



May 21, 2019

DAQO NEW ENERGY

Q1 2019 Financial Results Presentation

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 and the full year of 2019 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; the Company’s ability to significantly expand its polysilicon production capacity and output; the reduction in or elimination of government subsidies and economic incentives for solar energy applications; and the Company’s ability to lower its production costs. Further information regarding these and other risks is included in the reports or documents the Company has filed with, or furnished to, the Securities and Exchange Commission. All information provided in this press release is as of the date hereof, and the Company undertakes no duty to update such information or any forward-looking statement, except as required under applicable law.



“A leading manufacturer of high-purity polysilicon for the global solar PV industry”



Management remarks



"We are very pleased to report solid operational and financial performance for the first quarter of 2019, during which we achieved record-high production and sales volumes, as well as our most competitive cost structure," commented Mr. Longgen Zhang, CEO of Daqo New Energy. "During the quarter, our polysilicon facilities were running at full capacity and produced 8,764 MT and sold 8,450 MT of polysilicon. We were also able to successfully reduce our total production cost and cash cost to \$7.42/kg and \$6.20/kg, respectively, our lowest ever."

"We are currently undertaking a capacity debottlenecking project to gradually upgrade several older CVD furnaces with improved technology, allowing us to increase production capacity by additional 5,000 MT. This project is progressing well and we expect to complete the project ahead of schedule in early June 2019. The ramp-up process of this debottlenecking project will temporarily impact production volumes and cost and as a result we expect to produce approximately 7,200 to 7,400 MT of polysilicon at total production cost of \$8.0~8.5/kg during the second quarter of 2019. Once our facilities are fully ramped up in June, we anticipate our total annual production capacity will reach 35,000 MT and our production costs will return to the current level of approximately \$7.5/kg."

"Our Phase 4A project is also progressing smoothly and remains on schedule. The foundation work has been completed and the construction of various buildings and structures are progressing as planned. The initial equipment installation has already begun and is planned to continue through the third quarter of 2019. Based on our current assessment, we expect to complete Phase 4A by the end of 2019 and ramp up to full capacity of 70,000 MT by the end of the first quarter of 2020."

"China installed approximately 5.2GW of new solar PV installations during the first quarter of 2019. While installation numbers for the second quarter of 2019 haven't been released yet, we believe they will likely be even lower. Installations should significantly pickup in the second half of this year as China's solar PV policy is gradually rolled out. Grid parity projects will be the first batch to start installations and then followed by subsidized projects which will bid for the total three billion RMB of subsidy. Market consensus indicates that China will install approximately 35-40 GW in 2019, which means solar project installation volumes during the second half could potentially double or even triple those in the first half. As polysilicon is the key raw material of solar PV modules, we believe demand for polysilicon will significantly increase in the second half of 2019."

"We are optimistic about China's booming demand for solar PV in the second half of this year. Since May, the market conditions for polysilicon have shown signs of improvement as prices appear to have bottomed out. While Daqo remained solidly profitable in the first quarter with our low cost and high mix of mono-grade polysilicon products, we believe the current challenging pricing environment for polysilicon has resulted in serious financial losses for many of the existing polysilicon producers. According to news from China Silicon Industry Association, at least three major Chinese polysilicon producers have shut down their facilities for maintenance since April and May, resulting in reduced supply. In addition, the ramp-up process of other Chinese players' new capacities have not been as fast and smooth as they expected, including production delays and unscheduled shutdowns. Furthermore, these new capacities are generally unable to immediately produce high quality mono-grade polysilicon due to quality issues. This has resulted in increased pricing spread between mono-grade and multi-grade polysilicon. Looking into the future, we believe current oversupply will be alleviated by a reduction in supply from high cost players. For the second half of 2019, we anticipate the booming demand from China's domestic PV market will significantly improve the overall supply-demand situation, particularly for the tightly-supplied mono-grade polysilicon."

