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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Quarter 3 of 2019 JinkoSolar Holding Company Limited Earnings Conference Call. (Operator Instructions) I would now like to turn and the conference over to your first speaker today, Ms. Ripple Zhang. Thank you, Ripple, please go ahead.

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

Thank you, operator. Thank you, everyone, for joining us today for JinkoSolar's Third Quarter 2019 Earnings Conference Call. The company's results were released earlier today and available on the company's IR website at www.jinkosolar.com as well as our Newswire services. We have also provided a supplemental presentation for today's earnings call, which can also be found on IR website.

On the call today from JinkoSolar are Mr. Chen Kangping, Chief Executive Officer; Mr. Charlie Cao, Chief Financial Officer; and Mr. Gener Miao, Chief Marketing Officer. Mr. Chen will discuss JinkoSolar's business operations and company highlights, followed by Mr. Miao, who will talk about the sales and marketing. And then Mr. Cao, who will go through the financials. They will all be available to answer your questions during the Q&A session that follows.

Please note that today's discussion will contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our future results may be materially different from the views expressed today. Further information regarding this and other risks is included in JinkoSolar's public filings with the Securities and Exchange Commission. JinkoSolar does not assume any obligation to update any forward-looking statements, except as required under the applicable law.

It's now my pleasure to introduce Mr. Chen Kangping, CEO of JinkoSolar. Mr. Chen will speak in Mandarin, and I will translate his comments into English. Please go ahead, Mr. Chen.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] Thank you, Ripple. Good morning and good evening, everyone, and thank you for joining us today.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] I'm pleased to report strong operational and financial results for the third quarter , which I believe marks a turning point for our business as we begin to increasingly benefit from our investments in technology, leading integrated cost structure and expanding mono wafer capacity, which will steadily strengthen our overall profitability and expand margins going forward.

Total revenues during the quarter were USD 1.05 billion, an increase of 8.2% sequentially and 11.8% year-over-year. Our leading integrated production costs continued to fall and ASP went up sequentially, allowing us to initiate, as we said, of our gross margins and expand it to 21.3% during the quarter. Excluding the benefit from antidumping and countervailing duties, gross margin still increased a solid 6 percentage points year-over-year to 18.5%. Our margin supported record high operational profit of 90 -- USD 89.4 million, and the net income of USD 50.9 million. Significant increases of almost 2 to 3x sequentially and year-after-year -- year-over-year as our mono wafer production capacity ramps up and we further optimize our cost structure. In the fourth quarter and 2020, our overall profitability will continue to steadily improve.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] Due to the delayed announcement of the government subsidy policy for PV projects in China earlier this year, a large number of projects bid remained in the bidding of operation stages during the third quarter, which resulted in many of them being pushed back into the fourth quarter and the first quarter next year. This delay is expected to drive strong domestic demand over the next 6 months, especially since the national renewable energy information management center recently announced that it's speeding up the formulation of subsidy policy for PV projects in 2020. The early release of next year's subsidy policy and increasing number of grid parity project will support demand next year, which is expected to increase strongly and exceed 40 gigawatts.

In addition, the Chinese government released a policy that creates the foundation for our market-based mechanism to facilitate electricity trade to drive economic growth and help phase out coal-fired power plant nationwide. Over the long run solar power will gradually replace traditional source of energy as factor rate went down under market conditions that help support the continued reduction in production cost and continued development of new tech technology.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] In 2019, a number of PV projects were put in to operations globally that are able to generate power at extremely low prices. According to data from Bloomberg, PV is now the lowest cost energy source in over 10 countries. In the past, PV was hampered by fluctuations in production capacity and profitability circles with the cost of solar energy now falling below traditional energy sources and competitiveness increasing in renewable energy. We are very confident and optimistic that global demand will increase strongly next year. Based on our current estimates, we believe installations next year will be approximately 20% higher than this year.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] We begin our technological transformation back in 2016 when we began producing mono wafer and have since then accumulated 3 years of operational and technical expertise, which we applied to our mono production facility in (inaudible) province. This technological transformation is now complete with (inaudible) production facility having ramped up to full 5 gigawatts capacity and Phase 2 of the production facility, which reaching full 5 gigawatts capacity during the second quarter of 2020. I believe this reflects our strategic foresight and ability to rapidly execute.

