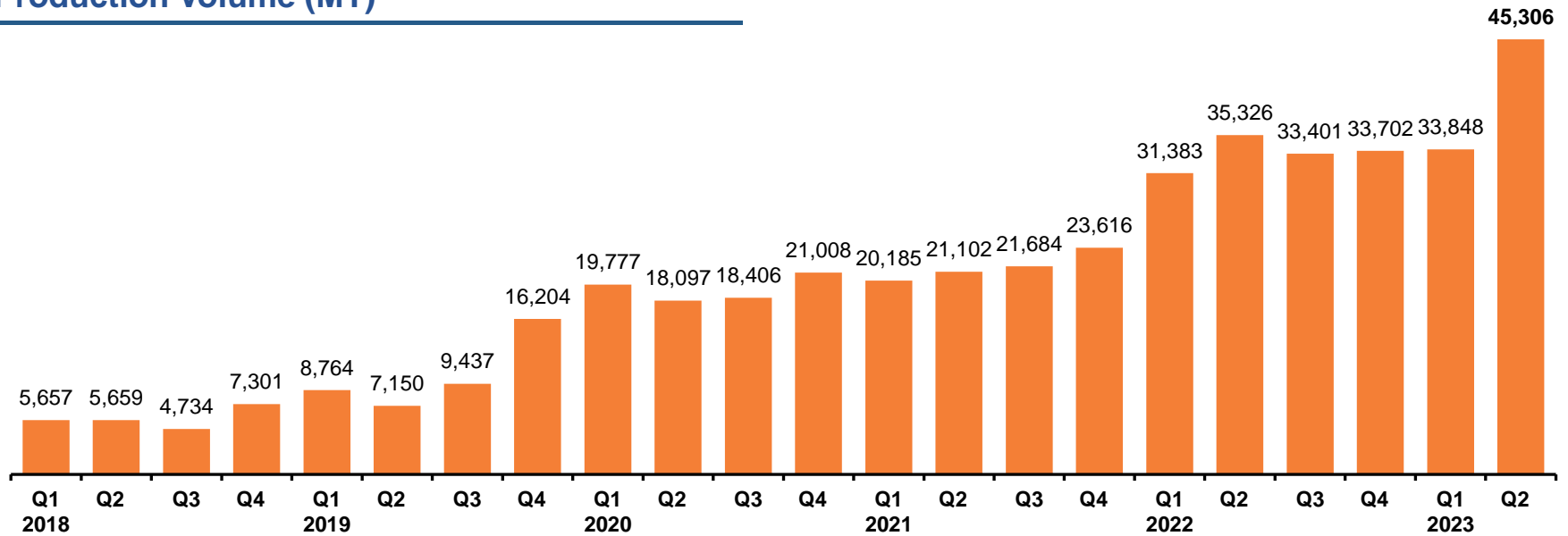




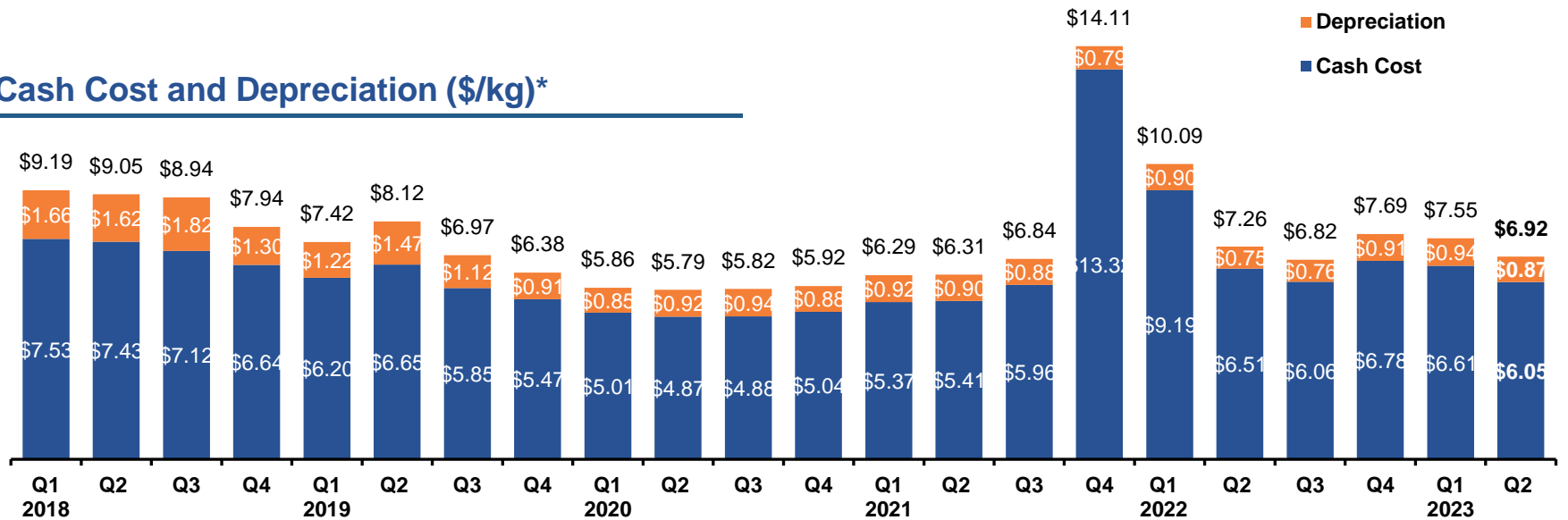
# Polysilicon Manufacturing Overview



## Production Volume (MT)



## Cash Cost