"We are confident to overcome the temporary market challenges with our low cost structure and first class product quality. Moreover, our Phase 4A project is expected to double our capacity and reduce our cost even further, strengthening our leading position as one of the world's most competitive polysilicon manufacturers."

Operational and financial highlights in Q1 2019



- Polysilicon production volume of 8,764 MT in Q1 2019, compared to 7,301 MT in Q4 2018
- Polysilicon external sales volume of 8,450 MT in Q1 2019, compared to 7,030 MT in Q4 2018
- Polysilicon average total production cost⁽¹⁾ of \$7.42 /kg in Q1 2019, compared to \$7.94/kg in Q4 2018
- Polysilicon average cash cost⁽¹⁾ of \$6.20/kg in Q1 2019, compared to \$6.64/kg in Q4 2018
- Polysilicon average selling price (ASP) was \$9.55/kg in Q1 2019, compared to \$9.69/kg in Q4 2018
- Revenue from continuing operations was \$81.2 million in Q1 2019, compared to \$75.6 million in Q4 2018
- Gross profit from continuing operations was \$18.3 million in Q1 2019, compared to \$16.9 million in Q4 2018. Gross margin from continuing operations was 22.6% in Q1 2019, compared to 22.4% in Q4 2018
- EBITDA (non-GAAP)⁽²⁾ from continuing operations was \$20.0 million in Q1 2019, compared to \$29.5 million in Q4 2018
- EBITDA margin (non-GAAP)⁽²⁾ from continuing operations was 24.6% in Q1 2019, compared to 39.1% in Q4 2018
- Adjusted net income (non-GAAP)⁽²⁾ attributable to Daqo New Energy shareholders was \$11.1 million in Q1 2019, compared to \$15.7 million in Q4 2018 and \$32.9 million in Q1 2018
- Adjusted earnings per basic American Depository Share (ADS) (non-GAAP)⁽²⁾ of \$0.83 in Q1 2019, compared to \$1.18 in Q4 2018, and \$3.03 in Q1 2018
- Net income attributable to Daqo New Energy shareholders was \$6.6 million in Q1 2019, compared to \$11.4 million in Q4 2018 and \$31.6 million in Q1 2018.
- Earnings per basic ADS was \$0.50 in Q1 2019, compared to \$0.86 in Q4 2018, and \$2.91 in Q1 2018

Notes:

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

Xinjiang polysilicon facilities update



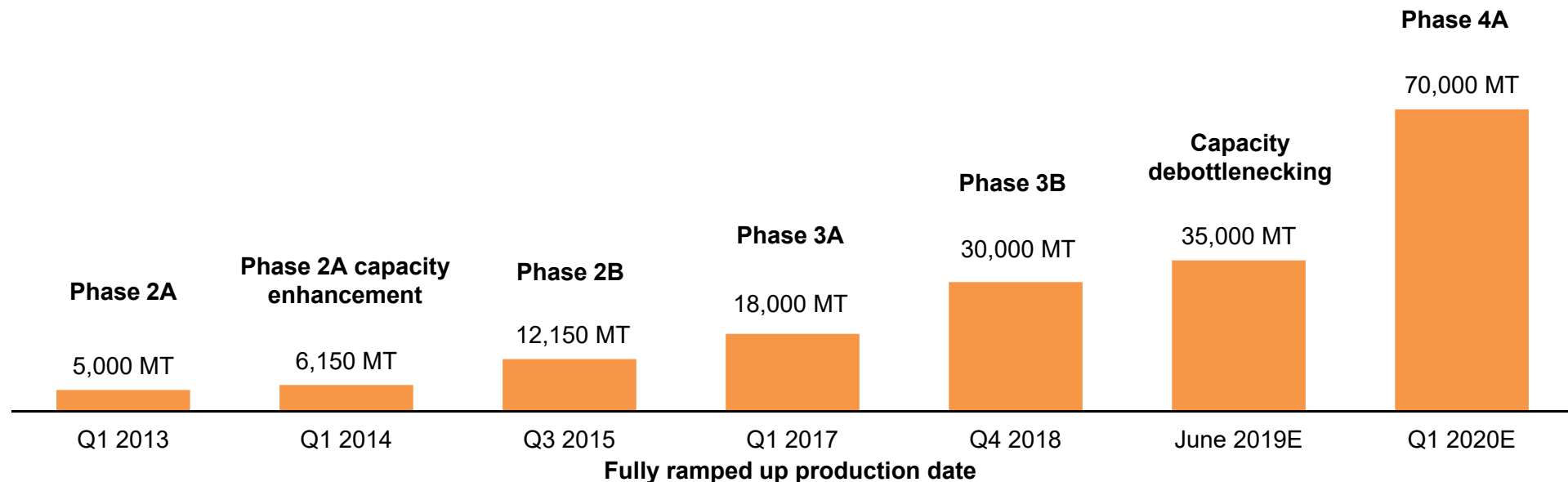
Q1 2019 key facts

- Quarterly production volume of 8,764 MT
- External sales volume of 8,450 MT
- Average total production cost : \$7.42/kg
- Average cash cost: \$6.20/kg
- Electricity rate reduced by 18% since Dec. 2018
- Capacity debottlenecking project expected to be completed in Jun. 2019
- Phase 4A project is progressing smoothly and remains on schedule

Outlook

- Expected production volume in Q2 2019: 7,200 ~ 7,400 MT
- Expected external sales volume in Q2 2019: 7,100 ~ 7,300 MT
- Expected annual production volume in 2019: 37,000 ~ 40,000 MT

Polysilicon historical and projected capacity in Daqo's Xinjiang facilities * (MT)