We are at a strategic turning point in our corporate history with mono-based high-efficiency products accounting for nearly 75% of the total shipments during the quarter, which is expected to increase to 99% of total shipments in 2020.

Our mono wafer products have low oxygen content and extended operational lifetimes, which makes the sale product low life decay and high-efficiency. At the same time, our manufacturing costs have steadily declined to quickly become the industry benchmark. The increased production capacity for our high-quality and low-cost leading mono wafer's have facilitated a significant increase in the proportion of products made to our fully integrated manufacturing process, which allow us to maintain our industry-leading cost structure and issue a stable gross margin going forward.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] The efficiency of our entire sales reached record high of 24.58% during testing conducted by the Chinese Academy of Science in June. We expand our production capacity of entire sales to 800 megawatts during third quarter and are currently ramp up to full production in the fourth quarter by developing new technologies and trading innovations in materials. Our mass product produced sale efficiency leads the industry across a range of indicators and is expected to exceed 24% efficiency in the future.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] We recently unveiled a new Tiger module, which offers our client significantly improved efficiency, lower production cost and better internal rate of return using 9 mono PERCs and (inaudible) ribbon technology. The module realized 20.78% efficiency and a peak power output of 460 watts, providing an easy performance boost that doesn't require much extra efforts to install. The Tiger module is suitable for both utility and rooftop installations. Meanwhile, we are strengthening our in-house integrated capacity to rapidly put new itinerations of our high-quality innovative product into mass production, which ensures their competitiveness.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] Our in-house high-efficiency annual silicon wafer solar sales and solar module production capacity has now reached 14.5 gigawatts, 9.2 gigawatts and 15 gigawatts, respectively. By the end of third quarter 2019, this includes 11 gigawatts of mono wafer capacity and 9.2 gigawatts of PERC sales capacity. By the end of 2019, we expect our in-house annual silicon wafer solar sale and solar module production capacity to reach 15 gigawatts, 10.6 gigawatts and 16 gigawatts, respectively, which includes 11.5 gigawatts of mono capacity, 9.8 gigawatts of PERC sale capacity and 800 megawatts of N-type sale capacity for. By the end of 2020, we expect our in-house annual silicon wafer solar sale and solar module production capacity to reach 20 gigawatts, 10.6 gigawatts and 22 gigawatts, respectively,, which includes 18 of mono capacity, 9.8 gigawatts of PERC sale capacity and 800 megawatts of N-type sale capacity.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] With our technological transformation complete, we are now at a turning point in which our technology-leading integrated cost structure global footprint, high-quality products will open up enormous new growth opportunities and strengthen our overall profitability and margin profile going forward. With the domestic demand rebounding strongly and smart demand driven by grid parity and aggressive new clean energy targets, we expect the fourth quarter to be a big quarter for us based on current estimates. For the fourth quarter of 2019, we expect total solar module shipment to be in the range of 4.2 gigawatts to 4.4 gigawatts. Total revenue for the fourth quarter is expected to be in the range of USD 1.17 billion to USD 1.23 billion. Gross margins for the fourth quarter is expected to be between 18.5% and 20.5%. For the full year 2019, the company estimates total solar module shipments to be in the range of 14 gigawatts to 14.2 gigawatts.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Sebastian Liu - *JinkoSolar Holding Co., Ltd. - Director of IR*

[Interpreted] We traditionally do released the guidance of the fourth quarter previous year but demand growing rapidly both domestically and overseas for our high-efficiency mono products. We have strategically decided to convey our confidence in next year's strong growth a quarter earlier than expected. Based on current expectations, we expect the total solar module shipment to be in the range of 18 gigawatts to 20 gigawatts for the full year 2020, an increase around 35% year-over-year.

Kangping Chen - *JinkoSolar Holding Co., Ltd. - Co-Founder, CEO & Director*

(foreign language)

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

[Interpreted] Thank you, Ripple. With that I will turn it over to Gener.

