



DAQO NEW ENERGY CORP



# Daqo New Energy Corp. Q2 2015 Financial Results Presentation

August 11, 2015

# 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 Q2 2015 highlights

- **Polysilicon production volume of 1,734 MT** in Q2 2015, compared to 1,801 MT in Q1 2015; Polysilicon production volume in Q2 was impacted by the planned shutdown related to our annual facility maintenance in May 2015
- **Cost Structure**  
**total production** of \$12.98/kg in Q2 2015, compared to \$12.80/kg in Q1 2015;  
**cash cost** of \$10.60/kg in Q2 2015, compared to \$10.53/kg in Q1 2015; The sequentially higher cost was due to lower production volume as a result of the planned shutdown related to our annual facility maintenance in May 2015
- **Polysilicon sales volume<sup>(3)</sup> of 1,363 MT** in Q2 2015, compared to 1,502 MT in Q1 2015
- **Wafer sales volume<sup>(3)</sup> of 18.3 million pieces** in Q2 2015, compared to 18.1 million pieces in Q1 2015
- **Polysilicon ASP was \$15.95/kg** in Q2 2015, compared to \$18.09/kg in Q1 2015
- **EBITDA<sup>(1)</sup> of \$8.4 million** (EBITDA margin: 24.6%) in Q2 2015, compared to \$11.4 million (EBITDA margin: 27.3%) in Q1 2015
- **Non-GAAP gross margin<sup>(2)</sup> of 19.6%** in Q2 2015 compared to 28.0% in Q1 2015
- **Xinjiang Phase 2B project update:** Started pilot production in the end of June and expect to fully ramp up the capacities by the end of August 2015.
- **Xinjiang Phase 3A project:** Officially launched the initial works after board approval. Expect to complete construction and installation by the end of 2016 and fully ramp up the capacity by the end of Q2 2017.

Note:

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

(2) Non-GAAP margin excluded costs of \$3.3 million related to polysilicon operations in Chongqing which halted production in September 2012

(3) Starting from the second quarter of 2015, the Company will report sales volumes of polysilicon and wafer, respectively, instead of shipment. 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.



