VNET Second Quarter 2026 Earnings Conference Call
August 18, 2026

Corporate Speakers

- Julia Jiang; VNET Group, Inc.; Senior Manager of Investor Relations
- Wen Teng; VNET Group, Inc.; Rotating President
- Peter Zhang; VNET Group, Inc.; Senior Vice President of Operational Finance
- Sharon Liu; VNET Group, Inc.; Executive Vice President
- Ju Ma; VNET Group, Inc.; Executive Vice President.

Participants

- Tom Tang; Morgan Stanley; Analyst
- Timothy Zhao; Goldman Sachs; Analyst
- Daley Li; Bank of America Securities; Analyst
- Sara Wang; UBS; Analyst
- Yiming Li; Citi; Analyst
- Ethan Zhang; Nomura; Analyst
- Mingran Li; CICC; Analyst

PRESENTATION

Operator

Hello, ladies and gentlemen. Thank you for standing by for the Second Quarter 2026 Earnings Conference Call for VNET Group, Inc. (Operator Instructions)

Participants from our management include Mr. Wen Teng, Rotating President; Mr. Peter Zhang, SVP of Operational Finance; Ms. Sharon Liu, Executive Vice President; Mr. Ju Ma, Executive Vice President; Ms. Julia Jiang, Senior Manager of Investor Relations of the company.

Please note that today's conference call is being recorded.

I will now turn the call over to the first speaker today, Ms. Julia Jiang. Please go ahead.

Julia Jiang ***VNET Group, Inc. – Senior Manager of Investor Relations***

Thank you, operator. Hello everyone and welcome to our second quarter 2026 earnings conference call. Our earnings release was distributed earlier today, and you can find a copy on our IR website, as well as on newswire services.

Please note that today’s call 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 are subject to risks and uncertainties that may cause actual results to differ materially from our current expectations. For detailed discussions of these risks and uncertainties, please refer to our latest annual report and other documents filed with the SEC. VNET does not undertake any obligations to update any forward-looking statements, except as required under applicable laws.

Please also note that VNET's earnings press release and this conference call include the disclosure of unaudited GAAP and non-GAAP financial measures. VNET's earnings press release contains a reconciliation of the unaudited non-GAAP measures to the unaudited GAAP measures. A summary presentation, which we will refer to during this conference call, can be viewed and downloaded from our IR website at https://ir.vnet.com/

Next, I'd like to alert you that we will be utilizing text-to-speech technology powered by Neolink.ai to deliver this quarter's prepared remarks by Mr. Wen Teng, our rotating president, and Mr. Peter Zhang, our SVP of Operational Finance. The management team will join the Q&A session in person. Additionally, this conference is being recorded. A webcast of this conference call will also be available on our IR website at ir.vnet.com.

Now, let's get started with today's presentation. Mr. Teng, please go ahead.

Wen Teng ***VNET Group, Inc – Rotating President***

Good morning and good evening, everyone. Thank you for joining our call today.

I'll start with an overview of our major accomplishments during the second quarter of 2026. We delivered another robust quarter as we continued to capitalize on surging AI-driven demand, leveraging our industry-leading capabilities, strategically located resource reserves, and strong execution.

In the second quarter, we secured a total of 347 megawatts in new order wins, primarily driven by accelerating growth in our wholesale IDC business, which contributed 345 megawatts. Together with the 517 MW of orders disclosed in our last quarter earnings results, our wholesale IDC business has secured a total of 862 MW of new orders year-to-date in 2026. As of June 30, 2026, our wholesale capacity in service rose by 49.4% year over year to 1,007 megawatts, surpassing 1 gigawatt for the first time. Meanwhile, wholesale capacity utilized by customers grew by 45.5% year over year to 744 megawatts, bringing the utilization rate to 73.9%. Our retail IDC business continued to progress smoothly, supported by growing AI-driven demand. Retail MRR per cabinet increased to RMB 9,799 in the second quarter, while the retail utilization rate remained stable at 64.5%.

On the financial side, our total net revenues increased by 14.2% year over year to RMB2.78 billion for the second quarter. Wholesale revenues remained the key growth driver, reaching RMB1.10 billion, a year-over-year increase of 29.3%. Our adjusted EBITDA for the second quarter increased by 25.4% year over year to RMB918.3 million, also primarily attributable to the wholesale IDC business.

