JinkoSolar (Q2 2026 Earnings)
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Corporate Speakers

- Stella Wang; JinkoSolar; Investor Relations Manager
- Wei Du; JinkoSolar; Chief Executive Officer
- Gener Miao; JinkoSolar; Chief Marketing Officer
- Mengmeng Li; JinkoSolar; Chief Financial officer
- Haiyun Cao; JinkoSolar Holding Company Limited; Chief Executive Officer

Participants

- Tyler Bisset; Goldman Sachs & Company; Analyst
- Philip Shen; ROTH Capital Partners; Analyst
  Rajiv Chaudhri; Sunsara Capital; Analyst
- Alan Lau; Jefferies; Analyst

PRESENTATION

Operator^ Hello, ladies and gentlemen, thank you for standing by for JinkoSolar Holding Company Limited Second Quarter 2026 Earnings Conference Call.

At this time, all participants are in listen-only mode. After management's prepared remarks there will be a question-and-answer session. As a reminder, today's conference call is being recorded.

I would now like to turn the meeting over to your host for today's call Ms. Stella Wang, JinkoSolar's Investor Relations Manager.

Please proceed, Stella.

Stella Wang^ Thank you, Operator. Hello everyone.

And thank you for joining us today for JinkoSolar's Second Quarter 2026 Earnings Conference Call.

The company's results were released earlier today and available on the company's IR website at ir.jinkosolar.com as well as on Newswire services.

We have also provided a supplemental presentation for today's earnings call, which can also be found on the IR website.

On the call today from JinkoSolar are Mr. Dimi Du, CEO of JinkoSolar Holding Company Limited; Mr. Gener Miao, CMO of JinkoSolar Company Limited; Mr. Pan Li, CFO of JinkoSolar Holding Company Limited; and Mr. Charlie Cao, CEO of JinkoSolar Company Limited.

Mr. Du will discuss JinkoSolar's business operations and the company highlights, followed by Mr. Miao, who will provide an update on sales and marketing; and then Mr. Pan Li, who will go through the financials.

Management will be available to answer questions during the Q&A session.

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 turn the call over to Mr. Dimi Du, CEO of JinkoSolar.

Please go ahead, Dimi.

Wei Du^ Hello, everyone. This is Dimi Du. And thank you for joining JinkoSolar's Second Quarter 2026 Earnings Call.

It is an honor to take the role of CEO. I appreciate the trust the Board of Directors and management team have placed in me. [Gaining] this milestone of our 20th anniversary as we embark on the next stage of development.

I look forward to working closely together to further enhance our operating performance and strategic execution to drive sustainable high-quality growth.

I will begin by reviewing our operational performance in the second quarter and then outline our key priorities going forward.

In the second quarter, module shipments increased sequentially to approximately 16 gigawatts.

Supply and demand imbalances across the PV industry remain dynamic. These pressures were further compounded by shifts in domestic and overseas policies with prices across the supply chain and industry profitability remaining under pressure.

At the cost of ramping up, our high-efficiency products remained evaluated during the quarter, together with the impact of delivering certain low-value orders, gross margin decreased sequentially during the quarter, while our net loss expanded.

Facing this operating pressure, we optimized our order book and geographic mix, rationally manage utilization rates and continue to expand the proportion of high-efficiency products within shipments while introducing technologies that lower costs. These measures are driving a gradual recovery in profitability. The underlying pattern of PV industry competition is gradually shifting from capacity and shipment scale to effective supply, product value and earnings quality.

The mandatory new national standard on energy efficiency for modules and inverters released in July will take effect in January 2027. The new standard set level three energy efficiency as a minimum threshold for market access. Products that fail to meet the minimum thresholds will not be permitted for production or sales, placing high-efficiency products in a stronger position for large-scale renewable energy project tenders. Meanwhile, the implementation of market-based pricing for renewable power is pushing customers to increasingly focusing on energy yield, reliability and the lifetime value of modules. These changes are beneficiary to industry leaders with advanced manufacturing capacity, technological expertise, global delivery and long-term service capabilities, which will accelerate the phaseout of inefficient production capacity.

