DAQO NEW ENERGY CORP

Daqo New Energy Corp.

Unaudited Q4 and Fiscal Year 2017 Financial Results Presentation

February 28, 2018

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 2018 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**

Management commentary

"The fourth quarter of 2017 was an excellent quarter for Daqo New Energy in terms of both operational and financial performance, which concluded our fiscal year of 2017 as the best year in the Company's history. I would like to thank our entire team for their hard work and dedication for delivering such an outstanding financial and operational performance,"

"Despite the annual maintenance of our facilities and its impact on our operations during the quarter, we were able to produce 5,339 MT of polysilicon during the quarter, a new record for the Company. This was a direct result of our continuing focus on improving operational efficiency and maximizing overall output. Demand for our high-quality polysilicon products remained strong, allowing us to sell a record high of 4,730 MT of polysilicon during the quarter to external customers while generating total revenue of $103.7 million, an increase of 16.0% sequentially and 125% year-over-year. During the fourth quarter, the Company generated $33.7 million in net income attributable to Daqo New Energy shareholders and $53.6 million in EBITDA with an EBITDA margin of 51.7%. The fourth quarter earnings per basic ADS were $3.16, an increase of 38.6% from $2.28 in the prior quarter, and up 710.3% from fourth quarter of 2016."

"2017 was the strongest year in the Company's history. We produced 20,200 MT of polysilicon throughout the year, 12.2% more than our nameplate capacity of 18,000 MT. Our financial performance in 2017 was significantly better than in 2016, with revenues of $352.9 million, EBITDA of $167.5 million, net income attributable to Daqo New Energy shareholders of $92.8 million and net cash provided by operating activities of $142.7 million. While we are in a capital-intensive industry, our debt ratio improved to a healthy level of 47.3% by the end of 2017, compared to 58.6% at the end of 2016 which further strengthened our competitive positioning in the market."

To be continued on next page…

Management commentary

“Our focus throughout the quarter and going into 2018 remains on reducing costs. Having successfully completed the annual maintenance of our facilities in October 2017, we resumed production with improved manufacturing efficiency. While average polysilicon production cost increased sequentially during the quarter, primarily due to higher raw material prices and the impact of an appreciation of RMB, our two biggest polysilicon manufacturing cost components, unit electricity consumption and unit silicon metal consumption, hit their lowest levels ever in December 2017. We are already working on several additional technological improvements that we expect will further reduce our costs in 2018.”

“We are also devoting increasing resources to R&D and quality improvement. We continue to improve our front-end manufacturing process and post-production handling techniques to reduce impurities. This resulted in record levels of production for both electronic-grade polysilicon and mono-crystalline-grade polysilicon in January 2018. We are pleased with this achievement and believe it demonstrates the strength and effectiveness of our overall strategy and is another step towards becoming the leading supplier of electronic-grade and mono-crystalline-grade polysilicon in China."

“In 2017, approximately 100 GW of solar PV panels were installed globally. China continued to rank as the leading solar PV market in the world with total installations of approximately 53 GW. The United States, India and Japan rank as other top solar markets globally in 2017. According to the latest solar PV market reports, we expect to see low double-digit installation growth globally in 2018, with growth expected to pick up further in 2019. In addition, we are seeing rapid growth in demand for high-efficiency mono crystalline wafers as well as continued growth in demand for ultra-high purity mono-crystalline-grade polysilicon which only very few Chinese producers are able to produce. Demand for high-purity polysilicon products continues to be strong. We will continue to improve the quality of our polysilicon products and expect to increase production levels of polysilicon for mono wafers application.”

“We completed the foundation and initial preparation work for our Phase 3B capacity expansion project during the quarter. Facility design and equipment procurement are progressing well and on schedule. With strong customer demand for our high-quality polysilicon products, we are planning to accelerate the construction pace so that we can begin production sooner. We expect to complete the entire Phase 3B project and begin pilot production in the first half of 2019, and reach full capacity of 30,000 MT by mid-2019. With the newly added capacity and our competitive advantages in polysilicon quality and production costs, we are strengthening our polysilicon manufacturing leadership position and are confident in our ability to meet growing demand and create additional value for our shareholders.”