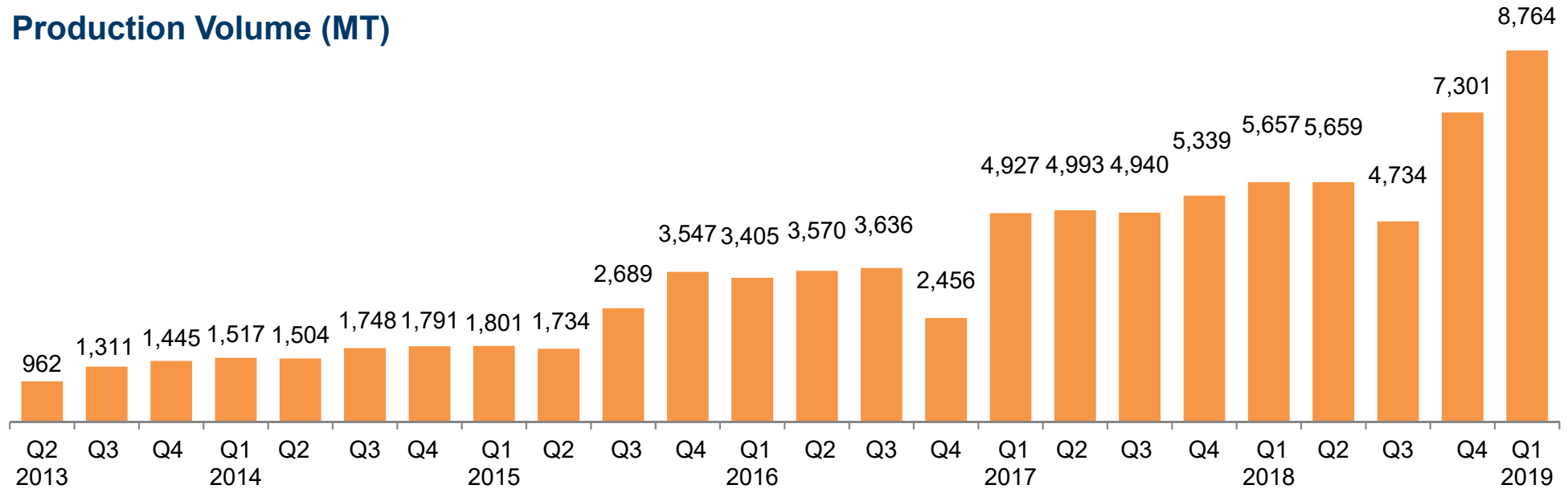


*Chongqing polysilicon facility discontinued polysilicon production in Q4 2012



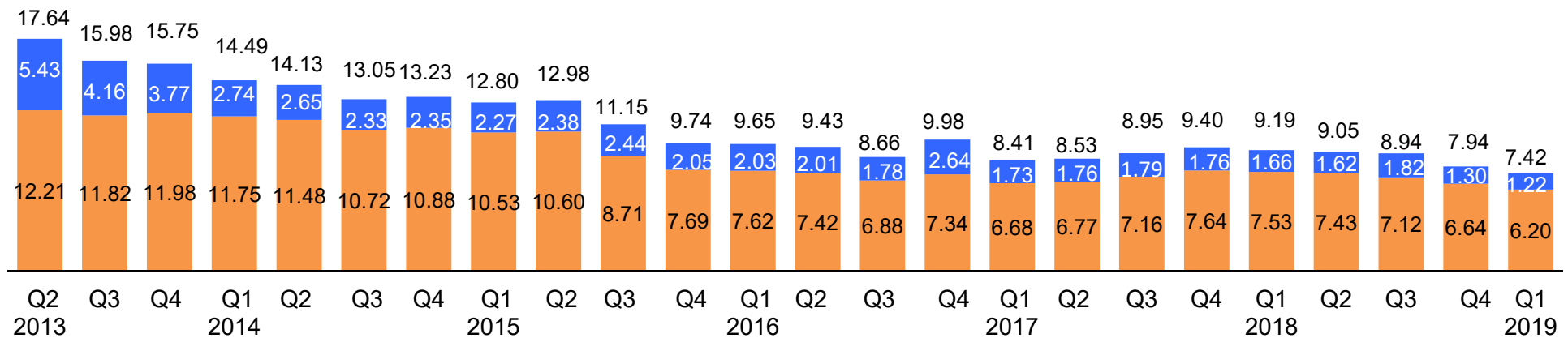
Polysilicon manufacturing overview

Production Volume (MT)



