DAQO NEW ENERGY CORP

Daqo New Energy Corp.

Unaudited Q3 2016 Financial Results Presentation

November 15, 2016

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This presentation 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 fourth quarter of 2016 and quotations from management in this presentation, 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 presentation 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 Q3 2016 highlights

- **Polysilicon Cost Structure** [1]

  -- **total production cost** (including depreciation) of $8.66/kg in Q3 2016, compared to $9.43/kg in Q2 2016

  -- **cash cost** (excluding depreciation) of $6.88/kg in Q3 2016, compared to $7.42/kg in Q2 2016

- **Polysilicon production volume** of 3,636 MT in Q3 2016, compared to 3,570 MT in Q2 2016
- **Polysilicon external sales volume** [2] of 2,838 MT in Q3 2016, compared to 2,931 MT in Q2 2016
- **Wafer sales volume** [2] of 14.4 million pieces in Q3 2016, compared to 25.0 million pieces in Q2 2016
- **Polysilicon ASP** of $15.64/kg in Q3 2016, compared to $17.24/kg in Q2 2016
- **EBITDA** [3] of $25.0 million in Q3 2016, compared to $34.7 million in Q2 2016
- **EBITDA margin** [3] of 46.0% in Q3 2016, compared to 48.9% in Q2 2016
- **Non-GAAP gross margin** [4] of 39.9% in Q3 2016, compared to 43.9% in Q2 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 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 excluded costs related to polysilicon operations in Chongqing which halted production in September 2012.