By the end of 2026, we expect to have more than 40 gigawatts of TOPCon 3.0 production capacity. Based on the new standard thresholds, these products are expected to meet Level 1 energy efficiency requirements and strengthen our annualized production capacity for high-efficiency products to lead the industry.

We continue to advance our product portfolio and build a solid base for next-generation technologies based on our TOPCon technology roadmap.

In June, we unveiled our newest next-generation TOPCon Tiger Neo 5.0 modules.

By optimizing multiple core technologies, the TOPCon Tiger Neo 5.0 achieved mass produced efficiency of 25.91% and power output of over 700 watts, setting a new benchmark for TOPCon product performance once again.

ESS shipments in the first half of the year were 3.1 gigawatt hour, increased significantly year-over-year. Benefiting from our presence in high-value market, gross margin improved year-over-year in the first half of 2026. Due to uncertainties in timing of project delivery and other factors, recognized revenue remains in ramp-up stage. Approximately 1.5 gigawatt hour were recognized in revenue in first half, including more than 1 gigawatt hour in the second quarter as project deliveries increase alongside ongoing enhancement of our in-house PCS, EMS and other capabilities, we will continue to boost efficiency of both revenue recognition and profit realization, driving high-quality growth for our ESS business.

Now I will move on to our guidance for the third quarter and full year of 2026.

We expect our annual integrated production capacity to reach approximately 100 gigawatts by year-end 2026, including approximately 14 gigawatts from overseas facilities. Considering demand dynamics in certain markets, we will place greater emphasis on balancing shipment volume, profitability, cash flow and order quality going forward and adjusting guidance for full

year 2026 module shipments to between 60 gigawatts and 70 gigawatts and high-efficiency products accounting for over 60%.

We expect module shipments to between 15 gigawatts and 17 gigawatts in first quarter of 2026.

For full year 2026, we expect our energy storage system shipments to more than double year-over-year.

As we continue to strengthen the competitiveness of our core solar and energy storage businesses, we are also building an investment platform through disciplined capital allocation and professional investment management that will act as a complementary driver for long-term value creation.

Over the past several years, leveraging our deep industry expertise and long-term perspective on technological trends, we have made disciplined and selective investments directly or through fund platforms, focusing on strategic synergies, technological innovation and long-term value creation.

Our earlier investment primarily focused on solar and energy storage value chain.

In recent years, as AI drives demand for computing power and electricity demand, we have selectively expanded our investment scope to the AI ecosystem and other frontier technologies. To date, we have invested in more than 40 companies in total.

As of June 30, 2026, we have invested an aggregate of approximately RMB1.86 billion in cash. The original cash cost of the investments remaining in our portfolio is approximately RMB1.5 billion with a fair value of approximately RMB1.99 billion as of the same date.

Our investment portfolio has generated cumulative value appreciation of approximately RMB880 million, comprising of approximately RMB410 million in realized gain from exit and approximately RMB470 million in unrealized fair value from remaining investments in the portfolio.

During the first half of 2026, our portfolio generated gains of approximately RMB490 million, comprising approximately RMB110 million in realized gains and approximately RMB380 million in unrealized fair value gains.

In the first half of 2026, we divested a substantial portion of our equity interest in LAPLACE Renewable Energy Technology Company Limited, receiving over RMB300 million in cash proceeds.

Since our initial investment in LAPLACE, the cumulative realized gain on this disposal exceeded RMB250 million. This gain was recognized over multiple periods through fair value adjustments following its IPO in late 2024 with over RMB100 million recorded in change in fair value of long-term investments upon settlement in the first half of 2026.

In addition, Hangzhou Gold Electronic Equipment Company Limited successfully completed its listing on ChiNext market of Shenzhen Stock Exchange during the second quarter, creating an additional pathway for future value realization.

Looking ahead, we will continue to maintain a disciplined approach to capital allocation, supporting the long-term development of our core solar and energy storage business will remain our top priority.

At the same time we will continue to evaluate our existing strategic investments based on the operating performance strategic synergies and the long-term value creation potential of each portfolio company while remaining disciplined and selective in pursuing new opportunities. Through strengthening our core businesses, realizing portfolio value and improving capital utilization efficiency, we remain committed to creating sustainable long-term value for our shareholders.

