DAQO NEW ENERGY CORP

Daqo New Energy Corp.

Unaudited Q1 2017 Financial Results Presentation

May 9, 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 second 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 Q1 2017 highlights

- **Polysilicon Cost Structure** [1]

  -- **total production cost** (including depreciation) of $8.41/kg in Q1 2017, decreased from $9.98/kg in Q4 2016

  -- **cash cost** (excluding depreciation) of $6.68/kg in Q1 2017, decreased from $7.34/kg in Q4 2016

- **Polysilicon production volume** of 4,927 MT in Q1 2017, an increase of 100.6% from 2,456 MT in Q4 2016
- **Polysilicon external sales volume** [2] of 4,223 MT in Q1 2017, an increase of 91.2% from 2,209 MT in Q4 2016
- **Wafer sales volume** [2] of 22.4 million pieces in Q1 2017, increased from 21.3 million pieces in Q4 2016
- **Polysilicon ASP** of $16.66kg in Q1 2017, increased from $14.96/kg in Q4 2016
- **Net Income attributable to Daqo New Energy shareholders** of $22.9 million in Q1 2017, increased from $4.1 million in Q4 2016 and $8.3 million in Q1 2016
- **Earnings per ADS** (basic) of $2.18 in Q1 2017, increased from $0.39 in Q4 2016, and $0.80 in Q1 2016
- **EBITDA** [3] of $41.7 million in Q1 2017, an increase of 136.9% from $17.6 million in Q4 2016
- **EBITDA margin** [3] of 49.8% in Q1 2017, increased from 38.3% in Q4 2016
- **Gross margin** of 42.8% in Q1 2017, increased from 30.7% in Q4 2016
- **Non-GAAP gross margin** [4] of 44.0% in Q1 2017 , increased from 34.1% in Q4 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.

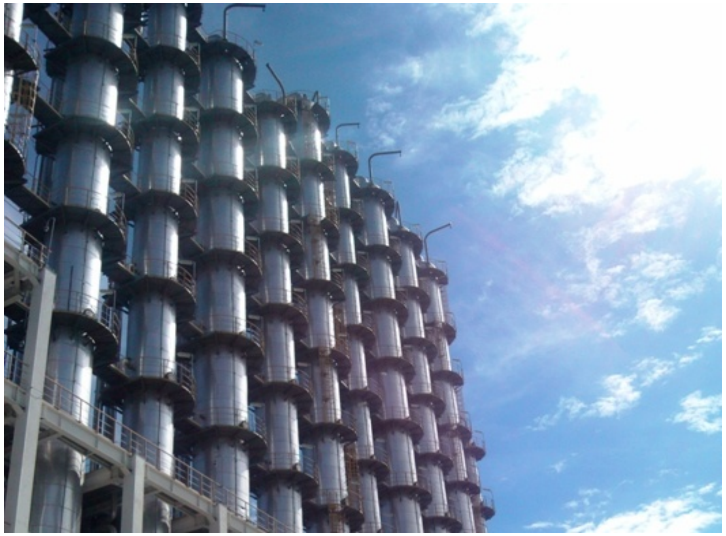
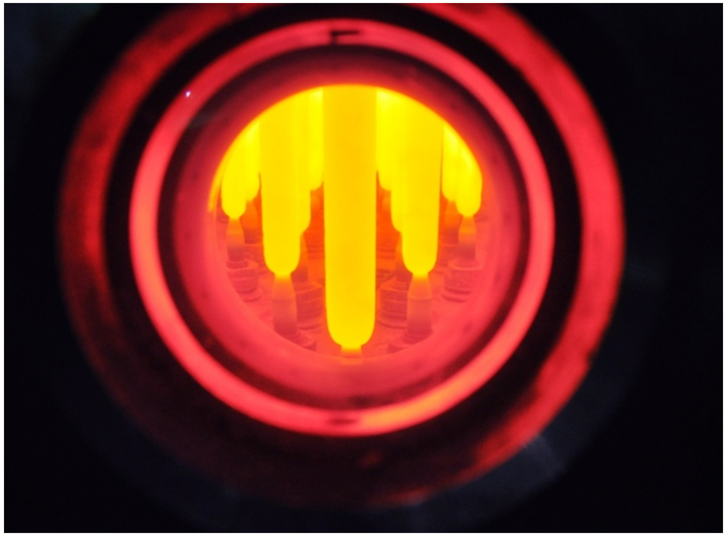
(2) The external sales volume is the quantity of the goods which has been accepted by customers and thus the corresponding revenue has been recognized during the reporting period.