Gener Miao - *JinkoSolar Holding Co., Ltd. - CMO*

Thank you, Mr. Chen. Total shipments in the third quarter were 3,300 megawatts, flat with the second quarter with a large number of domestic installation delayed until the fourth quarter and the first quarter of next year. Overseas shipments accounted for 90% of our order book during this quarter. ASPs has risen sequentially. We are at a strategic turning point in our corporate history with mono-based high-efficiency products accounting for nearly 75% of the total shipment during this quarter. This number is expected to increase to 99% in 2020, and over 40% of which will be the new products.

Due to the late announcement of government policy in China earlier this year, many major developers were forced to delay their projects with a portion of those installation pushed back into the first quarter of 2020. Delayed demand from 2019 increased in grid parity projects expected in 2020 as well as anticipated policy announcement early for next year leave us very confident and optimistic about domestic demand in 2020 will increase strongly and exceed 40 gigawatts. The majority, of which will be composed of grid parity and the bidding project. Demand in U.S. market remain very strong where many states have begun implementing very aggressive clean energy policies and accelerated the phasing out coal-fired power plant. In California, for example, our new homes will require rooftop solar panels starting next year. There was a rush this year to submit projects in order to secure the highest tax exemption under the solar IGC. A large portion of these projects are expected to drive demand and begin installation over the next 4 years. According to 2019, U.S. installation estimate complied by Bloomberg, our market share in the U.S. is currently approximately 20%. Recently, we joined the Board of the Solar Energy Industry Association National Trade Association representing the U.S. solar energy industry, and we are working to further expand the market share by leveraging our leadership in the industry from brand recognition, competitive and reliable product and extensive customer base.

Turning to Asia Pacific, we expect a rush for large-scale projects to begin next year in Japan in order to rescue -- secure the high feed-in tariff. As the nation ready for Olympic Games next summer, costs are expected to increase as it becomes harder to construct the new installation, which will drive demand for high-efficiency modules.

With large-scale projects nearing the end of their growth phase, distributed PV projects will become the next major growth driver in Japan, and India are expected to surge next year with the safeguard tariff reduced to their lowest levels. A new round of FIT is underway in Vietnam, which will support stable growth. In Victoria, Australia, industrial, commercial and residential projects are expected to grow rapidly following the return of the rooftop solar panel rebates and improved economic efficiency from distributed PV. The renewable energy certificate recently launched in South Korea will drive sustainable demand for floating solar over the next 3 years. Large-scale projects in Thailand, Philippines and Malaysia are also about to start.

In Europe, Germany is building 3 to 4 gigawatts solar power stations and distributed PV continues to grow steadily. Spain has begun phasing out coal-fired power plants and has set an annual installation target of 4 gigawatts. This policy will also remove barriers to grid connection for distributed PV, which will simulate growth in the industrial and commercials sectors.

Installations across Southern Europe are expected to increase as grid parity approaches. Subsidies handed out under the stimulation of sustainable energy production, FTE plus, will continue in Netherlands. Distributed installation will also grow strongly across Northern Europe. The bidding mechanisms initiated in France is expected to generate 2 gigawatts of demand annually while subsidies for small-scale PV systems are driving the merging of distributed PV.

Bids for large-scale projects are taking place across the Middle East. Gigawatts level projects such as (inaudible) projects in U.A.E, (inaudible) projects in Saudi Arabia and and (inaudible) in Kuwait would drive installation demand in the region for the next three years.

Large-scale bidding projects in Brazil are proceeding according to the plan, while subsidies for distributed projects are driving rapidly growth in industrial and commercials sectors. The Mexican government canceled all bids at the beginning of this year, which has opened up space for the divestment of a private bidding mechanism, which could possibly be, the new business model for purchase of electricity.

Demand in central America is gradually growing as it is in Columbia following the successful launch of their first auction while recent economic and social unrest in Argentina and Chile has tempered demand. We are confident that Latin American demand overall will continue to increase sustainably over the long term.

To conclude the delay in China of many projects to early next year, 1/3 in demand from Europe and the U.S. to replace conventional energy sources, large-scale agricultural PV subsidies and a significant increase in large-scale projects installation in India, together with the steady growth in emerging markets, such as Middle East, South Africa, Egypt and Eastern Europe, leave us extremely confident that next year will be a strong figure.

We have strategically developed our resources globally and now have 7 production facilities supporting shipments to almost 100 countries with over 8,000 orders annually. This has allowed us to take a large market share in many emerging countries. We have proven our ability to navigate the difficult market environment over the years, which is a direct result of flexible and adaptable market oriented production model.