and Depreciation (\$/kg)\*

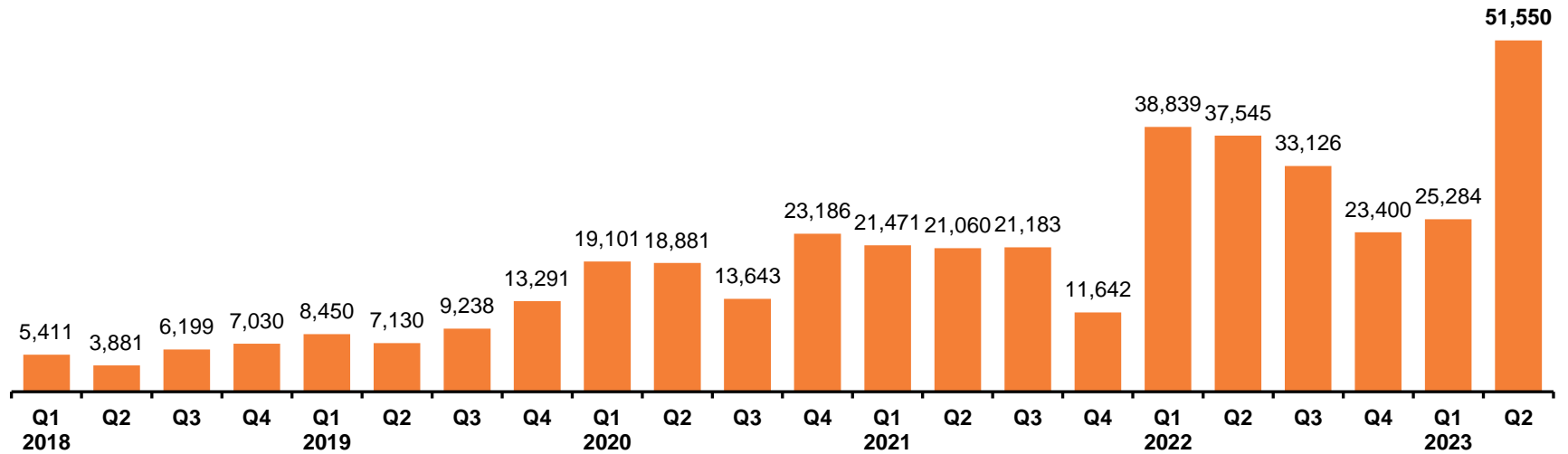


\* The cash cost and depreciation only refer to the polysilicon production in Xinjiang facilities.