This concludes my remarks.

I will now turn the call over to Gener.

Gener Miao^ Thanks, Dimi. Total shipments were 36.9 gigawatts in the first half with total market shipment accounting for over 90%, leveraging sales network covering nearly 200 countries and regions and 35 service centers globally.

We continue to optimize our geographic mix and the customer structure overseas.

In the first half shipment to the overseas markets accounted for over 70%, mainly across Asia Pacific, Europe and emerging markets.

In the second quarter, the proportion of high-efficiency product shipments improved sequentially.

Our Tiger Neo 3.0 series continue to command a premium of approximately $0.1 per watt over conventional products.

We also began to ship a small number of scenario-based product in the second quarter and gradually plan to increase deliveries in the second half. Those products already command a premium of approximately $0.5 to $0.1 per watt over conventional products.

Following the launch of AIDC and other scenario-based module products in the first quarter, we recently released the Sunny 365 smart solar storage system. This comprehensive series of integrated PV storage solutions cover several scenarios such as retail, supermarkets, AIDC and manufacturing sectors. Especially the AIDC solution is built around our Tiger Neo 3.0 module platform technology and the SunTera energy storage system, capable of meeting the demand from data center for power supply reliability, energy economics and sustainable low-carbon development through the coordinated control of energy storage system, PCS, EMS and smart operations and maintenance.

We recently received the highest AAA bankability rating in the Q2 2026 bankability rating report for module manufacturers released by PV Tech.

Since first participating in the evaluation in 2014, we have maintained a grade rating for 12 consecutive years.

Also we were recognized as a Tier 1 energy storage provider by BNEF for the 10th consecutive quarter. These ratings reinforce our bankability project implementation capabilities and long-term delivery capabilities for the international market.

Impacted by the market-based pricing mechanism for renewable energy and the pace of project investment, domestic installation demand has slowed. Yet we observed the positive signs of shifting structural demand with national-level large-scale renewable energy-based projects lead by the central and state-owned enterprises, maintaining a steady pace of progress. The share of tenders for high-efficiency modules has increased significantly in the centralized procurement and the criteria has shifted from simply pursuing lowest bidding price to greater emphasize on module efficiency, life cycle power generation performance, reliability and long-term delivery capability.

High-efficiency modules have already commanded a reasonable premium in tenders.

At the same time the distributed generation market is transitioning from scale-driven growth towards a focus on scenarios and operational value. Brand reputation, channel, local services and scenario adaptabilities are becoming increasingly critical. This trend benefits enterprises with global channel, established brands and differentiated products, which enable conversion of technology and product power into more stable price relationship and product value.

Looking forward to 2027, as electricity pricing marketization policies are gradually absorbed and mechanism-based pricing and project ROI models become clear, several projects that were delayed due to insufficient returns are expected to gradually resume. Large-scale renewable energy-based products, direct green power connection and distributed scenario-based application will continue to drive domestic demand. The overseas market is expected to maintain some growth resilience, benefiting from energy security, growing power demand and improved solar plus storage economics. Leveraging our global sales network, leading high-efficiency products and continuously expanding solar plus storage solutions, we will capitalize on the opportunities arising from change in demand structure and expanding application scenarios.

We will continue to optimize our market and product mix and leverage our technological advantages to strengthen our presence in high-value markets, enhance product value and improve the quality of our operations.

With that, I will turn the call over to Pan.

Mengmeng Li^ Thank you, Gener. Leveraging our leading position and high-efficiency products, we optimized our sales mix during the quarter, resulting in gross margin reaching 4.2%, up 1.3 percentage points year-over-year.

We also continue to optimize our capital structure and cash flow management and generated positive operating cash flow during the period, a significant improvement compared to last quarter.

Our asset to liability ratio declined by approximately 1.5 percentage points from the beginning of the year.

For the remainder of the year, our focus will be on balancing scale and earnings quality, while carefully controlling cash flow. We expect full year operating cash flow to improve compared to '25.

Looking at our second quarter financials in more detail. Total revenue was $1.82 billion, up 0.9% sequentially and down 31% year-over-year. The sequential and year-over-year changes were mainly due to the fluctuation in the shipment volume of modules. Gross margin was 4.2% compared with 8.3% in the first quarter and 2.9% in the second quarter last year. The sequential decrease was mainly due to lower average selling price of solar modules, while the year-over-year increase was primarily due to a higher ASP.