# Daqo Xinjiang Polysilicon Phase 2B

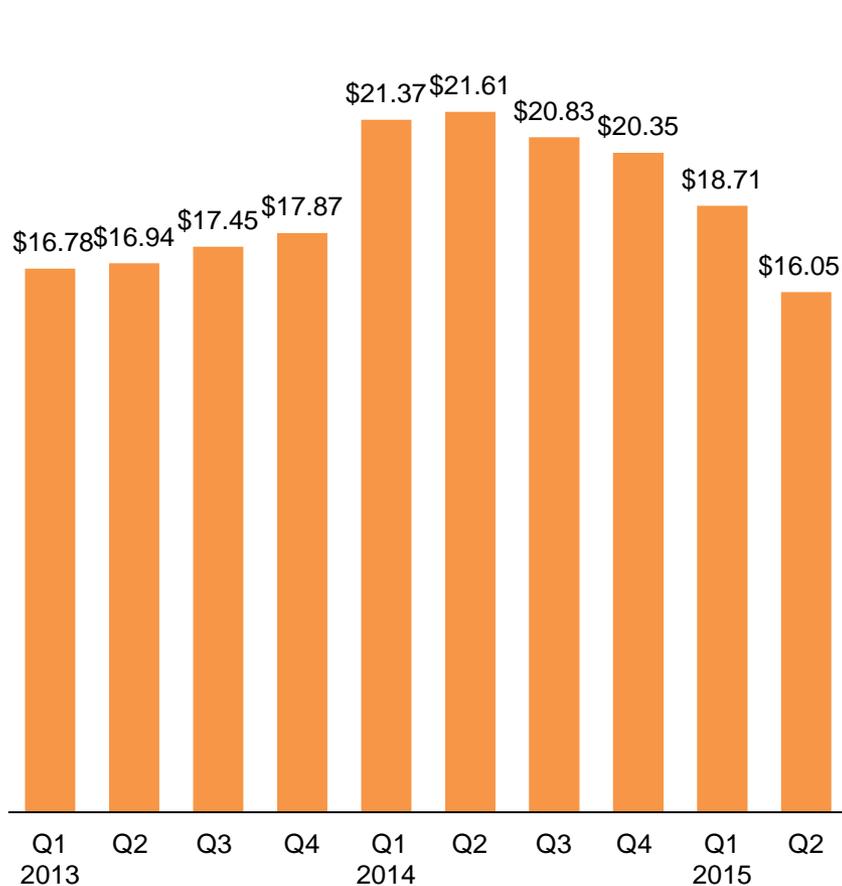


# Market update

- According to the announcement by China's National Energy Administration, the newly added PV installation in China in the first half of 2015 was 7.7 GW. We believe the installation in the second half of 2015 in China may potentially reach 10GW and the 17.8GW annual target is achievable.
- As for the global market, typically the installation in the second half of a calendar year may be 30~40% higher than in the first half. We expect to see strong demand in global solar markets in the second half of 2015, which may possibly improve polysilicon ASP in the second half of 2015.
- According to the announced policy regarding the suspension of "processing trade", the polysilicon imported from the United States, Korea and Europe will be subject to different AD and CVD tariffs, on top of the import tariff of 4%, starting from September 1, 2015.

# Market price trend ( by PVinsights)

## Polysilicon spot market price (\$/kg)



## Wafer ASP (\$ / piece)



# Xinjiang polysilicon facilities update

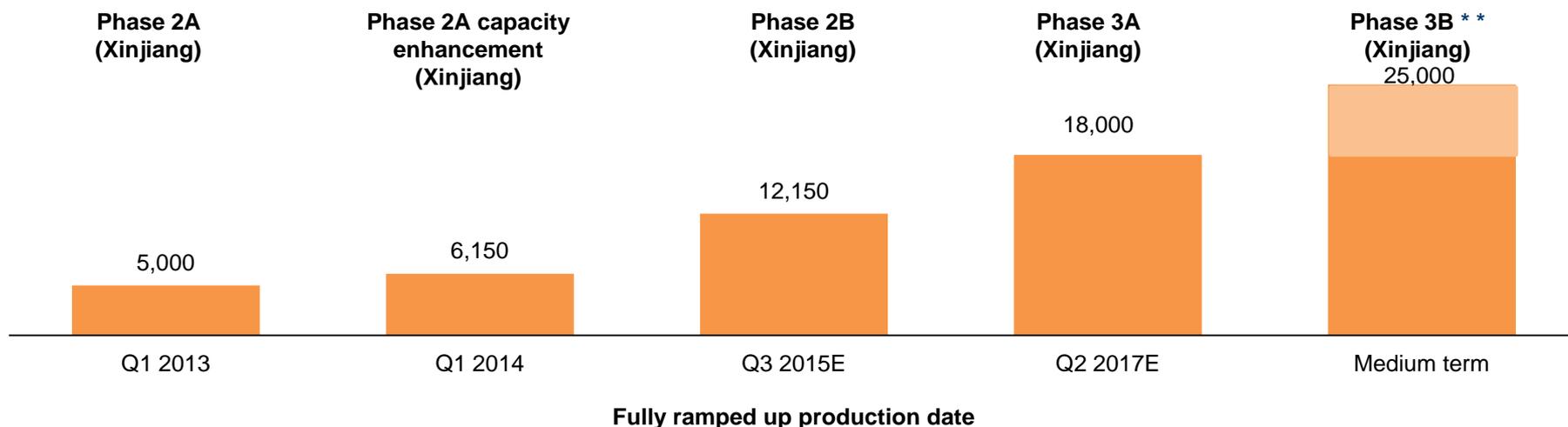
## Q2 2015 key facts

- 1,734 MT production
- 1,363 MT sold to external customers
- Solar Grade I: 99.5% in Q2 2015
- Q2 2015 total production cost : \$12.98 / kg
- Q2 2015 cash cost: \$10.60 / kg

