



DAQO NEW ENERGY CORP



Daqo New Energy Corp. Q3 2014 Financial Results Presentation

November 13, 2014

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 for-ward-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 Q3 2014 highlights

- **Record-high polysilicon production volume** in Q3 2014 of **1,748 MT**, up from 1,504 MT in Q2 2014
- **Record-high polysilicon shipments** in Q3 2014 of **1,598 MT**, up from 1,436 MT in Q2 2014
- **Continued cost reduction** – total production cost (including depreciation) of \$13.05 / kg and **cash cost of \$10.72 / kg** in Q3 2014 compared with \$14.13 / kg and \$11.48, respectively in Q2 2014
- Shipped 18.5 million pieces of wafer, up from 17.6 million pieces in Q2 2014.
- Q3 2014 polysilicon ASP was \$21.50 / kg compared with \$22.04 / kg in Q2 2014
- **EBITDA⁽¹⁾ of \$16.4 million** (EBITDA margin: 34.7%) in Q3 2014 up from \$15.2 million (EBITDA margin: 34.9%) in Q2 2014
- **Non-GAAP gross margin⁽²⁾ of 31.7%** in Q3 2014 compared with 30.9% in Q2 2014.
- **Operating cash flow of \$47.7 million** for the nine months ended Sep 30, 2014
- Xinjiang **expansion project progressing well** and on schedule
 - Expect to fully **ramp up capacity to 12,150MT** and **reduce production cost to \$12.00/kg** by the **end of Q2 2015**

Note:

(1)
(2)

A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization
Non-GAAP margin excluded costs of \$3.4 million related to polysilicon operations in Chongqing which halted production in September 2012

