



October 27, 2022

DAQO NEW ENERGY

Q3 2022 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”, “might” and “guidance” and similar statements. Among other things, the outlook for the fourth quarter and the full year of 2022 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; changes in political and regulatory environment; and the duration of COVID-19 outbreaks in China and many other countries and the impact of the outbreaks and the quarantines and travel restrictions instituted by relevant governments on economic and market conditions, including potentially weaker global demand for solar PV installations that could adversely affect the Company’s business and financial performance. 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, CEO of Daqo New Energy, commented, “We are pleased to announce that the Company continued to deliver an excellent performance in the third quarter of 2022. Revenue reached \$1.22 billion for the quarter, with gross profit of \$979 million, net income attributable to Daqo New Energy Corp. shareholders of \$323.4 million, and adjusted net income attributable to Daqo New Energy Corp. shareholders of \$590 million. Operating cash flow was \$1.7 billion for the first nine months of this year. We ended the quarter with a very strong balance sheet, as our cash position combined with bank note receivables, which are redeemable for cash, reached \$4.6 billion at the end of Q3, and we had no financial debt or bank loans.”

We kept producing above our name plate capacity with polysilicon production of 33,401 MT despite our scheduled annual maintenance. Sales volume reached 33,126 MT, and we ended the quarter with a very low polysilicon inventory level. Driven by the rising global energy prices and the urgency to address climate change, both demand and pricing for solar PV products increased during the quarter, with particularly strong demand from markets such as China, Europe, Southeast Asia, and Brazil. As a result, market demand for polysilicon remained very strong throughout the quarter, and our ASP increased 14% in RMB terms compared to the previous quarter. With higher ASP and lower production cost, Q3 gross margin continued to improve, and reached 80% as compared to 76% in Q2 this year. In particular, after further process improvements, our mono-grade polysilicon reached 99.9% of production in September, which was record-breaking for the Company. Furthermore, Daqo remains one of the most important producers of ultra-high purity N-type polysilicon, which is positioned to become the fastest growing product segment for next year. ”

“In June, our board of directors authorized the Company to repurchase up to US\$120 million worth of its issued shares on the open market. We have completed the share repurchase program and spent \$119.9 million to repurchase approximately 1.88 million ADRs. We will consider another share repurchase program when Xinjiang Daqo determines its dividend plan for the fiscal year 2022, as we believe that our current ADR price is seriously undervalued and not reflective of our position as a technology and cost leader with strong profitability and operating cash flow.”

Management remarks II



“Despite a more than 50% volume increase in polysilicon supply in the first three quarters of this year compared to the same period of last year, the profitability of polysilicon continued to improve, which was driven by stronger-than-expected solar PV demand and relatively faster capacity expansions in downstream sectors particularly in the wafer segment. According to China National Energy Administration, China installed 52.6 GW of solar PV projects in the first three quarters of 2022, a 106% increase as compared to the same period of 2021. The fourth quarter is typically a busy season for China’s solar PV market. Current polysilicon ASPs remain high at approximately \$36-38/kg (VAT excluded) and the inventory of polysilicon is low across the value chain. We expect that module prices will be well supported in the range of RMB 1.85-1.95/watt, which will provide a very strong support for polysilicon ASPs.”

“Solar PV demand has been increasing significantly beyond market expectations for almost two years and we believe that it is just the beginning of a new era in which renewable energies will eventually displace fossil fuels to become the biggest source of energy for the world. Solar PV has already reached grid parity in most of the important economies in the world and this creates great value to address carbon emission, tackle climate change challenges, and further ensure energy security and sustainability. We believe we will continue to greatly benefit from this long-term trend as one of the most competitive low-cost and high-quality polysilicon providers in the world.”