Beyond our operational and financial performance, we made meaningful progress on the following two strategic initiatives during the quarter. First, we continued to advance our strategic collaboration with CATL, a global leader in zero-carbon new energy technology. We signed a strategic cooperation agreement to jointly develop a three-layer integrated compute-energy ecosystem. I'll share more details shortly. Second, we continued to strengthen our strategic resource reserves across key regions. By the end of the second quarter, our total capacity exceeded 3.5 gigawatts in the Chinese mainland, and on top of that, we secured approximately 500 megawatts of overseas resources. Our proactive investments in critical resources provide the flexibility for future capacity expansion, enabling us to capture rising demand. Together, these strategic initiatives further strengthen our competitive position and support our long-term growth.

Let me now walk you through our business performance in more detail.

Moving on to our new order wins on slide 5. Our premium, reliable services continue to earn customer trust and gain market share. Following our last earnings call, we won a new 345-megawatt wholesale order in the second quarter, from a leading cloud service provider for our data center in the Greater Beijing Area. This order win reflects growing customer confidence in our high-performance data center capabilities and our ability to support their evolving AI infrastructure requirements. Furthermore, driven by AI-related demand, we secured new retail orders totaling approximately 2 megawatts across multiple retail data centers during the quarter, from customers in the IT services, local services, and financial services sectors.

In aggregate, we secured four wholesale orders totaling 862 megawatts year-to-date in 2026, including the 345 megawatts I just mentioned and 517 megawatts we announced last call. We continue to see robust momentum in customer demand, with increasing depth and durability. Customers are not only accelerating their near-term capacity deployments, but are also beginning to secure capacity in advance under reservation agreements to support their medium- to long-term expansion plans. As of the end of the second quarter, our reservations stood at 355 megawatts, bringing total orders and reservations to over 1.2 gigawatts. This demonstrates the strength and sustainability of expansion-related demand and provides greater visibility into our future growth and phased delivery schedule. Meanwhile, we have established a well-structured delivery schedule for these orders, with approximately 287 megawatts expected to be delivered in 2026, 345 megawatts in 2027, and 230 megawatts in 2028 and beyond. Securing these large-scale orders is a testament to the trust customers place in our execution capabilities and speed to market.

These new orders and our disciplined delivery roadmap enhance the visibility and predictability of our future revenue growth, underpinned by a high-quality base of long-term contracted revenue. Please see slide 7. As of the end of the quarter, more than 90% of our wholesale IDC revenue was recurring. Our total capacity committed benefits from a favorable maturity profile, with minimal near-term expirations and a weighted average remaining lease term of 7 years. These long-term customer commitments provide a predictable and resilient foundation for our sustained revenue growth.

The rapid development of AI continues to drive significant growth across the IDC industry. As AI models become increasingly sophisticated and AI applications continue to scale across industries, leading internet companies, large cloud service providers, and AI-native companies are accelerating their investments in high-performance computing infrastructure. On the supply side, the industry is also undergoing a structural shift. Increasing power requirements, longer project development cycles, and greater construction complexity are concentrating demand among IDC operators with secured power resources, proven large-scale delivery capabilities, and the technical expertise to execute complex AIDC projects.

With our differentiated resource portfolio, established AI infrastructure capabilities, and deep relationships with leading customers, we are well positioned to serve as a trusted infrastructure partner and capture the long-term growth opportunities created by the continued expansion of AI.

Now let's delve into our IDC business updates, starting with our wholesale business on slide 8. Our wholesale business continued to grow, with capacity in service increasing by 49.4% year over year to 1,007 megawatts, surpassing the 1-gigawatt milestone for the first time. Utilized capacity grew by 45.5% year over year to 744 megawatts with a utilization rate of 73.9%, mainly attributable to customers' fast move-ins at N-HB Campus 03 and N-OR Campus 01. Our mature capacity utilization rate also reached 92.5%, a relatively high level.

Let's turn to slide 9 for an update on our wholesale capacity growth pipeline. As of June 30, 2026, our wholesale resource capacity totaled over 4 gigawatts, representing an increase of approximately 1.5 gigawatts from the previous quarter, mainly driven by the land bank we secured this quarter. Customer demand remained strong across our capacity portfolio. Capacity in service grew to 1,007 megawatts, with 96.3% already committed by customers. Meanwhile, capacity under construction increased to 585 megawatts, with a pre-commitment rate of 94.2%, providing strong visibility into future deliveries. Approximately 1.1 gigawatts of this capacity is held for future development, primarily in the Greater Beijing area. The scale and strategic concentration of these resources allow us to expand efficiently and respond flexibly to customer demand. Our newly secured land bank supports approximately 1.4 gigawatts of this capacity, with 908 megawatts across key strategic locations in the Chinese mainland and 478 megawatts in overseas markets, giving us substantial flexibility to support both domestic and international expansion. This diverse resource portfolio not only provides a clear multi-year growth runway, but also reinforces our ability to deliver capacity at scale as AI-driven demand continues to accelerate.

