

CHONGQING, China, Sept. 11, 2013 /PRNewswire/ -- Daqo New Energy Corp. (NYSE: [DQ](#)) ("Daqo New Energy" or the "Company"), a leading polysilicon manufacturer based in China, today announced its unaudited financial results for the second quarter of 2013.

Second Quarter 2013 Financial and Operating Highlights

- Polysilicon shipments were approximately 975 metric tons, or MT. Wafer shipments were 7.1 million pieces. We also shipped 41 MT of multi-crystal silicon blocks to our customers.
- Revenues were \$27.8 million, compared to \$14.5 million in the first quarter of 2013 and \$27.6 million in the second quarter of 2012.
- Gross loss was \$10.2 million, compared to \$12.9 million in the first quarter of 2013 and \$5.7 million in the second quarter of 2012.
- Gross margin was negative 36.7%, compared to negative 89.0% in the first quarter of 2013 and negative 20.7% in the second quarter of 2012.
- Operating loss was \$174.9 million, compared to \$16.6 million in the first quarter of 2013 and \$6.2 million in the

Daqo New Energy Announces Unaudited Second Quarter 2013 Results

Written by Australian Business

second quarter of 2012. Excluding

\$158.4 million

of fixed assets impairment loss for Wanzhou polysilicon facilities, the non-GAAP operating loss in the second quarter of 2013 was

\$16.5 million

- Net loss attributable to Daqo New Energy Corp. shareholders was \$34.0 million, compared to \$18.7 million in the first quarter of 2013 and \$7.1 million

in the second quarter of 2012.

- Earnings per fully diluted ADS were negative \$4.91, compared to negative \$2.70 in the first quarter of 2013, and negative \$1.01

in the second quarter of 2012.

"In the second quarter of 2013, our Xinjiang polysilicon facilities continued to contribute positive cash flow. In April, we successfully conducted several technical improvement projects which reduced our production cost below \$16/kg, which is significantly lower than our original target of

\$20/kg. We expect our Xinjiang facilities to generate

positive operating income in the third quarter of 2013. We are also making great effort to maximize our capacity in Xinjiang. We plan to expand our capacity in Xinjiang to 6,150 MT by the end of 2013. By achieving that, we expect that we can reduce our cost to the level of \$14

/kg at that time," commented Dr. Gongda Yao, Chief Executive Officer of the Company.

"In the first half of 2013, we saw average selling prices of polysilicon stabilizing and improvement through the whole value chain. Recently the trade conflict in the solar PV industry between China and the European Union has been settled with a solution that is acceptable for both parties. The Ministry of Commerce of China also announced the

preliminary ruling for the investigations on the polysilicon imported from the United States

and Korea. With the resolution of various uncertainties becoming clearer, we expect that the industry will start to recover in the second half of 2013, especially when Chinese domestic market starts to take off.

"After evaluating the polysilicon market situation and the business environments both in Wanzhou and Xinjiang, in order to optimize the utilization of our resources and maximize the return on the polysilicon assets, the Company made a strategic decision to move the polysilicon equipments, which no longer create value in Wanzhou under the current situation, to our Xinjiang facilities. As a result, we have incurred certain impairment charges related to the

Wanzhou polysilicon assets which will not be relocated in the amount of \$158.4 million. At the same time, we plan to increase our Wanzhou wafer capacity to 6 million pieces per month in order to achieve economies of scale. We expect that our wafer facilities will achieve positive operating income by the end of 2013 when we fully ramp up the capacity," Dr. Yao concluded.

Second Quarter 2013 Results

Revenues

Revenues were \$27.8 million, compared to \$14.5 million in the first quarter of 2013 and \$27.6 million in the second quarter of 2012.

The Company generated revenues of \$16.4 million from polysilicon, compared to \$11.3 million in the first quarter of 2013, and \$23.6 million in the second quarter of 2012. The increase from the first quarter of 2013 was primarily due to higher sales volume. The decrease from the second quarter of 2012 was primarily due to lower sales volume combined with lower average selling prices.