Business update and Q4 2017 highlights

- **Polysilicon Cost Structure** (1)

  -- **total production cost** (including depreciation) of $9.40/kg in Q4 2017, compared to $8.95/kg in Q3 2017

  -- **cash cost** (excluding depreciation) of $7.64/kg in Q4 2017, compared to $7.16/kg in Q3 2017

- **Polysilicon production volume** of 5,339 MT in Q4 2017, increasing from 4,940 MT in Q3 2017
- **Polysilicon external sales volume** (2) of 4,730 MT in Q4 2017, increasing from 4,500 MT in Q3 2017
- **Wafer sales volume** (2) of 22.3 million pieces in Q4 2017, compared to 26.4 million pieces in Q3 2017
- **Polysilicon ASP** of $19.09/kg in Q4 2017, increasing from $16.19/kg in Q3 2017
- **Net Income attributable to Daqo New Energy shareholders** of $33.7 million in Q4 2017, increasing from $24.1 million in Q3 2017 and $4.1 million in Q4 2016
- **Earnings per ADS** (basic) of $3.16 in Q4 2017, increasing from to $2.28 in Q3 2017, and $0.39 in Q4 2016
- **EBITDA** (3) of $53.6 million in Q4 2017, increasing from $42.3 million in Q3 2017
- **EBITDA margin** (3) of 51.7% in Q4 2017, increasing from 47.4% in Q3 2017
- **Gross profit** of $46.9 million in Q4 2017, increasing from $36.4 million in Q3 2017. **Gross margin** of 45.2% in Q4 2017, increasing from 40.8% in Q3 2017
- **Non-GAAP gross margin** (4) of 45.6% in Q4 2017 , increasing from 41.3% in Q3 2017

Note:

(1) Production cost and cash cost only refer to production in the Company's 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 external 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 has excluded costs related to polysilicon operations in Chongqing which halted production in September 2012.

Xinjiang polysilicon facilities update

Q4 2017 key facts

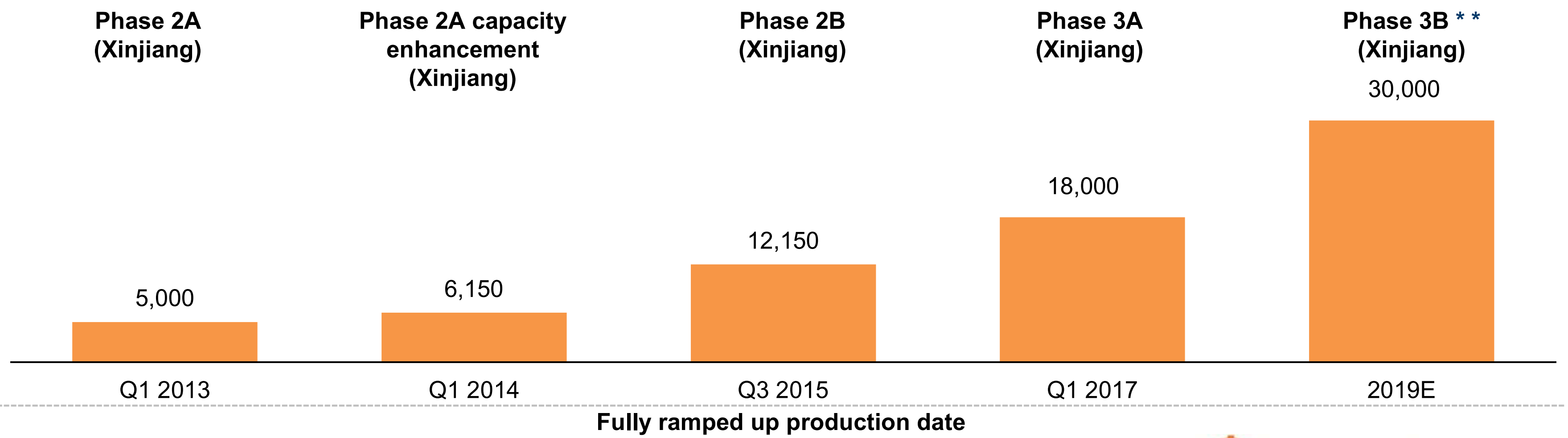
- Record-high quarterly production volume of 5,339 MT
- Record-high external sales volume of 4,730 MT[1]
- Average total production cost : $9.40/kg [2]
- Average cash cost: $7.64/kg [2]
- Phase 3B capacity expansion accelerated – expect to fully ramp up to 30,000 MT by mid 2019

