



DAQO NEW ENERGY CORP



Daqo New Energy Corp. Q3 2015 Financial Results Presentation

November 18, 2015

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. 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 cost. 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 presentation and in the attachments is as of the date of this presentation, 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 Q3 2015 highlights

■ Cost Structure

total production cost of \$11.15/kg in Q3 2015, a decrease of 14.1% from \$12.98/kg in Q2 2015.

cash cost of \$8.71/kg in Q3 2015, a decrease of 17.8% from \$10.60/kg in Q2 2015.

- **Polysilicon production volume of 2,689 MT** in Q3 2015, an increase of 55.1% from 1,734 MT in Q2 2015; We fully ramped up Phase 2B polysilicon facilities at the end of Q3, 2015.
- **Polysilicon sales volume** ⁽¹⁾ **of 2,277 MT** in Q3 2015, an increase of 67.1% from 1,363 MT in Q2 2015.
- **Wafer sales volume** ⁽¹⁾ **of 19.1 million pieces** in Q3 2015, an increase of 4.4% from 18.3 million pieces in Q2 2015.
- **Polysilicon ASP was \$14.98/kg** in Q3 2015, a decrease of 6.1% from \$15.95/kg in Q2 2015.
- **EBITDA** ⁽²⁾ **of \$15.0 million** (EBITDA margin: 32.1%) in Q3 2015, compared to \$8.4 million (EBITDA margin: 24.6%) in Q2 2015.
- **Non-GAAP gross margin** ⁽³⁾ **of 23.4%** in Q3 2015 compared to 19.6% in Q2 2015.
- **Xinjiang Phase 2B project update:** We fully ramped up Phase 2B polysilicon facilities at the end of Q3 2015.

Note:

- (1) Starting from the second quarter of 2015, the Company will report sales volumes of polysilicon and wafer, respectively, instead of shipment. The 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.
- (2) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization.
- (3) Non-GAAP margin excluded costs of \$2.3 million related to polysilicon operations in Chongqing which halted production in September 2012.

Daqo Xinjiang Polysilicon Phase 2B



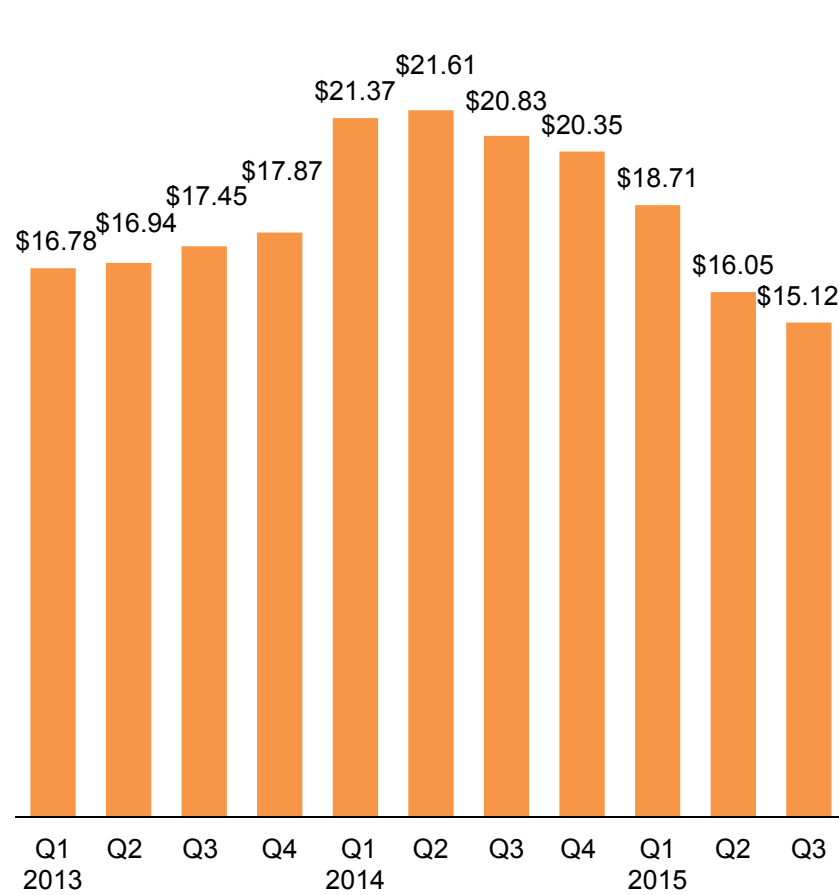
Market update

According to the data released by China National Energy Administration, China added 9.9 GW of solar PV installations in the first three quarters of 2015, which has brought China's cumulative solar PV installation to 38 GW. We expect the annual installation target of 17.8 GW can be achieved, and China would overtake Germany to become the world's largest solar power generating country.