(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.

Phase 3A Polysilicon Facilities

Record-high quarterly production volume – 4,927 MT in Q1 2017


Management commentary

We are pleased with the strong financial and operating results we achieved for the first quarter of 2017. I would like to thank our entire Xinjiang polysilicon team for their great efforts to make the first quarter of 2017 our best quarter ever in terms of cost structure, production volume and polysilicon quality. During the quarter, we fully ramped up our Xinjiang polysilicon facility to 18,000 MT annual capacity and achieved full production. Our capacity ramp-up progressed ahead of schedule. We produced 4,927 MT of polysilicon in the first quarter of 2017, an increase of 100.6% as compared to the fourth quarter of 2016. While achieving a substantial increase in sequential polysilicon production volume, we also saw strong demand for our high quality products from our customers, and achieved the highest sales volume in the Company's history with market share gain.

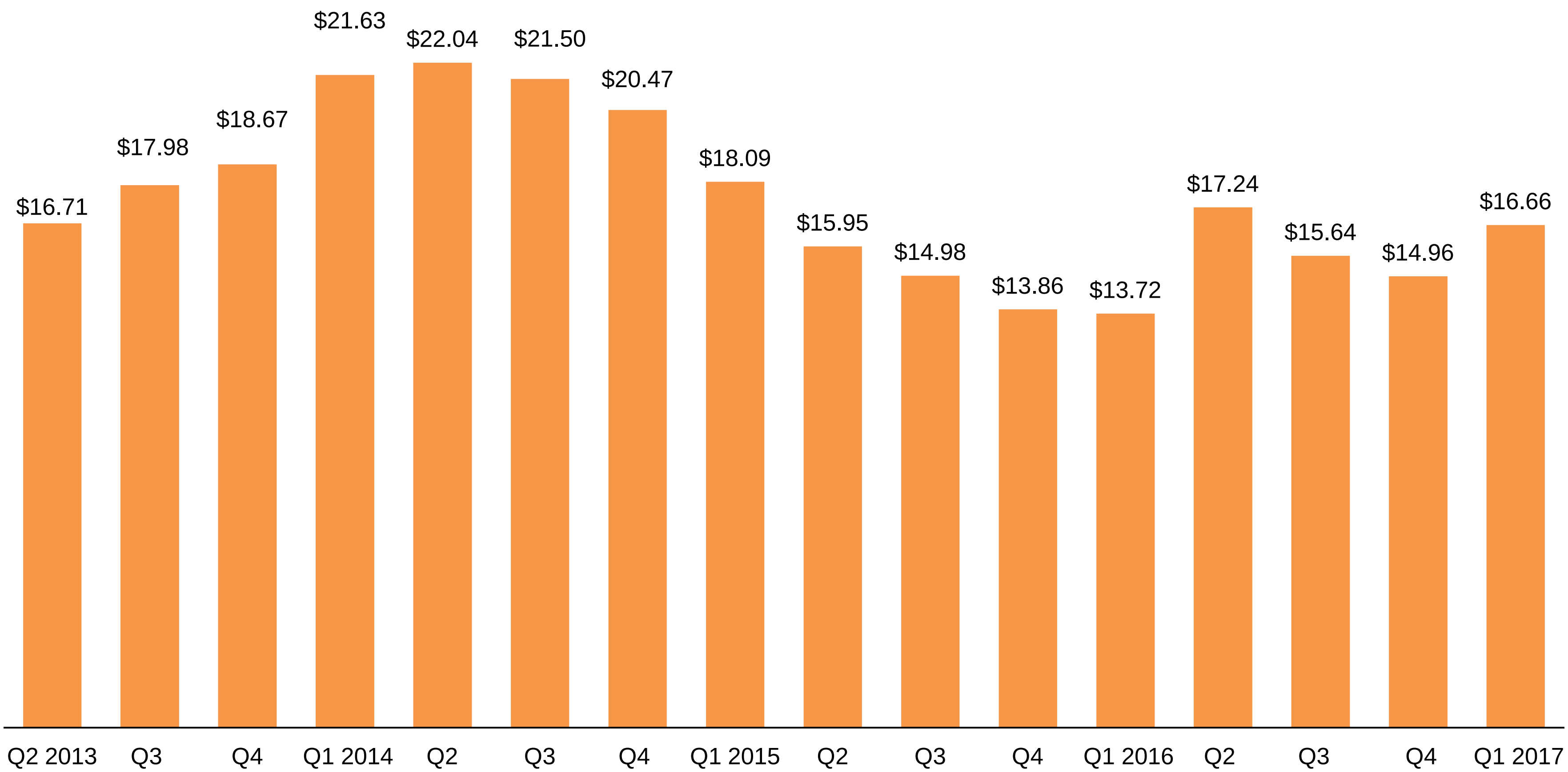
Polysilicon market demand weakened towards the end of March, resulting in inventory build-up across the industry with price adjustments reflecting the weakness. We saw market conditions stabilizing towards the end of April with strong demand recovery, as industry poly inventory re-adjusted to a healthy level. Polysilicon pricing also improved meaningfully in late April, with robust customer demand for our high quality polysilicon product. Based on industry forecast, the global PV installations is expected to be approximately 75-80GW for 2017, compared to approximately 75-78GW for 2016. Overall, the annual PV volume demand for this year is anticipated to be rather evenly spread between the first and the second half of the year. While the PV end market demand environment is very dynamic and may lead to polysilicon ASP volatility, we believe overall volume demand for the year is solid and healthy. Our cost leadership should help the Company to weather through the market volatility.

