



DAQO NEW ENERGY CORP



Daqo New Energy Corp. Q1 2015 Financial Results Presentation

May 8, 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 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 Q1 2015 highlights

- **Record-high polysilicon production volume of 1,801 MT** in Q1 2015, up from 1,791 MT in Q4 2014
- **Cost Structure** – total production cost (including depreciation) of \$12.80/kg and **cash cost of \$10.53/kg** in Q1 2015 – The best ever cost structure achieved in our Xinjiang facilities
- **Polysilicon shipments of 1,532 MT** in Q1 2015, compared to 1,537 MT in Q4 2014
- **Wafer shipments of 18.8 million pieces** in Q1 2015, compared to 17.8 million pieces in Q4 2014
- **Polysilicon ASP** was \$18.09/kg in Q1 2015, compared to \$20.47/kg in Q4 2014
- **EBITDA⁽¹⁾ of \$11.4 million** (EBITDA margin: 27.3%) in Q1 2015, compared to \$14.7 million (EBITDA margin: 29.6%) in Q4 2014
- **Non-GAAP gross margin⁽²⁾ of 28.0%** in Q1 2015 compared to 32.1% in Q4 2014.
- **Xinjiang Phase 2b project update**: We expect to start pilot production in June and fully ramp up the capacities during Q3 2015.