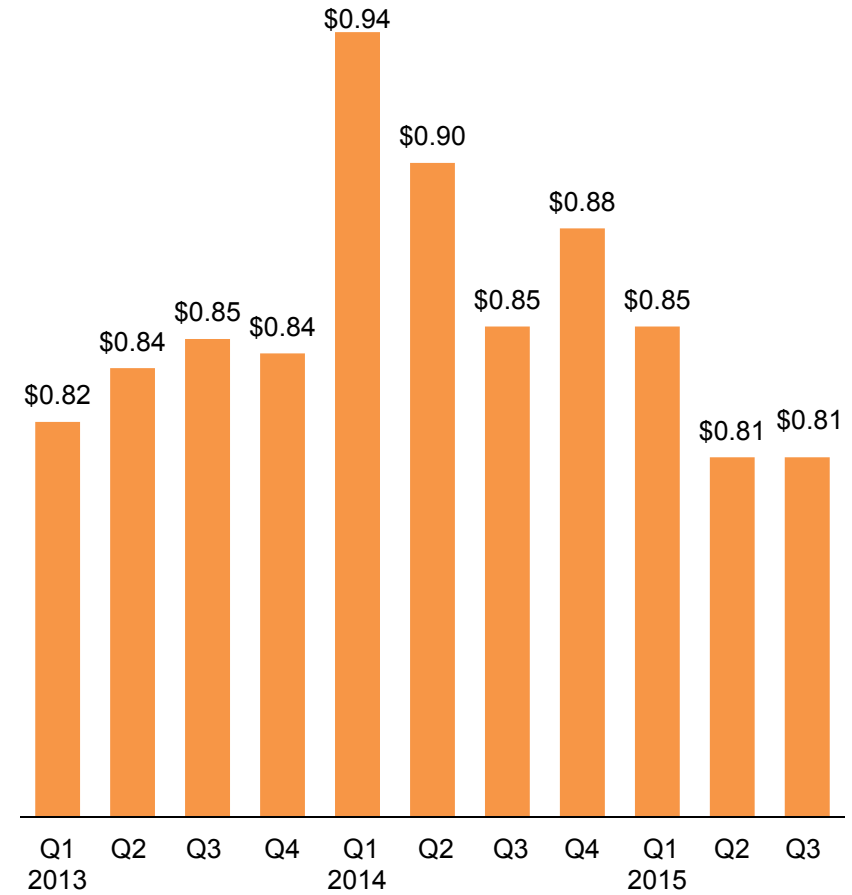
Based on feedback from our customers, demand for solar products across the value chain in the fourth quarter is expected to be strong. Most downstream players are running at full production capacity, and the ASPs of downstream products, particularly for solar wafers, are improving. As a result, we expect to see stable demand for polysilicon.

Market price trend (by PVinsights)

Polysilicon spot market price (\$/kg)



Wafer ASP (\$ / piece)



