DAQO NEW ENERGY CORP

Daqo New Energy Corp.

Unaudited Q1 2016 Financial Results Presentation

May 10, 2016

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 presentation and in the attachments is as of the date of this presentation, 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 2016 highlights

- **Polysilicon Cost Structure**

  -- **total production cost** (including depreciation) of $9.65/kg in Q1 2016, compared to $9.74/kg in Q4 2015

  -- **cash cost** (excluding depreciation) of $7.62/kg in Q1 2016, compared to $7.69/kg in Q4 2015

- **Polysilicon production volume** of 3,405 MT in Q1 2016, compared to 3,547 MT in Q4 2015
- **Polysilicon external sales volume** [(1)] of 2,905 MT in Q1 2016, compared to 3,092 MT in Q4 2015
- **Wafer sales volume** [(1)] of 22.1 million pieces in Q1 2016, increased from 21.0 million pieces in Q4 2015
- **Polysilicon ASP** of $13.72/kg in Q1 2016, compared to $13.86/kg in Q4 2015
- **EBITDA** [(2)] of $21.9 million (EBITDA margin: 38.0%) in Q1 2016, compared to $23.4 million (EBITDA margin: 39.5%) in Q4 2015.
- **Non-GAAP gross margin** [(3)] of 32.6% in Q1 2016, up from 31.9% in Q4 2015

Note:
(1) The 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) A non-GAAP measure which represents earnings before interest, taxes, depreciation and amortization.
(3) Non-GAAP margin excluded costs of $2.3 million related to polysilicon operations in Chongqing which halted production in September 2012.

Phase 2B Existing Polysilicon Facilities

Phase 3A Polysilicon Facilities Under Construction

Market update

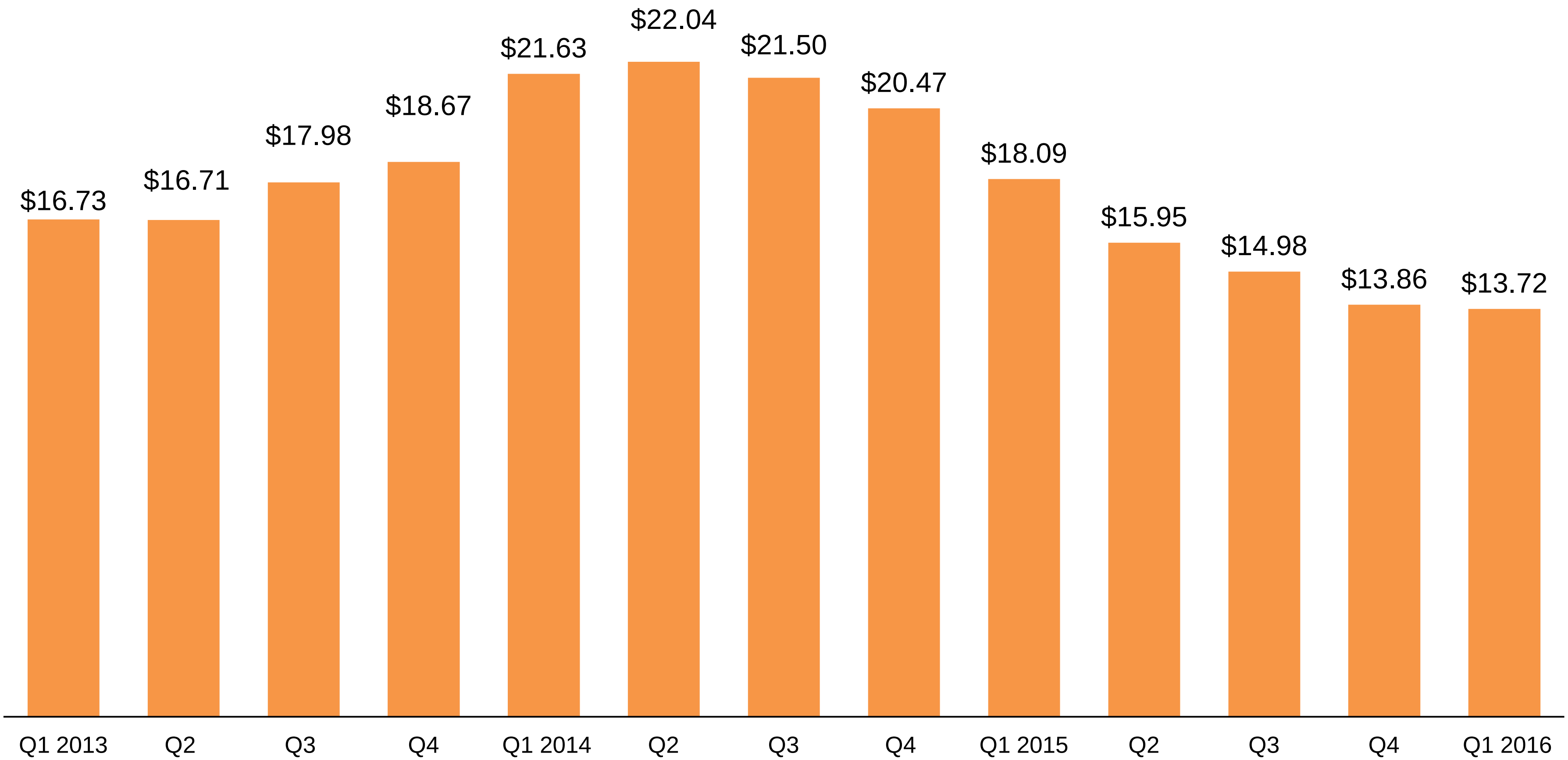
•Since February 2016, polysilicon ASPs have improved meaningfully due to strong downstream demand. We saw significant additions of new wafer capacities in the market, which have increased polysilicon consumption and created an environment of relatively tight polysilicon supply. During April and May, we saw further improvements in polysilicon market prices, which by now are up by approximately 40% to 45% from the January level, driven by low levels of channel inventory and an increase in downstream customer demand.