During the quarter, we also achieved the lowest ever cost structure with total production cost of $8.41/kg and cash cost of $6.68/kg. With our lower production cost, the company generated $22.9 million in net income attributable to Daqo New Energy shareholders and $41.7 million in EBITDA with EBITDA margin of 49.8%. In addition, thanks to various quality improvement projects we initiated starting from the second half of last year, the first quarter of 2017 was the best quarter in our history in terms of product quality.

Going forward, we will continue to focus our efforts on cost reduction. We have identified several cost reduction opportunities, which should allow us to continue to reduce our cost. At the same time, we continue to pursue various programs and initiatives on polysilicon quality improvement, which will help the company to meet the growing demand for ultra-high-purity polysilicon, such as demand from mono-crystalline wafer manufacturers and potentially even manufacturers of semiconductor wafer applications. These initiatives should increase our corporate flexibility and reinforce our competitive position as one of the leading polysilicon suppliers in China, which will allow us to take advantage of additional opportunities in 2017 and beyond.

Daqo's quarterly polysilicon Average Selling Prices

Quarterly Polysilicon ASPs($/kg)



Xinjiang polysilicon facilities update

Q1 2017 key facts

- Successful ramp-up of Phase 3A facilities
- Record-high quarterly production volume of 4,927 MT
- External sales volume of 4,223 MT(1)
- Average total production cost : $8.41/kg (2)
- Average cash cost: $6.68/kg (2)