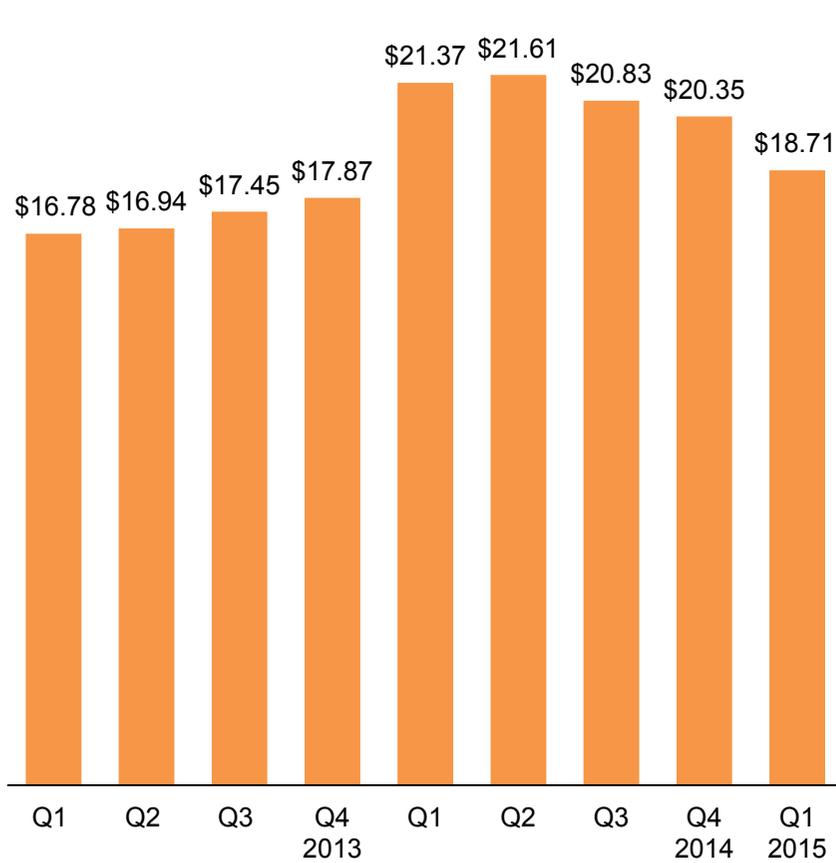


Market update

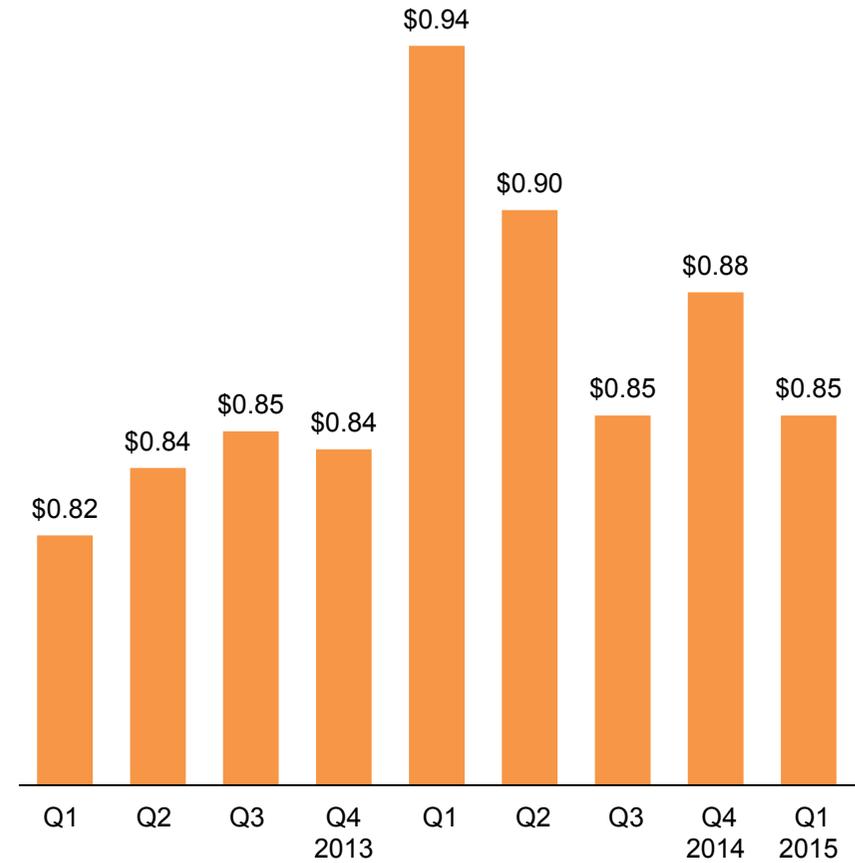
- The consensus of the market believes that a year-on-year growth of 15%~20% could be expected for the global solar installation. That means the demand for polysilicon in 2015 could potentially increase by 40~50 thousand MT compared with 2014.
- In the first quarter of 2015, China's newly added installation is reported to be 5.04GW, which accounts for 28% of the announced 2015 target for solar PV installations of 17.8GW. We believe polysilicon ASPs would recover in the second half driven by increasing demand not only in China but also worldwide as well, although there could be some additional polysilicon supply coming into the market late this year.

Market price trend (PVinsights)

Polysilicon spot market price (\$/kg)



Wafer ASP (\$ / piece)