Total operating expenses were $287 million, up 21% sequentially and 2% year-over-year. The sequential and year-over-year increases were mainly due to higher expected credit losses in the second quarter this year.

Operating expenses accounted for 15.8% of total revenues compared to 13.1% in the first quarter this year and 10.6% in the second quarter last year.

Operating loss margin was 11.6% compared with 4.8% in the first quarter this year and 7.7% in the second quarter last year.

Moving to the balance sheet.

At the end of second quarter, our cash and cash equivalents were about $2.5 billion compared with about $3.3 billion at the end of the first quarter this year. AR turnover days was 113 days compared with 128 days in the first quarter of '26.

Inventory turnover was 125 days compared to 142 days in the first quarter this year.

At the end of the second quarter, total debt was about 6.6 billion compared to about 6.8 billion at the end of the first quarter of '26.

Net debt was 4.1 billion compared to 3.5 billion at the end of the first quarter of '26.

This concludes our prepared remarks. We are now happy to take your questions.

Operator, please proceed.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Your first question comes from Brian Lee with Goldman Sachs & Company.

Tyler Bisset^ This is Tyler Bisset on for Brian.

ASPs declined pretty meaningfully sequentially. So curious how you're viewing ASPs so far in Q3?

And how much of an impact you could see from greater shipments of Tiger Neo 3.0 modules?

Gener Miao^ So, yes, for the ASP side, we are expect -- firstly, apple-to-apple, we are expecting the price goes up a little bit in Q3.

And if we look into the average prices, it will go up as well because the first reason is because from the current market situation, the price is going up because of different reasons, the spot market goes up. So most of the DG prices are following the spot market. So we are expecting the price of Q2 goes up.

The second reason is because the mix of different products. Our 3.0 product, which is a premium product ratio in Q3 will be definitely higher than Q2, which will be helpful to lift up the ASP in Q3 as well.

Tyler Bisset^ Super helpful. We have seen pricing for wafers and cells increase pretty meaningfully over the past months.

We've also seen futures prices for poly also increasing following some industry self-regulation.

So I wanted to see how you're thinking about your input costs over the near term and whether you're expecting any impacts from some of these recent moves in input costs?

Haiyun Cao^ So you are talking about the increased cost.

So -- we believe it's a kind of healthy rebound including polysilicon glasses and a couple of materials. And that is why I think we -- in repair and increased the module price.

We don't believe this is going to have negative impact on the customer side. And if you look at the landscape and the solar is the cheapest energy sources.

And now, there's a huge demand for storage and solar plus storage will be the dominator of the energy diversification for most of the ratings.

Tyler Bisset^ Okay. And just one more from us.

Can you provide any more details on how you're balancing shipment volumes and profitability and how that weighed on your shipment volume guidance for the year?

Like are there certain markets that you are prioritizing or deemphasizing?

Haiyun Cao^ We guided down the shipments, right, to 60 to 70. That's a clear message.

We don't believe it's the right time to focus on the scale and the profitability and the operating cash flow is the key.

So, we do a lot of optimization of the structures, not only the market as well as the products and efficiencies, even our employee resources. And particularly, if you look at 2026 and the demand in China is 30% to 40% more than last year.

So definitely, we have less and less exposure in China, and China is still relatively competitive and pricing is one of the lowest markets.

But what we are doing is not only the country-by-country as well as the customer-by-customer.

On top of that, because we are rolling out the Tiger Neo 3, that is one of the key markets and targeting the residential markets and particularly for the premium markets including United, including Europe. So that is one of the area we'd like to penetrate more market share and to get relatively good probabilities.

So, I'd just like to take the opportunity to -- I think the investor on the call and this quarterly meeting, earnings release are relatively different. And if you look at the JKS and the U.S. companies, we like to reposition the company's strategies. And firstly, JKS is kind of the (inaudible) shareholders of Jinko China, the company, which is the focus on integration of the solar plus storage.