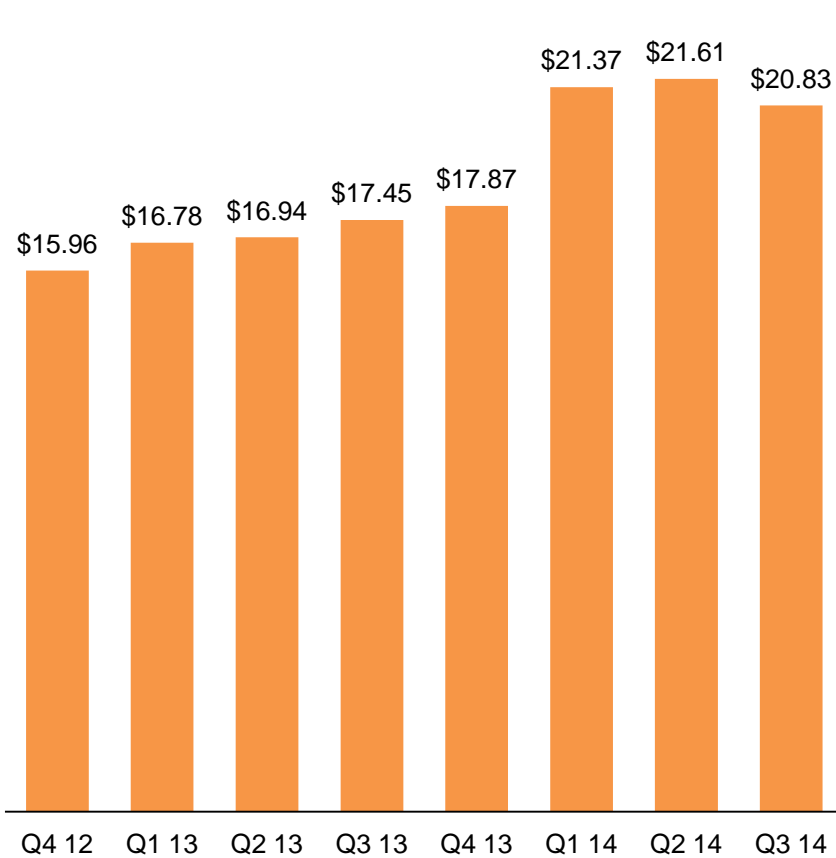


Market update

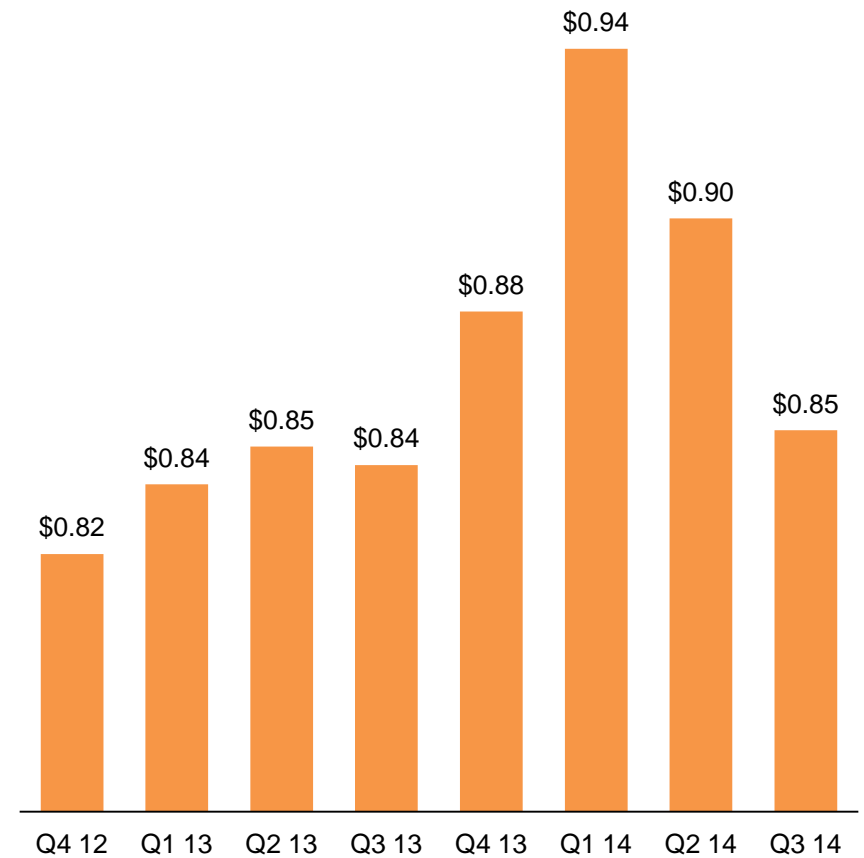
- Q4 2014 demand for PV modules is very strong driven by accelerating build-out of solar power plants. The positive trend is likely to continue into Q1 2015
- Polysilicon ASPs declined from \$22.04/kg in Q2 2014 to \$21.50/kg in Q3 2014
 - Despite ASP declines, Daqo New Energy has continued to increase its gross margins as a result of its cost reduction efforts
- Currently, polysilicon ASPs do not reflect strong downstream demand due to foreign manufacturers' increasing supply into China
 - Impact to market to be addressed from early 2015 as new regulations regarding polysilicon imports take effect

Market price trend (PV Insights)

Polysilicon price (\$ / kg)



Wafer ASP (\$ / piece)