Combined with our global operations, local technology service teams, supply chain management and differentiated product strategy, we will be able to continue strengthening our market-leading position.

We focus on competitiveness of our products as much as demand. Since 2017, we have set 9 record for self efficiency and module efficiency. Continuously investing in R&D has enabled us to launch differentiated and more competitive products at a faster speed.

At this turning point, our technology scale and leading cost structure will ideally position us to benefit from emerging opportunities. Our Cheetah Series have become the industry standard and recently, we launched a new high-efficiency Tiger module at our energy Australia 2019 , which introduced highly driven technology to the market for the first time.

This is another technical advancement that reflects our ability to innovate cutting-edge technology with all, which supports march towards grid parity. Recently, JinkoSolar was recognized along with 52 other manufacturing champions in the latest published list by MIT and CFIT for excellence in manufacturing of its major product solar modules, which are defined as enterprise focusing on specific manufacturing segment for the long term. With international leading technology and the market share of a single product among the top 3 globally.

During the third quarter, we attended 7 tradeshows and participated in 44 conferences worldwide. We also hosted over 11 customer events and 57 comarketing activities with key partners across the globe. We also received 8 towards we have committed to RE 100 and EP 100 initiative as the first global solar manufacturer and promised to power all its solar plants and global operations with 100% renewable power by 2025.

By 2030, we target to deploy an energy management system across all our operations to improve energy productivity by 30% when compared to 2016. As one of the leading company in the renewable energy sector, we consider it important to be a responsible role model for a sustainable future. With that, I will pass over to Charlie.

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

Thank you, Gener. We achieved record gross profit and income from operations in Q3 despite push out of China demand. Transitioning to the high-efficiency mono technology has been largely completed, making Q3 our turning point for the company.

This gross margin reset has been driven by increasing search towards integrated mono capacity leading in-house integrated production cost, new premium product and global footprint. With our strong competitiveness in the industry, we are optimistic for the strong growth in the future.

Stepping into 2020, we expect total shipments in the range of 18 to 20 gigawatts, mainly underpinned by the strong growth outside China and our diversified customer base globally. The capacity will expand to 20 gigawatts wafer, including 18 gigawatts mono wafer, 7.6 gigawatts hi increase in sales in 22 gigawatts of solar modules. Mono-based high-efficiency produts are expected to make close to 100% of our shipments in 2020, and overall predominantly served by in-house capacity.

The CapEx for 2020 will be around USD 300 million, significantly lower than in 2019. Given our capacity expansion is largely down, we plan to finance the CapEx by on-shore renewable infrastructure fund and our operating cash flows.

Turning into the strong performance in Q3, total revenue was USD 1 billion, up 8% quarter-over-quarter. Gross margin substantially improved to 21.3%. Excluding the (inaudible) reversal benefit, gross margin was 18.5%, compared to 16.5% in Q2. Income from operations was USD 89.4 million, up 136% compared to USD 37.9 million in Q2. EBITDA was USD 100 million, up 52% compared to USD 66 million in Q2. Non-GAAP net income was USD 42.1 million, which translates into non-GAAP diluted earnings per ADS of $0.96. Operating expenses were 12.8% of total revenue. Excluding the disposal of obsolete equipment, operating expenses accounted for 12.2% of total revenue, compared to 12.8% in the second quarter.

Moving to the balance sheet. At end of Q3, our balance of cash and cash equivalents were USD 518 million, compared to USD 543 million at the end of Q2. We continue to drive our operating efficiencies. They are turnover days improved to 63 days in Q3, compared to 76 days in Q2. Inventory turnover days reduced to 93 days in Q3 compared to 104 days in the second quarter. Total debt was USD 1.7 billion, compared to USD 1.9 billion at the end of the second quarter in which USD 309 million was related to our international solar projects.

Net debt was USD 1.1 billion, compared to USD 1.2 billion at the end of second quarter. The decrease was mainly due to the decrease in the borrowings. In November, we entered an agreement to sell 2 solar power plant in Mexico with a combined capacity of 155 megawatts. This transaction is subject to customary closing conditions. Once the transaction is completed, the total debt will be reduced by USD 133 million.