•As we ramp up our Chonqing solar wafer capacity and continue to increase our wafer production volume, we expect to see increasing volume of polysilicon being shipped to our Chongqing wafer manufacturing subsidiary in order to meet its raw material needs.

•In April, we received the approval to have the shares of Xinjiang Daqo listed on China's New Third Board.

Daqo's quarterly polysilicon Average Selling Prices

Quarterly Polysilicon ASPs($/kg)



Xinjiang polysilicon facilities update

Q1 2016 key facts

- Production volume of 3,405 MT
- External sales volume of 2,905 MT
- Average total production cost : $9.65/kg
- Average cash cost: $7.62/kg

Outlook

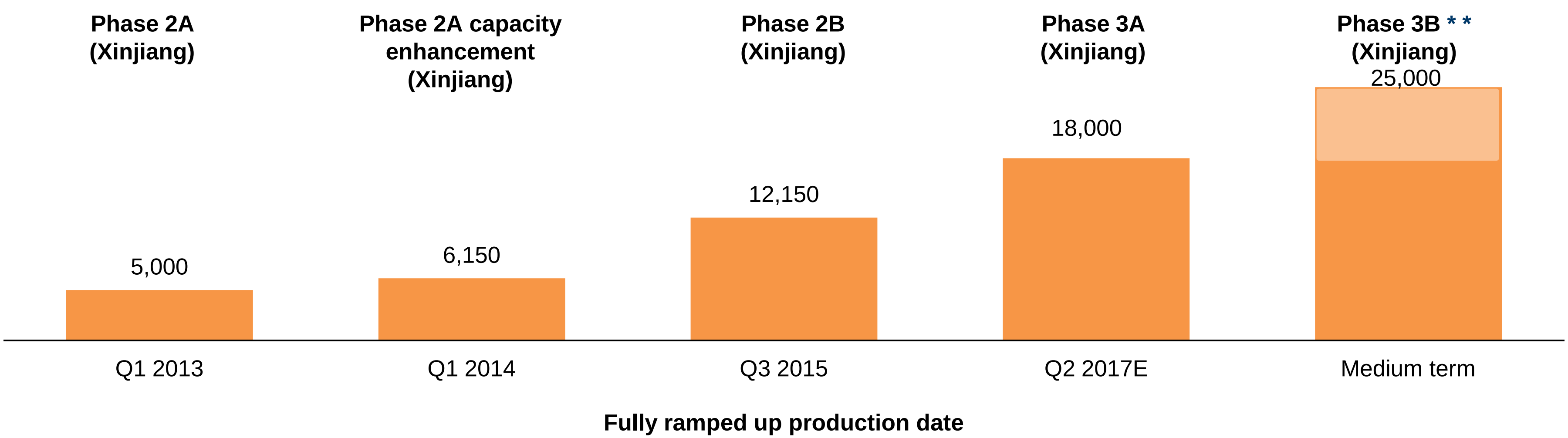
- Expected sales volume in Q2 2016:

  2,850 ~ 2,950 MT
- Cost targets: (on average)

  -- Total production cost <$10.00/kg in 2016

  -- Cash cost < $8.00/kg in 2016

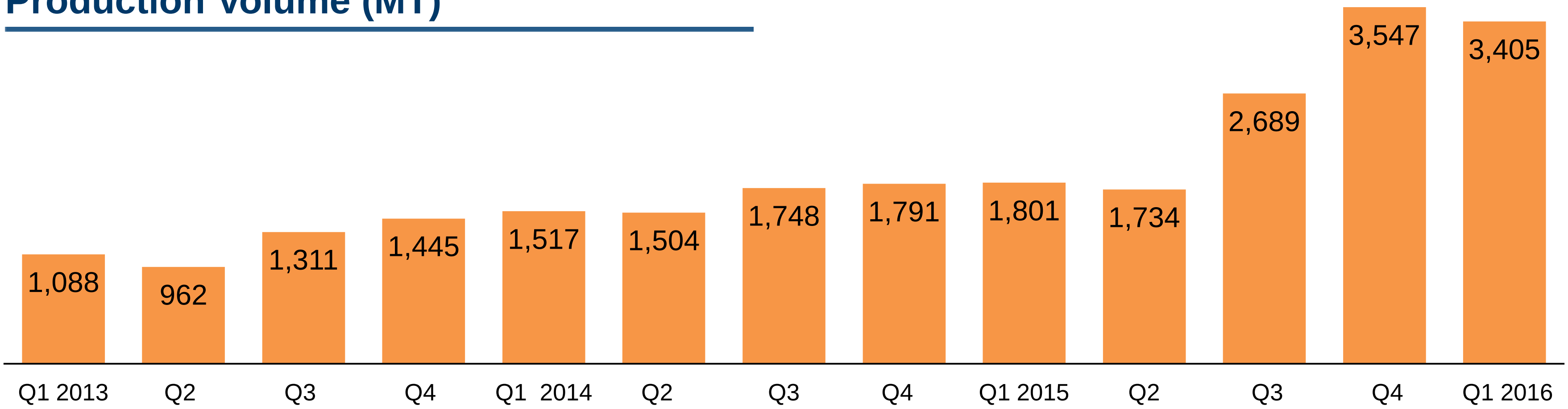
Polysilicon historical and projected capacity * (MT)