Outlook

- Expected production volume in Q1 2018: 5,300 ~ 5,500 MT
- Expected external sales volume in Q1 2018: 4,900 ~ 5,100 MT (excluding polysilicon used internally by our Chongqing wafer facility)

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

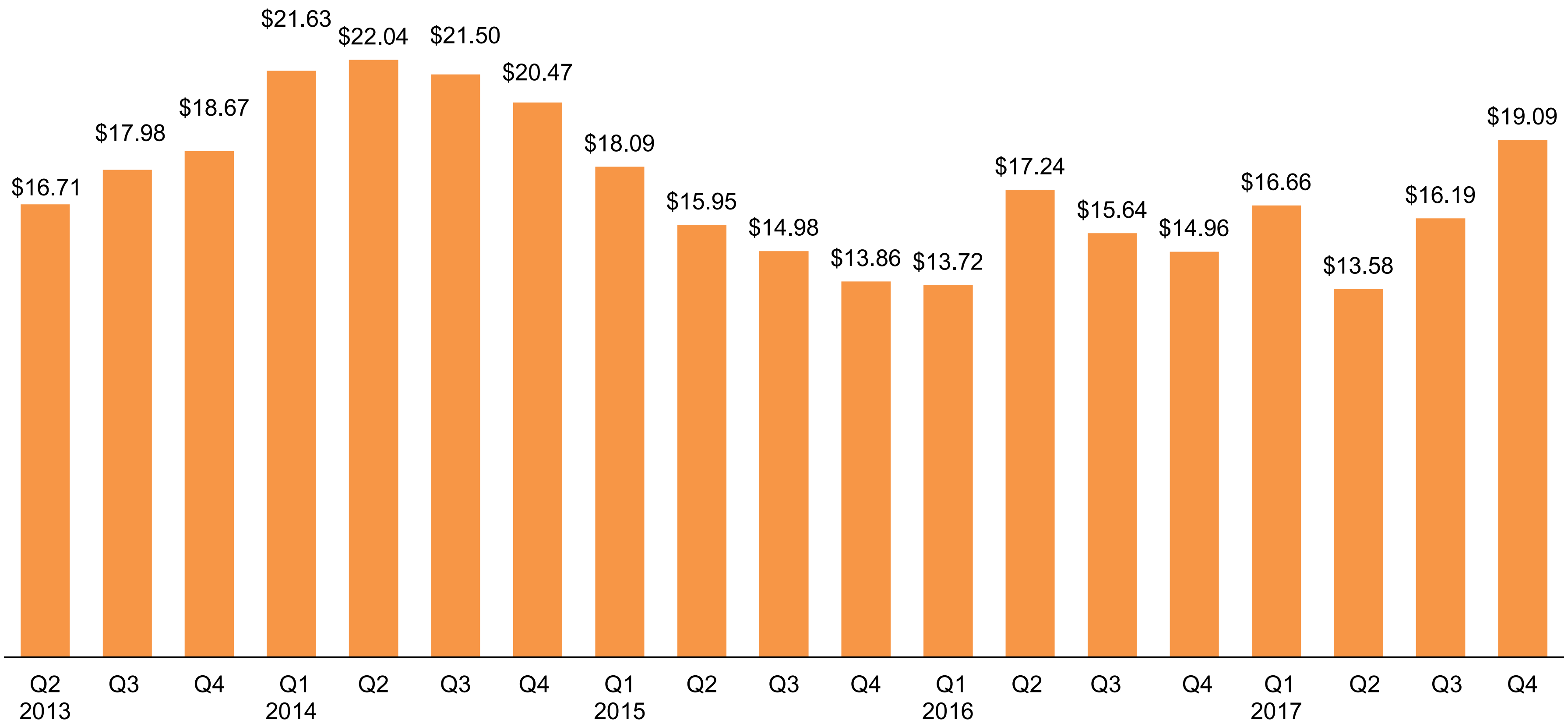
Polysilicon historical and projected capacity * (MT)