Xinjiang polysilicon facilities update

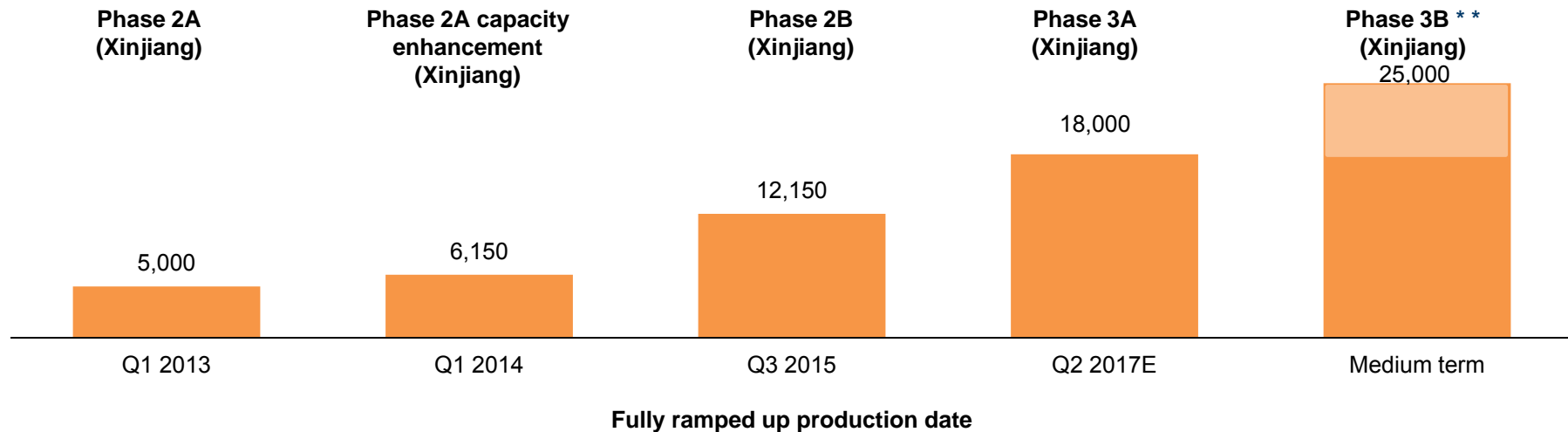
Q3 2015 key facts

- 2,689 MT production
- 2,277 MT sold to external customers
- Solar Grade I: 96.6% in Q3 2015
- Q3 2015 total production cost : \$11.15 / kg
- Q3 2015 cash cost: \$8.71 / kg

Outlook

- Expected sales volume in Q4 2015: 2,800 ~ 3,000 MT
- Cost targets: (average total production costs)
 - <\$10.50/kg in Q4 2015
 - <\$10.00/kg in 2016

Polysilicon historical and projected capacity * (MT)



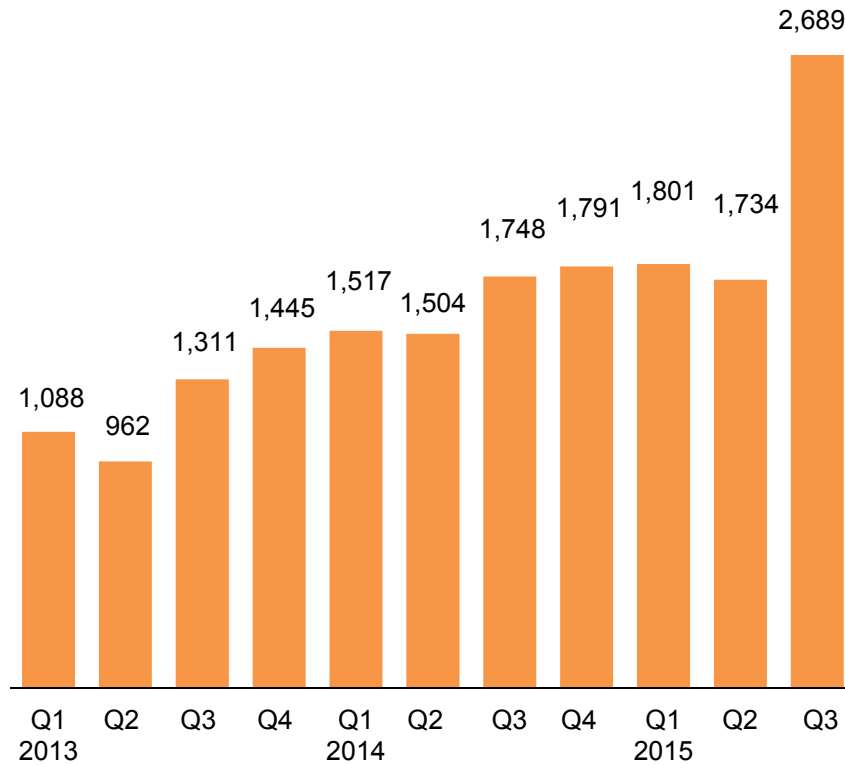
*Wanzhou polysilicon facility discontinued polysilicon production in Q4 2012

**Anticipated total capacity: we may consider further increasing the polysilicon production capacity at our Xinjiang site to 25,000 MT, subject to market and industry conditions.