Xinjiang polysilicon facilities update

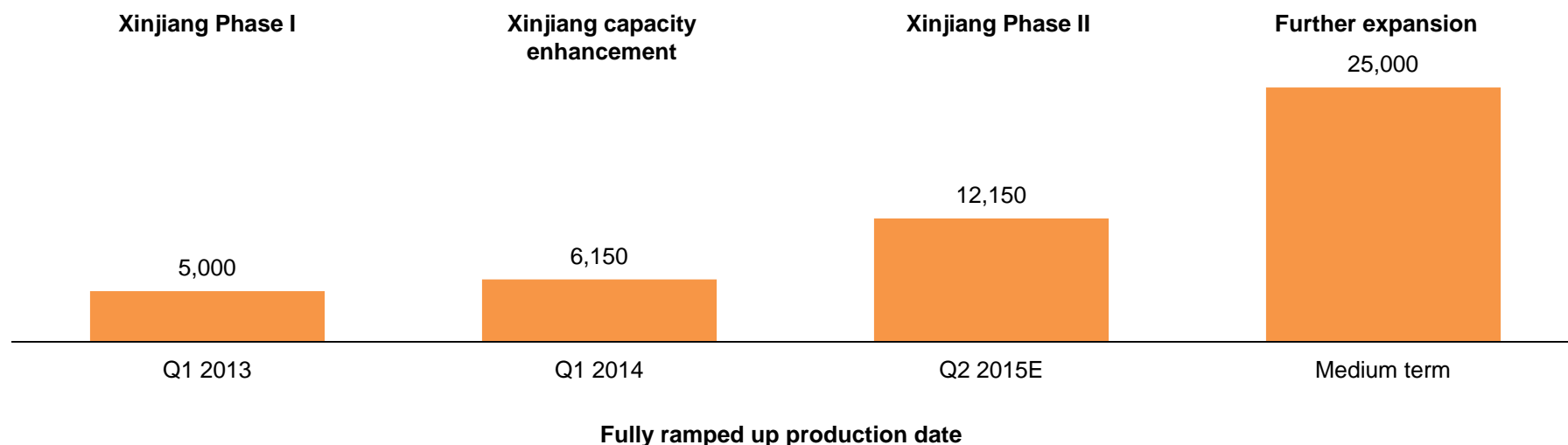
Q3 2014 key facts

- 1,748 MT production
- 1,598 MT shipment to customers
- Solar Grade I: 100% in Q3 2014
- Q3 2014 production cost (incl. dep'n): \$13.05 / kg
- Q3 2014 cash cost: \$10.72 / kg

Outlook

- 2014 annual cost target (incl. dep'n): <\$14.00 / kg
Cash cost <\$11.30 / kg
- Expected shipment in Q4 2014: 1,500MT–1,550MT
- Capacity increase from 6,000 MT to 12,150 MT
 - Complete construction and installation by end of 2014 and full ramp up by Q2 2015
 - Production cost (incl. dep'n) is expected to reduce to \$12.00 / kg by Q2 2015

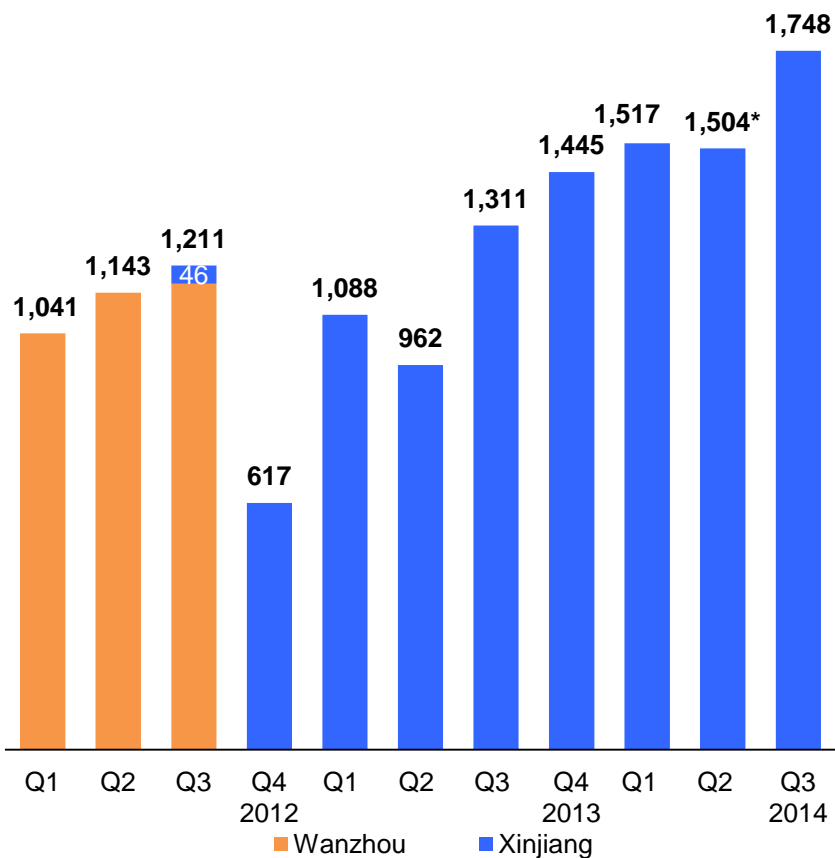
Polysilicon historical and projected capacity ⁽¹⁾ (MT)