The sale of overseas solar power plant is consistent our growth strategy to focus our core solar manufacturing business. Regarding our guidance in fourth quarter, we expect total revenue to be in the range of USD 1.17 billion to USD 1.23 billion. We don't expect any (inaudible) reversal benefit in the fourth quarter. The gross margin of fourth quarter is expected to be in a range of 18.5% to 20.5%, compared to 18.5% in the third quarter, excluding the AD and CVD reversal benefit.

This concludes our remarks on the third quarter. We are now happy to take your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is from Maheep Mandloi from Crédit Suisse.

Maheep Mandloi - *Crédit Suisse AG, Research Division - Associate*

Nice quarter. Can you talk about the order visibility in 2020, just looking at the 18 to 20 gigawatts of shipment guidance? It's nice 35% uplift. But just wanted to understand, which geographies are driving it and how much visibility do you have into that order book as of now?

Gener Miao - *JinkoSolar Holding Co., Ltd. - CMO*

Thanks for the question. I think we are having over 1/3 of the order book fulfilled for 2020 right now. We are targeting to the increase of that level into a higher level by the year-end and the next 2 months time, let's say. And for the geographic coverage, majority of them are non-china demand, mainly international demand. I think we have secured a lot of global coverage, including Europe, U.S., emerging markets, Asia markets, et cetera.

Maheep Mandloi - *Crédit Suisse AG, Research Division - Associate*

Got that. And just on the China market, if you can touch upon the new policy for 2020 when you expect that announcement to happen? We've been hearing something to happen the next month or in Q1, but any clarity on when the new subsidy would be announced and then when you can expect the new round of bids in 2020?

Gener Miao - *JinkoSolar Holding Co., Ltd. - CMO*

I think, definitely, the lower-than-expected installation number in China in 2019 will encourage the, let's say, the government side to announce the policy and also the bidding policy for 2020 earlier than -- definitely earlier than 2019. We have seen this news coverage about the details or the drop the details -- drop to detail about 2020 policies, such as what's the proposed feed-in tariff, seeding feed-in tariff and also what's the expected installation volume. So from that policy or the rumors side, we are pretty confident on that policy could be announced in the next 1 to 2 months. Conservatively, at least before Chinese New Year, everything could be set up. And do you need me to remind you on this numbers?

Maheep Mandloi - *Crédit Suisse AG, Research Division - Associate*

Yes, sure. That would be helpful.

Gener Miao - *JinkoSolar Holding Co., Ltd. - CMO*

Yes, according to what we have read on the Chinese, let's say, newspapers, we have seen the drafted the policies around like $0.04, 6 -- sorry, $0.04, $0.08 and $0.10 for the utilities, distribution generation and individual homeowners. So I see -- we see that drop in the news, so I'm not quite sure what should be the -- what will be the final policy. If that number comes through, we are definitely are expecting over 40 gigawatts installation in 2020.

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

This is Charlie and just to supplement some background. I think, in China, this year, debottleneck is the policy coming out late and developers need sufficient time to get to the connection approve to get to the land secured. So some of the developers they just no sufficient time, so some project will be delayed so in Q1 next year. But from the policy regulator perspective, next year, it's totally different. We are going to move in very quickly, so just like Gener said, the policy, the framework -- the scheme of the framework in January is the same with this year. But subsidy level will be down a little bit but still very positive, and positive will for sure come out very early next couple of months. So frankly speaking, we are very optimistic for China next year, which is this year.

Maheep Mandloi - *Crédit Suisse AG, Research Division - Associate*

Got it. And a quick follow up on that. The 40 gigawatts China demand on 2020, does that include the 2019 projects being delayed into the first half of next year or?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

It's brandnew, the 2020 projects.

Maheep Mandloi - *Crédit Suisse AG, Research Division - Associate*

Got it and then just one housekeeping and I'll come back in the queue. The Q4 revenue guidance, does that include the Mexico asset sale? And if not, could you touched upon the timing of the sale?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

Yes, good question, this is not cut reconcile the revenue from the monetization of the project suits purely for the 4.2 to 4.5 -- 4.4 gigawatts module shipment. And Mexico party we have signed this agreement it's going to submit some kind of regular approval procedures. We expect to be closed in a couple of months and it could be by the end of the year or early next year in Q1.