## Outlook

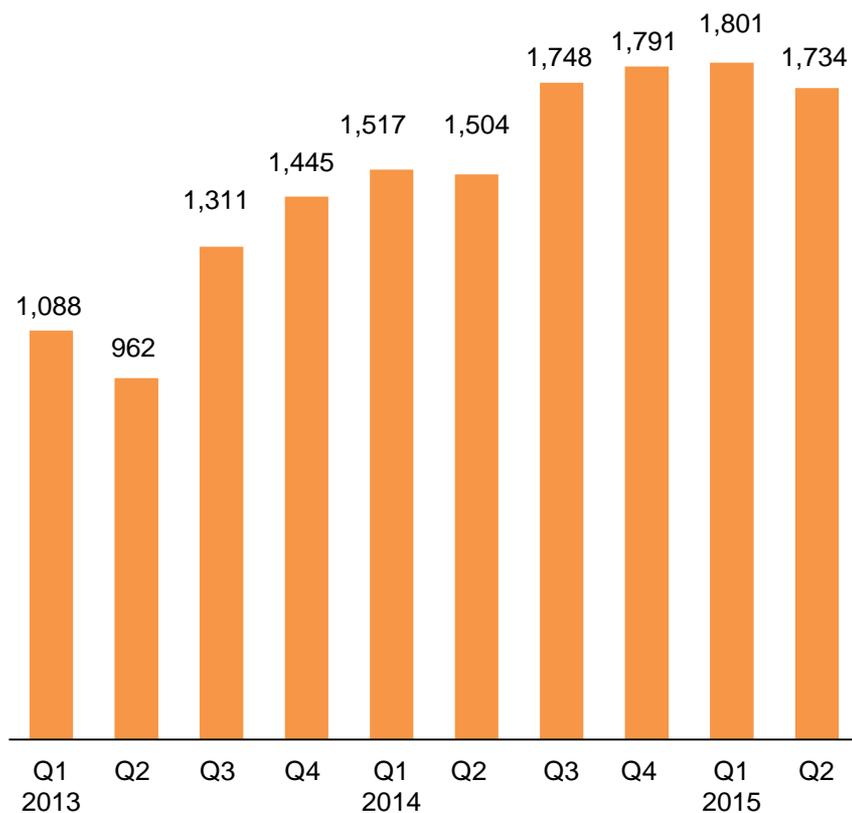
- Expected sales volume in Q3 2015: 2,100 ~ 2,200 MT
- Xinjiang Phase 2B project update:
  - Started pilot production in the end of June
  - Expect to fully ramp up by the end of August
  - Total production cost is expected to be reduce to a level below \$12.00/kg when fully ramped