Phase 2B Existing Polysilicon Facilities

Phase 3A Polysilicon Facilities Under Construction

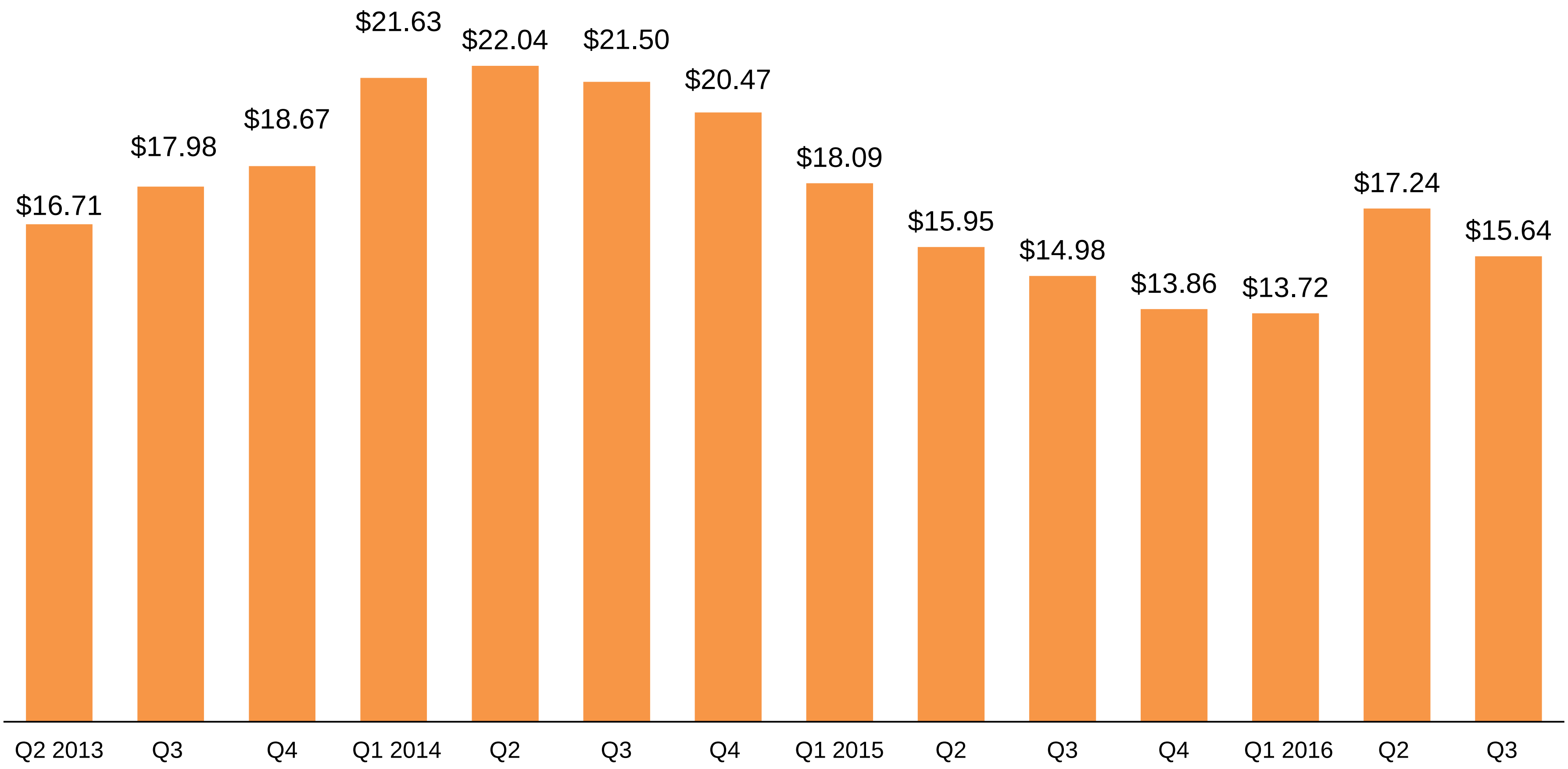
Market update

•In the third quarter of 2016, downstream solar end market and polysilicon market experienced significant volatility. Due to a slow-down in China end market demand and installation activities after China's FIT adjustment at the end of June 2016, the market saw lower levels of demand towards the end of the third quarter of 2016. Our third quarter's ASP was $15.64/kg, compared to second quarter's ASP of $17.24/kg. As a result of the market volatility during (towards the end of the third quarter), several polysilicon manufacturers, both within China and abroad, partially shut down their capacities due to weak polysilicon pricing. The resulting reduction in polysilicon supply has helped to stabilize the market and paved the way for price recovery.

•The solar market began to recover in early October, with strong customer demand and order momentum. Due to limited channel inventory, polysilicon pricing has recovered particularly well, with increases in orders from our broad based customers. Wafer pricing also recovered significantly. During early November, we also saw downstream product pricing recovering meaningfully, including pricing for solar cells and solar modules.

Daqo's quarterly polysilicon Average Selling Prices

Quarterly Polysilicon ASPs($/kg)