Operator

Your next question is from Philip Shen who is from Roth Capital Partners.

Philip Shen - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

First one is on pricing. Can you compare what your Q4 ASP was? Our base calculation was for about $0.315, but that seems a bit high. Also, what was your module-only revenue for Q3? And then looking ahead for Q4 and given the guidance that you have there we get to an implied ASP of $0.279. Are we close on that? And if not, can you talk about the ASP that you see for Q4?

Gener Miao - *JinkoSolar Holding Co., Ltd. - CMO*

I will take the ASP and I will take the revenue question for Charlie. So for ASP side, as we just stated, I think the ASP was slightly up compared to Q3 versus Q2. And for Q4, it will drop because there are some more shipment to China and some more super market. The current market prices is lower than the contract we have signed quite a while ago so that's why the blended ASPs were lower. I think it's on approximate, the range you just talked about, the detail number we have to check. And for the Q1 and for the ASP trend, we believe the market will continue, let's say, in general, stable, but steadily going down quarter-over-quarter or year-by-year. I think as a whole industry, it's going into grid parity, which will be very helpful to stabilizing the turbulence of this market price, but in general, in order to be more competitive for solar installations globally, I think the module or the whole solar system installation or particularly the cost will continue to be more competitive.

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

So could you repeat your question on revenue?

Philip Shen - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Yes. Just simplistically for Q3 revenue how much of that was pure module revenue that we can associate with your shipments? How much was wafer revenue, for example?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

It's roughly I think the majority 97% -- 96% is coming from module only.

Philip Shen - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay, that's great. So then, Gener, you were just talking about ASPs trending down through next year. Can you talk about the margins you expect to see by quarter next year if we start to see -- if we look at global pricing for mono PERC, especially China pricing, it's quite weak and you guys have been able to maintain a pretty high ASP. So maybe talk about that premium? And then also, Charlie, if you can talk about the margin trend that you see for 2020, that would be very helpful.

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

Firstly I think China ASP is down starting from third quarter and October and because the China demand is weak and due to the late policy. And now, actually, starting from late October, what we're seeing is China demand is huge. It's pumping up. So the capacity constraint is a big issue for us and it's very tight for the solar cell resources even though solar cell market price and increased a little bit.

And for Jinko, we have put highlight third quarter earnings because it's kind of a turning point. Why a turning point? Because we have completed the transformation for the mono-based technology capacity. And if you look at our capacity, basically, if I'm general saying about looking for 2020, we have integrated capacity each quarter roughly 4 gigawatts.

So -- and now I think we are in good position in terms of our capacity scale in terms of in-house integrated production costs. Under that, we are promoting the high inflation product, like the Tiger, the next-generation high inflation technology integrated with technology and we are promoting the (inaudible). So next year, like to or maybe three new products, it's going to account for over 40% of total shipments. So the new products that's my key point is its a new product, the inflation is higher, output is higher. The production cost may be lower or the same with traditional products. And so we are focusing on the in-house capacity gross margins, and we are targeting roughly 28% to 25%, so that is our goal.

Philip Shen - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

And just be clear, Charlie, that's where you could possibly see for next year 20% to 25% for your in-house?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

Yes, it's in-house. We still need to do 20 gigawatts, we still need to do some third-party by the solar cells. One other thing, for each quarter, in general, we have 4 gigawatts, roughly 4 gigawatts integrated capacity and we still need to do some outside. So it's depending on each quarter. Some quarters, we may buy more from third parties some quarters we need...

Gener Miao - *JinkoSolar Holding Co., Ltd. - CMO*

So in general, Philip, I think Charlie's point is higher level of the in-house, let's say, vertical integrated capacity, and we are manufacturing a higher more competitive and higher efficiency products, which can generate a better margins standard commodity, and we are -- we have more confidence than ever gross margins and also the profitability are much more controlled.

