DAQO NEW ENERGY CORP

Daqo New Energy Corp.

Unaudited Q4 and Fiscal Year 2016 Financial Results Presentation

March 7, 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 first 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 Q4 2016 highlights

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

  -- **total production cost** (including depreciation) of $9.98/kg in Q4 2016, compared to $8.66/kg in Q3 2016. Q4's cost structure was affected by annual maintenance

  -- **cash cost** (excluding depreciation) of $7.34/kg in Q4 2016, compared to $6.88/kg in Q3 2016. Q4's cost structure was affected by annual maintenance

- **<u>Polysilicon production volume</u>** of 2,456 MT in Q4 2016, compared to 3,636 MT in Q3 2016. Q4's production volume was affected by annual maintenance
- **<u>Polysilicon external sales volume</u>** (2) of 2,209 MT in Q4 2016, compared to 2,838 MT in Q3 2016
- **<u>Wafer sales volume</u>** (2) of 21.3 million pieces in Q4 2016, compared to 14.4 million pieces in Q3 2016
- **<u>Polysilicon ASP</u>** of $14.96/kg in Q4 2016, compared to $15.64/kg in Q3 2016
- **<u>EBITDA</u>** (3) of $17.6 million in Q4 2016, compared to $25.0 million in Q3 2016
- **<u>EBITDA margin</u>** (3) of 38.3% in Q4 2016, compared to 46.0% in Q3 2016
- **<u>Non-GAAP gross margin</u>** (4) of 34.1% in Q4 2016, compared to 39.9% in Q3 2016

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.

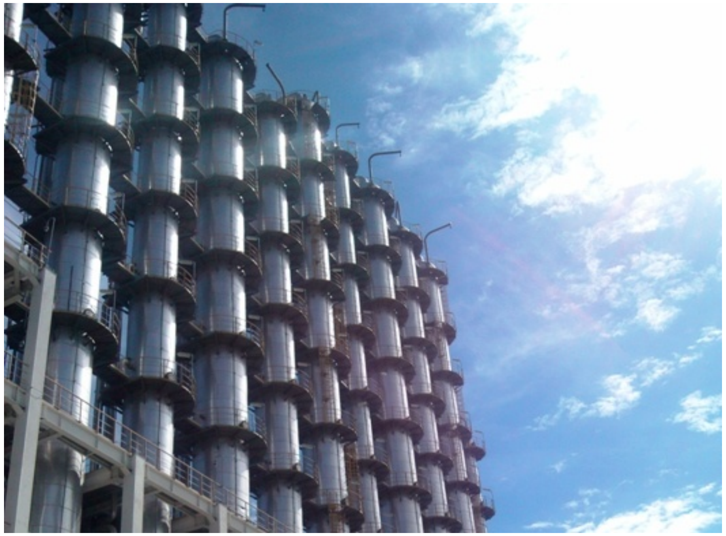
(2) The sales volume is the quantity of the goods which has been accepted by customers and thus the corresponding revenue has been recognized during the reporting period.

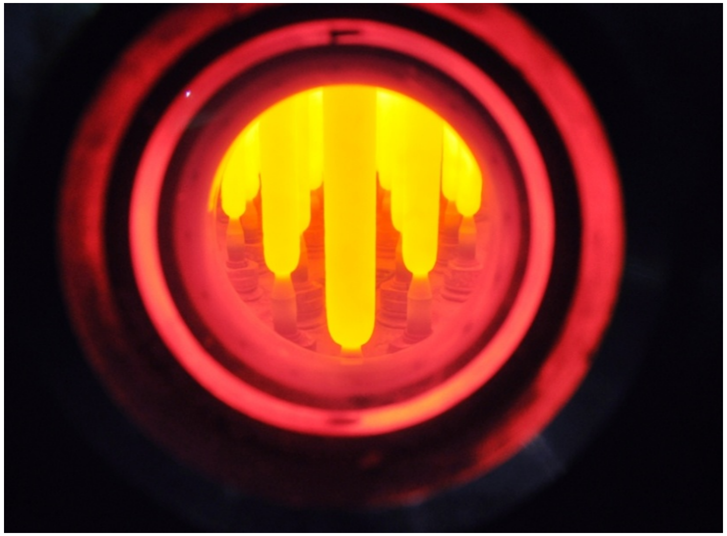
(3) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization.