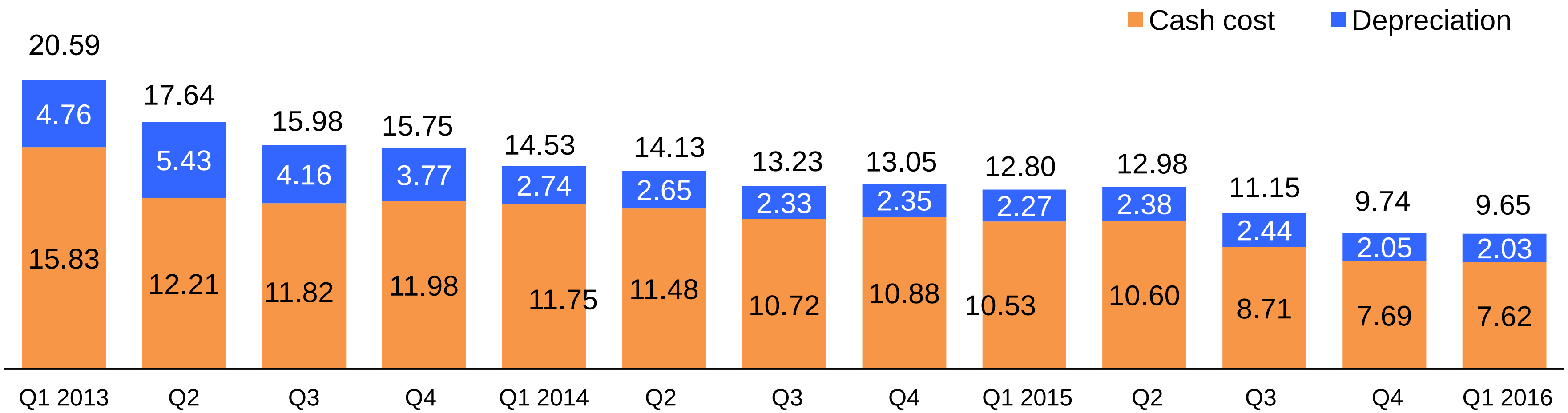
*Wanzhou polysilicon facility discontinued polysilicon production in Q4 2012
**Estimated and my change subject to market and industry conditions

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 2016 key facts

- Annual capacity of approximately

  90 million pieces (388 MW)
- 22.1 million pieces sold to customers

Q2 2016 sales volume outlook

- Q2 2016 wafer sales volume:

  23.5 ~24.0 million pieces
- Technology enhancement project:
  - Reduce manufacturing cost
  - Increase annual capacity to 100 million pieces

    by the end of Q2 2016

Sales volume in Q1 2016 and outlook for Q2 2016

Sales Volume	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016E guidance
Polysilicon (MT)	1,502	1,363	2,277	3,092	2,905	2,850~ 2,950
Wafer (million pieces)	18.1	18.3	19.1	21.0	22.1	23.5~24.0

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Q1 2016 financial highlights

- Revenue of $57.7 million in Q1 2016, compared to $59.3 million in Q4 2015;
- Gross profit of $16.7 million in Q1 2016, compared to $16.9 million in Q4 2015;
- Non-GAAP gross margin (1) of 32.6% in Q1 2016, up from 31.9% in Q4 2015;
- Income from operations of $13.3 million in Q1 2016, compared to $14.3 million in Q4 2015;
- EBITDA (2) of $21.9 million in Q1 2016, compared to $23.4 million in Q4 2015;
- Net income attributable to Daqo New Energy shareholders of $8.3 million in Q1 2016, compared to $9.6 million in Q4 2015;
- Earnings per ADS (basic) of $0.80 in Q1 2016, compared to $0.92 in Q4 2015;
- Adjusted net income (non-GAAP) (3) attributable to Daqo New Energy shareholders of $11.7 million in Q1 2016, compared to $11.9 million in Q4 2015;
- Adjusted earnings per basic ADS (non-GAAP) (3) of $1.12 in Q1 2016, compared to $1.14 in Q4 2015.