Xinjiang polysilicon facilities update

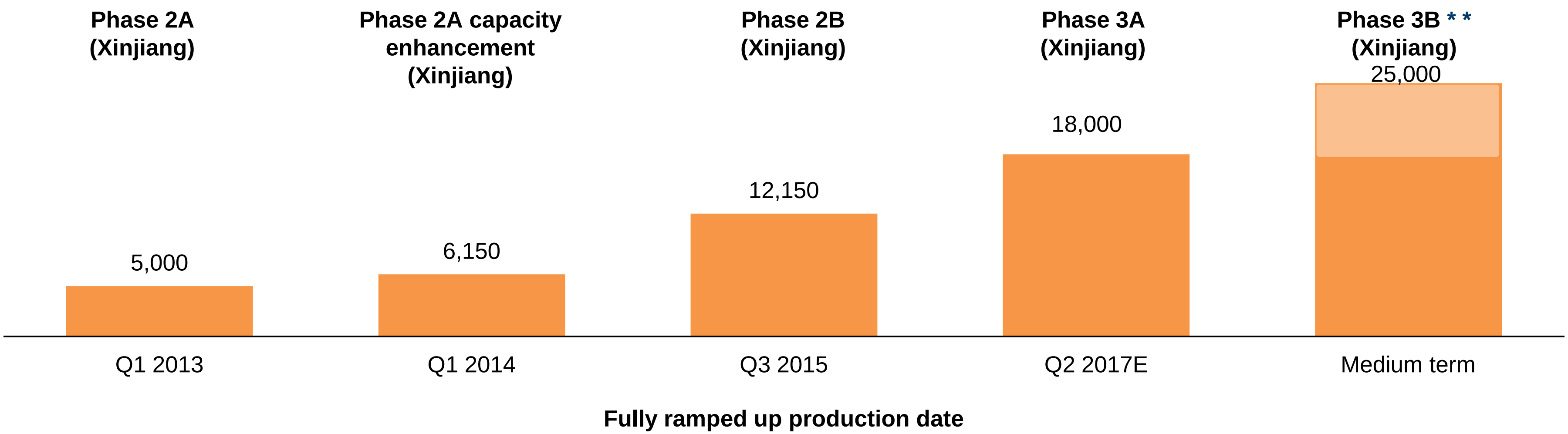
Q3 2016 key facts

- Production volume of 3,636 MT
- External sales volume of 2,838 MT
- Average total production cost : $8.66/kg
- Average cash cost: $6.88/kg

Outlook

- Annual maintenance successfully completed. Production resumed to full capacity in early Nov. 2016
- Expected sales volume in Q4 2016: 2,200 ~ 2,300 MT (excluding polysilicon used internally by our Chongqing wafer facility)

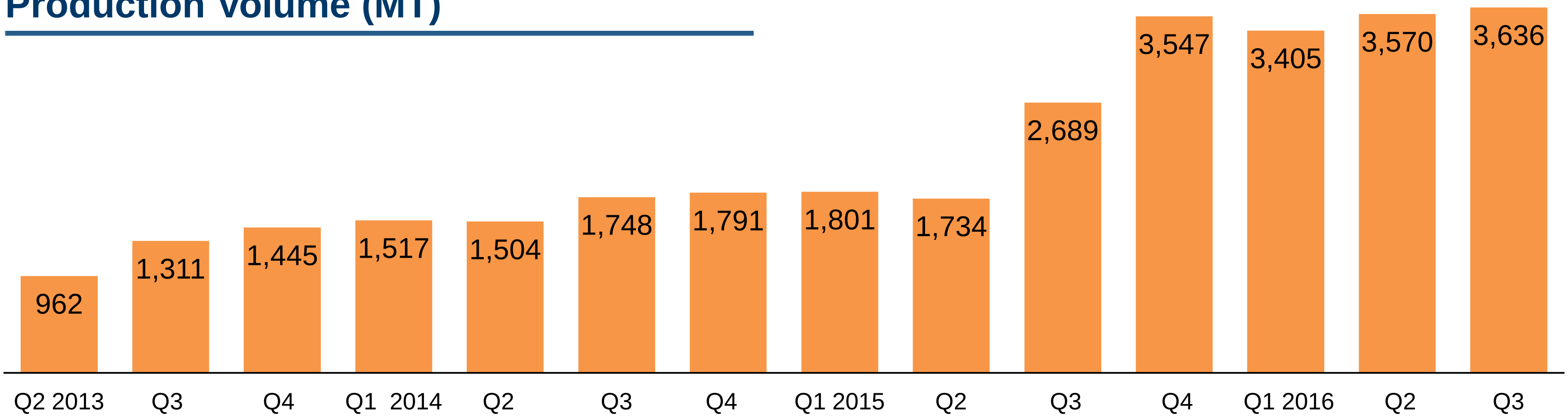
Polysilicon historical and projected capacity * (MT)