But now JKS has more capabilities in the last five years, we built up a very, very strong strategic investment teams and invest dozens of investments, a lot of investments are very, very successful.

And in the last five years, we focus on solar storage-related upstream, downstream kind of the very high-growth potential companies to make the financial investment and to get the investment returns and as well as get some synergies for Jinko China.

On top of that, because China is more kind of more competitive on the new technology like the AI content and computing, robotics and the team is shifting the focus to more kind of strategic broad industries, particularly the next generation.

So we think the JKS is kind of shifting to both.

One is the controlling of the Jinko China and focus on renewable energy.

And on top of that, the JKS and the U.S. companies were shifting more capabilities to invest on the high-growth opportunities.

China is the second most powerful country. There's a lot of massive opportunities, and we are able to -- our teams are able to take the advantage.

So we would like to invest gradually to have the communication with our IR teams.

And to understand what is the progress, particularly for the strategic investment we are planning and we have made, which we believe will be get a very strong return for the JKS in the next two or three years.

And again, we think it's good for the valuation of JKS.

If you look at purely the China, which is U.S., there's a very big valuation gap in the U.S. is just 20%, 30% valuation. And plus, we have a lot of portfolio investments and unique investment, which we are able to monetize.

So I'd like to take the opportunity to bring this key topic and have the investors understand, okay. What we are going to do and in the future.

Operator^ Your next question comes from Phil Shen with ROTH Capital Partners.

Philip Shen^ Dimi, nice to meet you. Congratulations on the new position.

I wanted to check in with you guys on the Section 232. Specifically, given your recent transition and sale of your U.S. assets to FH Capital, can you talk about the impacts of the 232 on that JV?

What kind of -- how do you expect module pricing to be impacted?

And then, ultimately, do you expect the landscape of manufacturers to shift as a result of the Section 232?

Haiyun Cao^ In general, we believe it's kind of very good for Jinko's strategy to invest our manufacturing shifting to entities in the United States.

And specifically, I think JV because we are the financial minority investors, we are not in a position to discuss the plan for the joint ventures because the majority shareholders take the leadership, and we are not involved in any operations.

But for the 232, in general, we believe that is consistent with Trump administration to bring manufacturing back to the United States, not only the module capacity as well as the wafer polysilicon and the solar cell capabilities.

And we have expectation anticipation that 232 will be coming in the early year, but it's come a little bit late, but we have some kind of diversified the potential supply chain to minimize the impact.

But anyway, we believe that is going to be increased the cost of the solar modules. That is going to have the impact to the solar development cost.

But we believe because of the it's a little bit significant increase for the potential solar module price, but it does not have a significant impact for the solar farm investment returns given the U.S. PPA prices in recent years, gradually increased to a relative competitive but a little bit higher level.

So back to your question, and we think it's anticipated, but it's a little bit exceeding expectation because the input price tax rate is a little bit higher, but it's not so high to make the industry demand dramatically go down.

We still believe U.S. is a [good] market in the next few years. And Jinko has minority interest and the joint venture will penetrate the U.S. market to take the opportunity in the U.S. market.

Philip Shen^ Okay. Thanks, Charlie.

So would you expect pricing to kind of go to $0.42, $0.44 in the U.S.? You guys are a JV minority owner now, but I got to imagine you have some views on pricing.

So what's your sense of where module pricing goes in the U.S.

Haiyun Cao^ If I look at the minimum price [38] right, 15% tariff, I think the market is evaluating the potential impact and customers evaluating how they are going to proceed their project plan.

And I think we don't have definitive answer from customers, but the initial feedback is that most project will continue, even under the kind of 232 policy disruptions. That is my initial preliminary information.

Philip Shen^ Okay. Great. That's very helpful.

And then as it relates to -- you just mentioned two elements of the 232, the minimum import price and then the 15% ad valorem tariff. There's also a third part which is the tariff rebate program that is based on U.S. CapEx. Would you expect your JV to qualify for that tariff rebate program?

Haiyun Cao^ It's still the JV question. I'm not in a position.

But based on interpretation of policy, my understanding is first is the kind of new capacity expansion.

Secondly, it should include wafer cell and maybe polysilicon, right? It's a new capacity addition.