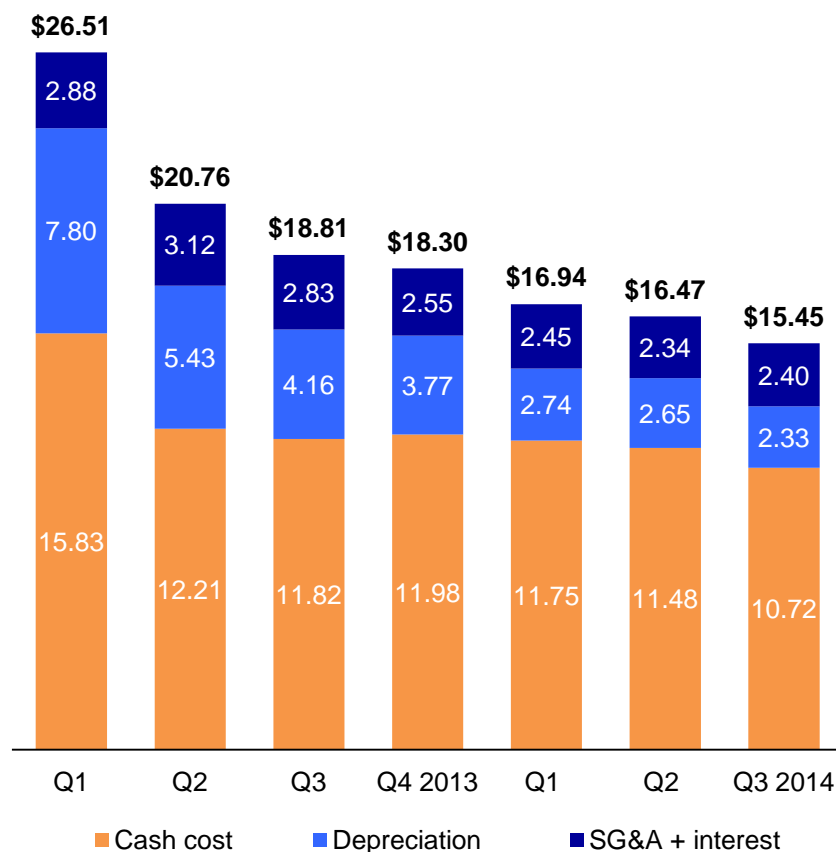
Note:
(1) Wanzhou polysilicon facility discontinued polysilicon production in Q4 2012

Polysilicon manufacturing overview

Production Volume (MT)



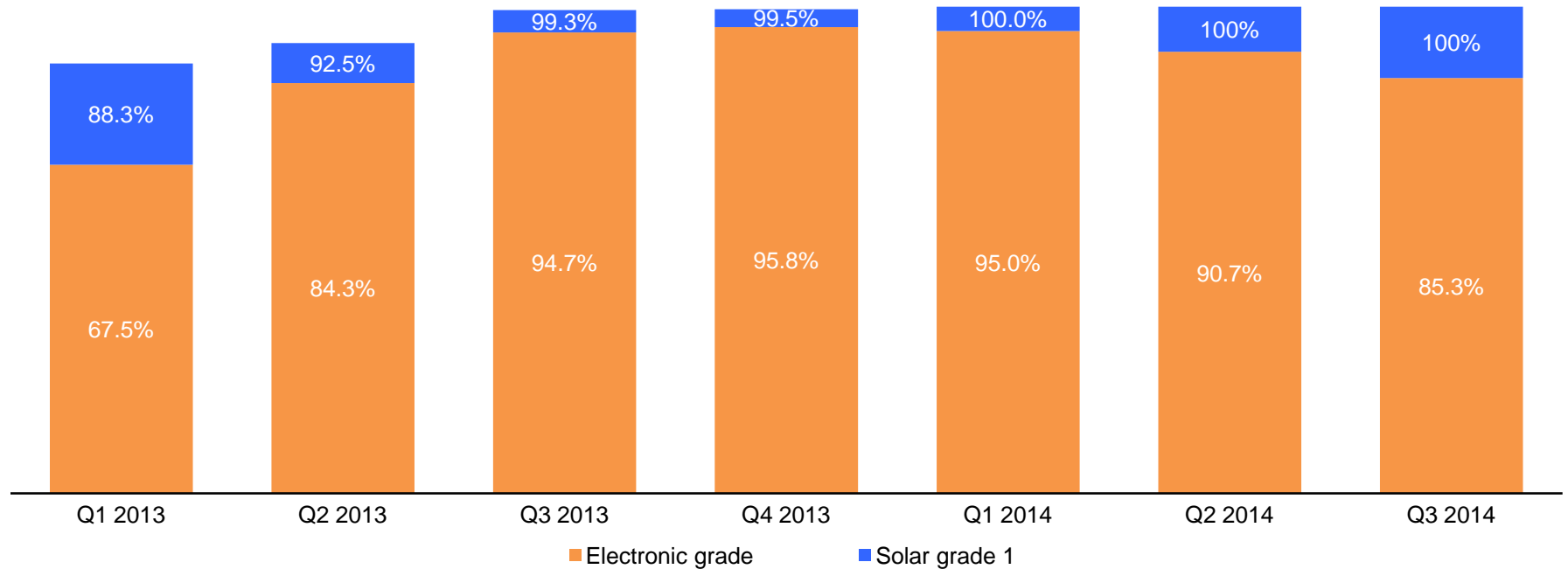
Production cost, SG&A, interest (\$/kg)