Philip Shen - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay. Great. One last quick question as it relates to Jinko Power that -- can you just update us on whether there's any liability there for Jinko Power? How much of the Jinko Power debt are you guaranteeing, if any, these days?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

I think it's kind of legacy relationship and you understand back in 2016 when we spin-off the Jinko Power. We have preexisting guaranteed relationship with Jinko Power by the end of 2016. So the guaraneed amount we have disclosed in (inaudible) each year and it's going down year-over-year. And each year on average, roughly, the guaranteed number will be down USD 50 million to USD 100 million so you kind of guess the year-end the 2018 number and the $50 million to 100 million and you can guess the rough number.

Philip Shen - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

So roughly now it's about $600 million, is that right?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

I don't think so. I don't think so. I'm going to get back to you. I think it should be lower.

Operator

Your next question is from Alex (inaudible) with Goldman Sachs.

Brian K. Lee - *Goldman Sachs Group Inc., Research Division - VP & Senior Clean Energy Analyst*

It's actually Brian Lee here. Maybe just Charlie on the gross margin question, going back to that for a bit, I appreciate the view on the 20% to 25% internalized capability on gross margin. As we think about maybe the cadence, though, because this year, you had sort of a weaker first half in terms of margin profile versus the second half how you're exiting here, could we expect something similar in 2020 given again you sort of have the similar dynamics where you'll be ramping up capacity? I know you had some capacity ramp up headwinds on the margins earlier in the year and then it looks like obviously, pricing is going to be weaker here heading into year-end and then seasonally in Q1 typically we get another pricing down tick. So as you think about all those moving pieces, is it fair to assume you kind of start lower on the margins here in early 2020 and then you ramp up just like we saw in '19?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

I think it's totally different scenario let's say 2020 first half year, which is the first half year of 2019. If you look at our capacity, low demand and ramping up schedules, actually, our capacity investment in 2019, we invested roughly USD 500 million. The mono wafer, the. product sale came out second half year of 2019, so the impact happened in the second half year. And the first half year 2019, it's extremely worst case. Its PERC sales is in supply shortage. The price is very high and we have very limited capacities. We need to buy a lot of volume for the PERC sale for the first half year 2019. But the story is going to never happen next year because our capacity came out in the second half year this year. Our new second stage, the mono wafer capacity, will come out very quickly second quarter to first quarter.

We are ramping up the second stage, the mono wafer, starting from now and Q1 continue to ramp up full capacity in second quarter. So the key point is the volume is there and it's totally different with the first half year 2019. And I just gives you some numbers.

The volume, production volume next year 2019 will be dramatically increased for the mono wafer, for the PERC and for the modules. If we look at the production volume, it depends on capacity because capacity came out late this year and early next year, so year-over-year, production volumes with mono wafer is up 115% year-over-year to 2020, which is 2019. For the PERC sale is up roughly 50% and module is 20%. So my key point is integrated production volume are just hard, each quarter roughly 4 gigawatts. That is produced by ourselves and we have confidence our leading cost structures and we have confidence on our profitability levels. Even for the -- I think the ASP it's...

Gener Miao - *JinkoSolar Holding Co., Ltd. - CMO*

So when we did the sales planning in 2020 as well in order to stabilize the gross margins against the turbulence on the market price or the spot market changes, we're trying to, let's say, plan equivalent volume growth against our capacity ramp up plan, so that will be helpful we believe will be helpful to stabilize the gross margins. We don't want to surprise the capital markets.

Brian K. Lee - *Goldman Sachs Group Inc., Research Division - VP & Senior Clean Energy Analyst*

Fair enough. I appreciate the color. Maybe a couple of more just on the modeling year 2020. CapEx you said it's going to be $300 million. I know you spent closer to like $500 million you said, Charlie, for 2019. In the past, I think you said $0.07 to $0.10 a watt CapEx wafer and $0.02 to $0.03 a watt for module. If I run those numbers it seems like 2020 CapEx will be more in line with the 2019 CapEx. Is there something changing for the CapEx figures for 2020 or are you getting subsidized in any portion of the CapEx for 2020? And then would that CapEx view for 2020, do you expect to be free cash flow positive on the year?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

Yes, I think we are confident next year we are going to be free cash flow positive. And firstly, it's our profitability level should be very high growth next year. The EBITDA, the operating cash flow will be (inaudible) next year.