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

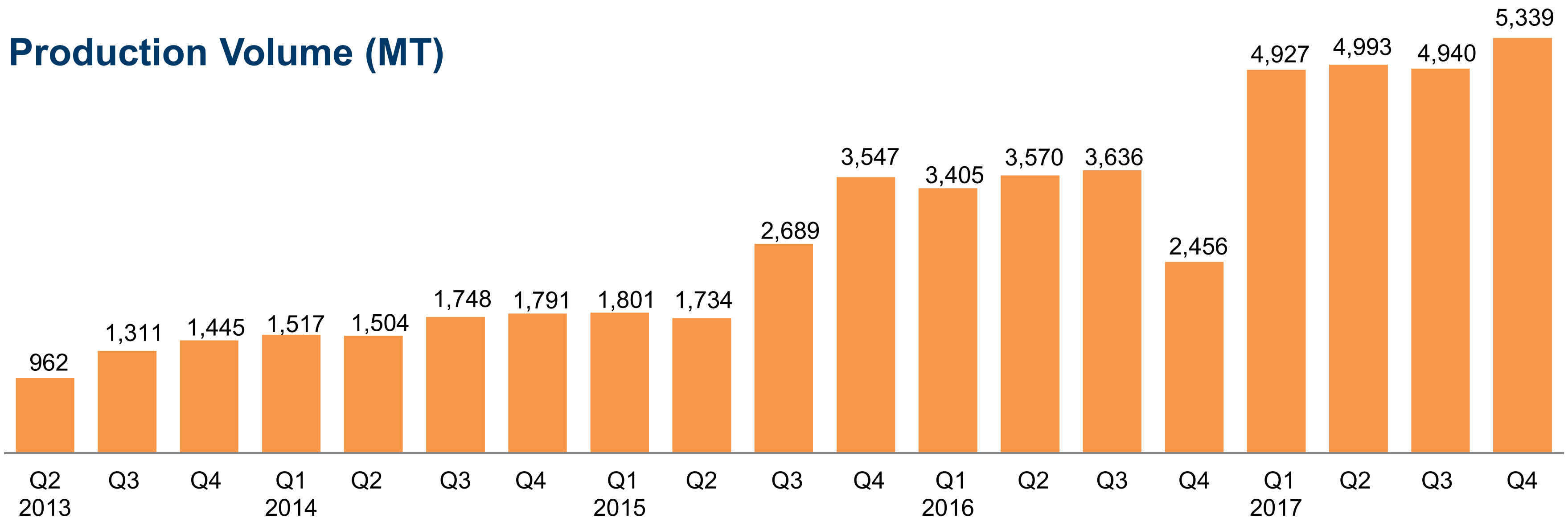
Daqo's quarterly polysilicon Average Selling Prices

Quarterly Polysilicon ASPs($/kg)

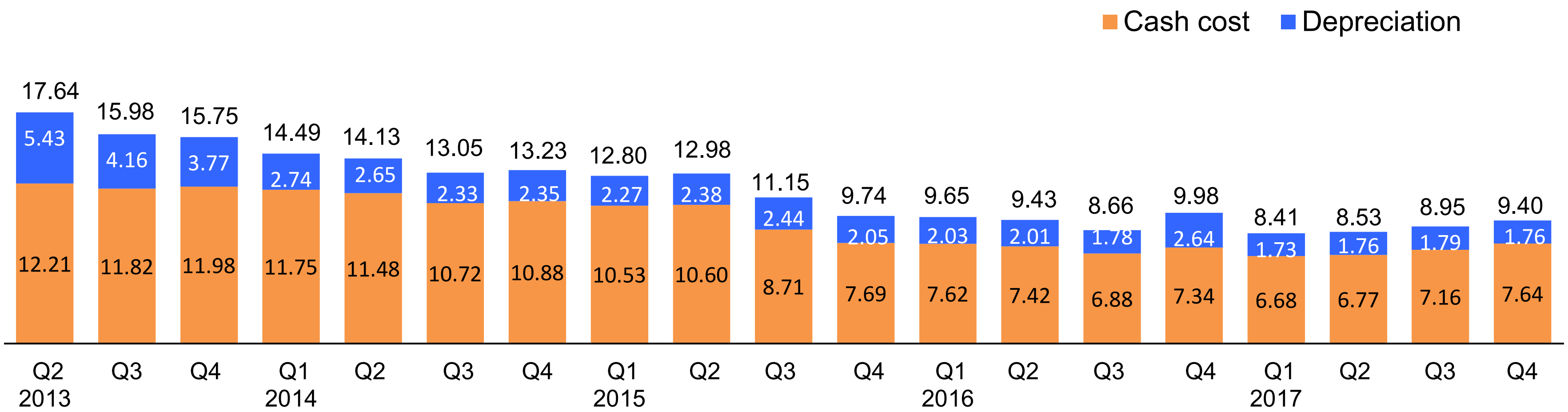


Polysilicon manufacturing overview

Production Volume (MT)