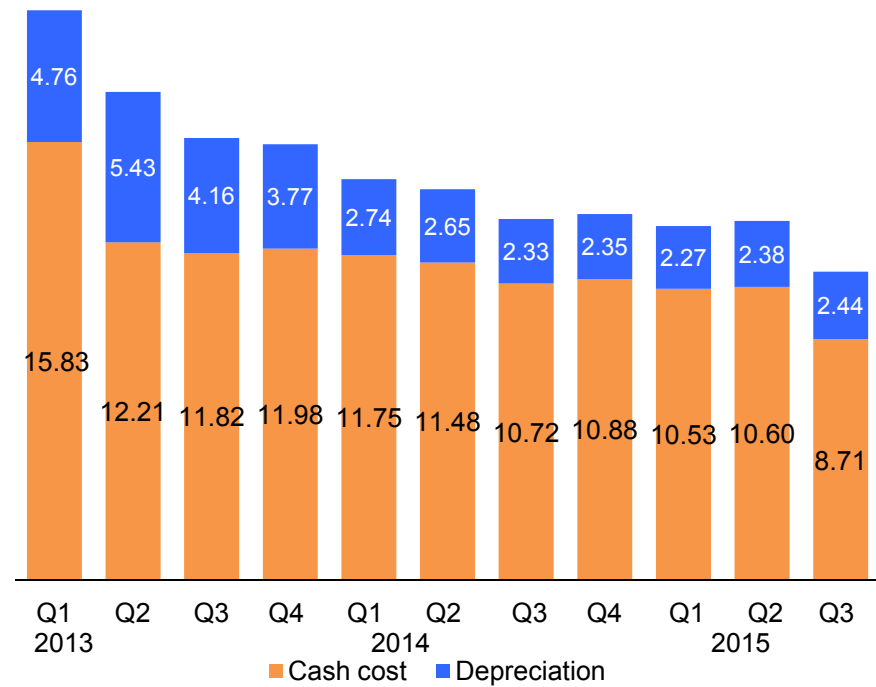


Polysilicon manufacturing overview

Production Volume (MT)



Cash cost and Depreciation (\$/kg)*



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

Wanzhou wafer facilities update

Q3 2015 key facts

- Annual capacity of approximately 72 million pieces (310 MW)
- 19.1 million pieces sold to customers



Q4 sales volume outlook

- Q4 2015 wafer sales volume: 20.5 ~21.0 million pieces
- Technology enhancement project:
 - Reduce manufacturing cost
 - Increase annual capacity to 100 million pieces by the end of Q2 2016



Sales volume in Q3 2015 and outlook for Q4 2015

Sales Volume	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015E guidance
Polysilicon (MT)	1,528	1,646	1,502	1,363	2,277	2,800~ 3,000
Wafer (million pieces)	17.1	18.3	18.1	18.3	19.1	20.5~21.0
Ingot & block (MT)	5.0	-	-	-	-	-

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Q3 2015 financial highlights

- Revenues were \$46.6 million, compared to \$34.3 million in Q2 2015;
- Polysilicon production cost of \$11.15/kg, compared to \$12.98/kg in Q2 2015; cash cost of \$8.71/kg in Q3 2015, compared to \$10.60/kg in Q2 2015;
- Gross profit was \$8.6 million, compared to \$3.6 million in Q2 2015;
- Non-GAAP gross margin ⁽¹⁾ was 23.4%, compared to 19.6% in Q2 2015;
- Operating income was \$6.7 million, compared to \$1.2 million in Q2 2015;
- EBITDA ⁽²⁾ was \$15.0 million, compared to \$8.4 million in Q2 2015;
- Net income attributable to Daqo New Energy shareholders was \$3.1 million, compared to net loss attributable to Daqo New Energy shareholders of \$0.9 million in Q2 2015;
- Earnings per ADS (basic) were \$0.29, compared to loss per ADS of \$0.09 in Q2 2015;
- Adjusted net income (non-GAAP) ⁽³⁾ attributable to Daqo New Energy shareholders of \$6.3 million in Q3 2015, compared to \$2.7 million in Q2 2015 and \$9.7 million in Q3 2014;
- Adjusted earnings per basic ADS (non-GAAP) ⁽³⁾ of \$0.60, compared to \$0.26 in Q2 2015, and \$1.09 Q3 2014.