The Company generated \$7.1 million from sales of wafers, compared to \$1.7 million in the first quarter of 2013 and \$2.8 million in the second quarter of 2012. The increase from the first quarter of 2013 and the second quarter of 2012 both were primarily due to higher sales volume.

The Company also generated \$4.3 million from other businesses, such as sales of multi-crystal silicon blocks.

Gross loss and margin

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Gross loss was \$10.2 million, compared to \$12.9 million in the first quarter of 2013 and \$5.7 million in the second quarter of 2012.

Gross margin was negative 36.7%, compared to negative 89.0% in the first quarter of 2013 and negative 20.7% in the second quarter of 2012. Gross margin improved from the first quarter of 2013 as a result of the increased sales and reduced production cost both in polysilicon and wafer businesses.

Selling, general and administrative expenses

Selling, general and administrative expenses were \$6.2 million, compared to \$4.1 million in the first quarter of 2013 and \$3.6 million in the second quarter of 2012. The increase in selling, general and administrative expenses from the first quarter of 2013 was primarily due to a \$2.0 million increase in bad debt provision.

Research and development expenses

Research and development expenses were \$1.0 million, compared to \$0.4 million in the first quarter of 2013 and \$0.4 million in the second quarter of 2012. The increase in research and development expenses from the first quarter of 2013 was primarily due to the expenses related to technical improvement projects conducted in Xinjiang facilities in the second quarter of 2013.

Fixed assets impairment loss

The Company recognized \$158.4 million fixed assets impairment loss for its Wanzhou polysilicon facilities in the second quarter of 2013, as a result of the Company's decision to

relocate its polysilicon manufacturing assets to Xinjiang and consolidate production operations in Xinjiang in response to market conditions.

Other operating income

Other operating income was \$0.9 million, compared to \$0.8 million in the first quarter of 2013 and \$3.5 million in the second quarter of 2012. Other operating income was mainly composed of unrestricted cash incentives that the Company received from local government authorities, which fluctuates from period to period.

Operating loss and margin

As a result of the foregoing, operating loss was \$174.9 million, compared to \$16.6 million in the first quarter of 2013 and \$6.2 million in the second quarter of 2012. Excluding \$158.4 million of fixed assets impairment loss for Wanzhou polysilicon facilities, the non-GAAP operating loss in the second quarter of 2013 was \$16.5 million.

Excluding \$158.4 million of fixed assets impairment loss, the non-GAAP operating margin was negative 59.4%, compared to negative 114.7% in the first quarter of 2013 and negative 22.3% in the second quarter of 2012.

Net Interest expense

Net interest expense was \$4.9 million, compared to \$5.3 million in the first quarter of 2013 and \$3.8 million in the second quarter of 2012.

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The decrease in net interest expense from the first quarter of 2013 was primarily due to decrease of outstanding loan balance.

Income tax expense / benefit

Income tax expense was \$139,204, compared to \$nil in the first quarter of 2013. The income tax benefit was \$2.6 million in the second quarter of 2012.

Net loss attributable to our shareholders and earnings per share

As a result of the aforementioned, net loss attributable to Daqo New Energy Corp. shareholders was \$34.0 million in the second quarter of 2013, compared to \$18.7 million in the first quarter of 2013 and \$7.1 million in the second quarter of 2012.

Earnings per fully diluted ADS were negative \$4.91 in the second quarter of 2013, compared to negative \$2.70 in the first quarter of 2013, and negative \$1.01 in the second quarter of 2012.

Financial Condition

As of June 30, 2013, the Company had \$10.8 million in cash and cash equivalents and restricted cash, compared to \$11.7 million as of March 31, 2013.

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As of June 30, 2013, the accounts receivable balance was \$16.5 million, compared to \$19.3 million

as of

March 31, 2013

. As of

June 30, 2013

, the notes receivable balance was

\$9.0 million

, compared to

\$13.9 million

as of

March 31, 2013

. As of

June 30, 2013

, total borrowings were

\$266.1 million

, of which

\$144.4 million

were long-term borrowings, compared to total borrowings of

\$301.5 million

, including

\$178.7 million

long-term borrowings as of

March 31, 2013

.