It's not included. The solar module is not included. And it looks like it's targeting for the wafer cell and as well as polysilicon.

Philip Shen^ Right. That's true. It's based on new capacity, but it can support manufacturers to expand capacity. So, okay.

I'll pass it on.

Operator^ Your next question comes from Rajiv Chaudhri with Sunsara Capital.

Rajiv Chaudhri^ I have a few questions.

Starting with, can you calibrate for us the size of the market that you expect globally this year in 2026, and then break it down between the total size in China and international?

Gener Miao^ (Speaking in Foreign Language) So, you mean the 2026 total demand, right?

Rajiv Chaudhri^ Yes.

Gener Miao^ So, I think 2026, we are expecting a low year because of the sharp drop of the China domestic demand. If you are looking number-wise, we are thinking roughly module side, it will be roughly 600 gigawatts or slightly below that. That will be our expectations.

And if you break them into different categories, you will find out, for example, in China, you will find out it is mainly the demand disappear from the utility market, but the distribution market are still strong or robust during the first half.

And if you look at the non-China market demand, you will find out the European market had some up and downs during the first half.

But if we look into the total numbers because of the first quarter rush of the VAT policy change in China, most of the non-China demand is almost in line with the expectations, even slightly higher than last year. So, that's what we had for the first half and our expectation for this year.

And for next year, we believe there will be some recovery in the utility market in China. So we are expecting a better 2027 demand than 2026.

So if you want to quantify that, we will look at roughly something between 600 to 650 gigawatts in 2027 versus around 600 gigawatts or slightly below 600 gigawatts in 2026.

Rajiv Chaudhri^ Okay. So if the 2026 is around 600, that means that you're now looking at your market share globally going down from last year, because your market share would be about 11%, right?

Gener Miao^ Yes. There are some reasons behind it, right?

First one is we call access market is reducing, right? So there are certain sizable market is introducing more and more strict barriers, trade barriers or policy barriers, which is not easy to access, right?

So the second reason is because the competition across the manufacturers, where some of the Tier 3, Tier 2 players, they are playing low price strategy, sacrificing the quality, et cetera, to attack the market or protect their own cash flow which is not what Jinko can do.

So Jinko is still taking care of the long-term reputation and the quality. So that's why we have to give up some of the low-priced steel and protect our own interest.

Rajiv Chaudhri^ So breaking it down, when you said about some markets becoming less easy to access, I assume you're talking primarily about the United States.

Can you give us a sense of what you expect out of that 65 million gigawatts that you expect this year, roughly what percentage will be the U.S.? And what you think going forward longer term, your U.S. sales will be as a percentage?

Gener Miao^ Yes. Sorry to jump in, but not only U.S. Even, for example, Europe, they have this kind of rules asking for all the EU-funded projects or financed projects cannot use China-based or Chinese factor -- factories.

So for India, it's a kind of technical barrier, but for Chinese -- China-based manufacturing is not accessible at all as well together with some other mid or small size of the market as well like Turkey, like other markets.

So I won't name all of them. But definitely, U.S. is one of them or one of the big ones, but it's not the only one, just many more because of different reasons, geopolitical or securities.

Rajiv Chaudhri^ I see. Okay. Moving on to another question about credit losses.

Can you elaborate on what you mean by that and what happened actually in the second quarter?

Haiyun Cao^ Rajiv, (inaudible) credit loss for accounts receivable (inaudible)?

Rajiv Chaudhri^ Yes. Can you just give us more details on that?

Haiyun Cao^ So you mean kind of provision or whatever you are looking at, right?

Rajiv Chaudhri^ Yes. You mentioned in your comments that one of the reasons for higher operating expenses in the second quarter was that you experienced some credit losses.

And I was just looking for some elaboration. Was it some particular customers who went delinquent?

Haiyun Cao^ So Rajiv, (inaudible).

But based on my understanding, it's kind of we didn't have any kind of deteriorated credit from customers and it's kind of accounting perspective based on the agents. And actually, if you look at the operating cash flow, we delivered positive RMB600 million in the first half year.

And the healthy operating cash flow is one of the key focus from management perspective, and we don't see any significant bad [debts] or whatever from a customer perspective.

