SIF Group HY25 Results

Friday, 29th August 2025

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Fred van Beers: Okay. Good morning, everybody, here in this room in Amsterdam, online or on Teams. My name is Fred van Beers. I welcome you to this interim 2025 result meeting, which I can imagine, for many of you is a, let's say, exciting one, given the press release we did this morning. Today in this session, we want to have the discussion and also update you on the reasons why we published what we published and also, of course, explain why we come with this message now and not on another moment because we understand very well that this is coming as a surprise to quite a few in this call and outside this call.

Next to me is Boudewijn, who I'd like to introduce or can introduce himself maybe. But before I do that, for the safety reasons, there is no safety drill planned for, so for the people in this room. When we hear the bells, we go out and follow our green screens to the outside. Thanks for that.

Boudewijn, maybe a short word from your side to introduce yourself before we go into the details.

Boudewijn van Schaïk: Sure. Thanks, Fred. Thanks, everybody, who's here and online. It's a pleasure to be here today. I think as Fred mentioned, obviously, we have a lot to talk about today and a lot to explain. So we look forward to an interactive discussion. And hopefully, we can address all of your questions and concerns during the call today.

Fred van Beers: All right. Thank you, Boudewijn.

Boudewijn van Schaïk: Thank you.

Fred van Beers: And welcome also for you next to me here in this meeting. Let's start this meeting with a few key messages to set the scene. Of course, we will dive into many of these items later on.

First of all, in everything we've done, in every decision we've taken so far and will take in the future, we always will continue to follow the number one priority, safety at first, quality second, and output last. And even in situations like this where we are clearly behind on our initial plan, this is the follow order of what we do and what is the basis of our decision taking.

Secondly, I think on an operational result, we see that the contribution margin is developing according to plan, which is a very important signal and sign that the anticipated EBITDA and contribution margin is there once the volume is there. We produced 80 kilotons, which is more or less comparable to last year. And I think a very important one for all of us, because we are here for continuity, and the market is very difficult at the moment, we are very happy to be able to announce that a 200 kiloton, what was it, preferred status volume that we announced earlier is now geared up towards exclusivity and will be produced in 2027.

And by this deal - as a result of this deal, we see clearly that 2027 is looking in line with what we have guided for when it comes to EBITDA results in the business plan. So continuity in a very difficult market is there.

But we have short-term challenges, definitely. On the market, I mean, before we go into the factory. The market is tough. We clearly see that deals are being postponed or cancelled. And we've seen last week the, I think, stupid example of Revolution wind farm in the US. It can go that far that that projects 80% ready are stocked.

Also in the EU market, we see governments throughout Europe struggling, and we come back to that later. Also clearly positive signs on the mid to long term on that market, given the fact that everybody starts realising that something has to change in order to continue the ramp-up of green electricity and independent electricity in Europe.

In all this, we should not forget that we have customers. We need to deliver our projects in line with installation schedules of customers. And our launching project, Empire Wind 1, was finished or will be finished, I have to say, in the coming week, the few last welds being done in order to meet that installation schedule in the US. And you can imagine in the present US market situation, you have to be on time in order to not have Mr Trump reacting on a glitch in the schedule. So that is a very important one for us and it's also an important one in our decision taking yesterday on what, of course, we will follow short term versus long term.

The ramp-up of the plant is lagging behind. And we come back to that later on, and that's the biggest challenge we are facing besides market challenges. That is the biggest challenge we are facing, although confident that we will solve.

We made a very conscious decision yesterday based on two schedules that we worked out in the last few weeks to not go for the short-term results because we would be able to meet the €90 million mark by simply pushing everything and prioritising everything in the remainder of this year on that volume, which would give us, in our eyes, too high risk that something would go bust in that period or later on, which would create a serious damage to the delivery schedule of customers. So that is the main reason why we, yesterday, as Executive Board and Supervisory Board together, went through the schedules and decided to go for the course that we have communicated this morning, and we'll explain more on today.

Our adjusted EBITDA, as a result of that decision, is dropping significantly. We half the minimum of our guided €90 million to €120 million to €45 million for '25, as we focus fully on the long-term stability of production to deliver our order book, as simple as that.

We do, however, underpin our mid-term guidance of at least €160 million annualised EBITDA also for the years to come. So based on the good contribution margin that we see, the volume we have in our order book, we see no reason to adjust that at all. However, for 2026, we are cautious based on the experience we have had so far, but also the very clear rollout plan for the ramp up, we see that a minimum of €135 million EBITDA in 2026 is the goal, with a target that is, of course, unchanged at €160 million, but that all depends on the success of the further continuation of the ramp-up that could run into the first half or will run in the first half of '26. And it's simply too early to make more firm commitments on that, but we will follow that up. And already now, I can say that intermediate messages will come out on the further progress of this by the end of this year, latest.

On that, I'll go on to the next sheet, and that is the safety part. I said already, safety is and will remain our first priority, and we have had a glitch on that in the second quarter, simply because of the fact that a new team is slipping on the safety standards if you don't repeat the message and don't repeat an investment, which we have done and production stops, toolbox meetings and also safety days that we will do in September this year again.

And of course, but when you do that, you don't produce because we stopped the whole production. We have everybody gathered together in the building in order to make sure that our safety standards remain in place as they should be. And it has been - and I think the reality has shown that if you don't do this and don't continue to do this, you will drop on that. And that is a very important qualifier in our business with customers to do business with them. So if we don't focus on that and put that as a first priority, we, ourselves, but also our customers, will see deteriorating trust in SIF on that. So very important part for us.

Of course, we also have - and that led to a situation that we have to replace staff because of performance also on this, which is I think a very clear indication that we take this very serious.

Sick leave remains high. And I think to give more flavour on that, please bear in mind that the sick leave percentage is based on the payroll people. And in the Maasvlakte, new setup, all new people come in initially as hire bench, it's temporary work. And then only after a year or half a year, we turn them into payroll people. The percentage of payroll people in which this percentage is very small.

In the case we have in the Maasvlakte where we have quite a few longer-term illness cases, not related to SIF, but we simply have to honour also private circumstances, that means that your percentage will stay high, but the short-term sickness leave has dropped quite dramatically. I think that's good to have a background information. Are we satisfied with that number? No, of course, not. But there is a nuance to the number to bear in mind.