Outlook for Third Quarter 2013

For the third quarter of 2013, the Company expects to ship 1,000 MT of polysilicon. The Company also expects to ship approximately 8.9 million pieces of wafer and 6.8 MT of multi-crystal silicon ingots and blocks. This outlook reflects our current and preliminary view and may be subject to change. Our ability to achieve this projection is subject to risks and uncertainties. See "Safe Harbor Statement" at the end of this press release.

About Non-GAAP Financial Measures

To supplement Daqo's consolidated financial results presented in accordance with United States Generally Accepted Accounting Principles ("GAAP"), Daqo uses in this press release

non-GAAP operating loss and non-GAAP operation margin, which exclude long-lived asset impairment. The presentation of the non-GAAP financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Daqo believes that the non-GAAP financial measure facilitates investors' and management's comparisons to Daqo's historical performance and assists management's financial and operational decision making. For more information on these non-GAAP financial measures, please see the table captioned "Reconciliation of Non-GAAP financial measures to comparable GAAP measures".

Conference Call

The Company has scheduled a conference call to discuss the results at 8:00 AM Eastern Time on
September 11, 2013
.

The dial-in details for the live conference call are as follows:

United States:

+ 1-800-860-2442

International:

+ 1-412-858-4600

China(N):

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10-800-712-2304

China(S):

Hong Kong:

10-800-120-2304

800-962475

The conference ID number is **10033157**.

You can also listen to the conference call via Webcast through the URL:

<http://www.visualwebcaster.com/event.asp?id=95713>

A replay of the call will be available 1 hour after the end of the conference through September 19, 2013 at 9:00am ET.

The conference call replay numbers are as follows:

United States:

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+ 1-877-344-7529

International:

+ 1-412-317-0088

The conference ID number for accessing the recording is **10033157**.

Investors will also have the opportunity to listen to the replay over the Internet through the investor relations section of Daqo New Energy's web site at: www.dqsolar.com

About Daqo New Energy Corp.

Daqo New Energy Corp. (NYSE: [DQ](#)) is a leading polysilicon manufacturer based in China. Daqo New Energy primarily manufactures and sells high-quality polysilicon to photovoltaic product manufacturers. It also manufactures and sells photovoltaic wafers. For more information about Daqo New Energy, please visit www.dqsolar.com.

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 third quarter of 2013 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; 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 successfully implement our vertical integration strategy. 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.

Daqo New Energy Corp.

Unaudited Preliminary Condensed Consolidated Statement of Operations and Comprehensive In

(US dollars in thousands, except ADS and per ADS data)

Three months Ended

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June 30, 2013

Mar 31, 2013

June 30, 2012

Revenues

\$27,840

\$14,485

\$27,584

Cost of revenues

(38,062)

(27,376)

(33,291)

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Gross loss

(10,222)

(12,891)

(5,707)

Operating expenses

Selling, general and administrative expenses

(6,199)

(4,126)

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(3,560)

Research and development expenses

(993)

(436)

(427)

Other operating income

887

832

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3,539

Impairment of long-lived assets

(158,425)

-

-

Total operating expenses

(164,730)

(3,730)

(448)

Loss from operations

(174,952)

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(16,621)

(6,155)

Interest expense

(4,931)

(5,278)

(4,053)

Interest income

46

25

253

Foreign exchange gain (loss)

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8

1

(59)

Loss before income taxes

(179,829)

(21,873)

(9,896)

Income tax benefit/(expense)

(139)

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-

2,647

Net loss from continuing operations

(179,968)

(21,873)

(7,250)

Loss from discontinued operations

-

-

(745)

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Net loss

(179,968)

(21,873)

(7,995)

Net loss attributable to noncontrolling interest

(146,001)

(3,209)

(927)

Net loss attributable to Daqo New Energy Corp. shareholders

\$(33,967)