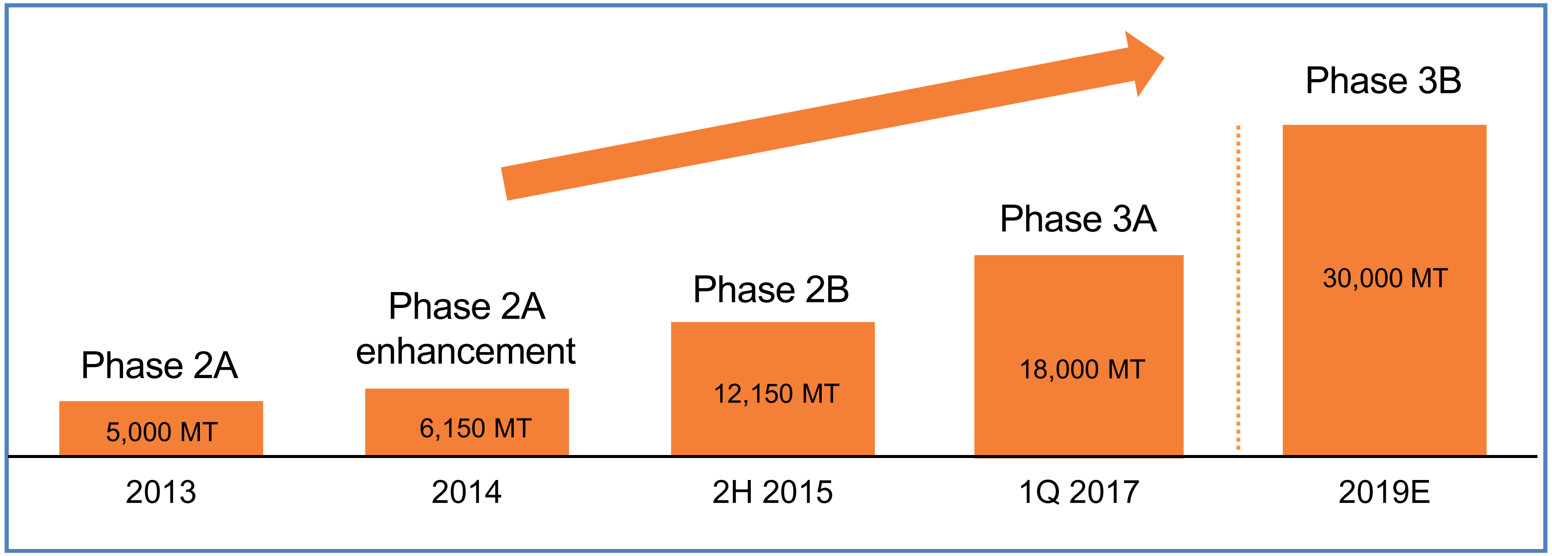
Cash cost and Depreciation ($/kg)*



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

Phase 3B Project
– adding annual capacity to 30K MT by mid 2019

Polysilicon capacity expansion in Daqo Xinjiang (cumulative capacity)



- Expect to start pilot production in the 1H 2019 and reach 30,000 MT annual capacity by the end of Q2 2019.
- Phase 3B Project capacity expansion is expected to produce electronics grade polysilicon for use in **mono-crystalline wafer and semiconductor markets.**

Chongqing wafer facilities update

Q4 2017 key facts

- 22.3 million pieces sold to customers

Q1 2018 sales volume outlook

- Q1 2018 wafer sales volume:

  15.0 ~20.0 million pieces

Sales volume in Q4 2017 and outlook for Q1 2018

Sales Volume	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018E guidance
Polysilicon (MT)	2,209	4,223	4,497	4,500	4,730	**4,900~ 5,100**
Wafer (million pieces)	21.3	22.4	27.0	26.4	22.3	**15.0~20.0**