Operational and financial highlights in Q3 2022



- Polysilicon production volume was 33,401 MT in Q3 2022, compared to 35,326 MT in Q2 2022
- Polysilicon sales volume was 33,126 MT in Q3 2022, compared to 37,545 MT in Q2 2022
- Polysilicon average total production cost⁽¹⁾ was \$6.82/kg in Q3 2022, compared to \$7.26/kg in Q2 2022
- Polysilicon average cash cost⁽¹⁾ was \$6.06/kg in Q3 2022, compared to \$6.51/kg in Q2 2022
- Polysilicon average selling price (ASP) was \$36.44/kg in Q3 2022, compared to \$33.08/kg in Q2 2022
- Revenue was \$1,219.7 million in Q3 2022, compared to \$1,244.1 million in Q2 2022
- Gross profit was \$978.6 million in Q3 2022, compared to \$946.9 million in Q2 2022. Gross margin was 80.2% in Q3 2022, compared to 76.1% in Q2 2022
- Net income attributable to Daqo New Energy Corp. shareholders was \$323.4 million in Q3 2022, compared to \$627.8 million in Q2 2022
- Earnings per basic American Depositary Share (ADS)⁽³⁾ was \$4.28 in Q3 2022, compared to \$8.36 in Q2 2022
- Adjusted net income (non-GAAP)⁽²⁾ attributable to Daqo New Energy Corp. shareholders was \$590.4 million in Q3 2022, compared to \$630.3 million in Q2 2022
- Adjusted earnings per basic ADS⁽³⁾ (non-GAAP)⁽²⁾ was \$7.81 in Q3 2022, compared to \$8.39 in Q2 2022
- EBITDA (non-GAAP)⁽²⁾ was \$720.0 million in Q3 2022, compared to \$955.4 million in Q2 2022. EBITDA margin (non-GAAP)⁽²⁾ was 59.0% in Q3 2022, compared to 76.8% in Q2 2022