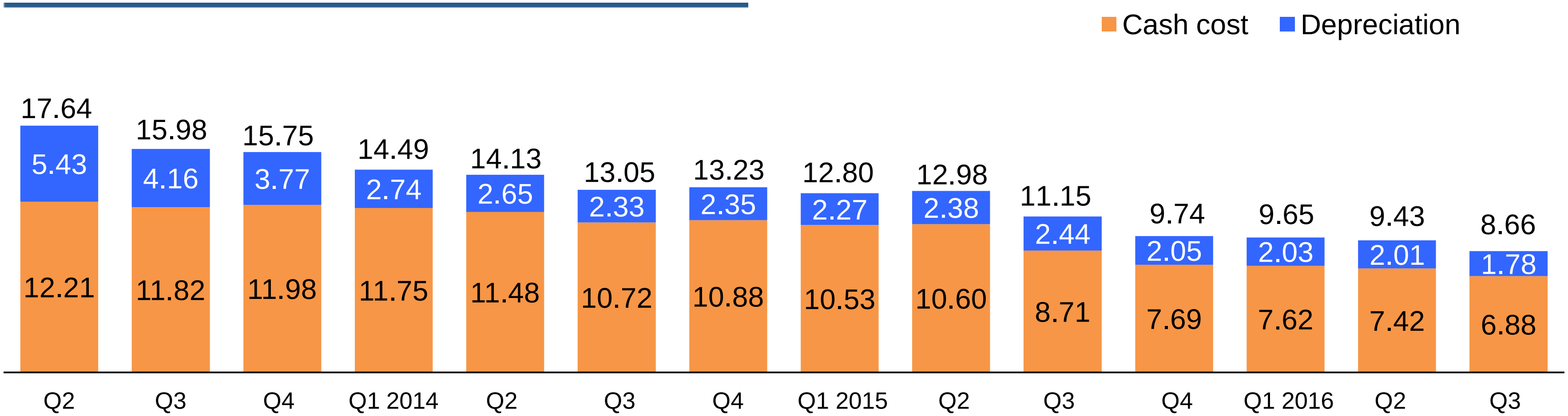
*Wanzhou polysilicon facility discontinued polysilicon production in Q4 2012
**Estimated and may change subject to market and industry conditions

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

Q3 2016 key facts

- Low utilization rate due to volatility in wafer market
- 14.4 million pieces sold to customers

Q4 2016 sales volume outlook

- Resume production to full capacity in Nov. with improving market situations
- Q4 2016 wafer sales volume:
  20.0 ~21.0 million pieces

Sales volume in Q3 2016 and outlook for Q4 2016

Sales Volume	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016E guidance
Polysilicon (MT)	2,277	3,092	2,905	2,931	2,838	**2,200~ 2,300**
Wafer (million pieces)	19.1	21.0	22.1	25.0	14.0	**20.0~21.0**

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Q3 2016 financial highlights

- Revenue of $54.3 million in Q3 2016, compared to $71.0 million in Q2 2016
- Gross profit of $20.1 million in Q3 2016, compared to $29.4 million in Q2 2016;
- Non-GAAP gross margin (1) of 39.9% in Q3 2016, compared to 43.9% in Q2 2016;
- Income from operations of $16.4 million in Q3 2016, compared to $26.1 million in Q2 2016;
- EBITDA (2) of $25.0 million in Q3 2016, compared to $34.7 million in Q2 2016;
- Net income attributable to Daqo New Energy shareholders of $11.2 million in Q3 2016, compared to $19.8 million in Q2 2016;
- Earnings per ADS (basic) of $1.07 in Q3 2016, compared to $1.90 in Q2 2016 ;
- Adjusted net income (non-GAAP) (3) attributable to Daqo New Energy shareholders of $13.2 million in Q3 2016, compared to $22.0 million in Q2 2016;
- Adjusted earnings per basic ADS (non-GAAP) (3) of $1.26 in Q3 2016, compared to $2.10 in Q2 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 (Q3 2016 vs. Q2 2016)