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Q4 2017 financial highlights

- Revenue of $103.7 million in Q4 2017, increasing from $89.4 million in Q3 2017
- Gross profit of $46.9 million in Q4 2017, increasing from $36.4 million in Q3 2017
- Gross margin of 45.2% in Q4 2017, increasing from 40.8% in Q3 2017
- Non-GAAP gross margin(1) of 45.6% in Q4 2017, increasing from 41.3% in Q3 2017
- EBITDA (non-GAAP)(2) of $53.6 million in Q4 2017, increasing from $42.3 million in Q3 2017
- Net income attributable to Daqo New Energy shareholders of $33.7 million in Q4 2017, increasing from $24.1 million in Q3 2017 and $4.1 million in Q4 2016
- Earnings per basic ADS of $3.16 in Q4 2017, increasing from $2.28 in Q3 2017 and $0.39 in Q4 2016
- Adjusted net income (non-GAAP)(3) attributable to Daqo New Energy shareholders of $35.3 million in Q4 2017, increasing from $25.6 million in Q3 2017 and $6.2 million in Q4 2016
- Adjusted earnings per basic ADS (non-GAAP)(3) of $3.31 in Q4 2017, increasing from $2.42 in Q3 2017 and $0.59 in Q4 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 2017 vs. Q3 2017)

US$ in millions (except on otherwise indicated)	Q4 2017	Q3 2017	Change	Analysis
Revenues	**103.7**	**89.4**	14.3	Polysilicon: Ext. sales volume ↑ , ASP↑ Wafer: Sales volume↓, ASP↓
Cost of revenues	(56.8)	(53.0)	(3.8)	Polysilicon: Ext. sales volume ↑ ,Cost↑ Wafer: Sales volume ↓, Cost↓
Gross profit	46.9	36.4	10.5	
Gross margin	**45.2%**	**40.8%**	4.4%	
Non-GAAP Gross margin (1)	**45.6%**	**41.3%**	4.3%	
SG&A and R&D expense	(4.7)	(4.5)	(0.2)	
Other operating income	4.4	0.8	3.6	
Income from operations	**43.6**	**32.8**	10.8	
Interest expense	(4.1)	(4.3)	(0.2)	
Net income attributable to Daqo New Energy shareholders	**33.7**	**24.1**	9.6	
Basic earnings per ADS (US$)	**3.16**	**2.28**	0.88	
EBITDA (2)	**53.6**	**42.3**	11.3	
EBITDA margin (2)	**51.7%**	**47.4%**	4.3%	

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	12/31/2017	9/30/2017	Change (Q4 2017 vs. Q3 2017)	12/31/2016
Cash, cash equivalent and restricted Cash	72.7	61.6	11.1	31.9
Accounts receivable	3.0	4.6	(1.6)	4.8
Note receivables	27.3	25.3	2.0	13.0
Inventories	19.6	17.3	2.3	12.3
Prepaid land use rights	25.9	25.5	0.4	24.8
Net PP&E	579.1	558.5	20.6	557.4
Total assets	**748.8**	**709.4**	**39.4**	**656.7**
Short-term Borrowings	99.3	97.5	1.8	106.0
Notes payable	16.9	29.5	(12.6)	25.7
Amounts due to related parties	6.8	12.2	(5.4)	26.8
Long-term Borrowings	113.6	119.3	(5.7)	111.9
Total liabilities	**354.3**	**361.0**	(6.7)	**385.0**
Total equity	**394.5**	**348.4**	46.1	**271.7**
Total liabilities and equity	**748.8**	**709.4**	39.4	**656.7**

Cash flow summary

US$ in millions	12 months ended Dec. 31, 2017	12 months ended Dec. 31, 2016
Net cash provided by operating activities	**142.7**	**98.7**
Net cash (used in) investing activities	**(63.1)**	**(66.1)**
Net cash (used in) provided by financing activities	**(37.4)**	**(30.3)**
Effect of exchange rate changes	2.5	(0.8)
Net increase in cash and cash equivalents	44.7	1.5
Cash and cash equivalents at the beginning of the period	16.0	14.5
Cash and cash equivalents at the end of the period	60.7	16.0