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

Phase 3A Polysilicon Facilities

Fully ramp up to 18,000 MT at the end of Feb. 2017





Management commentary

"The fourth quarter of 2016 was an important milestone for Daqo New Energy. During the quarter, we successfully completed our annual maintenance work and interconnections between our new facilities and existing facilities in Xinjiang at the same time. We also successfully completed all the construction and installation work related to Phase 3A polysilicon expansion. As maintenance, construction, installation of new equipment, and interconnection of facilities were conducted concurrently, our annual maintenance for 2016 took longer than usual to complete. However, the combination of these efforts allowed us to start initial production of our expanded production capacity in the first quarter of 2017, months ahead of our original schedule. We have already reached full production throughput of 18,000 MT per annum by the end of February 2017." said Dr. Gongda Yao, Chief Executive Officer of Daqo New Energy.

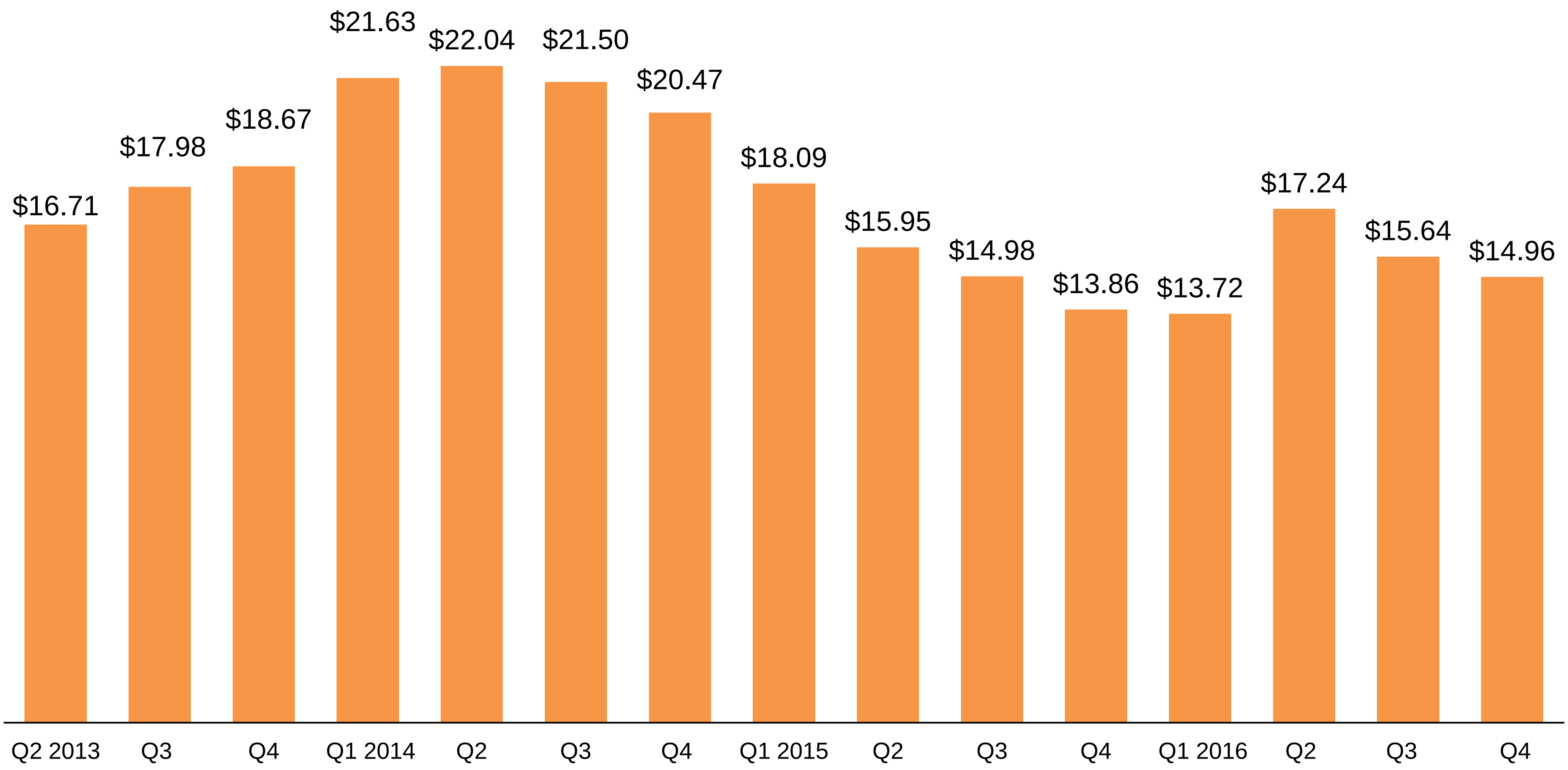
"During the fourth quarter of 2016, we saw robust demand for polysilicon products, and the strong momentum continued into the first quarter of 2017. Based on industry forecasts, the size of the solar market was approximately 70GW in 2016, with demand from China and India exceeding expectations. The PV market is expected to continue its growth in 2017, with the market size expected to be 73 to 79GW for the year. In particular, the India PV market is expected to grow from approximately 5 or 6GW in 2016 to more than 10GW in 2017. With a growing PV market and major downstream PV manufacturers continuing to add manufacturing capacities, this bodes well for continued strong demand for high-purity polysilicon products. In particular, we are seeing a shift in industry trend, with rising demand and increasing manufacturing capacities for high-efficiency mono crystalline solar wafers and solar cells. This has translated to increased demand for high-purity semiconductor-grade polysilicon, which only very few Chinese domestic manufacturers are able to supply. Daqo New Energy, with our upgraded process and high-purity products, is uniquely positioned to address this growing high-efficiency mono crystalline solar market."