* In April 2014, The Company conducted annual maintenance which affected production for 5 days.

Continued focus on quality improvement

Daqo New Energy polysilicon monthly 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 Q3 2014, 100% of our polysilicon met the highest specification of the solar grade quality standard, and approximately 85.3% of our polysilicon met the electronic grade quality standard in China

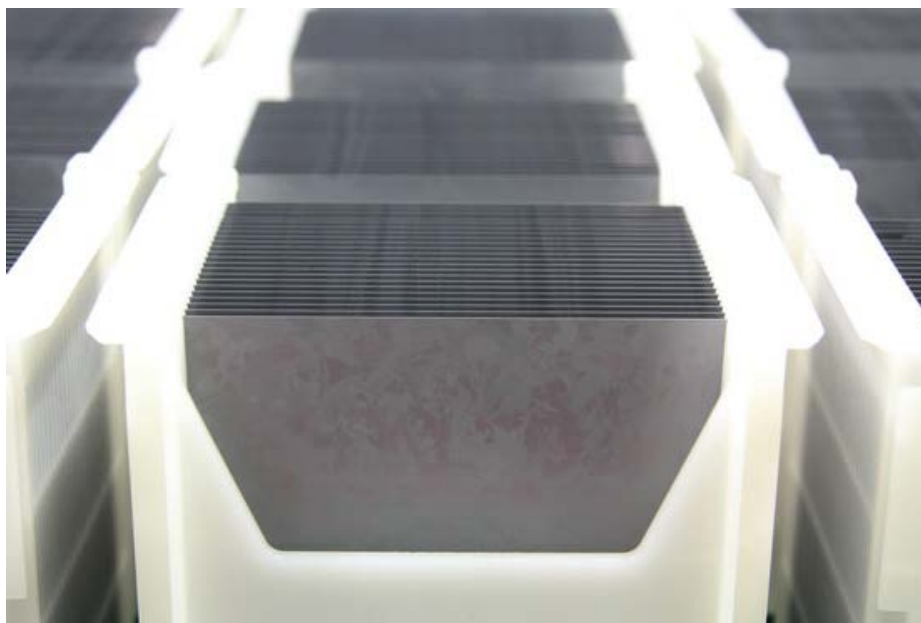
Wanzhou wafer facilities update

Q3 2014 key facts

- 18.5 million pieces shipped to customers

Outlook

- Q4 2014 wafer shipment expected to be 16.8 –17.0 million pieces



Historical shipments and Q4 2014 outlook

Shipments	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014E guidance
Polysilicon (MT)	1,288	1,271	1,391	1,436	1,598	1,500 – 1,550
Wafer (million pieces)	7.5	16.7	16.8	17.6	18.5	16.8 – 17.0
Ingot & block (MT)	6.6	-	-	-	-	-

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(Mr. Bing Sun, CFO)**
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Q3 2014 financial highlights

- Revenues were \$47.3 million, an increase of 8.2% compared with \$43.7 million in Q2 2014
- Continued cost reduction – total production cost (including depreciation) of \$13.05 / kg and cash cost of \$10.72 / kg in Q3 2014, compared with \$14.13/kg and \$11.48/kg in Q2 2014, respectively
- Gross profit was \$11.6 million, compared with \$10.1 million in Q2 2014
- Non-GAAP gross margin ⁽¹⁾ was 31.7%, compared with 30.9% in Q2 2014
- Operating income was \$9.5 million, compared with \$8.3 million in Q2 2014
- EBITDA ⁽²⁾ was \$16.4 million, compared with \$15.2 million in Q2 2014
- Operating cash flow of \$18.6 million during Q3 2014
- Net income attributable to Daqo New Energy shareholders was \$5.9 million, compared with \$4.5 million in Q2 2014
- Earnings per ADS was \$0.66, compared with \$0.57 in Q2 2014