Full Year 2017 financial and operating highlights

- Polysilicon production volume of 20,200 MT in 2017, an increase of 54.6% from 13,068 MT in 2016.
- Polysilicon external sales volume of 17,950 MT in 2017, an increase of 64.9% from 10,883 MT in 2016.
- Solar Wafer sales volume of 98.0 million pieces in 2017, an increase of 18.4% from 82.8 million pieces in 2016.
- Revenue of $352.9 million in 2017, an increase of 54.0% $229.1 million in 2016.
- Gross profit of $143.5 million in 2017, increasing from $80.4 million in 2016. Gross margin of 40.7% in 2017, increasing from 35.1% in 2016.
- Non-GAAP gross margin(1) of 41.4% in 2017, increasing from 38.1% in 2016.
- EBITDA (non-GAAP)(2) of $ 167.5 million in 2017, an increase of 68.8% from $99.3 million in 2016.
- Net income attributable to Daqo New Energy Corp. shareholders of $92.8 million in 2017, an increase of 113.5% from $43.5 million in 2016.
- Adjusted net income (non-GAAP)(3) attributable to Daqo New Energy Corp. shareholders of $99.5 million in 2017, an increase of 87.3% from $53.1 million in 2016.
- Adjusted earnings per basic ADS (non-GAAP)(3) of $9.38 in 2017, an increase of 85.0% from $5.07 in 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 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 (FY2017 vs. FY2016)

US$ in millions	2017	2016	Change	Analysis
Revenues	**352.9**	**229.1**	**123.8**	Poly : Sales volume↑, ASP↑ Wafer: Sales volume↑, ASP↓
Cost of Revenues	(209.4)	(148.7)	(60.7)	Poly : Sales volume↑, Unit cost↓ Wafer: Sales volume↑, Unit cost↓
Gross profit	143.5	80.4	63.1	
Gross margin	**40.7%**	**35.1%**	**5.6%**	
SG&A + R&D expenses	(18.5)	(20.1)	1.6	
Fixed assets impairment loss	(3.0)	(0.2)	(2.8)	The identified relocation assets in Wanzhou that were non-transferrable and could not be reutilized by our Xinjiang expansion project.
Other operating income	6.8	5.3	1.5	
Income from operations	**128.7**	**65.4**	**63.3**	
Net interest expense	(17.5)	(14.2)	(3.3)	
Net income attributable to non-controlling interest	(1.0)	(0.4)	(0.6)	
Net income attributable to Daqo New Energy shareholders	**92.8**	**43.5**	**49.3**	
Basic earnings per ADS (US$)	8.76	4.15	4.61	
EBITDA *	**167.5**	**99.3**	**68.2**	
EBITDA margin *	**47.5%**	**43.3%**	**4.2%**	

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

Non-GAAP reconciliation

US$ in millions	Q4 2017	Q3 2017	Q4 2016	FY 2017	FY 2016
Net income	34.1	24.4	4.2	93.9	43.9
Income tax expenses	5.6	4.2	1.3	17.3	7.4
Interest expense	4.1	4.3	4.1	18.0	14.6
Interest income	(0.2)	(0.1)	(0.02)	(0.5)	(0.4)
Depreciation	10.0	9.6	8.1	38.8	33.8
EBITDA (1)	**53.6**	**42.3**	**17.6**	**167.5**	**99.3**
EBITDA margin (1)	**51.7%**	**47.4%**	**38.3%**	**47.5%**	**43.3%**
Gross profit	**46.9**	**36.4**	**14.2**	**143.5**	**80.4**
Costs related to Chongqing poly facilities	0.4	0.5	1.6	2.4	6.9
Non-GAAP gross profit (2)	**47.3**	**36.9**	**15.8**	**145.9**	**87.3**
Non-GAAP gross margin (2)	**45.6%**	**41.3%**	**34.1%**	**41.4%**	**38.1%**
Share-based compensation	1.2	1.0	0.4	4.2	2.7
Adjusted net income (non-GAAP) (3)	**35.3**	**25.6**	**6.2**	**99.5**	**53.1**
Adjusted earnings per basic ADS (non-GAAP) (3)	**$3.31**	**$2.42**	**$0.59**	**$9.38**	**$5.07**

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.

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