"Based on feedback from our customers, we believe that orders and shipments of downstream PV module products are currently healthy and strong. We are witnessing strong orders and robust pricing for our high quality polysilicon products from our customers, and despite our expanded capacities and production volume, customer demand is still exceeding our production volume. In fact, certain customers are now willing to make prepayments so that they can take priority in product delivery. This is a testament to both the strong market demand and the high quality of our products. As a result, we expect polysilicon ASP in the first quarter of 2017 will be higher as compared to the fourth quarter of 2016."

"We are also proud of the financial performance we achieved for the year 2016. In 2016, we had revenues of $229 million, net income attributable to Daqo New Energy Corp. shareholders of $43.5 million, and earnings per basic ADS of $4.15, all higher as compared to 2015. We generated non-GAAP EBITDA of $99.3 million and net cash provided by operating activities of $98.7 million in 2016. The strong cash flow has allowed us to fund and complete the current phase of capacity expansion without significantly increasing bank borrowings."

Daqo's quarterly polysilicon Average Selling Prices

Quarterly Polysilicon ASPs($/kg)



Xinjiang polysilicon facilities update

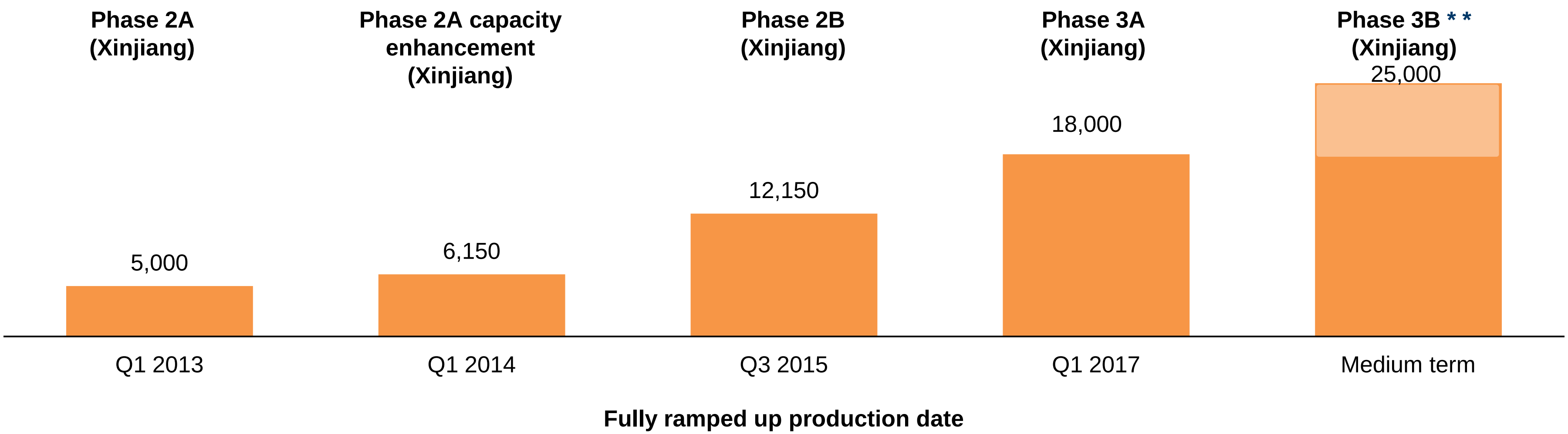
Q4 2016 key facts

- Successfully complete annual maintenance
- Production volume of 2,456 MT
- External sales volume of 2,209 MT
- Average total production cost : $9.98/kg
- Average cash cost: $7.34/kg

Outlook

- Fully ramp up the capacity to 18,000 MT at the end Feb. 2017
- Expected sales volume in Q1 2017: 3,800 ~ 4,000 MT (excluding polysilicon used internally by our Chongqing wafer facility)

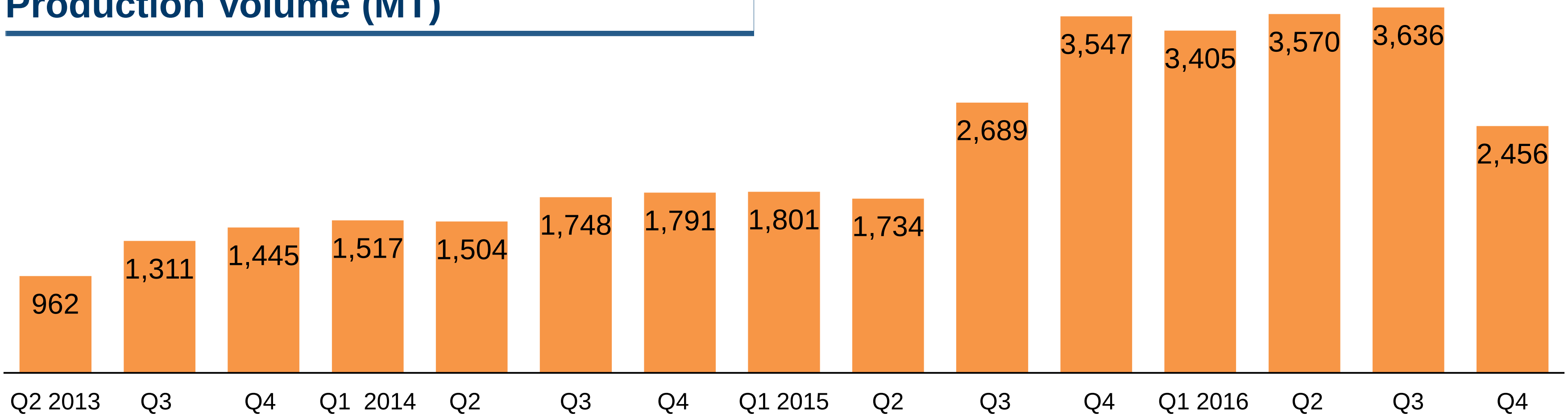
Polysilicon historical and projected capacity * (MT)