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 2016 vs. Q4 2015)

US$ in millions	Q1 2016	Q4 2015	Change	Analysis
Revenues	**57.7**	**59.3**	（1.6）	Polysilicon: Ext. sales volume ↓, ASPs ↓ Wafer: Sales volume ↑
Cost of revenues	(40.9)	(42.4)	1.5	Polysilicon: Ext. sales volume ↓, Cost ↓ Wafer: Sales volume ↑
Gross profit	16.7	16.9	(0.2)	
Gross margin	**29.0%**	**28.5%**	0.5%	
Non-GAAP Gross margin (1)	**32.6**	**31.9%**	0.7%	
SG&A and R&D expense	(4.1)	(2.8)	(1.3)	Share-based compensation expenses↑
Other operating income	0.7	1.7	(1.0)	
Impairment of long-lived assets	-	(1.6)	1.6	
Income from operations	**13.3**	**14.3**	(1.0)	
Net interest expense	(3.8)	(4.0)	(0.2)	
Net income attributable to Daqo New Energy shareholders	**8.3**	**9.6**	(1.3)	
Basic earnings per ADS (US$)	**0.80**	**0.92**	(0.12)	
EBITDA (2)	**21.9**	**23.4**	(1.5)	
EBITDA margin (2)	**38.0%**	**39.5%**	(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

Balance sheet summary

US$ in millions	3/31/2016	12/31/2015	Change (Q1 2016 vs. Q4 2015)	3/31/2015
Cash and restricted Cash	35.7	33.6	2.1	32.2
Accounts receivable	15.4	19.9	(4.5)	8.8
Notes receivable	25.3	11.1	14.2	48.4
Inventories	10.9	10.7	0.2	9.4
Prepaid land use rights	27.2	27.1	0.1	28.9
Net PP&E	546.4	544.3	2.1	559.6
Total assets	**672.4**	**660.9**	11.5	**716.9**
Short-term Borrowings	126.5	123.9	2.6	148.0
Notes payable	28.1	20.2	7.9	34.9
Amount due to related party	46.7	46.4	0.3	95.7
Long-term Borrowings	114.8	118.5	(3.7)	74.2
Total liabilities	**418.9**	**419.2**	(0.3)	**478.9**
Total equity	**253.5**	**241.7**	11.8	**238.0**
Total liabilities and equity	**672.4**	**660.9**	11.5	**716.9**

Cash flow summary

US$ in millions	3 months ended Mar 31, 2016	3 months ended Mar 31, 2015
Net cash provided by operating activities	**22.5**	**1.3**
Net cash (used in) investing activities	**(17.5)**	**(16.3)**
Net cash provided by financing activities	**(3.3)**	**22.7**
Effect of exchange rate changes	0.096	0.005
Net increase (decrease) in cash and cash equivalents	1.9	7.8
Cash and cash equivalents at the beginning of the period	14.4	7.0
Cash and cash equivalents at the end of the period	16.3	14.8

Non-GAAP reconciliation – EBITDA and gross margin

US$ in millions	Q1 2016	Q4 2015	Change
Net income	8.4	9.6	(1.5)
Depreciation	8.6	9.1	(0.5)
EBITDA [(1)]	**21.9**	**23.4**	(1.5)
EBITDA margin [(1)]	**38.0%**	**39.5%**	(1.5%)
Costs related to Chongqing poly facilities	2.0	2.0	-
Non-GAAP gross profit [(2)]	**18.8**	**18.9**	(0.1)
Non-GAAP gross margin [(2)]	**32.6%**	**31.9%**	(0.7%)

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 – Adjusted Net Income and EPS

US$ in millions	Q1 2016	Q4 2015	Change
Net income	8.4	9.6	(1.2)
Costs related to Chongqing poly facilities	2.0	2.0	-
Share-based compensation	1.3	0.3	1.0
Adjusted Net income* (non-GAAP)	**11.7**	**11.9**	(0.2)
Adjusted Earnings per basic ADS* (non-GAAP)	**$1.12**	**$1.14**	($0.02)
Adjusted Earnings per diluted ADS* (non-GAAP)	**$1.11**	**$1.13**	($0.02)

Note: * 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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