Moving to our retail IDC business on slide 10. Our retail business progressed smoothly in the second quarter. Retail capacity in service was 50,081 cabinets with utilization rate remaining stable at 64.5% as of the end of June. MRR per retail cabinet increased to RMB9,799 this quarter.

Turning to our delivery plan for the following 12 months on Slide 11. We delivered 117 megawatts in the first half of 2026, in line with our delivery plan, which concentrates the majority of the year's deliveries in the second half. We currently have 6 data centers under construction, with 5 in the Greater Beijing Area and 1 in the Yangtze River Delta. We plan to deliver 585 megawatts of capacity over the next 12 months, around 333 megawatts during the second half of 2026, and around 252 megawatts during the first half of 2027. The majority of these upcoming deliveries will come from our Ulanqab IDC Campus, where we are scaling capacity to support strong and sustained demand from our wholesale customers. This delivery plan provides clear visibility into continued capacity and revenue growth over the coming quarters.

Now, I'd like to share more on the strategic cooperation agreement with CATL that I mentioned earlier. Please turn to slide 12. Under the agreement, VNET and CATL will establish a partnership to deepen compute-energy integration by synergistically combining VNET's leadership in large-scale computing infrastructure development and operations with CATL's expertise in zero-carbon new energy technologies. With the goal of shaping next generation digital energy infrastructure globally, and leveraging green direct current and direct green power connection technologies, the parties plan to jointly develop a three-layer integrated compute-energy ecosystem comprising gigawatt-scale compute-energy facilities, distributed compute-energy networks, and a zero-carbon token ecosystem. By combining our complementary strengths and deepening cooperation across technology, infrastructure and supply chains, we will jointly advance innovation in integrated compute-energy systems.

Together, we aim to contribute to the next generation of digital energy infrastructure in the intelligent era.

Before I conclude, a few words on what lies ahead. This partnership with CATL will further strengthen our core competitiveness and inject new momentum into our future growth. More importantly, it reflects our long-term commitment to becoming a standard-setter and industry leader of digital energy infrastructure in the AI era. Building on this strategic cooperation, we plan to lay out our future operating strategy and outlook to the market in the fourth quarter.

In conclusion, our second quarter performance reflects continued progress across our business. Looking ahead, we will continue to strengthen our execution capabilities, expand our high-performance, large-scale data centers, and strategically invest in resource reserves to enhance our competitive position and capture rising growth opportunities. We remain confident in our growth trajectory and committed to creating sustainable long-term value for our shareholders.

Now, I will turn the call over to our SVP of Operational Finance, Peter, for further discussion of our operating and financial performance. Thank you, everyone.

Peter Zhang ***VNET Group, Inc – Senior Vice President of Operational Finance***

Good morning and good evening, everyone.

Before we start the detailed discussion of our financial performance, please note that, unless otherwise stated, all the financials we present today are for the second quarter of 2026 and are in Renminbi terms. Furthermore, unless otherwise specified, all the growth rates I am reviewing are on a year-over-year basis.

In the second quarter, we continued to focus on high-quality development. Our total net revenues increased by 14.2% to RMB2.78 billion, mainly driven by the rapid growth of our wholesale business. Our adjusted cash gross profit rose by 9.4% to RMB1.16 billion, while our adjusted EBITDA also grew year over year by 25.4% to RMB918.3 million. Adjusted net income reached RMB7.4 million, marking a turnaround from an adjusted net loss in the same period last year.

Let’s look more closely at our top line.

Wholesale revenues, our key revenue growth driver, increased by 29.3% to RMB1.10 billion for the second quarter, mainly attributable to activity at the N-HB Campus 03 and N-OR Campus 02A. Wholesale revenue again surpassed retail revenue this quarter, accounting for 39.8% of our total revenue and further underscoring the growing demand for our wholesale services.

Retail revenues increased by 9.1% to RMB1.05 billion for the second quarter.

Our non-IDC business revenues increased by 1.1% to RMB628.4 million for the second quarter.