US$ in millions	Q3 2016	Q2 2016	Change	Analysis
Revenues	**54.3**	**71.0**	(16.7)	Polysilicon: Ext. sales volume ↓ , ASP↓ Wafer: Sales volume ↓, ASP↓
Cost of revenues	(34.2)	(41.6)	7.4	Polysilicon: Production cost ↓ Wafer: Sales volume ↓
Gross profit	20.1	29.4	(9.3)	
Gross margin	**37.1%**	**41.4%**	(4.3%)	
Non-GAAP Gross margin (1)	**39.9%**	**43.9%**	(4.0%)	
SG&A and R&D expense	(5.9)	(3.8)	(2.1)	
Other operating income	2.2	0.6	1.6	
Income from operations	**16.4**	**26.1**	(9.7)	
Net interest expense	(3.0)	(3.3)	0.3	
Net income attributable to Daqo New Energy shareholders	**11.2**	**19.8**	(8.6)	
Basic earnings per ADS (US$)	**1.07**	**1.90**	(0.83)	
EBITDA (2)	**25.0**	**34.7**	(9.7)	
EBITDA margin (2)	**46.0%**	**48.9%**	(2.9%)	

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	9/30/2016	6/30/2016	Change (Q3 2016 vs. Q2 2016)	9/30/2015
Cash and restricted Cash	29.2	42.9	(13.7)	68.7
Accounts receivable	4.6	10.1	(5.5)	15.4
Note receivables	17.0	14.8	2.2	16.5
Inventories	14.9	9.5	5.4	12.2
Prepaid land use rights	26.0	26.2	(0.2)	27.9
Net PP&E	561.3	546.2	15.1	557.7
Total assets	**664.3**	**662.7**	1.6	**717.4**
Short-term Borrowings	98.6	109.5	(10.9)	115.2
Notes payable	14.4	26.1	(11.7)	52.2
Amounts due to related parties	41.4	41.1	0.3	57.9
Long-term Borrowings	129.0	118.4	10.6	143.9
Total liabilities	**386.7**	**396.6**	(9.9)	**479.8**
Total equity	**277.6**	**266.1**	11.5	**237.6**
Total liabilities and equity	**664.3**	**662.7**	1.6	**717.4**

Cash flow summary

US$ in millions	9 months ended Sep. 30, 2016	9 months ended Sep. 30, 2015
Net cash provided by operating activities	**70.9**	**65.6**
Net cash (used in) investing activities	**(51.2)**	**(82.7)**
Net cash used in (provided by) financing activities	**(12.3)**	**38.1**
Effect of exchange rate changes	(0.3)	(0.1)
Net increase (decrease) in cash and cash equivalents	7.1	20.9
Cash and cash equivalents at the beginning of the period	14.5	7.1
Cash and cash equivalents at the end of the period	21.6	28.0

Non-GAAP reconciliation – EBITDA and gross margin

US$ in millions	Q3 2016	Q2 2016	Change
Net income	11.3	20.0	(8.7)
Depreciation	8.5	8.6	(0.1)
EBITDA (1)	**25.0**	**34.7**	(9.7)
EBITDA margin (1)	**46.0%**	**48.9%**	(2.9%)
Costs related to Chongqing poly facilities	1.5	1.8	(0.3)
Non-GAAP gross profit (2)	**21.6**	**31.2**	(9.6)
Non-GAAP gross margin (2)	**39.9%**	**43.9%**	(4.0%)

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 (except per ADS data)	Q3 2016	Q2 2016	Change
Net income attributable to Daqo New Energy Corp. shareholders	11.2	19.8	(8.6)
Costs related to Chongqing poly facilities	1.5	1.8	(0.3)
Share-based compensation	0.5	0.4	0.1
Adjusted Net income* (non-GAAP)	**13.2**	**22.0**	(8.8)
Adjusted Earnings per basic ADS* (non-GAAP)	**$1.26**	**$2.10**	($0.84)
Adjusted Earnings per diluted ADS* (non-GAAP)	**$1.24**	**$2.08**	($0.84)

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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