## Polysilicon historical and projected capacity \* (MT)

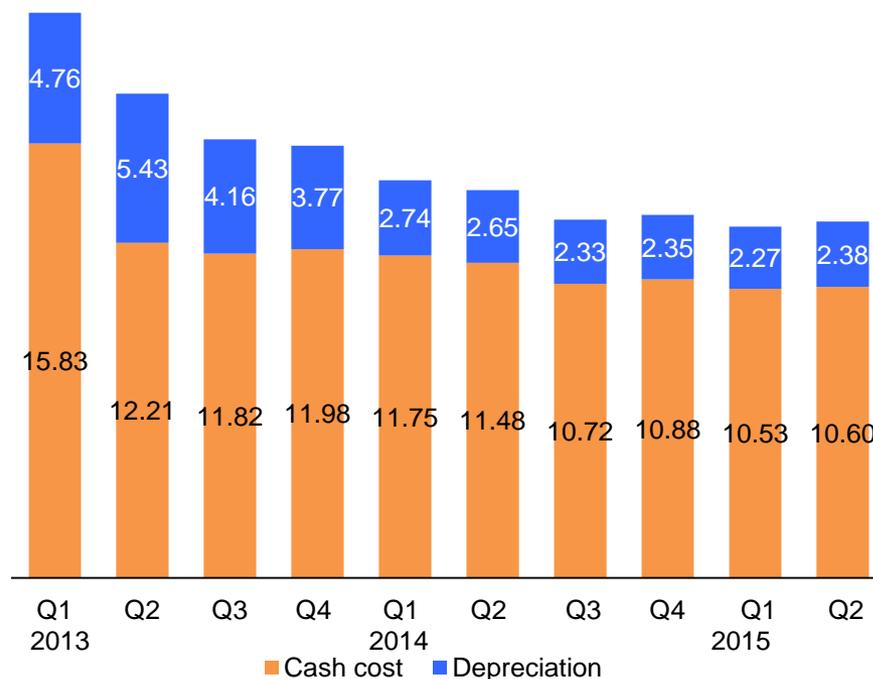


# Polysilicon manufacturing overview

## Production Volume (MT)



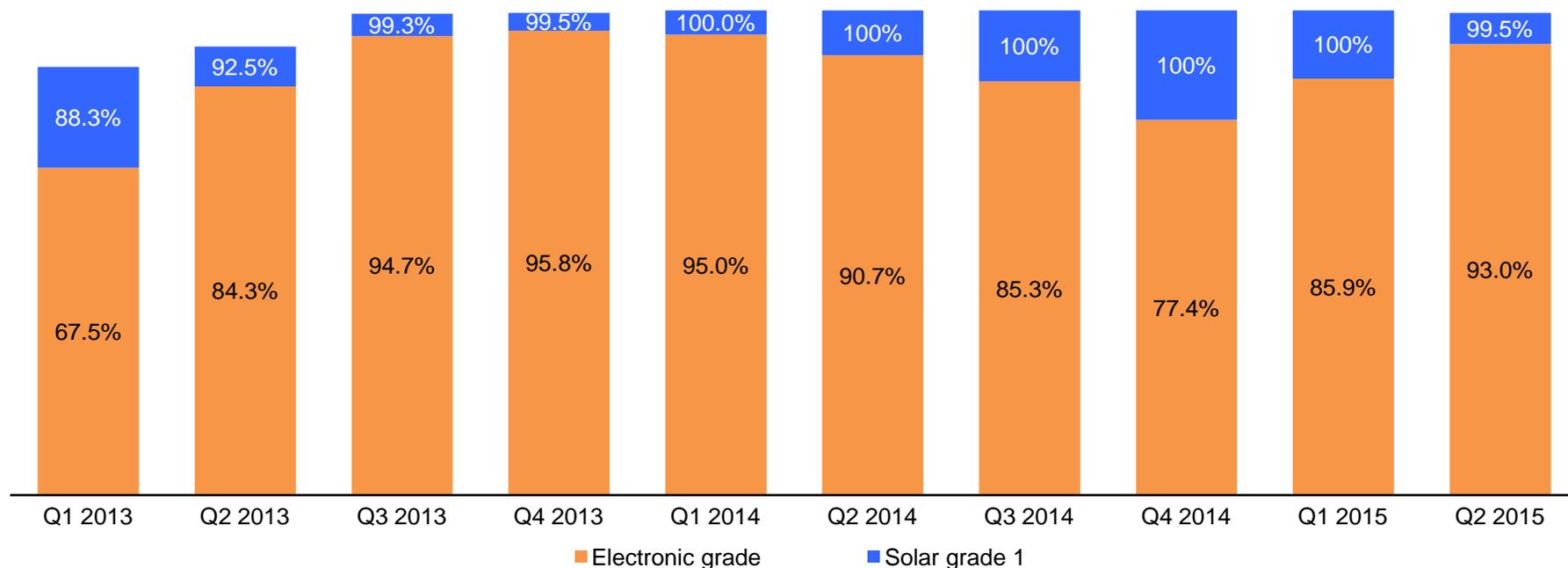
## Production cost, SG&A, interest (\$/kg)\*



\* The cost structures, SG&A and interest expenses only refer to the polysilicon production in Xinjiang facilities.