Xinjiang polysilicon facilities update

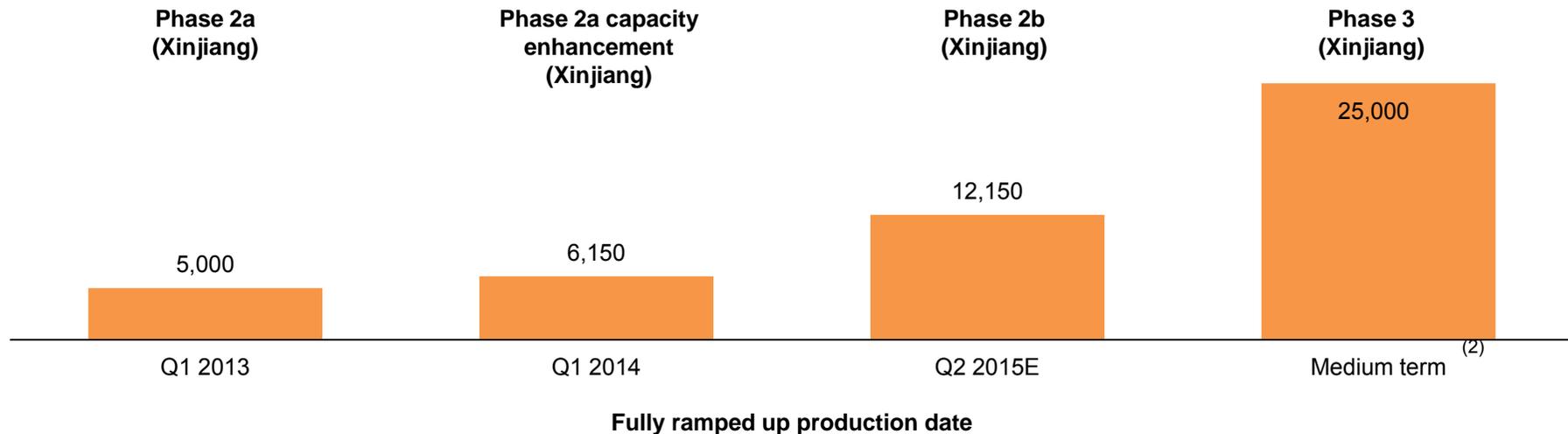
Q1 2015 key facts

- 1,801 MT production
- 1,532 MT shipment to customers
- Solar Grade I: 100% in Q1 2015
- Q1 2015 production cost (incl. dep'n): \$12.80 / kg
- Q1 2015 cash cost: \$10.53 / kg

Outlook

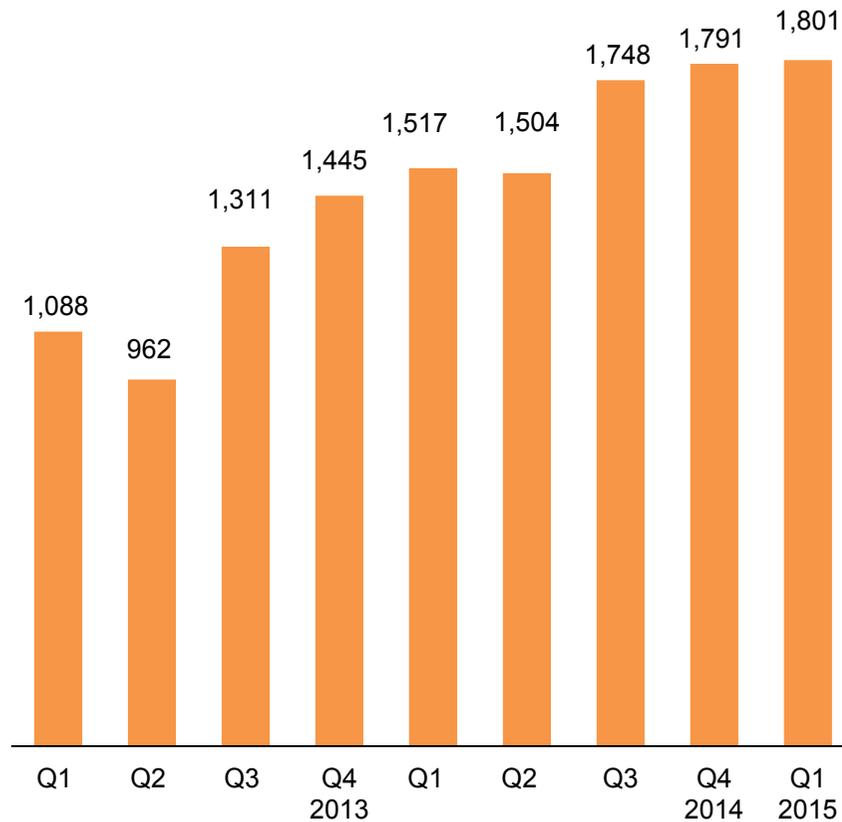
- Expected shipment in Q2 2015: 1,320 MT
- Xinjiang Phase 2b project update:
 - Start pilot production in June and fully ramp up during Q3
 - Production cost (incl. dep'n) is expected to reduce to \$12.00/kg when fully ramp up