Note:

(1) Non-GAAP margin excluded costs of \$3.4 million 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 (Q3 2014 vs. Q2 2014)

US\$ in millions	Q3 2014	Q2 2014	Change	Analysis
Revenues	47.3	43.7	3.6	Poly :Sales volume↑
Cost of revenues	(35.7)	(33.6)	(2.1)	
Gross profit (loss)	11.6	10.1	1.5	Poly: Cost ↓
Gross margin	24.5%	23.1%	1.4%	Poly: Cost ↓
Non-GAAP Gross margin ⁽¹⁾	31.7%	30.9%	0.8%	
SG&A and R&D expense	(2.7)	(1.7)	(1.0)	Subsequent collection of prior period bad debt provision of \$0.5 M in Q3, compared to \$1.6 M in Q2
Other operating income	0.6	(0.0)	0.6	
Operating income (loss)	9.5	8.3	1.2	
Net interest expense	(3.6)	(3.8)	0.2	
Net income attributable to Daqo New Energy shareholders	5.9	4.5	1.4	
Diluted earnings per ADS (US\$)	0.66	0.57	0.09	
EBITDA ⁽²⁾	16.4	15.2	1.2	Poly: Cost ↓
EBITDA margin ⁽²⁾	34.7%	34.9%	(0.2%)	

Note:

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Non-GAAP reconciliation – EBITDA and gross margin

US\$ in millions	Q3 2014	Q2 2014	Change
Net income (loss)	5.9	4.5	1.4
Income tax expenses	-	-	-
Interest Expense	3.6	3.9	(0.3)
Interest income	(0.16)	(0.01)	(0.15)
Depreciation	7.0	6.9	0.1
EBITDA ⁽¹⁾	16.4	15.2	1.2
EBITDA margin ⁽¹⁾	34.7%	34.9%	(0.2%)
Gross profit / (loss)	11.6	10.1	1.5
Costs related to Chongqing poly facilities	3.4	3.4	-
Non-GAAP gross profit ⁽²⁾	15.0	13.5	1.5
Non-GAAP gross margin ⁽²⁾	31.7%	30.9%	0.8%

Note:

- (1) Non-GAAP margin excluded costs of \$3.4 million 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	9/30/2014	6/30/2014	Change (Q3 2014 vs Q2 2014)	9/30/2013
Cash and restricted Cash	30.0	77.7	(47.7)	19.5
Accounts receivable	6.8	6.8	-	11.8
Notes receivable	36.8	33.6	3.2	11.9
Inventories	11.3	12.1	(0.8)	11.8
Prepaid land use rights	29.5	29.3	0.2	36.8
Net PP&E	517.9	480.7	37.2	495.7
Total assets	656.6	668.8	(12.2)	625.5
Short-term Borrowings	129.9	141.3	(11.4)	125.5
Notes payable	28.7	24.1	4.6	5.1
Amt due to related party	74.7	86.5	(11.8)	108.3
Long-term Borrowings	116.6	112.1	4.5	137.0
Total liabilities	451.4	471.6	(20.2)	491.5
Total equity	205.2	197.2	8.0	134.0
Total liabilities and equity	656.6	668.8	(12.2)	615.5



Cash flow summary

US\$ in millions	Nine months ended September 30, 2014	Nine months ended September 30, 2013	Change
Net cash provided by (used in) operating activities	47.7	(16.8)	64.5
Net cash used in investing activities	(81.0)	(12.1)	(68.9)
Net cash provided by financing activities	38.1	33.1	5.0
Effect of exchange rate changes	(0.0)	(0.1)	0.1
Net increase in cash and cash equivalents	4.8	4.1	0.7
Cash and cash equivalents at the beginning of the period	7.8	6.7	1.1
Cash and cash equivalents at the end of the period	12.6	10.8	1.8

- As of Sep 30, 2014, \$63.7 million of capital expenditure has been spent on XJ expansion, of which \$35.2 million was spent in Q3 2014
- Net cash provided by operating activity in Q3 was 18.6 million compared to \$13.9 million in Q2 of 2014

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