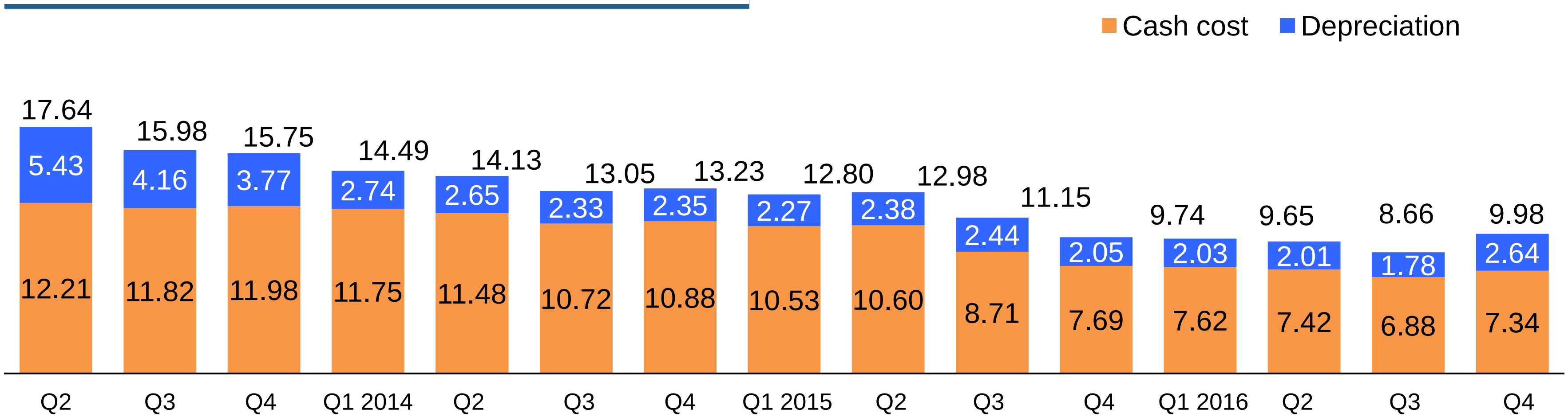
*Wanzhou polysilicon facility discontinued polysilicon production in Q4 2012
**Estimated and may change subject to market and industry conditions

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

Q4 2016 key facts

- 21.3 million pieces sold to customers

Q1 2017 sales volume outlook

- Q1 2017 wafer sales volume:

  23.5 ~24.0 million pieces

Sales volume in Q4 2016 and outlook for Q1 2017

Sales Volume	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017E guidance
Polysilicon (MT)	3,092	2,905	2,931	2,838	2,209	**3,800~ 4,000**
Wafer (million pieces)	21.0	22.1	25.0	14.0	21.3	**23.5~24.0**

Agenda

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

Q4 2016 financial highlights

- Revenue of $46.1 million in Q4 2016, compared to $54.3 million in Q3 2016
- Gross profit of $14.2 million in Q4 2016, compared to $20.1 million in Q3 2016;
- Non-GAAP gross margin (1) of 34.1% in Q4 2016, compared to 39.9% in Q3 2016;
- Income from operations of $9.6 million in Q4 2016, compared to $16.4 million in Q3 2016;
- EBITDA (2) of $17.6 million in Q4 2016, compared to $25.0 million in Q3 2016;
- Net income attributable to Daqo New Energy shareholders of $4.1 million in Q4 2016, compared to $11.2 million in Q3 2016;
- Earnings per ADS (basic) of $0.39 in Q4 2016, compared to $1.07 in Q3 2016 ;
- Adjusted net income (non-GAAP) (3) attributable to Daqo New Energy shareholders of $6.2 million in Q4 2016, compared to $13.2 million in Q3 2016;
- Adjusted earnings per basic ADS (non-GAAP) (3) of $0.59 in Q4 2016, compared to $1.26 in Q3 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 (Q4 2016 vs. Q3 2016)