Outlook

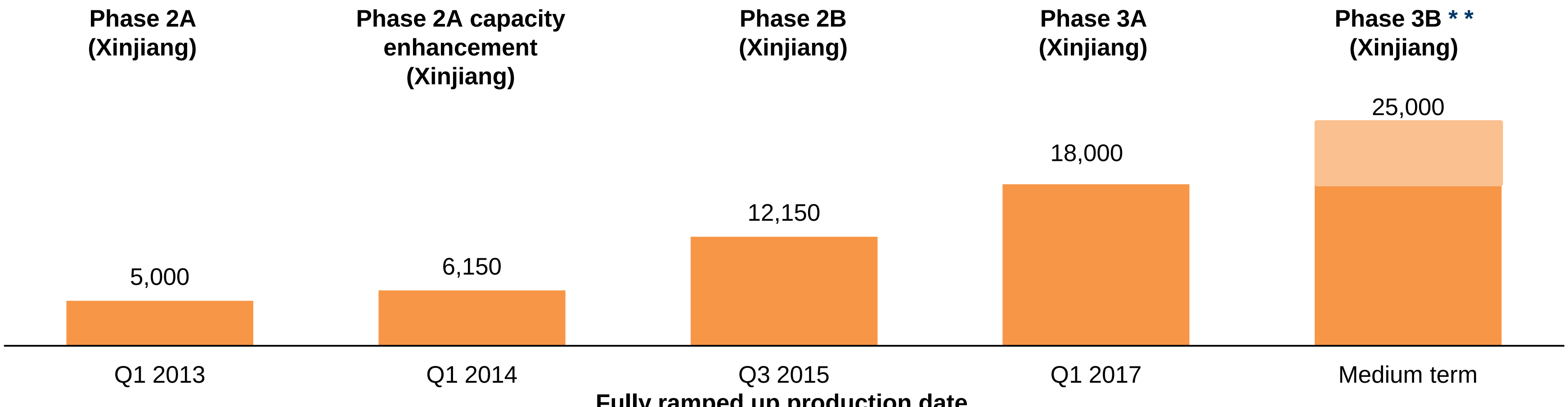
- Expected external sales volume in Q2 2017:
  4,200 ~ 4,500 MT (excluding polysilicon used internally by our Chongqing wafer facility)

Note:

(1) The external sales volume is the quantity of the goods which has been accepted by customers and thus the corresponding 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.

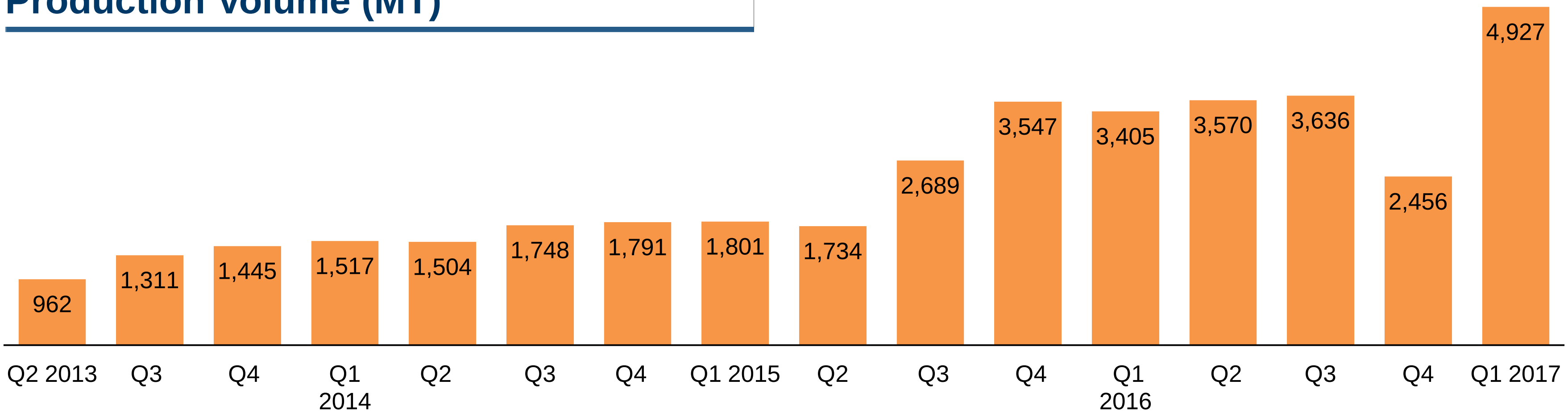
Polysilicon historical and projected capacity * (MT)