Then going to the main topic, this ramp-up of the Maasvlakte. Without doubt, we are slower than initially anticipated. And the main thing here is not the concept of the factory or the process that we designed and have implemented, the main thing here is stability and consistency on the performance of basically two things: the equipment itself, it's doing the job, but the break, there are certain breakdowns and modifications to be done that hinder a stable production at this moment; and it's the consistency with people, and I think the best example there again is also on safety, when you don't repeat the training, when you don't repeat the way how the process needs to be managed, you simply start slipping, and that is the cycle we've been going through quite a bit.

We have compensated on that by over time, by additional people, by hiring in subcontractors. But in the end, of course, you need to stabilise and show a stabilised growth in order to be consistent for the longer term. That means we have implemented the stabilisation plan for the remainder of 2025. Again, we had this choice or we had the choice of simply pushing through like we've done on Empire and others to make it simply happen and go for the short-term result. We think that is not the right way to go in the present situation.

So we will implement the stabilisation plan for the remainder of '25 to ensure, again, a safe working place where we deliver the right quality, and then as a result, the predicted outcome with the stance, and I'll come back to that later again; deadlines for our customers are holy. Besides the safety, it's the deadlines for our customers, and we will honour and will respect those deadlines in all cases.

That means and that I think is to be - we have to bear in mind as well that by the end of this year, we expect to be at four monopiles a week. In the last month, we have produced 11. So we are ramping up on that. Please remember that the monopiles we're producing today are the biggest we have ever produced. We actually couldn't have produced them in the old setup of Roermond and Maasvlakte. We needed this factory to build those monopiles.

That means also that we will accelerate production in the first half of '26 based on the stable performance that we want to expect to achieve this year. And that is the first big milestone that we are now working towards with the priority we have, which is also very important in relation to the further guidance into next year.

We, I think, need to remember that last year when we sat here for the first half year numbers from '24, we had one line just starting up and the rest of the lines still in, what is it, installation phase. Today, we have the full factory running with all equipment going, having passed the test, but we need to stabilise it.

And the other important thing to mention here is all equipment has shown that it can reach the design output when it comes to dimensions and quality that will give us a significant advanced position in a market that is quite tight. When it comes to designs of monopiles and output of monopiles with this factory, we have seen that it has proven that we can be second to none compared to the rest of the industry. So we are very confident in the success of this ramp-up plan.

What are we doing? Just to mention a few things. Again, the process has performed as planned. So it's not in the design. It's simply in the consistency, but that is not that simple to achieve. We have brought in in-house, a team of external experts, globally working on ramp-up of factories to support our teams in this process because it's a matter of capacity and related to the size of what we need to do and the job we have to do. And we have seen already the first good examples on this with certain parts of the equipment that were a worry or bottleneck that are not a bottleneck anymore simply because of their experience in ramping up factories because it's a specialized skill, we also, unfortunately, have noticed in the meantime.

We have extended the middle management in our production layers so that we have more fighting power in the shift to deal with the training and coaching of our employees on the shop floor, which is expected to give more steady performance on the people side.

And then we are strengthening our top management as well. Already last year, Frank, who is the present COO, and I had a discussion on the last part of his career. He's 62, and he wants to retire in a smooth way, and he had expressed already then when the moment is there: I think I should fully focus on the ramp-up of this factory, but I'm simply not able at this moment to follow up on my task as the COO. So together, we decided to do two things: start a search for a new COO, and also work out a clear plan for him to work together with this new COO on the ramp-up of the factory.

So by doing this, we have actually strengthened the work, the force on the top management level as well as on the middle management level, and we are expecting to announce soon a business unit director for the Maasvlakte so that we have also more fighting power from a top management point of view over there.

What are the operational highlights for the first half year? I can imagine there's quite a few questions, but we will address them later on. First of all, the completion of Empire Wind 1. Let's not forget, it's 54 monopiles, sounds little, but it's quite a lot of kilotons. And they are the largest monopiles produced ever by SIF. As said already, we were not able to produce these monopiles in the existing setup. So if we hadn't built this factory, we simply had delivered nothing this year. We wouldn't have order book either. But not to be forgotten.

The factory is fully complete with all the equipment processes, people in operation. They are there. It's working. It's not stable. That's what it is. But based on that, and I think everybody that visited or was attending our opening ceremony week in May, has seen that it's not just a story, it's actually there and it's working. And that has also resonated with governments and customers that support very much the setup that we have built, that trusted us in giving us orders, but also in a government that is pushing now hard for more, I would say, level playing field criteria in the future tenders in at least the Netherlands, but also in Brussels. So the spin-off of a simple opening week was quite impressive, in our view when it comes to governmental support, also long-term in tenders and customer support, which will help us boost this energy independency and energy transition ambition.

Let's not forget that there is a factory in Roermond as well that, first of all, we have people, very passionate, are assisting the Maasvlakte in their ramp-up and transfer of know-how and technology. But besides that, also have delivered on their promise when it comes to their part of the order book for transition pieces, offshore steel structures and top sections, for example, for Ecowende. So a job well done.

With that, I'm through my part of the presentation and explanation. So I hand over to Boudewijn for the financial and other performance numbers. Boudewijn, it's all yours.

Boudewijn van Schaïk: Very good. Thank you, Fred. Just looking at the financial and non-financial KPIs. As we mentioned in the earlier part, the volumes have come down in terms of the absolute production, kilotons, the number of monopiles and the numbers of transition pieces, but it's not an apples-to-apples basis because what we're producing today, we would not have been able to produce had we not done this expansion in the Maasvlakte. So it's not simply as binary as saying, why didn't you just do it in Roermond?

Clearly, the impact on EBITDA is large. We've had to invest a lot. We had to take a lot of measures, particularly in Q2, additional costs, hiring external resources, weekend work, extra shifts. So that had a big impact, particularly on the Q2 numbers. These are the reported EBITDA numbers. If I look at the adjusted EBITDA numbers, the impact is a bit less. It's €13 million in half year '25, versus €26 million in half year '24. So what we do there is we adjust for costs, which you say, these are really just related to the start-up and the ramp-up of the plant.