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



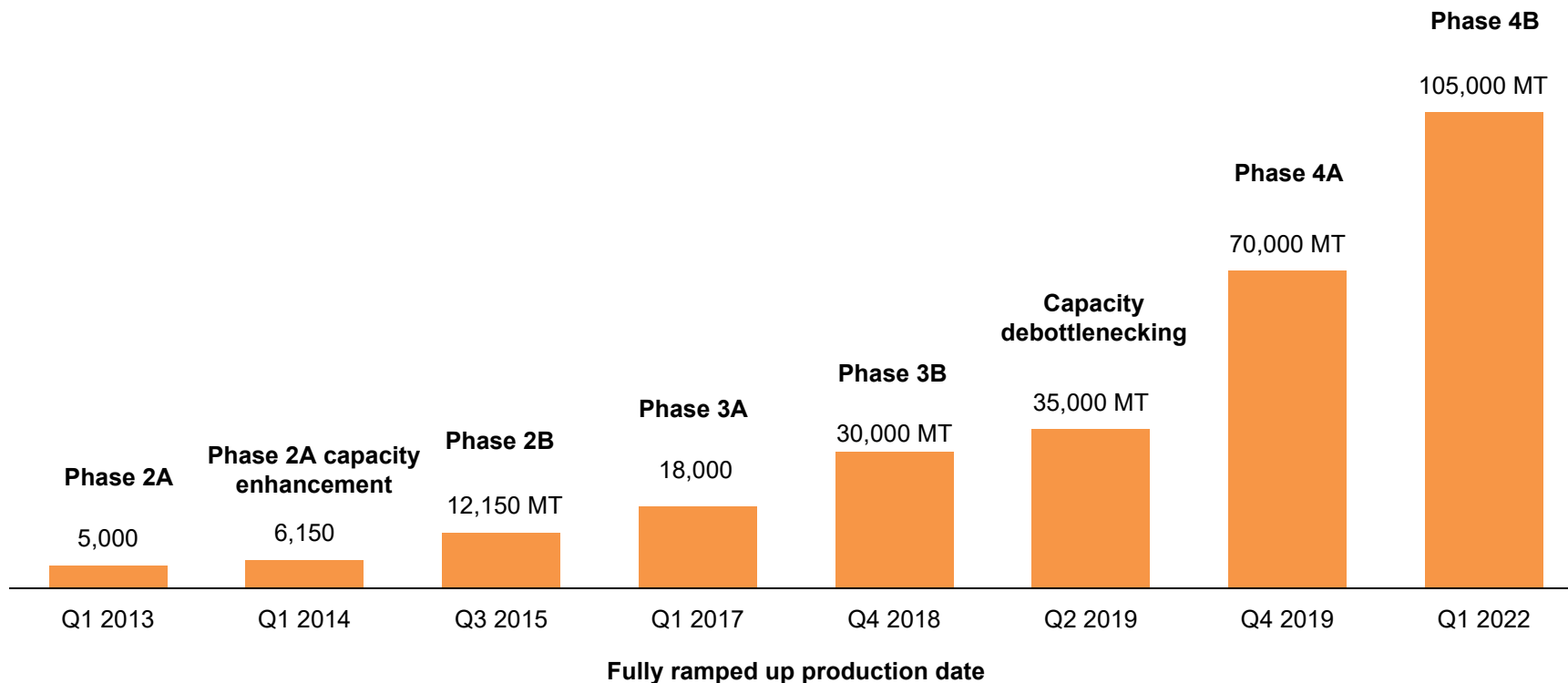
Q3 2022 key facts

- Quarterly production volume: 33,401 MT
- Sales volume: 33,126 MT
- Average total production cost : \$6.82/kg
- Average cash cost: \$6.06/kg

Outlook

- Expected production volume in Q4 2022: 30,000 ~ 32,000 MT
- Expected production volume in the full year of 2022: 130,000 ~ 132,000 MT

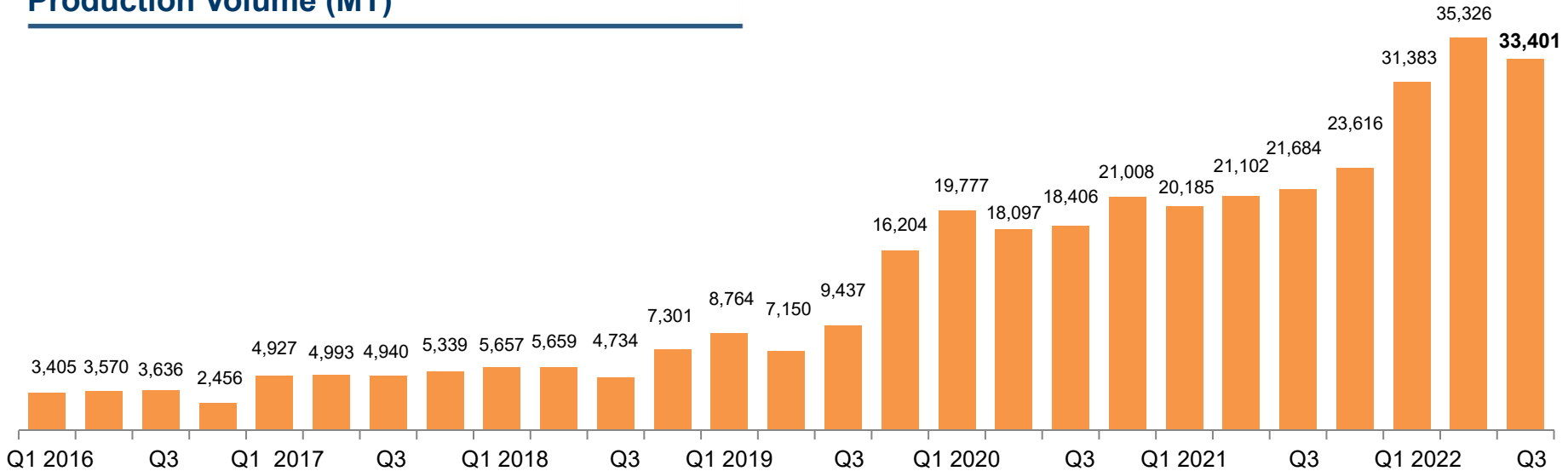
Polysilicon historical and projected capacity in Daqo's facilities * (MT)



Polysilicon manufacturing overview

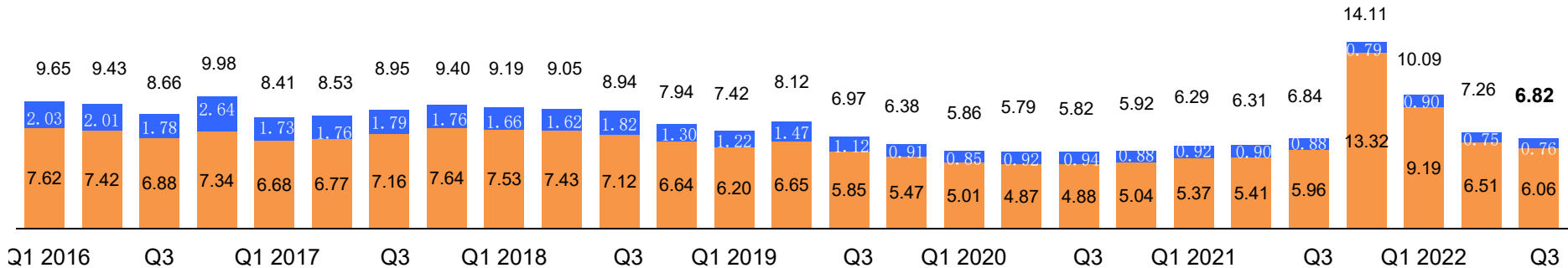


Production Volume (MT)