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.

P&L summary (Q3 2015 vs. Q2 2015)

US\$ in millions	Q3 2015	Q2 2015	Change	Analysis
Revenues	46.6	34.3	12.3	Polysilicon: Sales volume↓ , ASP↓ Wafer: OEM↑
Cost of revenues	(38.0)	(30.7)	7.3	Polysilicon sales volume↑ Polysilicon unit production cost↓
Gross profit (loss)	8.6	3.6	5.0	
Gross margin	18.4%	10.5%	7.9%	
Non-GAAP Gross margin ⁽¹⁾	23.4%	19.6%	3.8%	
SG&A and R&D expense	(3.0)	(3.0)	-	
Other operating income	1.1	0.7	0.4	
Operating income	6.7	1.2	5.5	
Net interest expense	(3.0)	(2.5)	(0.5)	
Net income (loss) attributable to Daqo New Energy shareholders	3.1	(0.9)	4.0	
Basic earnings (loss) per ADS (US\$)	0.29	(0.09)	0.38	
EBITDA ⁽²⁾	15.0	8.4	6.6	
EBITDA margin ⁽²⁾	32.1%	24.6%	(7.5%)	

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



Non-GAAP reconciliation

US\$ in millions	Q3 2015	Q2 2015	Change
Net income (loss)	3.1	(0.9)	4.0
Income tax (benefit) expenses	0.6	(0.2)	0.8
Interest expense	3.1	2.6	0.5
Interest income	(0.05)	(0.13)	0.08
Depreciation	8.3	7.0	1.3
EBITDA ⁽¹⁾	15.0	8.4	6.6
EBITDA margin ⁽¹⁾	32.1%	24.6%	7.5%
Gross profit / (loss)	8.6	3.6	5.0
Costs related to Chongqing poly facilities	2.3	3.1	(0.8)
Non-GAAP gross profit ⁽²⁾	10.9	6.7	4.2
Non-GAAP gross margin ⁽²⁾	23.4%	19.6%	3.8%
Share-based compensation	0.9	0.5	0.4
Adjusted Net income (non-GAAP) ⁽³⁾	6.3	2.7	3.6
Adjusted Earnings per basic ADS (non-GAAP) ⁽³⁾	\$0.60	\$0.26	\$0.34

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.



Balance sheet summary

US\$ in millions	9/30/2015	6/30/2015	Change (Q3 2015 vs. Q2 2015)	9/30/2014
Cash and restricted Cash	68.7	95.1	(26.4)	30.0
Accounts receivable	15.4	7.0	8.4	6.8
Notes receivable	16.5	38.3	(21.8)	36.8
Inventories	12.2	10.5	1.7	11.3
Prepaid land use rights	27.9	28.7	(0.8)	29.5
Net PP&E	557.7	569.1	(11.4)	517.9
Total assets	717.4	778.1	(60.7)	656.6
Short-term Borrowings	115.2	166.0	(50.8)	129.9
Notes payable	52.2	42.4	9.8	28.7
Amount due to related party	57.9	108.9	(51.0)	74.7
Long-term Borrowings	143.9	100.0	43.9	116.6
Total liabilities	479.8	540.6	(60.8)	451.4
Total equity	237.6	237.5	0.1	205.2
Total liabilities and equity	717.4	778.2	(60.8)	656.6

Cash flow summary

US\$ in millions	9 months ended Sep 30, 2015	9 months ended Sep 30, 2014
Net cash provided by operating activities	65.6	47.7
Net cash (used in) investing activities	(82.7)	(81.0)
Net cash provided by financing activities	38.1	38.1
Effect of exchange rate changes	0.06	0.04
Net increase in cash and cash equivalents	20.9	4.8
Cash and cash equivalents at the beginning of the period	7.1	7.8
Cash and cash equivalents at the end of the period	28.0	12.6

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