And once we get into normal production levels, those costs should flow out of the P&L and won't be recurring in the long term. I think an important metric is contribution. In the past, we've always focused on contribution per tonne. But as we see the changes in the fabrication, we do, the sizes, the complexity, it makes more sense for us to report on that on a monthly basis. And I think here, again, even though the number per tonne went up, as Fred earlier mentioned, also on a monthly basis, we see that going up. So even on lower production volumes, we see a consistent increase, and it's now just a volume game. Once we ramp up the plant, with the contribution margins we have, we'll see these numbers increasing significantly.

On the non-KPIs, if you look at our CO2 emissions, those have come down quite considerably from last year. The main contributor to that is the Haliade, the wind turbine that we have on site, which has been intermittently working for us, resulting in a significant reduction in our CO2 emissions.

So just recapping, our contribution has gone up despite the struggles we've had with the ramp-up in production. Revenue is significantly up. Obviously, the adjusted EBITDA number has come down with the additional costs that we've been incurring this year.

The good news for 2027, indeed, is the exclusive status on the projects for 200 kilotons. So that gives us a lot of confidence in our order book going forward and to continue delivering results that we anticipate. I'm repeating some of the things that Fred said, but I think it is important that even though we've had struggles with the ramp-up, even though first half didn't go as planned, we have still delivered significantly. Empire Wind is a big project. It was a complex project. We've been able to deliver that within the clients' milestones. So despite the challenges, I think, the teams have done a fantastic job in making sure we get that done.

But the decision we took yesterday was we cannot keep working - we don't want to keep working on a way that jeopardises the long term, that we're forcing, forcing, forcing just for a short-term win as long as we can do that with the installation windows of our clients going forward. So that's a big balance, but an important one that we have taken in this decision.

On the cost side, driven largely, not just by the complexity in the production, but also by employees. We've had a significant increase in employees, which is largely related or almost primarily related to the startup of the plant, 200-plus people in Rotterdam flowing in for the start-up, and we see that coming back through the costs. We strengthened the team and then with the new COO starting, that's going to bring a lot of senior management expertise, together with Frank, to support the continued operations and ramp-up of the plants.

If we look at our covenants, so we have the leverage covenant on the left. As you can see, reporting so far, historically, we've reported a net leverage of zero, which is the cash and the actual debt setting each other off. The covenant we're focused on is the solvency covenant as we've been investing in the plant, as we've been incurring costs and clearly, the profitability has been lagging there. So the asset side of the balance sheet is growing because we've got this plant on the balance sheet now whereas the equity side is coming down due to the retained earnings.

We see the solvency covenant coming under pressure. We made the covenant in half year, which we've reported. And going forward, we're obviously closely monitoring it together with the banks where we have a constructive dialogue, and we'll continue reporting on that as we go forward. We're seeing now that the performance of the plant is improving, profitability will go up, but it's a timing question there. So that's one we'll closely monitor and keep reporting on.

Fred, back to you.

Fred van Beers: Summary, and then we'll open the floor for questions, remarks and what have you. A few things. First of all, our strategy to accelerate the energy transition and energy independence is focusing on the UK and the EU. It remains unchanged. And the market, although a very challenging mid-term, it does underpin our ambition for this growth. We do also see that being reflected in the tender activity for '28 onwards, and especially the AR7 round in the UK, a big part of that should land in our order book is our expectation.

Besides that, of course, we are very interested to see what the Dutch government, so the first tender, will do later this year or maybe the week, although we have no - I think the expectations should not be too high on that one. And on what government are we talking about.

But in all seriousness, I think the Ministry is putting a lot of effort in making sure that this tender will be successful, but especially that the tender criteria for the next rounds will be set in a market conform way without losing sight on what is definitely needed a system approach on green energy via wind farm through the grid, which has some congestion issues and offtake prices that are good enough to make a business plan for the offtakers.

But we see this market mid to long term, definitely in a more positive way than maybe some other may see them. But short term, it's without saying that it's tight.

I think the good thing, although we are struggling and are looking at a six to nine, maybe 12 months delay on the ramp-up of our factory, our factory is set and has the capacity to deal with this new market environment that we will see coming also in relation to the Chinese competition because there is Chinese competition. And although Brussels is doing their utmost to create level playing field conditions in relation to that competition, we do also see that the position SIF has with its unique location in Rotterdam and the features we're bringing in with this factory and the volume that we are bringing in with this factory, does set us in the right way for the future.

Without saying we are also disappointed by the ramp-up, everybody is working there and I can't say that they are off, in order to get this thing up and running and we do make steps but steps are simply slower and smaller than we anticipated.

We do see that we will need till the spring of next year, but we want to do a good job, so we are not going to push for the short term results as said before. Despite all this, when it comes to market setbacks, our order book is healthy. We are very, very happy with the order book we have now. That brings us to 625 kilotons for up till the end, a little bit into '28. That gives us the stability we need after the ramp-up to deliver on our promises.

That means that with all this, our expected full year will land at a disappointing €45 million. We can fully understand the sentiment on that. But again, it's based on the expected continuation of the ramp-up into the first of '26. And with that, we now see a provisional minimum adjusted EBITDA of €135 million as a result of our decision, together with our Supervisory Board, to prioritise this long-term stability over a short-term profit optimisation.

With these words, I'd like to hand over to the floor in this room to start with, to ask questions, make comments, express your feelings about what we just presented and have published this morning.

Tijs, can you open the floor?

Questions and Answers

Thijs Berkelder (ABN AMRO OFFO BHF): Are you serious?

Fred van Beers: Yes.

ThiBerkelder: Okay. Well, congrats Fred with the new contracts or contract for '27. Sorry, is it one contract?

Fred van Beers: It's one contract. Yes.

Thijs Berkelder: Fully monopiles or is it specific monopiles transition pieces?

Fred van Beers: We published what we published. And we are in agreement with our customer to not publish anything on details of that project. This is an agreement with our customer.

Thijs Berkelder: So then it’s a mixture. Okay.

Fred van Beers: Those are your words.

Thijs Berkelder: Is it Equinor or not Equinor?

Fred van Beers: Same answer.

Thijs Berkelder: Okay. And can you confirm that the contribution, you are saying '27, you're targeting the same, let's say, €160 million as in 2026, which implicitly then suggests that the contribution margin you're contracting is also more or less similar to the '26 contracts, is that right?

Fred van Beers: Yeah.

Thijs Berkelder: Okay.

Fred van Beers: And bear in mind, Thijs, that this 200 kiloton is not the only order that will be delivered in '27.