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\$(18,664)

\$(7,068)

Net loss

(179,968)

(21,873)

(7,995)

Other comprehensive income (loss):

Foreign currency translation adjustments

2,992

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1,198

(4,005)

Total other comprehensive income (loss)

2,992

1,198

(4,005)

Comprehensive loss

(176,976)

(20,675)

(12,000)

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Comprehensive loss attributable to noncontrolling interest

(144,888)

(2,691)

(2,241)

Comprehensive loss attributable to Daqo New Energy Corp. shareholders

\$(32,088)

\$(17,984)

\$(9,759)

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Loss per ADS

--Continuing operations

(4.91)

(2.70)

(0.90)

--Discontinued operations

-

-

(0.11)

Basic

(4.91)

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(2.70)

(1.01)

--Continuing operations

(4.91)

(2.70)

(0.90)

--Discontinued operations

-

-

(0.11)

Diluted

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(4.91)

(2.70)

(1.01)

Weighted average ADS outstanding

Basic

6,915,097

6,915,097

7,028,564

Diluted

6,915,097

6,915,097

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7,028,564

Reconciliation of Non-GAAP Financial Measures to Comparable GAAP Measures

Three months Ended

June 30, 2013

Mar 31, 2013

June 30, 2012

Loss from operations

(174,952)

(16,621)

(6,155)

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Add back: Impairment of long-lived assets

158,425

-

-

Non-GAAP loss from operations.

(16,527)

(16,621)

(6,155)

Daqo New Energy Corp.

Unaudited Consolidated Balance Sheet

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(US dollars in thousands)

Jun 30, 2013

Mar 31, 2013

Jun 30, 2012

ASSETS:

Current Assets:

Cash and cash equivalents

\$6,679

\$5,539

\$66,114

Restricted cash

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4,100

6,147

24,038

Accounts receivable, net

16,534

19,305

33,263

Notes receivable

9,041

13,907

2,926

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Prepaid expenses and other current assets

25,774

24,265

20,204

Advances to suppliers

631

1,820

2,344

Inventories

13,311

19,305

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17,648

Amount due from related party

11,901

6,944

4,935

Deferred tax assets-current

364

360

6,571

Total current assets

88,335

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97,592

178,043

Property, plant and equipment, net

506,927

673,499

701,279

Prepaid land use right

36,327

36,105

35,316

Deferred tax assets

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934

1,061

17,922

Other non-current assets

4,189

4,633

3,939

TOTAL ASSETS

636,712

812,890

936,499

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Current liabilities:

Short-term borrowings, including current portion of long-term borrowings

121,713

122,834

119,746

Accounts payable

15,746

13,544

9,952

Note payable

3,585

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10,671

12,023

Advances from customers

27,871

29,439

25,577

Payables for purchases of property, plant and equipment

45,135

48,737

55,087

Accrued expenses and other current liabilities

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7,872

6,560

8,355

Amount due to related party

99,455

54,160

12,244

Income tax payable

163

161

5,920

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Total current liabilities

321,540

286,106

248,904

Long-term borrowings

144,431

178,652

223,599

Accrued warranty cost

-

-

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496

Advance from customers – long term portion

-

-

4,862

Payables for Purchases of Property, Plant and Equipment

-

1,131

4,985

Other long Term Liabilities

26,609

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26,453

25,735

TOTAL LIABILITIES

492,580

492,342

508,581

EQUITY:

Ordinary shares

17

17

18

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Treasury stock

(495)

(495)

-

Additional paid-in capital

145,660

145,101

144,056

Retained earnings (accumulated losses)

(14,355)

19,612

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129,411

Accumulated other comprehensive income

22,112

20,232

16,199

Total Daqo New Energy Corp.'s shareholders' equity

152,939

184,467

289,684

Noncontrolling interest

(8,807)

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136,081

138,234

Total equity

144,132

320,548

427,918

TOTAL LIABILITIES & EQUITY

636,712

812,890

936,499

For further information, please contact:

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