During the second quarter, we maintained solid margins thanks to ongoing efficiency enhancement initiatives. Our adjusted cash gross margin decreased slightly to 41.8% from

43.6% in the same period last year, primarily attributable to higher utility costs for customers. Our adjusted EBITDA margin rose to 33.0%, compared with 30.1% in the same period last year.

Moving on to liquidity. We maintained robust and healthy liquidity. Our net operating cash inflow reached RMB391.8 million during the first half of 2026. Excluding the impact of RMB389.7 million in income tax related to capital transactions and other one-off items, net operating cash inflow for the first half would be RMB781.5 million. Our cash position remained solid, with total cash and cash equivalents, restricted cash and short-term investments reaching RMB7.21 billion as of June 30, 2026.

Let's take a look at our debt structure. We maintained our prudent approach to debt management. As of June 30, 2026, our net debt to the adjusted last-quarter annualized EBITDA ratio was 4.6 and total debt to the adjusted last-quarter annualized EBITDA ratio was 6.4, both remaining at healthy levels. Our adjusted last-quarter annualized EBITDA to interest coverage ratio was 5.6. We prioritize long-term debt maturity planning in our debt and strategic management to ensure the security of debt repayment. Currently, the Company's short- and medium-term debt maturing in 2026 to 2028 comprises 40.8% of our total debt.

Turning to CapEx spending. Our CapEx was RMB3.55 billion in the first half of 2026, primarily reflecting continued strategic investment in capacity expansion and the construction of our wholesale data center projects. We continue to expect our CapEx for full-year 2026 to be in the range of RMB10 billion to RMB12 billion, mainly to support our planned delivery of 450 to 500 megawatts in 2026.

Now moving to our full-year guidance for 2026. As we continue to expect strong demand from our wholesale IDC customers and ongoing operational efficiency gains throughout 2026, our outlook remains unchanged from the previously provided estimates. We reiterate our guidance of total net revenues expected in the range of RMB11.5 billion to RMB11.8 billion, a year-over-year increase of 15.6% to 18.6%, and adjusted EBITDA in the range of RMB3.55 billion to RMB3.75 billion, a year-over-year increase of 19.2% to 25.9%.

To sum up, we delivered solid second-quarter results, reflecting continued execution strength and meaningful progress across our strategic initiatives. Looking ahead, we will remain focused on strengthening our core capabilities, deepening strategic collaborations, and expanding our infrastructure resources to capture the long-term opportunities in the AI era. We are committed to delivering sustainable, high-quality growth and creating long-term value for our shareholders.

This concludes our prepared remarks for today. We are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

Your first question today comes from Tom Tang with Morgan Stanley.

Tom Tang ***Morgan Stanley – Analyst***

Congrats on the very large order win this quarter. I only have one question. Could you please give us an update on the overall supply and demand situation in key regions? And if there's any updated outlook for the pricing dynamics there.

(Spoken in Foreign Language)

Wen Teng ***VNET Group, Inc – Rotating President***

(Interpreted)

Thank you for your question. Now with regard to the demand, we are seeing that the overall compute demand is steadily trending up. That is primarily contributable to the demand from both AI training and inference. According to multiple organizations, the market still offers room for growth with the AI-focused intelligent computing segment growing particularly fast.

Incremental demand is largely driven by leading Internet companies, procuring high-capacity, high-density cabinet resources in key regions. In 2026, several major players are expected to issue tenders at the gigawatt level, primarily concentrated within the eight national hubs nodes and ten national clusters under the East Data West Computing Project.

In terms of supply, the national data center capacity continues to expand. However, the industry is showing clear structural mismatches. The aggregate capacity does not always translate into effective supply of high-performance intelligent computing resources.

And the sector is currently in a tight supply-demand equilibrium. The release of effective compute capacity is constrained by power availability, chip supply chains and other real-world bottlenecks. Multiple industry analysts expect this structural imbalance to persist until around 2028.

And for us which is a top-tier player with an end-to-end capability. This will definitely create sustained tailwind for us.

On pricing, existing projects will follow agreed contractor rates for new projects, pricing will factor in customer rates in the same region, construction cost, resource scarcity, the competitive landscape as well as our target returns.

Operator

Your next question comes from Timothy Zhao with Goldman Sachs.

Timothy Zhao ***Goldman Sachs – Analyst***

I have two questions. One is regarding the move-in pace in the second quarter and quarter-to-date. Just wondering if management can share any color because I saw the overall wholesale IDC revenue was a little bit weaker than expected in the second quarter, whether that was the reason because of the move-in pace in early quarter and how does that trend into third quarter?