Thijs Berkelder: Okay. I hope so. Otherwise, you won't make to –

Fred van Beers: Or have a damn good price, but this is - okay.

Thijs Berkelder: Yeah. Really understandable. Then in kilotons, what was the mixture monopiles transition piece in H1? Do we have that? 80 kilotons.

Fred van Beers: Do we have the total number? No.

Boudewijn van Schaïk: We have the total number. Primarily MPs.

Fred van Beers: Yeah. And bear in mind, it's a mix of TPs and top sections of MPs.

Thijs Berkelder: Okay. Yeah. The numbers are there now but the kiloton, the split of kiloton between the two sites. I think that's the question. Yes.

Boudewijn van Schaïk: Maybe just to add I think what you're alluding to as well is, is this going to be work for Rotterdam or is this going to be work for Roermond in the order book? What we see in a lot of the projects now is that we do, for example, top sections of the monopiles in Roermond and the bulk of the sections in Rotterdam. So there's always a split of work. Even if it's just monopiles, there's still work going to Roermond.

Fred van Beers: That's a standard. Yes, it's a good addition. It's always spread over the two units.

Thijs Berkelder: Did you hire any third parties to produce your monopiles in H1?

Fred van Beers: We did not produce monopiles with third parties, but we do now and then outsource parts of a section or a part of –

Thijs Berkelder: Transition pieces. Okay. The GS Entec contribution in H1, roughly?

Boudewijn van Schaïk: Minimal. They're still under construction.

Fred van Beers: Yes, they are now in the installation phase, so there is no contribution there.

Thijs Berkelder: Okay. Yeah, and just to have clarity. Then, yeah, probably after the warning this morning, main focus on solvency. Do you need to raise new equity? What will happen with the financing, the financing conditions, interest rates on the financing? Can you give us a bit more clarity there?

Boudewijn van Schaïk: Certainly. I can say right now, there's no need for additional equity as it stands today. The financing, we have a revolving credit facility, which is undrawn, which has a leverage grid on pricing. So that will obviously move, but it's undrawn. So it's just the commitment fee that will be impacted. Under the financing for the plant, it's a fixed interest rate, of which just over half is also hedged of three-months Euribor, but the margin is fixed as well, so that won't change.

Thijs Berkelder: And the Equinor outstanding debt?

Boudewijn van Schaïk: That is only going to start next year. If we don't repay it, it will start accruing interest. That's a payment-in-kind capitalisation. So it's a non-cash impact.

Thijs Berkelder: Yes. Shortly coming back on the 200 kilotons for '27, you also agreed with that customer that they will prepay?

Fred van Beers: As always. You mean on the order?

Thijs Berkelder: Yes.

Fred van Beers: But there is no advanced payment arrangement like we had on the financial.

Thijs Berkelder: So what should we expect to happen with operating working capital now minus €180 million? What should we roughly model for, let's say, end of '26? Is that going back to zero, roughly, or what?

Boudewijn van Schaïk: No. I can't give you a guidance on where it's going to in that sense, but the advanced payments will start flowing out as we complete the projects where there were actual advance payments for. What we always have is capacity reservation fee or sort of cancellation fees that customers pay upfront to reserve their slot. Those will keep coming in for new contracts. So there's always going to be that element of working capital on our balance sheet. But the AFPs will start flowing out as we complete those projects.

Fred van Beers: On the order itself, it's cash neutral or positive like before.

Boudewijn van Schaïk: So we're always going to have that contract liability because the customer is always going to pay more upfront than the work we've actually done under IFRS.

Fred van Beers: Next there, please.

Jeremy Kincaid: (Van Lanschot Kempen): Just sticking with the theme of free cash flow. I think last time we had the earnings call, you said you had the perpetual bonds. I think there was €30 million remaining there and your plan is to pay that in 2025. Is that still the case?

Boudewijn van Schaïk: We're going to keep looking at that. We have the flexibility in our capital structure, which is great. We have the optionality. Ideally, we want to clean up the capital structure. We're not a company that should carry a heavy debt burden, but there's no obligation for us to pay it in '25. So if cash allows for it, I think we'll stick to the original plan. If not, we have the flexibility to just keep it on the balance sheet.

Jeremy Kincaid: Okay. I think you also guided to €15 million of maintenance CAPEX then as well with the additional works that needs to be done. Do you think that number stays the same?

Boudewijn van Schaïk: No. I would suggest that, that number is going to be higher with the plan we have now. So we're going to be doing more maintenance through the stabilisation phase. The question is whether we capitalise that, how much of that is warranty work from customers or from suppliers, sorry, so that balance needs to be made up.

Fred van Beers: And if I may add, I think a big chunk of that is on the supplier's or partner's cap because it relates to warranty modifications related to debt with that. So it's a mixed bag, but the majority is with the suppliers.

Jeremy Kincaid: Okay. And then on the solvency ratio. Do you think your banking partners have much flexibility in adjusting that for a short period of time? Also what would happen if you did breach that threshold?

Boudewijn van Schaïk: Yes. So under the loan documentation, breaching a covenant is an event of default, so we would have to have that conversation with the banks, did we breach it? But with our bank group, we have a super constructive dialogue on these themes. If you look at the numbers, 35% solvency is very high, especially for a company like us with very little leverage. So it means our balance sheet is extremely healthy. Even when it used to be at 25%, I think that's still a very acceptable solvency level. And I think the banks are very constructive from that perspective as well. They see our business. I think they see our order book. They see where we're going to. So should we need to have a conversation, I don't think that's going to be a very thorny topic with the banks.

Jeremy Kincaid: Okay. And then just finally on the factory. You obviously made the comments that you're choosing to reduce output to get everything working and it's an active decision, but you could have made €90 million if you wanted to. It's a big gap between €45 million and €90 million. Why is it so big? Is there any colour you can give around that? Or is there a midpoint in there, particularly if we do get into covenant issues? Is there flexibility to change that?

Fred van Beers: Do you want to?

Boudewijn van Schaïk: Yeah, I can take a crack at it and fill in where you want to. It is a very good observation. I think what we've looked at is, and we've looked at the production team, we've said, "Okay, guys, if you want to get to a stable, consistent production, what is it going to take in the next few months in terms of maintenance, training, taking it slow, making it consistent to get there? And we challenged that. We've had a lot of conversations around that. And eventually, we agreed on a case where we said, look, this is realistic. This is a plan that says we produce consistently in the coming period, we stabilise it and then we ramp up in a very structured, stable way, something that we believe we can achieve.