Cash cost and Depreciation (\$/kg)*

■ Cash cost ■ Depreciation

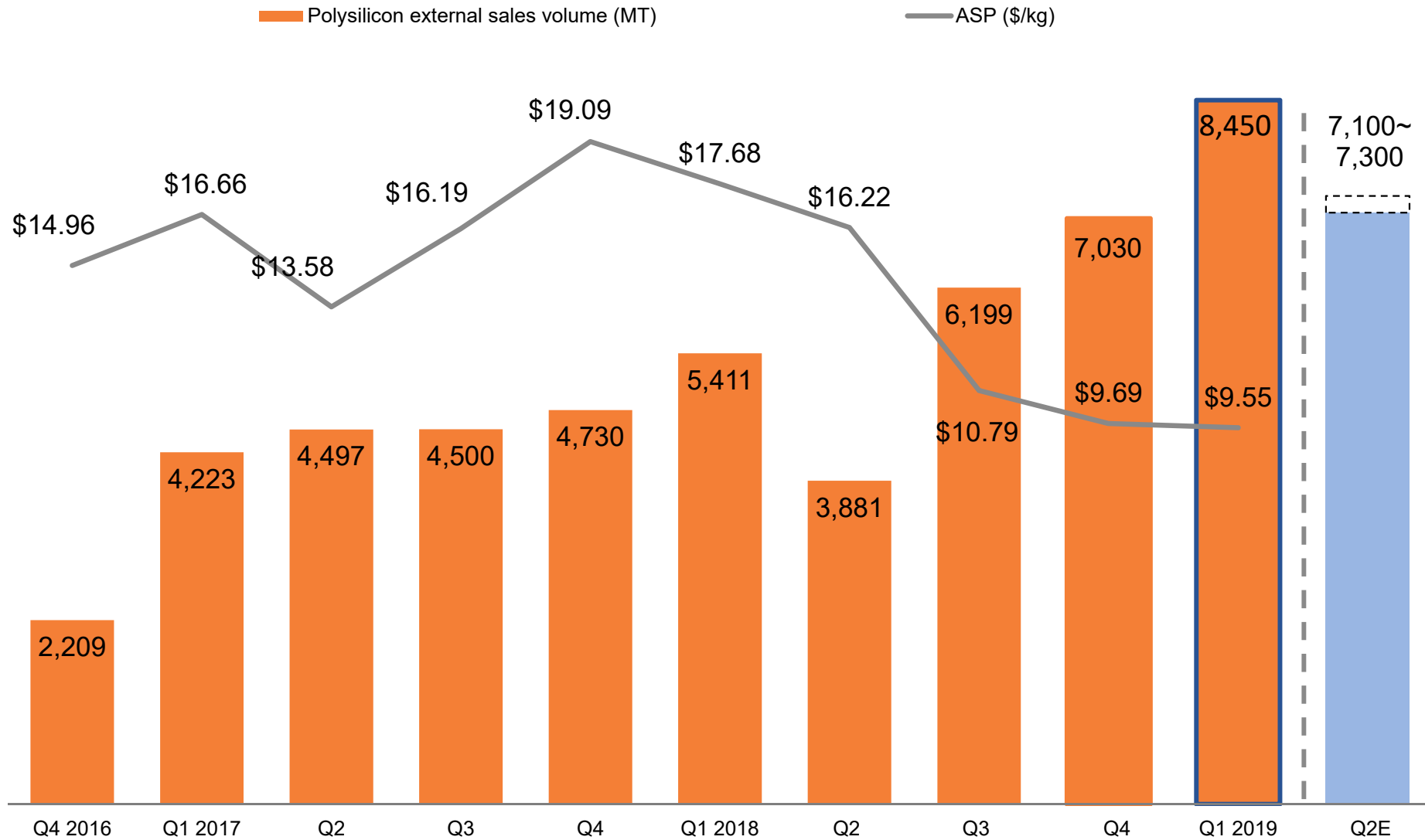


* The cash cost and depreciation only refer to the polysilicon production in Xinjiang facilities.

Historical sales volume and Q2 2019 guidance



Polysilicon external sales volume and ASPs



Income statement summary



(\$ in millions, unless otherwise stated)	Q1 2019	Q4 2018	Q1 2018
Revenues	81.2	75.6	95.6
Cost of revenues	(62.9)	(58.7)	(52.6)
Gross profit from continuing operations	18.3	16.9	43.1
Gross margin from continuing operations	22.6%	22.4%	45.0%
SG&A	(7.9)	(8.2)	(3.8)
R&D expense	(1.3)	(1.0)	(0.1)
Other operating income	0.07	12.5	0.03
Income from continuing operations	9.2	20.3	39.2
Interest expense	(2.2)	(1.9)	(3.7)
Net income from continuing operations	5.9	17.1	29.9
Net income (loss) from discontinued operations	0.8	(5.7)	2.1
Net income (loss) attributable to Daqo New Energy shareholders	6.6	11.4	31.6
Basic earnings (loss) per ADS (US\$)	0.50	0.86	2.91
EBITDA ⁽²⁾	20.0	29.5	48.6
EBITDA margin ⁽²⁾	24.6%	39.1%	50.8%

Notes:

- (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



(\$ in millions)	As of 3/31/2019	As of 12/31/2018	As of 3/31/2018
Cash and cash equivalent	65.1	65.4	60.8
Restricted cash	48.6	28.6	18.2
Accounts receivable	2.2	1.2	0.01
Note receivables	0.7	8.1	45.2
Inventories	18.9	15.4	16.0
Prepaid land use rights	22.7	22.2	24.8
Net PP&E	686.1	611.6	508.3
Current assets associated with discontinued operations	2.7	5.0	19.6
Non-current assets associated with discontinued operations	58.9	59.5	95.3
Total assets	924.1	854.9	799.4
Short-term Borrowings	43.2	38.2	82.9
Notes payable	66.3	29.2	26.2
Amounts due to related parties	2.1	2.3	1.7
Long-term Borrowings	149.7	133.3	106.8
Current liabilities associated with discontinued operations	7.6	18.7	43.9
Non-current liabilities associated with discontinued operations	0.7	0.7	2.5
Total liabilities	374.8	329.8	357.2
Total equity	549.3	525.1	442.2
Total liabilities and equity	924.1	854.9	799.4

Cash flow summary



(\$ in millions)	3 months ended 3/31/ 2019	3 months ended 3/31/ 2018
Net cash provided by operating activities – continuing operations	43.8	5.1
Net cash provided by operating activities – discontinued operations	4.7	16.8
Net cash provided by operating activities	48.5	22.0
Net cash used in investing activities – continuing operations	(38.9)	(7.4)
Net cash provided by (used in) investing activities – discontinued operations	0.2	(4.5)
Net cash used in investing activities	(38.6)	(11.8)
Net cash provided by (used in) financing activities – continuing operations	18.6	(2.3)
Net cash used in financing activities – discontinued operations	(11.4)	(0.2)
Net cash provided by (used in) financing activities	7.2	(2.4)
Effect of exchange rate changes	2.4	2.6
Net increase in cash, cash equivalents and restricted cash	19.4	10.3
Cash, cash equivalents and restricted cash at the beginning of the period	95.1	72.7
Cash, cash equivalents and restricted cash at the end of the period	114.6	83.0



Non-GAAP reconciliation

US\$ in millions	Q1 2019	Q4 2018	Q1 2018
Net income from continuing operations	5.9	17.1	29.9
Income tax expenses	1.4	1.6	5.9
Interest expense	2.0	1.9	3.7
Interest income	(0.3)	(0.4)	(0.1)
Depreciation & amortization	11.0	9.4	9.3
EBITDA ⁽¹⁾	20.0	29.5	48.6
EBITDA margin ⁽¹⁾	24.6%	39.1%	50.8%
Costs related to Chongqing poly facilities	-	-	389
Share-based compensation	4.5	4.3	0.9
Adjusted net income (non-GAAP) ⁽²⁾ attributable to Daqo New Energy Corp. shareholders	11.1	15.7	32.9
Adjusted earnings per basic ADS (non-GAAP) ⁽²⁾	\$0.83	\$1.18	\$3.03

Note:

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

(2) 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 New Energy'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 earnings before interest, taxes, depreciation and amortization ("EBITDA") and EBITDA margin; adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS. Our 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, our 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. Our 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 our 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 our 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.

The Company uses EBITDA, which represents earnings before interest, taxes, depreciation and amortization, and EBITDA margin, which represents the proportion of EBITDA in revenues. Adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS exclude 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, and the Company had removed this adjustment from the non-GAAP reconciling item since the fourth quarter of 2018, since as of the end of the third quarter of 2018, all of the polysilicon machinery and equipment had been either relocated to Xinjiang, disposed, or planned to be disposed. Adjusted net income attributable to Daqo New Energy Corp. shareholders and adjusted earnings per basic ADS also exclude costs related to share-based compensation. Share-based compensation is a non-cash expense that varies from period to period. As a result, our management excludes this item from its internal operating forecasts and models. Our 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.



Thank you