Polysilicon historical and projected capacity ⁽¹⁾ (MT)

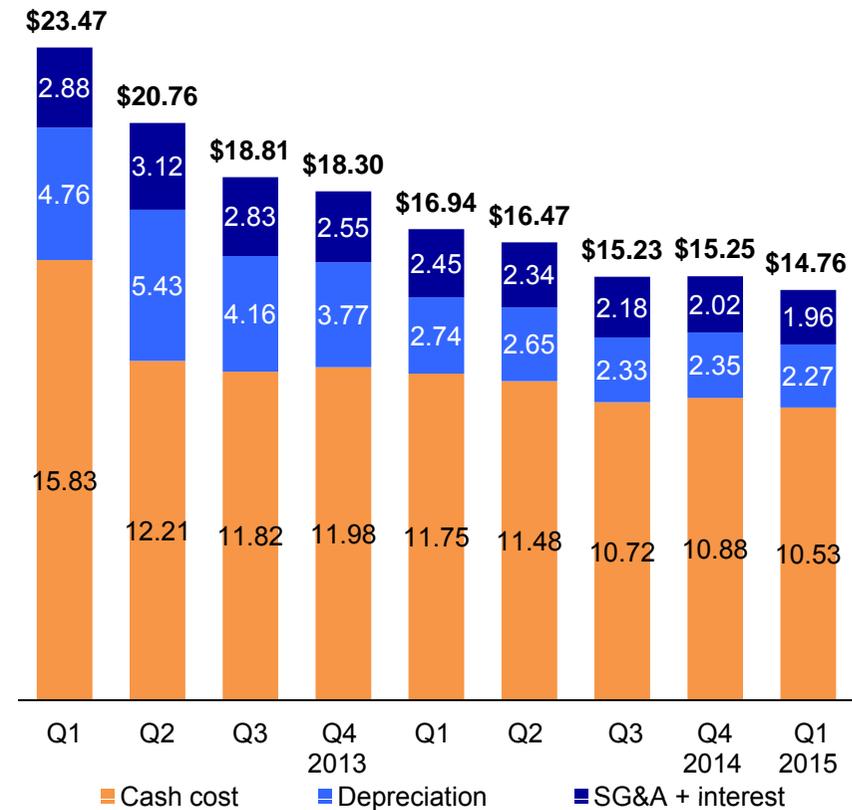


Polysilicon manufacturing overview

Production Volume (MT)