Rajiv Chaudhri^ Okay. Another question is on -- you mentioned that the cost of production of the newer product line, the 3.0 remained elevated. Can you explain some of the reasons why?

Because we were expecting actually the cost to start to come down as you ramped up. What happened?

Haiyun Cao^ The second quarter, we ramp up the new facility, the Tiger Neo 3 and ramping up typically, the cost is relatively higher.

On top of that, in the second quarter, because the first quarter, the raw material cost, the shiver cost is relatively higher. So carry forward to the second quarter, the cost is relatively higher.

But it's a kind of a combination of two factors together to result the relatively higher cost.

But we expect the cost will be lower in the third quarter with the capacity reaching to full operational status as well as the input cost is relatively lower compared to the second quarter.

Rajiv Chaudhri^ So -- and given that you're expecting the ASPs also to be up in the third quarter, are you suggesting that gross margin could bounce up quite nicely in the third quarter?

Haiyun Cao^ We did expect gross margin moderate improvement in the third quarter.

Rajiv Chaudhri^ Okay. And can you also talk a little bit about the Mr. Xiande Li stepping down from the CEO's position. This is, obviously, a tough time for the company.

Can you just elaborate on why he's chosen to do it at this time?

Haiyun Cao^ I think Xiande Li, our Chairman, is the founder, is always focused on the strategic long-term visions, and I don't believe there's any change because of the change of the Chief Executive Officer because JKS is a controlling shareholder of Jinko China.

And so, the key business of JKS on top of the controlling shareholder of Jinko China, that is the primary entity to operate the business. And the Chairman believes this is the right time JKS on top of the controlling shareholder business and doing the strategic investment because our Chairman built up the teams, strategic investment teams and five years ago, there is a strong track record in the last five years, and it is the right time to catch up the massive opportunities in

China, not only in the last five years, there's a solar and storage investment opportunity as well as AI, robotics, quantum computing, a lot of investment opportunities.

So that is why I think I just like -- I think I talked about in the beginning of the conference call and we like to invest to have take the time to understand what we have done in the last five years for strategic investment, over investment cash out maybe 60%.

And there is a very good investment opportunity the team have invested, including the recent large model, the AI model, maybe you heard from the news, and we believe there will be a good opportunity to take to make investment return through the strategic investment platform.

Rajiv Chaudhri^ Okay. Moving on to capital spending. Can you tell us what the capital spending plan is for this year and how you're thinking about 2027?

Obviously, you're running well below the 100 gigawatt capacity that you have. Should we expect basically very little capital spending in the next two years?

Haiyun Cao^ Yes, correct. There will be very, very small minimum and minor upgrades, and we don't expect any significant investment. Even if we want to do some -- in the future, we do the local manufacturing in the key countries out of China for the local market, we will do through the joint venture structures that will minimize our CapEx as well. That is depending on if the market is getting rebound.

And so, back to your question, I don't believe it is significant and should be very small on the maintenance CapEx in the next two years.

Rajiv Chaudhri^ So is the $5 billion number of maintenance CapEx or even less than that?

Haiyun Cao^ It should be significantly lower, maybe $500 million or maybe $1 billion, and it should be very, very small.

Rajiv Chaudhri^ I see. Okay. And how much CapEx is required in the storage business?

Haiyun Cao^ Storage, we don't have capacity plan.

But currently, we have roughly 5 gigawatts battery cell and 20 gigawatt battery pack.

We don't have plan to do the capacity expansion. We would like to take the light approach and partner with different suppliers.

The key element -- key part is the solution for AIDC for different tastes, different projects and the technical branding and marketing capability and the technical services that will be the key investment, but the investment on the -- I think the team (inaudible).

Rajiv Chaudhri^ I see. Okay.

So your business model in storage is basically an asset-light model?

Haiyun Cao^ Yes. Yes.

Rajiv Chaudhri^ Yes.

Now going back to module market share, do you think that in the second quarter also you were number one in the world?

Haiyun Cao^ Yes. In the first half year, and we are -- I think we are still number one, that is our target.

The key is we need to get through the cycles and we develop our capabilities and the volume does not show any capabilities. Capabilities shows we are able to have more good planning and we make sure we have more capabilities to select different customers and different markets and branding and marketing activities and they start, we don't believe the [warrant] will see something.