The outcome of that is the guidance that we've given today. Is there upside in there? Absolutely. With a plant like this, it has produced at the levels it needs to in certain sprints, just not consistently. So if we can get to a more consistent, stable level earlier, and we think it's justified and it's responsible to say, okay, let's ramp up. That potential is in there.

What we don't want to do is guide for that potential and then have to say later on, oh, well, we were hoping, but it didn't happen. So we've taken a very conscious decision with the Supervisory Board to say, let's just be not conservative, but consistent, pragmatic, stable. This is where we want to be. This is the outcome. Is there upside? Certainly. But there's also still downside risk. And we have to be aware of that as well.

Fred van Beers: To add on to that, another element, of course, is that we are pushing certain order volume with a certain margin from '25 into '26. So you're pushing contribution also out, which is the starting point, but all in line with customer obligations, I want to repeat that because we need to deliver. That could lead to a decision that you do something else to speed up again in a certain moment to make sure that the load out schedules are met.

Maarten Verbeek (The Idea): If I may continue on that because you mentioned we're going to push volume from '25 into '26. How much volume are we talking about?

Fred van Beers: In kilotons or?

Maarten Verbeek: Yeah, whatever.

Fred van Beers: Whatever.

Boudewijn van Schaïk: Yeah. I wouldn't mention a specific number. I think what's important is if you look at a year ago or even I think six months ago, we said we still had a gap at the end of 2026 in our order book. But with the shift we see now, that gap has gone. So the production moves in and we filled 2026 production.

Fred van Beers: I think we did mention numbers on 25 kilotons initially. I think you're looking at something like 50, 70 kilotons.

Maarten Verbeek: And then you made a nice bridge for that because then actually, you are clearly lowering your outlook statement for next year because you're now pushing profits into next year, which wasn't there yet, and you had your –

Fred van Beers: Selective memory, Maarten. Selective memory, but good question. Because what we've always said is that we have certain slots available in '26 that we need to fill in the original schedule, and every disadvantage has an advantage. We worked on that and said, listen, '26 is €160 million minimum is the number, but we need to still fill in certain slots.

Now with this shift, we filled in those slots, and we could do that because the agreements with the customers luckily when we book them, we always anticipated certain unexpected surprises in the schedules. We have built in sufficient float to play with that volume into '26 without jeopardising installation schedules of customers. And that is the answer to your question by moving that into '26, we've nicely filled '26 to meet the initial set guidance within the customer slots and also for '27, we have a nice connection.

Maarten Verbeek: So you're not pushing volume from '26 to '27 as well?

Fred van Beers: Could be.

Boudewijn van Schaïk: Could be.

Fred van Beers: We're not effecting –

Maarten Verbeek: Not effecting your guidance right now?

Fred van Beers: No, no.

Maarten Verbeek: At least €160 million, that's more or less the run rate target that should also actually be for '25. But obviously, you had your ramp-up start-up or whatever. So you took a cut of €25 million to arrive at the €135 million initially. After the full year, you lowered it, but now we are at €45 million. So taking it from the original side from hunt, and then leaving even aside this initial ramp-up cost of €25 million, we're now going down from €135 million to €45 million. That's €90 million. Could you break that up in buckets?

Fred van Beers: Volume. Well, the first, higher than - you work longer on smaller volumes, so that's a cost impact, yes, on the non-recurring, recurring. That's a cost impact of whatever, €20 million, €30 million. And the rest is volume shift because that's why we have highlighted this contribution with kiloton because if the contribution margin for kiloton would have been substantially lower than planned, then we would have a margin contribution erosion. That's not the case.

Maarten Verbeek: So adjusted, you're targeting now to €45 million. The exceptional part was also clearly higher this first half compared to the first half of last year. How much costs do you expect to take this year adjusting your EBIT to adjusted EBITDA?

Boudewijn van Schaïk: Yeah, I think in line with first half.

Maarten Verbeek: So another €11 million?

Boudewijn van Schaïk: Yes.

Maarten Verbeek: Okay. I don't know if I understood you well but initially, you mentioned that you were very eager to pay down on the perpetual bond because that's a very expensive tool. I didn't really get your answer because if it was talking about this one or the preferred shares. Will you still be envisioning to pay down on this expensive perpetual bond?

Boudewijn van Schaïk: Absolutely. So that we announced was to do it at the end of '25 ambition if our cash allows for it, that remains the plan.

Maarten Verbeek: That’s it for the moment. Thanks.

Fred van Beers: Yeah, I hope. I was just wondering whether the microphone was on but is the microphone on? Yeah, it’s on.

Philip Ngotho (Kepler Cheuvreux): I just want to spend a bit more time on understanding everything with the ramp-up because you started saying as well that safety is one of the most important things in the whole process. Then Q2, you unfortunately was under good safety. But at the same time, I see actually what you write in your press release is that since May, there haven't - because of all the actions that you took since May, there haven't been any lost time injury instances. So that I would read, I would think that's actually a good performance, right? So you haven't had any issue. That's already since May, the case.

What has happened between May and - I mean, if that's one of your main priority, safety, it seems you have achieved that? But I'm trying to understand exactly what –

Fred van Beers: The message I try to bring across is that by not paying the right attention and spending time on that, we saw this increase.

Philip Ngotho: But that was before May?

Fred van Beers: In the second quarter.

Philip Ngotho: Yeah. No, I understand.

Fred van Beers: April, May. So we said now we don't need to do one-off toolbox safety stops and what have you with the continuous one. So we have built in now a lot more moments to have people checking in on the safety rules and guidelines. That has led to a situation that we have more constant awareness now in that whole period that we are focusing on to avoid another spike in the –

Philip Ngotho: Why I'm asking is also I'm trying to understand, first, the last time we spoke, of course. What has changed since then because it seems like, well, in terms of safety, you already - some achievements were made already.

Fred van Beers: Last year was very good.

Philip Ngotho: Yeah, indeed last year was good, but then during Q2, early in the quarter, April, May, you actually achieved it as well, at least it was better than since then it –

Fred van Beers: Yes. In May, we had this high number still.

Philip Ngotho: It's only June.

Fred van Beers: Yeah, it's June, July.

Philip Ngotho: So you still had continuing to safety issues in June, July.