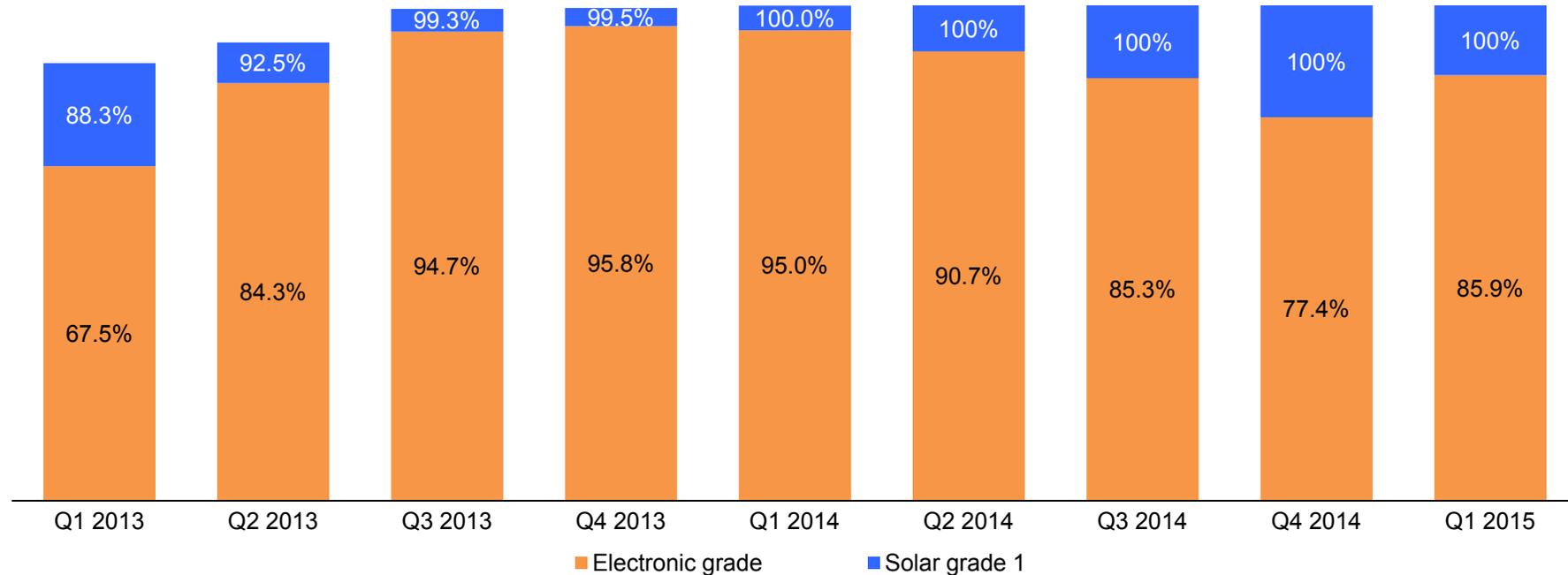
Production cost, SG&A, interest (\$/kg)**



* In April 2014, The Company conducted annual maintenance which affected production for 5 days.
 ** The cost structures only refer to the production in Xinjiang facilities.

Consistent first class quality -- 100% Solar Grade 1

Daqo New Energy polysilicon quarterly quality data ⁽¹⁾



- Rigorous quality control standards at various stages of manufacturing process
- Test inputs at each stage of manufacturing process to ensure that they meet all technical specifications
- Consistently producing high-quality polysilicon
- In Q1 2015, approximately 100% of our polysilicon met the highest specification of the solar grade quality standard, and approximately 85.9% of our polysilicon met the electronic grade quality standard in China

Wanzhou wafer facilities update

Q1 2015 key facts

- 18.8 million pieces shipped to customers



Outlook

- Q2 2015 wafer shipment expected to be 17.5 –18.0 million pieces



Shipments, Sales volume, Polysilicon inventory and Q2 2015 Shipments outlook

Shipments	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015E guidance
Polysilicon (MT)	1,391	1,436	1,598	1,537	1,532	1,320
Wafer (million pieces)	16.8	17.6	18.5	17.8	18.8	17.5-18.0
Ingot & block (MT)	-	1.5	5.0	-	-	-

Sales volume	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Polysilicon (MT)	1,406	1,391	1,528	1,646	1,502
Wafer (million pieces)	17.4	18.0	17.1	18.3	18.1

*Polysilicon inventory as of 31 March 2015: 33 MT

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Q1 2015 financial highlights

- Revenues were \$41.9 million, compared to \$49.5 million in Q4 2014
- Polysilicon production cost of \$12.80/kg in Q1 2015, compared to \$13.23/kg in Q4 2014; cash cost of \$10.53/kg in Q1 2015, compared to \$10.88/kg in Q4 2014
- Gross profit was \$8.5 million, compared to \$12.6 million in Q4 2014
- Non-GAAP gross margin ⁽¹⁾ was 28.0%, compared to 32.1% in Q4 2014
- Operating income was \$4.1 million, compared to \$7.6 million in Q4 2014
- EBITDA ⁽²⁾ was \$11.4 million, compared to \$14.7 million in Q4 2014
- Net income attributable to Daqo New Energy shareholders was \$1.2 million, compared to \$3.6 million in Q4 2014
- Earnings per ADS (basic) were \$0.12, compared to \$0.40 in Q4 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