My second question is regarding your CapEx outlook given the very strong order wins and the very strong order delivery plan over the next couple of years and also you announced the overseas plan. Just wondering if you can share any color on your CapEx outlook into next year? And specifically on the overseas projects, could you share any color on the timeline on the delivery pace and overall your view on the unit economics?

(Spoken in Foreign Language)

Wen Teng ***VNET Group, Inc – Rotating President***

(Interpreted)

This is Teng Wen. I will take your first question regarding the move-in pace of our wholesale customers. We actually maintained a very steady move-in pace in Q2, and we are going to sustain that momentum. Honestly speaking, the move-in pace is a result of multiple factors. And in addition to chip supply, there are also factors related to how fast our customers are iterating their models and how fast they are progressing their projects. Overall, we are expecting to see a faster move-in pace in the second half of this year, marginally compared to the first half.

Just a quick add. We are now in a period where the domestic produced chips are quickly ramping up in terms of the production. The production capacity has been fairly clear for the second half of 2026. And we are going to see a release of this production capacity, that will definitely push our move-in pace higher.

Peter Zhang ***VNET Group, Inc – Senior Vice President of Operational Finance***

(Interpreted)

This is Peter. I'll take your second question. On CapEx, essentially, our logic is that our CapEx is centered around demand as well as our actual deliveries. And we normally disclose the annual CapEx. For next year, when we have a quantitative full-year delivery targets early next year, we will provide the outlook in due course. So that is for our CapEx plan.

Now moving on to the overseas development. As we have noted, we do have nearly 500-megawatt reserved resources. And overall, we will maintain a prudent approach when it comes to developing these resources as this is largely contingent on customers' long-term contracts. We need to get the orders first before we develop these resources.

Sharon Liu ***VNET Group, Inc – Executive Vice President***

(Interpreted)

This is Sharon. Quick add on the CapEx plan. Like Peter has already mentioned, the CapEx for domestic business will be closely tied to the delivery schedule. And the overall unit CapEx per kilowatt for the domestic IDCs is stable. And overall, as we have mentioned in our earnings report that we have a strong order pipeline and great customer retention ratio that offers us a high visibility into the CapEx.

And as we have disclosed, we have close to 500 megawatts of overseas reserved resources. And we are planning to deliver these resources in batches. Given that the construction cost is relatively high in overseas countries, therefore we will strictly maintain our overseas outlay.

Initially, we would only use our own fund to acquire the land. And only when we have obtained or secured firm orders from our customers, will we start the mechanical and electrical fit-out.

Operator

Your next question comes from Daley Li with Bank of America Securities.

Daley Li ***BofA Securities – Analyst***

(Interpreted)

I have two questions here. One is I would like to have a follow-up on the overseas expansion. In this quarter, we have secured quite strong resources. Could you update us more about the overseas strategy? And for the next like two, three years which countries or area should be our focus and the overall development pipeline and the revenue scale in future.

Second question is about the CATL corporation. We also made announcement about the progression with CATL, our future new shareholder. And could you update us the transaction with Shandong Hi-Speed, the progress? And also, could you share more details about the cooperation going forward?

(Spoken in Foreign Language)

Wen Teng ***VNET Group, Inc – Rotating President***

(Interpreted)

This is Teng Wen. I'll take your first question. Given that Peter and Sharon have already covered, I would like to briefly, just to make a quick add on our overall strategy when it comes to our overseas resource development. Yes. You're right. VNET has recently added about 500 megawatts of new overseas resources.

The key for the company is to stay responsive to our customers' needs when they are going overseas and we would respond to those demand and implement our project overseas. Southeast Asia will be our initial launch markets, while we are also evaluating opportunities in Middle East and Europe to broaden our global footprint.

Second question on CATL's investment and specific collaboration updates. Today, we have issued a joint press release with CATL, and we have already built a full-scale strategic partnership. We will jointly unlock the huge opportunity in the integration of computing and energy, which has become a key driver for both digital growth and decarbonization.

Our collaboration will be focused in three areas. We plan to roll out a 3-layered integrated architecture or ecosystem. Number one, a gigawatt-scale compute-energy facilities. Number two, building distributed compute-energy networks. Number three, build a zero-carbon token ecosystem.

The goal is to build a national and eventually global network and to become the defining player in digital energy infrastructure for the AI era.