Boudewijn van Schaïk: That's definitely come down compared to Q2.

Fred van Beers: It has definitely come down but only because we put a lot more effort on it. So I tried to get a question behind the question.

Philip Ngotho: Yes. No, the way I read it is that actually the safety issues were very much in May.

Fred van Beers: April, May. Yeah.

Philip Ngotho: April, May. And then I thought, okay, well, that means that at least the second half of the quarter, things have been better. If that was the case, and I mean, one of the reasons you say that you're adjusting the guidance is just making sure that safety is also –

Fred van Beers: No, no.

Philip Ngotho: Then I would think, okay, the second half of the quarter, you're actually performing right. There's an improvement. So why now?

Fred van Beers: I get your question. When things get tight on delivery schedules and volumes, there is a tempting sort of pressure in an organisation to sort of bypass safety requirements in order to push for volume or let go, dilute on quality just to get the volume. What we try to say here is irrespective of how high the pressure is, either from the stock market, from the customer market, from inside, we never ever will dilute on the priority safety first, quality next and then volume. I mean, our load out schedules are tight. But if we see a certain quality issue in a monopile that needs to go on board of a vessel to meet the installation schedule, we stop it.

That is so important because if we would send that monopile out, if we will do, to see, and six, seven years from now, that specific quality issue results into a breakdown, we have a major issue. But for the short-term performance, it's very tempting to say, let go.

So that's from our side, but that's also the dialogue with our customer on this that irrespective of how high the pressure is on the projects, and we're talking for an Empire Wind project on billions of euros effect if something goes belly up. Then still also in the relation we have with the customer, they also say, don't. Good that you make the remark, either it's on safety or on quality, but don't send it out.

As a result, you will see a slower, what is it, revenue taking than initially planned for. That's what I mean. That was the message I tried to bring across here.

Philip Ngotho: But has that been the case in, what, June, July and August as well that you run into quality issues on –

Fred van Beers: Yes, because then you say, that's what we mean with stability in the people, if you start rushing, and the quality goes down, we stop.

Philip Ngotho: So you've seen quality come down in July, August?

Fred van Beers: And then it goes up again. That goes in days, and then we stop, do a new instruction. But in these days, you don't produce.

Philip Ngotho: Okay. And when did the external team come in to help with this?

Fred van Beers: Preparation work started inventorising, is this of value, what can we do, etc., etc., to prepare for what we have now announced, started just before the summer break.

Philip Ngotho: Okay. So they just recently –

Fred van Beers: Yes. They are now, I'd say, in the ramp, in the rollout of their schedule together with us.

Philip Ngotho: And how long do they normally take with these kind of things to -

Fred van Beers: Well, we - just to give you a bit of flavour on that, you sort of define certain sprints of, let's say, two to three months with clear targets per week, how we monitor a ramp-up, but also monitor sort of under the radar issue that could surface on the radar four weeks later, and their skill is to sort of monitor that in very early stages so that you can countermeasure on that. It's already now instead of waiting five, six weeks, it's really a specific skill.

Philip Ngotho: Yes. Okay. And then maybe if - is it fair to then maybe rephrase it a little bit that you could have chased that €90 million, €90 million to €120 million EBITDA target that you initially had? Yes, €90 million. But that would have been at the expense of quality. So actually is it maintenance and safety.

Fred van Beers: And we are wearing out people because what you then basically do is go full-fledged for seven days working week. You have to stay within the labour law, get more people in from Roermond, get more people in from outside, which will jeopardise your safety and quality or increase your quality and safety risk.

Yes, you would push out the €90 million, but you will have the risk of having - and that I think everybody can imagine, having a massive drop early next year. So it's basically pushing a problem forward, but with a lot more damage than just taking the hit now and deal with it as we should, I think.

Philip Ngotho: Okay. Clear. Then other question on that contract where you're in an exclusive negotiation. So again, I'm new to the story. But just remind, I mean, what's the chance of this maybe then still not –

Fred van Beers: Basically, what that means is that we are finalising the details of the contract. But whether it will be materialised or not is also subject to the customer taking final investment decision and go ahead of the project.

Philip Ngotho: Okay. And can I maybe then just ask, are you able to share kind of what region maybe the project is or what kind of revenue? Does the contract have revenues?

Fred van Beers: What's the answer?

Boudewijn van Schaïk: Europe.

Fred van Beers: Europe or UK.

Philip Ngotho: Europe or UK. And does it have revenue support in terms of, for example, CFD contract or revenue support from government?

Fred van Beers: Common.

Philip Ngotho: That gives maybe an idea of how risky it is.

Fred van Beers: I understand. No, but let me say it like this without disclosing anything. It's with a reputable customer in a reputable country.

Philip Ngotho: Reputable customer doesn't always mean that - I have seen projects being cancelled with still very big customers.

Fred van Beers: Everything is relative in life and especially today, but what else can I say? It's not in the US. It's not in Asia. It's in traditional –

Philip Ngotho: Okay. Then maybe one last question on the Chinese competition. You mentioned this. So what are you seeing there really? How much more projects are they winning? Are they really more active in the region? The second thing we saw, I think it was last week or this week I saw Japanese cancellation of large offshore wind projects. So it's more and more, you're seeing cancellations everywhere globally. So if that's more competition coming through, it's your home markets as well.

Fred van Beers: Well, the Japanese projects were very much linked to either GS Entec or Chinese players.

Philip Ngotho: Yeah. But if those Chinese players don't have –

Fred van Beers: The Chinese have built explicit capacity for the European markets. But the thing is, it's in China. And set aside the geopolitical situation, there's always a transport issue. And then I come - so they need to transport these big monopiles on heavy lift vessels to Europe, which is not cheap, whether they're building themselves or operating themselves or not. Somebody has to pick up the bill on that. So that's one thing.

Then I come to EU and UK. Despite all the changes in the world we see and the priority setting that we are seeing, the ambitions and the goals that the European government set on offshore wind remain more or less unchanged. Then you could argue, yes, but the Dutch government did lower the number for 20 - what was it? 40.

Well, I think it's a huge challenge for the supply chain alone and the government to release the tenders in time and for the supply chain to gear up for that volume that needs to be installed still to make this 30. I'm not even counting the 40. I'm looking at the 30 gigawatt. It's a massive task. You see the same in the UK. You see the same in other countries.