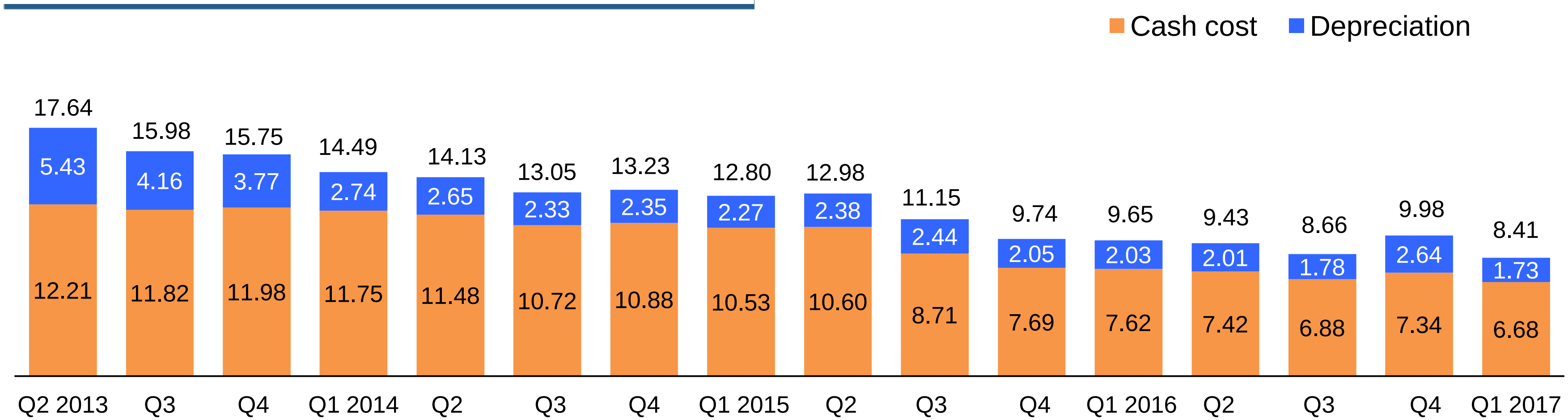
*Wanzhou polysilicon facility discontinued polysilicon production in Q4 2012
**Estimated and may change subject to market and industry conditions

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

Q1 2017 key facts

- 22.4 million pieces sold to customers

Q2 2017 sales volume outlook

- Q2 2017 wafer sales volume:

  23.5 ~24.0 million pieces

Sales volume in Q1 2017 and outlook for Q2 2017

Sales Volume	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017E guidance
Polysilicon (MT)	2,905	2,931	2,838	2,209	4,223	**4,200~ 4,500**
Wafer (million pieces)	22.1	25.0	14.0	21.3	22.4	**23.5~24.0**

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Q1 2017 financial highlights

- Revenue of $83.8 million in Q1 2017, an increase of 81.8% from $46.1 million in Q4 2016
- Gross profit of $35.9 million in Q1 2017, an increase of 152.8% from $14.2 million in Q4 2016
- Gross margin of 42.8% in Q1 2017, increased from 30.7% in Q4 2016
- Non-GAAP gross margin (1) of 44.0% in Q1 2017, increased from 34.1% in Q4 2016
- Income from operations of $32.2 million in Q1 2017, an increase of 235.4% from $9.6 million in Q4 2016
- EBITDA (2) of $41.7 million in Q1 2017, an increase of 136.9% from $17.6 million in Q4 2016
- Net income attributable to Daqo New Energy shareholders of $22.9 million in Q1 2017, increased from $4.1 million in Q4 2016 and $8.3 million in Q1 2016
- Earnings per ADS (basic) of $2.18 in Q1 2017, increased from $0.39 in Q4 2016, and $0.80 in Q1 2016
- Adjusted net income (non-GAAP) (3) attributable to Daqo New Energy shareholders of $24.8 million in Q1 2017, increased from $6.2 million in Q4 2016 and $11.7 million in Q1 2016
- Adjusted earnings per basic ADS (non-GAAP) (3) of $2.36 in Q1 2017, increased from $0.59 in Q4 2016, and $1.12 in Q1 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 (Q1 2017 vs. Q4 2016)