US$ in millions	Q4 2016	Q3 2016	Change	Analysis
Revenues	**46.1**	**54.3**	(8.2)	Polysilicon: Ext. sales volume ↓ , ASP↓ Wafer: Sales volume↑, ASP↓
Cost of revenues	(31.9)	(34.2)	2.2	Polysilicon: Ext. sales volume ↓ Unit cost↑ Wafer: Sales volume↑ Unit cost↓
Gross profit	14.2	20.1	(5.9)	
Gross margin	**30.7%**	**37.1%**	(6.4%)	
Non-GAAP Gross margin (1)	**34.1%**	**39.9%**	(5.7%)	
SG&A and R&D expense	(6.3)	(5.9)	(0.4)	
Other operating income	1.9	2.2	(0.3)	
Impairment of long-lived assets	(0.2)	0	(0.2)	Idle equipments in Chongqing that are not transferrable and can not be reutilized
Income from operations	**9.6**	**16.4**	(6.8)	
Net interest expense	(4.1)	(3.0)	(1.1)	
Net income attributable to Daqo New Energy shareholders	**4.1**	**11.2**	(7.1)	
Basic earnings per ADS (US$)	**0.39**	**1.07**	(0.68)	
EBITDA (2)	**17.6**	**25.0**	(7.4)	
EBITDA margin (2)	**38.3%**	**46.0%**	(7.7%)	

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

Balance sheet summary

US$ in millions	12/31/2016	9/30/2016	Change (Q4 2016 vs. Q3 2016)	12/31/2015
Cash and restricted Cash	31.9	29.2	2.7	33.6
Accounts receivable	4.8	4.6	0.2	19.9
Note receivables	13.0	17.0	(4.0)	11.1
Inventories	12.3	14.9	(2.6)	10.7
Prepaid land use rights	24.8	26.0	(1.2)	27.9
Net PP&E	557.4	561.3	(3.9)	544.3
Total assets	**656.7**	**664.3**	(7.6)	**660.9**
Short-term Borrowings	106.0	98.6	7.4	123.9
Notes payable	25.7	14.4	11.3	20.2
Amounts due to related parties	26.8	41.4	14.6	46.4
Long-term Borrowings	111.9	129.0	(17.1)	118.5
Total liabilities	**385.0**	**386.7**	(1.7)	**419.2**
Total equity	**271.7**	**277.6**	(5.9)	**241.7**
Total liabilities and equity	**656.7**	**664.3**	(7.6)	**660.9**

Cash flow summary

US$ in millions	12 months ended Dec. 31, 2016	12 months ended Dec. 31, 2015
Net cash provided by operating activities	**98.7**	**66.4**
Net cash (used in) investing activities	**(66.1)**	**(74.1)**
Net cash (used in) provided by financing activities	**(30.3)**	**15.2**
Effect of exchange rate changes	(0.8)	(0.1)
Net increase in cash and cash equivalents	1.5	7.4
Cash and cash equivalents at the beginning of the period	14.5	7.1
Cash and cash equivalents at the end of the period	16.0	14.5