The Danes, they had a failure of their auction round. They immediately started readdressing issues. Now coming back to China again, the big challenge now for the government - or the big ask, and we see them picking it up to the EU, is to make sure that the tender criteria are set in such a way that is economically viable and that there is a good balance, so CFD, but that there is an offtake and a grid connection because you need a system approach here. Otherwise, it doesn't work and that the criteria are well balanced between financial and non-financial, so carbon dioxide and what have you.

Because in the end, this energy transition, we tend to forget it, needs to happen. The driver at this moment is energy independence because of the geopolitical situation. The focus on the volume is there, whether it's Mr Wille[?] [00:54:31] that’s running the show or Mr Tim Amase[?] [00:54:35].

Philip Ngotho: Okay. That I completely agree with as well. But just last question on this on the Chinese competition. To what extent has that maybe led to also pricing pressure also on the new tenders that you're bidding for or that exclusive contract that you have in your –

Fred van Beers: Good question. That, and here I come back to what we communicated earlier in these sessions, is we have a certain philosophy on what tender do we jump on and what not. Even in the times that we live in today, there are certain developers that have a very short-term focus on price with a different, I would say, risk analysis on the total project than others have. Those go for Chinese standards.

We don't join them, but there are others. They have exactly the opposite. They say we need a reliable supplier because if you do the math on the price difference and on the total effect of the CAPEX for a wind farm, it's below 1%, that affect, 1% is a lot in today's world. But still, it's not that we talk double-digit differences on wind farm development.

Then the risk assessment is done and risk calculation is done. And then we clearly see the more mature experience, and I don't dare to say a reliable developers take a different approach in Chinese than others. However, having said that, if they can continue to push in our market without action being taken in Europe, then yes, you get more competition also on price on this. But we are up to that task. And we know that because we have seen in certain tenders that we can match without going into the wrong side of the zero on Chinese competition.

Sorry, it's a long answer. It's a good question. Then I come to the point of the potential of this factory and the location we have. Don't underestimate the advantage of that in close to the wind farms, the volume we can deliver, we have to prove it still, we can deliver and the design criteria that the designers can now take into account in their designs.

Philip Ngotho: Yeah, okay. Thank you.

Fred van Beers: It's a lot of words, but I hope they have helped.

Edwin De Jong (Edison Investment Research): On the time line. So you have a production of two monopiles now more or less per month, last month. You need to get to four. Can you maybe explain a little bit on the time line on which you see that happening? And also, what exactly needs to be done? What kinds of things need to be done in effect to make this happen?

Fred van Beers: We have a few questions there. This is, of course, part of some modification and stabilisation on certain parts of our equipment. So certain parts of our equipment are not stable. That leads to stops. When you have a stop, you can't produce and do it.

Edwin De Jong: That's still happening?

Fred van Beers: And those modifications are taking place now. So that's why we have lowered the forecast because we said we take these modifications now in order to work towards this stability later on. So with those modifications being executed, and we will see in the coming months how successful that is. We see a gradual ramp-up that should lead to these four monopiles, I would say, in the last month of this year.

Edwin De Jong: Okay. Already last month?

Fred van Beers: That's December.

Edwin De Jong: I know. Okay. And let's say in your delivery schedules to the clients. So you have strict deadlines, as you say. What kind of setbacks can you still have? What kind of flexibility is there still?

Fred van Beers: Well, are setbacks or flexibility to meet the schedules, you mean?

Edwin De Jong: Both actually.

Fred van Beers: Because we have slowed down and go through this modification with these deadlines in mind. If for whatever reason, we are faced with an unexpected extra delay on that, we have a few tools in the toolbox. One of them is to gear up to these weekend shifts again because we work, we have planned now the remainder of the year at 24/5 over time in the weekends because we use that for maintenance. There we can push.

The other one is because you can do that in a limited way, bring in the Roermond people again. Roermond is well on track with their order book. They're really - that's a running - is it swing machine. So we can still rely on those people to come to Maasvlakte, but we have to be cautious with that because these people live in Roermond and we can't constantly take them out. So that is another one.

The other one is that we do know that we can in certain parts, like we do always, let's see where we can use subcontractors or partly outsourcing to help us in that as well. We can do that only limited because you need a factory for a reason.

And then the other thing is that there is a certain overcapacity now for the remainder of the year in the assembly and coating.

Edwin De Jong: Okay. You still have some overcapacity?

Fred van Beers: We have some tools in the toolbox to deal with that.

Edwin De Jong: And to remind me, when you don't meet the deadline, what happens?

Fred van Beers: You run to liquidating damages.

Edwin De Jong: You get just a penalty?

Fred van Beers: Yeah.

Edwin De Jong: Okay. And then getting back to the problems that were there. Can you maybe give a little bit of an indication of what the difference was between the people part and the machine part and the process part or is that difficult?

Fred van Beers: That's very difficult. I think I would like to approach it in a different way that we have an explicit programme on the equipment stabilisation. We have an explicit programme on the people stabilisation, and we have an explicit programme on process stabilisation because the process is stable, but it is not to the, let's say, the capacity it has yet. So this company has a background, like many of our colleagues, where technical skills of individuals are very helpful in delivering a project.

But the factory is designed according to a certain process. And for us, as the new people as well as the old SIF people, it's a different world where you have to sort of stick to the process, although you would actually - it's very tempting to do something different. And that's very logic because we have seen that as a result of that, you can derail very slowly from the total process. We bring that back in there. In that sense, it's like a car manufacturing factory where the line process is leading what you do.

Edwin De Jong: Okay. Thanks.

Fred van Beers: Hopefully, that clarifies a bit? Thank you very much.

Thijs Berkelder (ABN AMRO-ODDO BHF): I'm missing in the slide pack the overview of, let's say, the competitive landscape capacity, supply-demand picture, especially on competition. Yeah, what is happening in Spain, at Hershey, Novancia, SeAH strike problems, CS WIND in Denmark, Cuxhaven with Titan Starship, Steelwind, that you can name all.

Fred van Beers: Can name them all as well.

Thijs Berkelder: You are the Chairman nowadays, so you should know how they all prepared for a big US offshore wind market, which is no longer there. There is might be overcapacity so that must give pressure on prices going forward.

Fred van Beers: Thanks, Thijs. Yes, we did not put it in the slide pack because we felt we needed to focus on our own challenges now before going into the more broader picture. I think we, in certain humbleness in that sense is in the right spot here.