And second one is a CapEx question. The investment level is lower, basically, next year, which is this year. And next year, it's just 5 gigawatts capacity for the mono wafer and roughly 6 gigawatts the module capacity. And it's going to -- its break down is roughly USD 160 million for the mono wafer, USD 100 million for the module and I think USD 40 million for the upgrades, maintenance CapEx. And if you look at 2019, we invest a lot. We invest on the PERC sale converting existing sale as well as investing next-generation product sale we invest in mono wafers.

And for the second stage 5 gigawatts mono wafer come out second quarter next year, some of the CapEx have already been reflected this year. So this is another small -- some impact on the CapEx next year.

Brian K. Lee - *Goldman Sachs Group Inc., Research Division - VP & Senior Clean Energy Analyst*

Okay, understood and then last one housekeeping. I think in the past you put in the slides the CapEx, the DNA and the operating cash flow for the quarter. Can you provide those figures for the third quarter?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

Depreciation?

Brian K. Lee - *Goldman Sachs Group Inc., Research Division - VP & Senior Clean Energy Analyst*

CapEx depreciation and operating cash flow. I think you've usually put those metrics into the slides.

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

The depreciation and amortization should be roughly the same, slightly higher with the second quarter. The operating cash flow actually is pretty good in the third quarter because our profitability, gross margin and as you can see, our operating efficiency improved. Inventories, accounts receivables. I think it's roughly $100 million to $120 million operating cash flow in the third quarter.

Brian K. Lee - *Goldman Sachs Group Inc., Research Division - VP & Senior Clean Energy Analyst*

And then just on the CapEx for the third quarter?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

CapEx I need to check. But accumulatively, for the Q1 to Q3, roughly USD 410 million So I'm talking about this 4 year USD 500 million.

Brian K. Lee - *Goldman Sachs Group Inc., Research Division - VP & Senior Clean Energy Analyst*

Okay, so $410 million through the first 3 quarters?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

Yes.

Gener Miao - *JinkoSolar Holding Co., Ltd. - CMO*

Yes.

Operator

Your next question is from John Segrich from Luminis.

John Segrich

Just want to come back to kind of the profitability of the business. You've done a great job of improving the margin. But as you kind of look at it, it seems like the margin improvement is really been driven this year by ASPs going up rather than costs going down, and I guess that's attributable to the fact that you moved from lower-spec product to like mono PERC. Is that the right way to think about it?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

It's not right, John. And you're right, Q3 our ASP is slightly, slightly up. And impact to the gross margin I think...

John Segrich

I mean it looks like it's up, surely, isn't it?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

I don't think so. We have our revenues. And the second one, the Q3, our production volume, it's a mono wafer Q3 we are in ramping up stage, so it's ramp up stage by stage. The output, let's say, the full capacity of 5 gigawatts now mono wafer capacity, if running full capacity, it's 100%, but the third quarter is roughly just output is 20%, 30% but fourth quarter, it's going to be 100% impact. So my answer to your question is it's because, firstly, our production cost improved quarter-over-quarter. Second one is Q3, the impact, the volume for the new capacity impact is limited. It's just 20% -- 30% full capacity. It's the same thing for the sale capacity.

John Segrich

Right so looking at the fourth quarter again ASP you're guiding down a little over 10% and you would expect your cost to fall similarly?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

It's 2 kinds of impact. Fourth quarter because we ramp up 100% the capacity, the volume is increased a lot. What I'm talking about volume is sale due to volume for the mono wafer for the PERC sale fourth quarter. Second one is our in-house production cost improve. So after that gained exposure to China with relatively lower ASP. So that is why we guide gross margin fourth quarter we have improved.

John Segrich

Stable, yes. Okay, can you give us the in-house cost for 2Q, 3Q, and what you think it is in 4Q?

Haiyun Cao - *JinkoSolar Holding Co., Ltd. - CFO*

We don't like. It's confidentiality, but you can do some estimate ASP, gross margin, you can do some kind of calculation.

Operator

There currently no more questions in queue. I'd like to hand the call over back to Ripple for her closing remarks. Please go ahead.

Ripple Zhang - *JinkoSolar Holding Co., Ltd. - IR Manager*

Okay. Thank you for joining us tonight. This concludes the call.

Operator

Thank you, Ripple. Ladies and gentlemen, that does conclude our conference call for today. Thank you all for your participation. You may all now disconnect.

[Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]