# Consistent first class quality -- 99.5% Solar Grade 1

## Daqo New Energy polysilicon quarterly quality data <sup>(1)</sup>



- Rigorous quality control standards at various stages of manufacturing process
- Test inputs at each stage of manufacturing process to ensure that they are met all technical specifications
- Consistently producing high-quality polysilicon
- In Q2 2015, approximately 99.5% of our polysilicon met the highest specification of the solar grade quality standard, and approximately 93.0% of our polysilicon met the electronic grade quality standard in China

# Wanzhou wafer facilities update

## Q2 2015 key facts

- Annual capacity of approximately 72 million pieces (310 MW)
- 18.3 million pieces sold to customers



## Q3 sales volume outlook

- Q3 2015 wafer sales volume expected to be 17.5 ~18.0 million pieces



# Sales volume in Q2 2015 and outlook for Q3 2015

Sales Volume	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015E guidance
Polysilicon (MT)	1,391	1,528	1,646	1,502	1,363	2,100~ 2,200
Wafer (million pieces)	18.0	17.1	18.3	18.1	18.3	17.5~18.0
Ingot & block (MT)	1.5	5.0	-	-	-	-

# Agenda

- **Business Highlights and Summary**
- **Financial Results and Update**
- **Q&A**

## Q2 2015 financial highlights

- Revenues were \$34.3 million, compared to \$41.9 million in Q1 2015;
- Polysilicon production cost of \$12.98/kg in Q2 2015, compared to \$12.80/kg in Q1 2015; cash cost of \$10.60/kg in Q2 2015, compared to \$10.53/kg in Q1 2015;
- Gross profit was \$3.6 million, compared to \$8.5 million in Q1 2015;
- Non-GAAP gross margin <sup>(1)</sup> was 19.6%, compared to 28.0% in Q1 2015;
- Operating income was \$1.2 million, compared to \$4.1 million in Q1 2015;
- EBITDA <sup>(2)</sup> was \$8.4 million, compared to \$11.4 million in Q1 2015;
- Net loss attributable to Daqo New Energy shareholders was \$0.9 million, compared to net income attributable to Daqo New Energy shareholders of \$1.2 million in Q1 2015;
- Loss per ADS (basic) were \$0.09, compared to earnings per ADS of \$0.12 in Q1 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



# P&L summary (Q2 2015 vs. Q1 2015)

US\$ in millions	Q2 2015	Q1 2015	Change	Analysis
<b>Revenues</b>	<b>34.3</b>	<b>41.9</b>	(7.6)	Polysilicon: Sales↓, ASP↓ Wafer: OEM↑, ASP↓
Cost of revenues	(30.7)	(33.4)	(2.7)	Polysilicon unit production cost slightly increased due to annual maintenance; Wafer unit processing cost slightly decreased due to improved manufacturing efficiency
Gross profit (loss)	3.6	8.5	(4.9)	
<b>Gross margin</b>	<b>10.5%</b>	<b>20.2%</b>	(9.7%)	
<b>Non-GAAP Gross margin <sup>(1)</sup></b>	<b>19.6%</b>	<b>28.0%</b>	(8.4%)	
SG&A and R&D expense	(3.0)	(4.6)	(1.6)	
Other operating income	0.7	0.3	0.4	
<b>Operating income (loss)</b>	<b>1.2</b>	<b>4.1</b>	(2.9)	
Net interest expense	(2.5)	(3.2)	0.7	
<b>Net loss / income attributable to Daqo New Energy shareholders</b>	<b>(0.9)</b>	<b>1.2</b>	(2.1)	
Basic loss / earnings per ADS (US\$)	<b>(0.09)</b>	<b>0.12</b>	(0.21)	
<b>EBITDA <sup>(2)</sup></b>	<b>8.4</b>	<b>11.4</b>	(3)	
<b>EBITDA margin <sup>(2)</sup></b>	<b>24.6%</b>	<b>27.3%</b>	(2.7%)	