But to answer your question, of course, we do follow that and we see what's happening. We probably all know that CS WIND and Linde has closed down, is laying off 220 people now because of lack of order book. On the other hand, we see that our colleague in Rostock with the whole pipeline in the Baltic is doing very well. So they filled up. And like it was five to 10 years ago. The more, I'd say, longer-term reliable companies are doing well.

Steelwind is doing a great job on their order book

Clearly, for us, also Titan and Cuxhaven is a question mark. But what we do is we take every announcement they make on, I believe, being able to produce in '28 very serious and follow them in that respect, but we're not part of that team. So we don't know what's happening.

SeAH Wind has announced a few weeks back the first steel cutting. Let's see when the first monopiles come out. They invested a lot of money. I think their delay in comparison to our original schedule is already over a year, which we understand.

The same emotions our friends in Spain went through, but they are delivering monopiles. And let's see how their order book fills up in today's shortage of projects. But overall, I think the emotion is that there is more capacity than orders that we need to fight for short term. The longer term, and then we come to - next time the picture will be in again. But we have this famous bow wave of projects that we see coming two years from now that consistently is two years ahead of us. I think that's the market situation as it is.

Thijs Berkelder: And how do you, as SIF, stand towards, let's say, potentially being owned or co-owned by an Asian owner? I would say in the UK now CS Wind tried - well, they are in Portugal, try to penetrate Denmark and Titan, of course, in Germany. Is it logical for the long term to partner with an Asian owner, UFGS then kind of a licensing partner.

Fred van Beers: As a licensing - as an Asian partner. Correct, yeah. No, I don't know, to be honest. I think we are strong enough as SIF given the position we have to work from strength in the landscape that we see. Having said that, I think we, as management also and we don't see that happening before next year because we first have to get this one going. But from that position, we want to make an evaluation of our position and see what are the right choices on a more long-term level we need to take.

But for now, we are pretty happy with the structure we have, with the position we have in the market and the position that how we are perceived in that market, also by Asian players. Any other questions from the table? Otherwise, go. Yeah, Maarten.

Maarten Verbeek: I'd like to get back to one of your first sentences you made that on the crossroads, you had to make a decision between two schedules. Yesterday, you've decided to take the long-term approach, therefore, affecting short-term profitability. However, if I look at your outlook statement of €45 million, we already did €13 million, if I'm correct. So that means €32 million in the second half. Actually, when you take a very cautious road, you lower your volumes, but you're still going to produce 2.5 times more EBITDA?

Fred van Beers: Correct.

Maarten Verbeek: I'm a bit puzzled about those two.

Boudewijn van Schaïk: So in absolute terms, we are stabilising. So we never said we're going to reduce volumes, but we're going to stabilise production relative to the delivery schedules that we have with our customer. And in that stabilisation, there will be growth in production. So we mentioned now we produced 11 monopiles in a month. Ambition is to be producing four monopiles per week by the end of the year. So there's certainly growth in that production, but first, stabilise.

So we're not pushing for growth. We first want to take the time to stabilise production at a certain level and then increase production.

Maarten Verbeek: We can also look at what you mentioned, steady increasing volumes. If we then look at the €32 million expecting in the second half of the year, should we then pencil in for Q3 some €10 million and the remainder for Q4 in that.

Boudewijn van Schaïk: Yeah. That makes it difficult to give any view on that, and I can't give you guidance, but we don't accrue revenue based on volume. We accrue it based on our spend over the total projects. We work on hourly rates, hours spent on projects, and that's our percentage of completion revenue recognition method. So not when we actually produce monopiles.

Maarten Verbeek: Okay. You said you might also have to do some modifications to your current facility. Does that also imply more CAPEX this year? Or what's your CAPEX for this year?

Boudewijn van Schaïk: If it's CAPEX, it's maintenance CAPEX. Most of it will be spent, some of it may be capitalised if it's structural improvements to equipment, but it's all equipment related. It's not that we're going to expand the factory or raise the roof or do things like that. It's all very much equipment related.

Maarten Verbeek: Could you remind us how much you expect to spend this year on CAPEX?

Boudewijn van Schaïk: We guided for €15 million maintenance CAPEX. Yeah.

Fred van Beers: And as I said before, a big part of what we're doing is also on the cap of the suppliers.

Maarten Verbeek: Yeah. You have since the start of this year, three stages in your order book order, whatever, how you want to call it, the firm one, obviously, the exclusive negotiations and with the one which has now become exclusive negotiations, you labelled that preferred status, which was initiated for the first time this year. Are there more projects in which you are labelled or in talks on the preferred status at this moment?

Fred van Beers: We are, and I don't - I'm not going to disclose what or where or whatever, but we are in, so to say, shortlisted stage with a few projects for the period '28 onwards.

Maarten Verbeek: Okay.

Fred van Beers: The market for '27 is empty.

Maarten Verbeek: But they are not in a stage yet like what you had with the ones you made exclusive this year. Okay. And then lastly, for the moment, if we look at your depreciation, that tripled, that's solely due to your new facility or there's no additional impairment or there is –

Boudewijn van Schaïk: There's no impairment, purely the new plant. Yeah.

Fred van Beers: All right. Any questions online?

Roald Hartvigson (Clarksons): Pointing to higher risk for the developers, which they now carry largely themselves. And the question is, do you in contract negotiations now see any push from the developers to sort of add more flexibility from their side to mitigate the risk of high termination fees or changing time lines? Or do you expect contract structures to remain broadly the same going ahead?

Fred van Beers: We do still have these discussions on - and I think constructive and also building them in our contracts on termination and delay fees. However, the moment where they start kicking in is delayed more towards FID or after FID. So it is capacity what we had before that we could agree that on the capacity frame agreements ahead of the game. That has gone given the options the market has at this moment with other suppliers.

Roald Hartvigson: Thanks. That's it from my side today.

Fred van Beers: All right. Thank you very much. Sorry for the technicalities.

Roald Hartvigson: No worries.

Fred van Beers: Any more questions? If not, then I'd like to thank you for being here, for spending the time on preparing your questions and asking them and the good debate. And then I look forward to the next press release in which we do - would be thrilled to announce somewhat different messages there next time. Thank you very much.

Boudewijn van Schaïk: Thank you.

[END OF TRANSCRIPT]