Full Year 2016 financial and operating highlights

- Polysilicon production volume of 13,068 MT in 2016, an increase of 33.7% from 9,771 MT in 2015
- Polysilicon external sales volume of 10,883 MT in 2016, an increase of 32.2% from 8,234 MT in 2015
- Solar wafer sales volume of 82.8 million pieces in 2016, an increase of 8.4% from 76.4 million pieces in 2015
- Revenue of $229.1 million in 2016, an increase of 25.9% $182.0 million in 2015;
- Non-GAAP gross margin(1) of 38.1% in 2016, increased from 26.5% in 2015;
- EBITDA(non-GAAP) (2) of $ 99.3million in 2016, an increase of 70.6% from $58.2 million in 2015; EBITDA margin (non-GAAP)(3) of 43.3% in 2016, increased from 32.0% in 2015;
- Net income attributable to Daqo New Energy shareholders of $43.5 million in 2016, an increase of 234.6% from $13.0 million in 2015; Earnings per basic ADS of $4.15 in 2016, an increase of 229.4% from $1.26 in 2015;
- Adjusted net income (non-GAAP) (3) attributable to Daqo New Energy shareholders of $ 53.1 million in 2016, an increase of 93.8% from $ 27.4 million in 2015; Adjusted earnings per basic ADS (non-GAAP) (3) of $5.07 in 2016, an increase of 91.3% from $2.65 in 2015.

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 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 (FY2016 vs. FY2015)

US$ in millions	2016	2015	Change	Analysis
Revenues	**229.1**	**182.0**	**47.1**	Poly : Sales↑, ASP↑ Wafer: Sales↑, ASP↓
Cost of Revenues	(148.7)	(144.5)	(4.2)	Poly : Production↑, Unit cost↓ Wafer: Production↑, Unit cost↓
Gross profit	80.4	37.6	42.8	Poly : Sales↑;Unit Cost ↓;ASP↑
Gross margin	**35.1%**	**20.6%**	**14.5%**	
SG&A + R&D expenses	(20.1)	(13.5)	(6.6)	Shipping cost related to increasing sales volume↑; Relocation expenses related to idle equipments in Chongqing↑; R&D activities ↑
Fixed assets impairment loss	(0.2)	(1.6)	(1.4)	The identified relocation assets in Wanzhou that were not transferrable and could not be reutilized by our Xinjiang expansion project.
Other operating income	5.3	3.8	1.5	
Income from operations	**65.4**	**26.2**	**39.2**	
Net interest expense	(14.2)	(12.7)	(1.5)	
Net income attributable to non-controlling interest	(0.4)	(0.1)	(0.3)	
Net income attributable to Daqo New Energy shareholders	**43.5**	**13.0**	30.5	
Basic earnings per ADS (US$)	4.15	1.26	2.89	
EBITDA *	**99.3**	**58.2**	41.1	
EBITDA margin *	**43.3%**	**32.0%**	11.3%	

Note:
* A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization

Non-GAAP reconciliation

US$ in millions	Q4 2016	Q3 2016	Q4 2015	FY 2016	FY 2015
Net income	4.2	11.3	9.7	43.9	13.0
Income tax expenses	1.3	2.2	0.5	7.4	1.1
Interest expense	4.1	3.1	4.3	14.6	13.2
Interest income	(0.01)	(0.1)	(0.3)	(0.4)	(0.5)
Depreciation	8.1	8.5	9.1	33.8	31.4
EBITDA (1)	**17.6**	**25.0**	**23.4**	**99.3**	**58.2**
EBITDA margin (1)	**38.3%**	**46.0%**	**39.5%**	**43.3%**	**32.0%**
Gross profit	**14.2**	**20.1**	**16.9**	**80.4**	**37.6**
Costs related to Chongqing poly facilities	1.6	1.5	2.0	6.9	10.7
Non-GAAP gross profit (2)	**15.8**	**21.6**	**18.9**	**87.3**	**48.3**
Non-GAAP gross margin (2)	**34.1%**	**39.9%**	**31.8%**	**38.1%**	**26.5%**
Share-based compensation	0.4	0.5	0.3	2.7	3.7
Adjusted net income (non-GAAP) (3)	**6.2**	**13.2**	**11.9**	53.1	27.4
Adjusted earnings per basic ADS (non-GAAP) (3)	**$0.59**	**$1.26**	**$1.14**	**$5.07**	**$2.65**

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.

Agenda

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