US$ in millions (except on otherwise indicated)	Q1 2017	Q4 2016	Change	Analysis
Revenues	**83.8**	**46.1**	37.7	Polysilicon: Ext. sales volume ↑ , ASP↑ Wafer: Sales volume↑
Cost of revenues	(47.9)	(31.9)	(16.0)	Polysilicon: Ext. sales volume ↑ Unit cost↓ Wafer: Sales volume↑
Gross profit	35.9	14.2	21.7	
Gross margin	**42.8%**	**30.7%**	12.1%	
Non-GAAP Gross margin (1)	**44.0%**	**34.1%**	9.9%	
SG&A and R&D expense	(4.5)	(6.3)	1.8	
Other operating income	0.8	1.9	(1.1)	
Impairment of long-lived assets	0	(0.2)	0.2	
Income from operations	**32.2**	**9.6**	22.6	
Interest expense	(4.3)	(4.1)	(0.2)	
Net income attributable to Daqo New Energy shareholders	**22.9**	**4.1**	18.8	
Basic earnings per ADS (US$)	**2.18**	**0.39**	1.79	
EBITDA (2)	**41.7**	**17.6**	24.1	
EBITDA margin (2)	**49.8%**	**38.3%**	11.5%	

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

Balance sheet summary

US$ in millions	3/31/2017	12/31/2016	Change (Q1 2017 vs. Q4 2016)	3/31/2016
Cash, cash equivalent and restricted Cash	61.2	31.9	30.7	35.7
Accounts receivable	13.1	4.8	8.3	15.4
Note receivables	11.7	13.0	(1.3)	25.3
Inventories	15.7	12.3	3.4	10.9
Prepaid land use rights	24.9	24.8	0.1	27.2
Net PP&E	559.9	557.4	2.5	546.4
Total assets	**696.0**	**656.7**	39.3	**672.4**
Short-term Borrowings	106.8	106.0	0.8	126.5
Notes payable	23.7	25.7	(2.0)	28.1
Amounts due to related parties	32.9	26.8	6.1	46.7
Long-term Borrowings	129.2	111.9	17.3	114.8
Total liabilities	**398.1**	**385.0**	13.1	**418.9**
Total equity	**297.9**	**271.7**	26.2	**253.5**
Total liabilities and equity	**696.0**	**656.7**	39.3	**672.4**

Cash flow summary

US$ in millions	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2016
Net cash provided by operating activities	**28.6**	**22.5**
Net cash (used in) investing activities	**(16.6)**	**(17.5)**
Net cash (used in) provided by financing activities	**16.5**	**(3.3)**
Effect of exchange rate changes	0.1	0.1
Net increase in cash and cash equivalents	28.7	1.9
Cash and cash equivalents at the beginning of the period	16.0	14.5
Cash and cash equivalents at the end of the period	44.7	16.3

Non-GAAP reconciliation

US$ in millions	Q1 2017	Q4 2016	Q1 2016
Net income	23.2	4.2	8.4
Income tax expenses	4.7	1.3	1.1
Interest expense	4.3	4.1	3.9
Interest income	(0.1)	(0.01)	(0.1)
Depreciation	9.6	8.1	8.6
EBITDA (1)	**41.7**	**17.6**	**21.9**
EBITDA margin (1)	**49.8%**	**38.3%**	**38.0%**
Gross profit	**35.9**	**14.2**	**16.7**
Costs related to non-operational Chongqing poly facilities	1.0	1.6	2.0
Non-GAAP gross profit (2)	**36.9**	**15.8**	**18.8**
Non-GAAP gross margin (2)	**44.0%**	**34.1%**	**32.6%**
Share-based compensation	0.8	0.4	1.3
Adjusted net income (non-GAAP) (3)	**24.8**	**6.2**	**11.7**
Adjusted earnings per basic ADS (non-GAAP) (3)	**$2.32**	**$0.58**	**$1.11**

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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