Cash cost and Depreciation (\$/kg)*

■ Cash cost ■ Depreciation

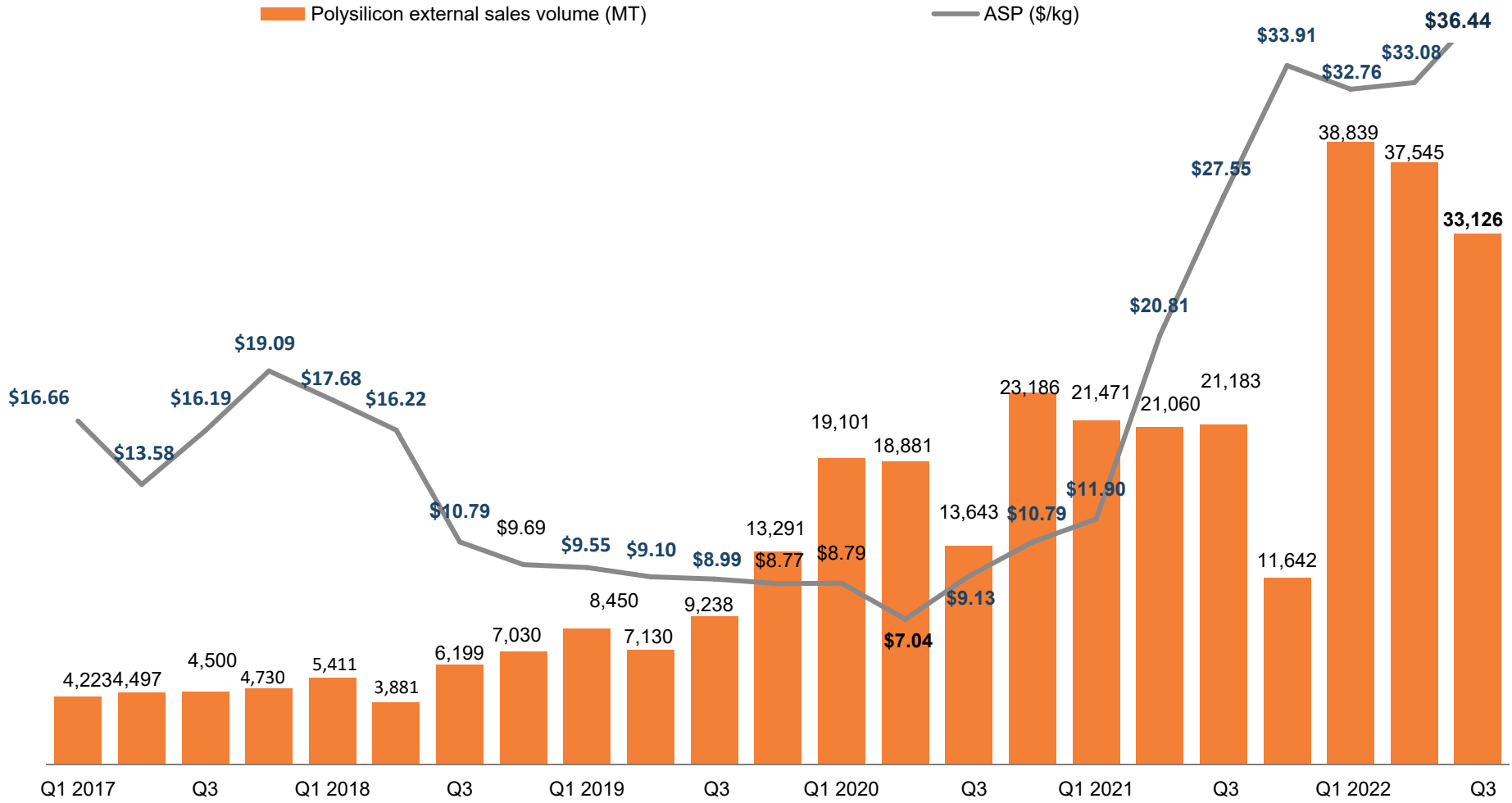


* The cash cost and depreciation only refer to the polysilicon production in Xinjiang facilities.