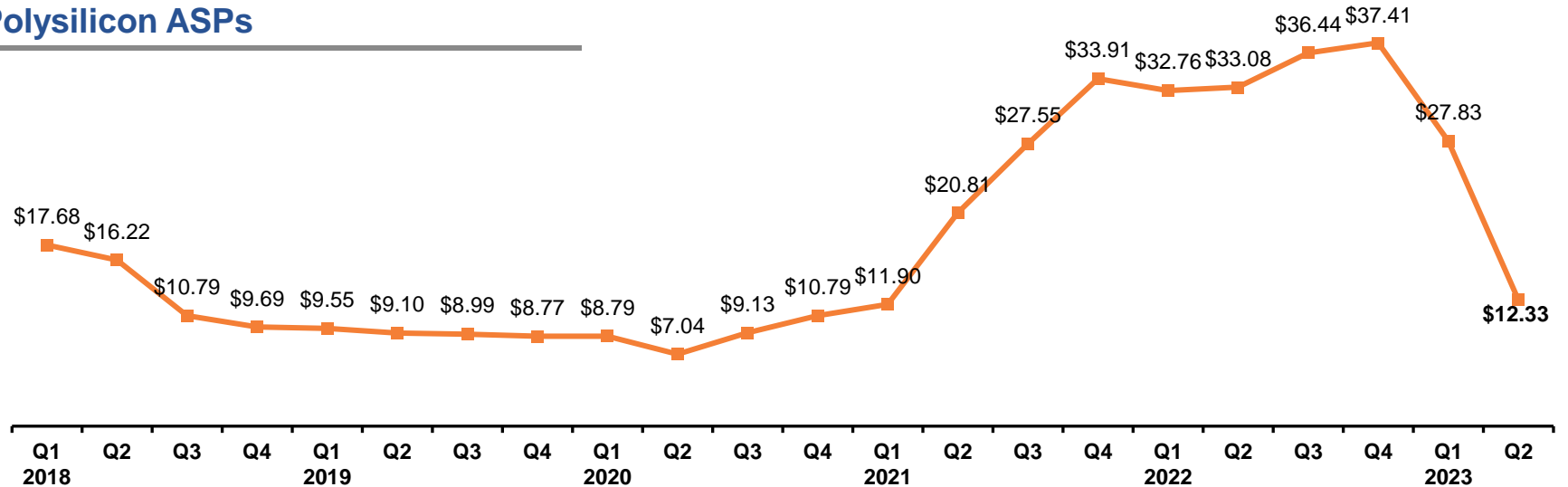
# Quarterly Polysilicon Sales Volume and ASPs



## Polysilicon External Sales Volume



## Polysilicon ASPs



# Income Statement Summary



	Q2 2023	Q1 2023	Q2 2022
(\$ in millions, unless otherwise stated)			
<b>Revenues</b>	<b>636.7</b>	<b>709.8</b>	<b>1,244.1</b>
Gross profit	258.9	506.7	946.9
<b>Gross margin</b>	<b>40.7%</b>	<b>71.4%</b>	<b>76.1%</b>
SG&A	(43.3)	(41.3)	(14.4)
R&D expense	(2.2)	(1.9)	(2.7)
Income from operations	213.9	463.8	<b>927.6</b>
<b>Net income attributable to Daqo New Energy shareholders</b>	<b>103.7</b>	<b>278.8</b>	<b>627.8</b>
Earnings per basic ADS (\$ per ADS)	1.35	3.56	8.36
<b>Adjusted net income (non-GAAP) attributable to Daqo New Energy Corp. shareholders</b>	<b>134.5</b>	<b>310.2</b>	630.3
Adjusted earnings per basic ADS (non-GAAP) (\$ per ADS)	1.75	3.96	8.39
<b>EBITDA</b>	<b>230.0</b>	<b>490.2</b>	<b>955.4</b>
<b>EBITDA margin</b>	<b>36.1%</b>	<b>69.1%</b>	<b>76.8%</b>