Rajiv Chaudhri^ Okay. So, at what level do you think your -- given that some markets are becoming more difficult, as Gener mentioned, at what level do you think your market share globally bottoms out?

At the peak, it was around 15% roughly the last couple of years ago. And now, you're heading towards 11% to 12%. Where do you think that number bottoms out?

Haiyun Cao^ Frankly, I don't have a target number, but I think 10% is a reasonable number for current stage.

But the markets pick up, we think we have -- we should be ready to get more market share.

Operator^ The next question comes from Alan Lau with Jefferies.

Alan Lau^ Also congratulations Dimi to become the CEO of the company.

So I would like to follow up on a couple of stuff. First of all, the Section 232, I heard there are already quite significant inventory in the U.S. like BNEF is quoting close to 100 gigawatts.

I'm not sure if you are aware of it. And we would like to know how much inventory we have to get prepared for the policy change?

Haiyun Cao^ We did have preparations and -- but it's based on the short-term sales contract, right, in the next two or three months. And typically, we will be doing some kind of purchase agreement. And -- but because there's still a sufficient time right, two or three months, and we will purchase on a regular basis.

And we believe because the cost structure is a little bit high, and we believe the market are able to absorb the potential cost increase.

Alan Lau^ Understood. So how much inventory in the market do you see?

Haiyun Cao^ We don't have the information. You mean the module, right?

Alan Lau^ Yes. Yes, yes.

Gener Miao^ I think you can track the customer data, maybe two, three months later, you will see the U.S. customer data. So it will have a better understanding about how many or how much megawatt has been imported.

Alan Lau^ Understood. Understood.

So also heard some feedback on the Section 337 investigation regarding to the TOPCon patent. I wonder if -- how do you see it? And is it affecting any of the TOPCon sales in the U.S.?

Haiyun Cao^ Is that the First Solar penalties?

Alan Lau^ Yes, patent case and also the Section 337 investigation, and yes, there's some feedback suggesting that -- yes, this might impact or this might create some problems for selling TOPCon into the U.S. market.

Haiyun Cao^ I didn't hear the information or any update.

But again, based on our internal, external teams, and we are quite confident in our patent capabilities, and we don't see any disruption for Jinko so far.

Alan Lau^ Understood. So -- and regarding the strategic cooperation with one of the U.S. major players, I wonder if you might share the progress on that front?

Like is there updates or -- because there's a recent announcement of a $10 billion of investment into building solar capacities by that largest player in the ESS. So wonder if what the progress of our discussion with that player?

Haiyun Cao^ We didn't have any progress so far.

If any significant improvement we were any progress I think we may take the news, and but globalization is our strategy is cooperation with different partners, not only in the United States in different countries is what are the key area we would like to take and explore the different opportunities. And if we reach to significant progress, we definitely will share the news.

Alan Lau^ Understood. So my last question is on the ESS business.

So I think in the last quarter, or in the PowerPoint, it showed around 1.42 gigawatt hour of ESS shipment POD, while in this quarter, it seems the number is revised or I'm not sure if the way of calculating the shipments is different, but it seems that Q1 has a lower number of shipments, whereas Q2, there's 1 gigawatt hour plus shipment. It seems the company is reiterating its annual target. So does it mean that in second half, there will be close to 8 gigawatt hour of shipment?

Haiyun Cao^ It's second half year loaded and because a lot of projects we shipped, but we need to go through different stage including testing, commissioning and particularly for the large-scale ESS project.

We have the confidence that we are able to achieve our guidance by the end of the year.

If you look into next year and second, third quarter should be -- we are able to recognize maybe three to 4 gigawatt hours a quarter next quarter.

Alan Lau^ Understood. So how much was shipped in the first quarter? Because it seems there's a change in the method of calculation or what?

Haiyun Cao^ First half, we shipped, I think 3 gigawatt hours. And again, last year, we shipped, I think over 5 gigawatt hours. But last year, we look at just 1 gigawatt hours.

So there is a gap for gigawatts carry forward into this year. Anyway (inaudible).

Operator^ That does conclude our conference for today. Thank you for participating.

You may now disconnect.