We are advancing this collaboration and will disclose more progress as we see more definitive progress and we'll disclose them to the market in a timely manner.

Operator

Your next question comes from Sara Wang with UBS.

Sara Wang ***UBS - Analyst***

And again, congratulations on the very strong results. I just have one question. I noticed that the second quarter new booking is very strong, but it's concentrated in one customer. So just wondering if there's any specific reason behind? Or how shall we think about customer mix going forward? Do we see potential for maybe sizable order wins from the emerging AI leaders?

(Spoken in Foreign Language)

Wen Teng ***VNET Group, Inc – Rotating President***

(Interpreted)

Thank you for the question. As you have noted that we have signed a cumulative 862 megawatts new orders in the first half, specifically 510-megawatt order was signed with a leading Internet company. And in Q2, we signed a 345-megawatt new order with leading cloud services provider.

In terms of the customer mix, in addition to deepening the collaboration with the leading Internet companies as well as cloud services providers, the company is also actively exploring or expanding the customer base, expanding to more AI model companies as well as high-growth companies in the AI industry as well as leading companies from various verticals.

So going forward, we'll keep fine-tuning the customer mix of our wholesale customers to pursue a more diversified customer base.

Operator

Your next question comes from Yiming Li with Citi.

Yiming Li ***Citi - Analyst***

Congratulations to the company again. My question is about the OpEx side. So just wondering because you've got very good OpEx performance this quarter. Is this level of cost efficiency sustainable going forward or company has some other guidance on the cost side? So that's my only question.

(Spoken in Foreign Language)

Peter Zhang ***VNET Group, Inc – Senior Vice President of Operational Finance***

(Interpreted)

Thank you for your question. This is Peter. Cost reduction has been an ongoing theme for us, and we have already seen some results in Q2.

I think over the long run, we will leverage the economies of scale to reduce the overall operational cost. Specifically, we will continue pursue measures like head count control, maximizing the efficiency of AI tools within the company.

In terms of the concrete benefits we see from these initiatives, we will disclose them in a timely manner to the market.

Operator

Your next question comes from Ethan Zhang with Nomura.

Ethan Zhang ***Nomura – Analyst***

Congratulations for the results. I have two questions. First, I noted that we added around 1.5 gigawatts new resources or land banks during the second quarter, around 908 in domestic.

So just wonder what's the location and could you share more colors about the power supplies and the government approvals.

And my second question is about financials. So I noted that Q2's cash gross margin is quarter-over-quarter decline a bit. Could you elaborate a bit on that?

(Spoken in Foreign Language)

Wen Teng ***VNET Group, Inc – Rotating President***

(Interpreted)

Thank you for the question. For your first question, in Q2, we added over 900 megawatts new resources in China. They are primarily located in Inner Mongolia and Eastern China regions.

In the next three years, the company will continue to obtain new resources in Inner Mongolia, particularly the Ulanqab area.

Peter Zhang ***VNET Group, Inc – Senior Vice President of Operational Finance***

(Interpreted)

This is Peter. I'll take your second question on gross margin and the sequential decline in particular. There are two reasons: number one, the utility usage in Q2 was significantly higher than that of Q1 because we're adopting a pass-through mechanism. So that weighs on our gross margin. Reason number two is we had a one-off gain in Q1. So together, these two combined weighed on the gross margin.

Operator

Your next question comes from Mingran Li with CICC.

Mingran ***Li CICC – Analyst***

Congrats on the strong results. I only have one question. We noted that the customer demand and order growth remains very strong in the first half of the year, and we currently have approximately 355 megawatts of reserved capacity. Could management share how long it typically take for a reserve capacity to convert into order? And based on the current type of pipeline and ongoing discussions, is there a potential for additional large-scale capacity renovation in the second half of the year?

(Spoken in Foreign Language)

Wen Teng ***VNET Group, Inc – Rotating President***

(Interpreted)

Thank you for your question. This is Teng Wen. Orders and reserved capacity are typically covered in the same sales agreement. Orders are capacity that customers have formally committed to reserve the capacity in future expansion resources, pre-locked at the same site to support their growth.

Historically, all customer reservations have converted into firm orders, making this a high-quality backlog with a strong conversion certainty.

The actual timing for the 355-megawatt depends on each customer's own deployment schedule and will happen in batches as their projects progress.

We will disclose actual order conversions in subsequent quarterly reports. Thank you.

Operator

Thank you. Ladies and gentlemen, that concludes our conference for today. Thank you for participating.

You may now disconnect your lines.

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