# Balance Sheet Summary



(\$ in millions)	As of 6/30/2023	As of 3/31/2023	As of 6/30/2022
Cash, cash equivalent and restricted cash	3,169.7	4,130.5	3,284.3
Note receivables	798.5	791.3	1,269.3
Short-term investments	2.8	5.8	11.4
Inventories	159.5	191.7	52.3
Prepaid land use rights	94.6	80.2	38.2
Property, plant and equipment, net	2,920.2	2,884.7	1,763.6
<b>Total assets</b>	<b>7,325.0</b>	<b>8,190.2</b>	<b>6,484.1</b>
Advances from customers - short term portion	199.4	184.9	375.4
Advance from customers - long term portion	128.8	160.3	95.6
Payables for purchases of property, plant and equipment	256.3	266.2	94.1
<b>Total liabilities</b>	<b>873.8</b>	<b>1,207.0</b>	<b>974.2</b>
<b>Total equity</b>	<b>6,451.2</b>	<b>6,983.3</b>	<b>5,510.0</b>
<b>Total liabilities and equity</b>	<b>7,325.0</b>	<b>8,190.2</b>	<b>6,484.1</b>

# Cash Flow Summary



(\$ in millions)	6 months ended 6/30/2023	6 months ended 6/30/2022
Net income	556.9	1,447.5
Adjustments to reconcile net income to net cash provided by operating activities	139.1	67.1
Changes in operating assets and liabilities	90.4	(385.8)
<b>Net cash provided by operating activities</b>	<b>786.3</b>	<b>1,128.8</b>
<b>Net cash (used in) / provided by investing activities</b>	<b>(495.7)</b>	<b>(80.3)</b>
<b>Net cash (used in) / provided by financing activities</b>	<b>(477.5)</b>	<b>1,579.3</b>
Effect of exchange rate changes	(163.7)	(67.5)
Net (decrease) / increase in cash, cash equivalents and restricted cash	(350.6)	2,560.3
Cash, cash equivalents and restricted cash at the beginning of the period	3,520.4	724.0
Cash, cash equivalents and restricted cash at the end of the period	3,169.7	3,284.3

# Non-GAAP Reconciliation



\$ in thousands	3 months Ended		
	Jun. 30, 2023	Mar. 31, 2023	Jun. 30, 2022
Net income	162,182	394,695	780,479
Income tax expense	44,730	81,067	143,460
Interest income(expense), net	(12,751)	(11,947)	3,677
Depreciation & Amortization	35,835	26,399	27,765
<b>EBITDA (non-GAAP)</b>	<b>229,996</b>	<b>490,214</b>	<b>955,381</b>
<b>EBITDA margin (non-GAAP)</b>	<b>36.1%</b>	<b>69.1%</b>	<b>76.8%</b>

\$ in thousands	3 months Ended		
	Jun. 30, 2023	Mar. 31, 2023	Jun. 30, 2022
Net income attributable to Daqo New Energy Corp. shareholders	103,723	278,804	627,817
Share-based compensation	30,824	31,401	2,512
<b>Adjusted net income (non-GAAP) attributable to Daqo New Energy Corp. shareholders</b>	<b>134,547</b>	<b>310,205</b>	<b>630,329</b>
<b>Adjusted earnings per basic ADS* (non-GAAP)</b>	<b>1.75</b>	<b>3.96</b>	<b>8.39</b>
Adjusted earnings per diluted ADS* (non-GAAP)	1.75	3.93	8.21

# 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 (which represents the proportion of EBITDA in revenues). 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.



**Thank you!**