Quarterly polysilicon sales volume and ASPs



Polysilicon external sales volume and ASPs



Income statement summary



	Q3 2022	Q2 2022	Q3 2021
(\$ in millions, unless otherwise stated)			
Revenues	1,217.9	1,244.1	585.8
Gross profit	978.6	946.9	435.2
Gross margin	80.2%	76.1%	74.3%
SG&A	(280.2)	(14.4)	(11.4)
R&D expense	(2.5)	(2.7)	(1.9)
Income from operations	693.0	927.6	421.7
Net income attributable to Daqo New Energy shareholders	323.4	627.8	292.3
Earnings per basic ADS (\$ per ADS)	4.28	8.36	3.95
Adjusted net income (non-GAAP) attributable to Daqo New Energy Corp. shareholders	590.4	630.3	294.7
Adjusted earnings per basic ADS (non-GAAP) (\$ per ADS)	7.81	8.39	3.98
EBITDA	720.0	955.4	311.7
EBITDA margin	59.0%	76.8%	70.6%

Balance sheet summary



(\$ in millions)	As of 9/30/2022	As of 6/30/2022	As of 9/30/2021
Cash, cash equivalent and restricted cash	3,051.1	3,284.3	660.9
Note receivables	1,571.7	1,269.3	353.3
Short-term investments	31.7	11.4	414.2
Inventories	73.3	52.3	46.2
Prepaid land use rights	77.6	38.2	36.9
Property, plant and equipment, net	2,040.2	1,763.6	1,442.5
Total assets	6,906.2	6,484.1	2,989.9
Advances from customers - short term portion	420.1	375.4	180.0
Advance from customers - long term portion	73.2	95.6	90.2
Payables for purchases of property, plant and equipment	95.0	94.1	81.9
Total liabilities	1,034.3	974.2	543.5
Total equity	5,871.9	5,510.0	2,446.4
Total liabilities and equity	6,906.2	6,484.1	2,989.9

Cash flow summary



(\$ in millions)	9 months ended 9/30/ 2022	9 months ended 9/30/ 2021
Net income	1,993.3	685.8
Adjustments to reconcile net income to net cash provided by operating activities	370.2	65.3
Changes in operating assets and liabilities	(666.5)	(98.0)
Net cash provided by operating activities	1,697.1	653.1
Net cash provided used in investing activities	(605.4)	(855.8)
Net cash provided by financing activities	1,477.9	741.6
Effect of exchange rate changes	(242.4)	3.6
Net increase in cash, cash equivalents and restricted cash	2,327.2	542.5
Cash, cash equivalents and restricted cash at the beginning of the period	724.0	118.4
Cash, cash equivalents and restricted cash at the end of the period	3,051.1	660.9



Non-GAAP reconciliation

\$ in thousands	Three months Ended			Nine months Ended	
	Sep 30, 2022	Jun 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
Net income	545,820	780,479	355,768	1,993,349	685,833
Income tax expense	155,204	143,460	62,137	428,572	119,707
Interest income(expense), net	(7,589)	3,677	4,506	(2,443)	18,479
Depreciation & Amortization	26,608	27,765	19,391	82,732	57,626
EBITDA (non-GAAP)	720,043	955,381	441,802	2,502,210	881,645
EBITDA margin (non-GAAP)	59.0%	76.8%	75.4%	66.8%	68.7%

\$ in thousands	Three months Ended			Nine months Ended	
	Sep 30, 2022	Jun 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
Net income attributable to Daqo New Energy Corp. shareholders	323,409	627,817	292,329	1,487,067	607,648
Share-based compensation	266,962	2,512	2,359	270,346	7,718
Adjusted net income (non-GAAP) attributable to Daqo New Energy Corp. shareholders	590,371	630,329	294,688	1,757,413	615,366
Adjusted earnings per basic ADS* (non-GAAP)	7.81	8.39	3.98	23.39	8.35
Adjusted earnings per diluted ADS* (non-GAAP)	7.70	8.21	3.84	23.11	8.02

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.



谢谢!
Thank you