P&L summary (Q1 2015 vs. Q4 2014)

US\$ in millions	Q1 2015	Q4 2014	Change	Analysis
Revenues	41.9	49.5	(7.6)	Polysilicon: Sales↓ , ASP↓ Wafer: Sales↓ , ASP↓
Cost of revenues	(33.4)	(36.9)	(3.5)	Polysilicon: Cost↓ Wafer: Cost↓
Gross profit (loss)	8.5	12.6	(4.1)	
Gross margin	20.2%	25.4%	(5.2%)	
Non-GAAP Gross margin ⁽¹⁾	28.0%	32.1%	(4.1%)	
SG&A and R&D expense	(4.6)	(4.9)	(0.3)	
Other operating income	0.3	(0.06)	0.4	
Operating income (loss)	4.1	7.6	(3.5)	
Net interest expense	(3.2)	(4.1)	(0.9)	
Net income attributable to Daqo New Energy shareholders	1.2	3.6	(2.4)	
Basic earnings per ADS (US\$)	0.12	0.40	(0.25)	
EBITDA ⁽²⁾	11.4	14.7	(3)	
EBITDA margin ⁽²⁾	27.3%	29.6%	(1.5%)	

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 – EBITDA and gross margin

US\$ in millions	Q1 2015	Q4 2014	Change
Net income (loss)	1.2	3.6	(2.4)
Income tax expenses	0.2	-	0.2
Interest expense	3.2	4.0	(0.8)
Interest income	(0.05)	(0.03)	(0.02)
Depreciation	6.9	7.1	(0.2)
EBITDA ⁽¹⁾	11.4	14.7	(3.3)
EBITDA margin ⁽¹⁾	27.3%	29.6%	(2.3%)
Gross profit / (loss)	8.5	12.6	(4.1)
Costs related to Chongqing poly facilities	3.3	3.3	-
Non-GAAP gross profit ⁽²⁾	11.7	15.9	(4.2)
Non-GAAP gross margin ⁽²⁾	28.0%	32.1%	(4.1%)

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	3/31/2015	12/31/2014	Change (Q1 2015 vs. Q4 2014)	3/31/2014
Cash and restricted Cash	32.2	29.2	3.0	24.2
Accounts receivable	8.8	8.7	0.1	5.1
Notes receivable	48.4	50.2	(1.8)	34.0
Inventories	9.4	9.6	(0.2)	12.4
Prepaid land use rights	28.9	29.0	(0.1)	29.4
Net PP&E	559.6	559.0	0.6	475.9
Total assets	716.9	710.1	6.8	615.3
Short-term Borrowings	148.0	159.8	(11.8)	135.3
Notes payable	34.9	48.9	(14.0)	25.8
Amount due to related party	95.7	89.7	6.0	78.2
Long-term Borrowings	74.2	77.3	(3.1)	124.9
Total liabilities	478.9	503.4	(24.5)	478.2
Total equity	238.0	206.8	31.2	137.2
Total liabilities and equity	716.9	710.1	6.8	615.3

Cash flow summary

US\$ in millions	3 months ended Mar. 31, 2015	3 months ended Mar. 31, 2014
Net cash provided by operating activities	1.3	15.2
Net cash used in investing activities	(16.3)	(11.0)
Net cash provided by financing activities	22.7	(3.8)
Effect of exchange rate changes	0.005	0.5
Net increase in cash and cash equivalents	7.8	0.9
Cash and cash equivalents at the beginning of the period	7.1	7.8
Cash and cash equivalents at the end of the period	14.8	8.7

- As of Mar. 31, 2015, the company recorded capital expenditure of \$90.6 million on XJ Phase 2b, of which \$9.5 million incurred in Q1 2015.

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