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 – EBITDA and gross margin

US\$ in millions	Q2 2015	Q1 2015	Change
Net income (loss)	(0.9)	1.2	(2.1)
Income tax (benefit) expenses	(0.2)	0.2	(0.4)
Interest expense	2.6	3.2	(0.6)
Interest income	(0.1)	(0.05)	(0.05)
Depreciation	7.0	6.9	0.1
<b>EBITDA <sup>(1)</sup></b>	<b>8.4</b>	<b>11.4</b>	<b>(3.0)</b>
<b>EBITDA margin <sup>(1)</sup></b>	<b>24.6%</b>	<b>27.3%</b>	<b>(2.7%)</b>
<b>Gross profit / (loss)</b>	<b>3.6</b>	<b>8.5</b>	<b>(4.9)</b>
Costs related to Chongqing poly facilities	3.1	3.3	(0.2)
<b>Non-GAAP gross profit <sup>(2)</sup></b>	<b>6.7</b>	<b>11.7</b>	<b>(5.0)</b>
<b>Non-GAAP gross margin <sup>(2)</sup></b>	<b>19.6%</b>	<b>28.0%</b>	<b>(8.4%)</b>

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	6/30/2015	3/31/2015	Change (Q2 2015 vs. Q1 2015)	6/30/2014
Cash and restricted Cash	95.1	32.2	62.9	77.7
Accounts receivable	7.0	8.8	(1.8)	6.8
Notes receivable	38.3	48.4	(10.1)	33.6
Inventories	10.5	9.4	1.1	12.1
Prepaid land use rights	28.7	28.9	(0.2)	29.3
Net PP&E	569.1	559.6	9.5	480.7
<b>Total assets</b>	<b>778.1</b>	<b>716.9</b>	<b>61.2</b>	<b>668.8</b>
Short-term Borrowings	166.0	148.0	18.0	141.3
Notes payable	42.4	34.9	7.5	24.1
Amount due to related party	108.9	95.7	13.2	86.5
Long-term Borrowings	100.0	74.2	25.8	112.1
<b>Total liabilities</b>	<b>540.6</b>	<b>478.9</b>	<b>61.7</b>	<b>471.6</b>
<b>Total equity</b>	<b>237.6</b>	<b>238.0</b>	<b>(0.4)</b>	<b>197.2</b>
<b>Total liabilities and equity</b>	<b>778.2</b>	<b>716.9</b>	<b>61.3</b>	<b>668.8</b>



# Cash flow summary

US\$ in millions	6 months ended Jun 30, 2015	6 months ended Jun 30, 2014
<b>Net cash provided by operating activities</b>	<b>32.1</b>	<b>29.1</b>
<b>Net cash (used in) investing activities</b>	<b>(56.2)</b>	<b>(30.9)</b>
<b>Net cash provided by financing activities</b>	<b>75.7</b>	<b>52.8</b>
Effect of exchange rate changes	0.006	0.5
Net increase in cash and cash equivalents	51.6	51.4
Cash and cash equivalents at the beginning of the period	7.1	7.8
Cash and cash equivalents at the end of the period	58.6	59.3

- As of June. 30, 2015, the company recorded capital expenditure of \$103.9 million on XJ Phase 2B, of which \$13.4 million was incurred in Q2 2015.

# Agenda

- **Business Highlights and Summary**
- **Financial Results and Update**
- **Q&A**