Konecranes – Half-year financial report, January-June 2026

00:00:00 - 00:00:42
Linda Häkkilä: Hi all, welcome to follow the Konecranes Q2 2026 Results webcast. My name is Linda Häkkilä. I'm the VP, Investor Relations here at Konecranes, and today, with me as our main speakers, we have our CEO, Marko Tulokas, and our CFO, Teo Ottola. Before we continue, I would like to remind you about the disclaimer, as we might be making forward-looking statements. As per usual, we will first start with a presentation from our CEO. After that, our CFO, and then we are happy to answer your questions in the Q&A session. Now, without any further comments, I would like to hand over to our CEO.

00:00:44 - 00:02:04
Marko Tulokas: Thank you very much, Linda, and good afternoon on my behalf. I'd like to start with some key topics of the quarter, and I'd start by commenting on the customer activity. I'm happy to say that we had a continued very strong and good customer activity throughout the quarter, despite the continued geopolitical uncertainty, which has resulted in some apprehension with customers and the timing of the orders, as well as some volatility in the supply chain. Regardless of that uncertainty and apprehension, we had good demand, particularly in the ports business segment as well as in defense, power, and aviation in the industrial side, to name a few. Because of that, our quarter two orders actually were very, very strong. That also resulted in the highest order book that we have had in three years. This, of course, is a very good quarter two for us. Now the uncertainty in the environment reflected maybe more on the sales and the delivery side, but our volumes remaining at the previous year level or actually slightly below. That is mainly due to the expected timing of the ports order book.

00:02:05 - 00:03:04
Marko Tulokas: Our ability to execute and apply cost control resulted in a solid result, particularly in such a volume environment. Also, I'd like to say that I'm really happy, and particularly happy that we had good M&A activity in the quarter. So, right after the end of the quarter, we were able to announce the recent planned acquisition of a 70 percent majority interest in MFK, which is Mitsubishi Electric Corporation's wire rope hoist and gear motor business in Japan. That is a very important milestone for Konecranes and in our expansion plans for our geographical presence. Japan is the third largest crane service and wire rope hoist market in the world, and for our mid-to long-term plans, this is of course a very significant win. I am very happy about that.

00:03:04 - 00:04:13
Marko Tulokas: Now let's move on to the quarter financials and more specific comments. We had good orders from all three business areas, two great orders for Port Solutions, two larger ones, which I'll talk about a little bit later. Navy order for Industrial Equipment and the defense segment, as well as solid growth for Industrial Service both in the agreement base as well as in the orders. That resulted in an ordering growth of 13 percent year-on-year with comparable currencies. Consequently, the order book is 15 percent higher than the previous year at €3.4 billion and the best order book that we have had in three years. That gives us good prospects for the second half. Our sales are still behind the previous year. That is predominantly a ports deliveries timing issue, but there was also some Industrial Service and port service-related customer apprehension that reflected in the agreement-based invoicing and resulting spin.

00:04:13 - 00:05:38
Marko Tulokas: We've also seen some developments towards the end of the quarter that are improving that development. Too early to say though. Solid margins, particularly if one considers the volume environment, 1.6 percent behind the previous year, which was predominantly impacted by the volume environment. Now moving on to our demand environment. If we look at the two key indicators here, the capacity utilization and the purchase manager index, or the confidence indicators, looking at first, the two largest regions, the EMEA and the US, or the EU and the US. Capacity utilization has been flat for roughly the last 12 months, with some slight increase in the previous couple of months. Our own funnels are solid. Customers are hesitant to some extent, but as I was saying earlier, we do see solid activity in several customer segments in the industrial side. This capacity utilization-related apprehension is more visible in the service work and how much service workers customers actually place or order against the order book that we have enhanced, which reflects somewhat on the delivery side in service.

00:05:38 - 00:06:22
Marko Tulokas: Looking at the manufacturing confidence and the PMI expansion, that shows actually, for the second quarter in a row in all four key market areas that we operate, expansion that has not all translated into demand for us yet. However, generally speaking, that describes a more positive, while still cautious, environment. China, although there is a clear slowing down or decrease in the Purchasing Managers' Index, still shows expansion. That for us shows us an active market, although at the same time very intense domestic competition.

00:06:24 - 00:07:31
Marko Tulokas: Now I would next look at the port segment, and here the good activity level continues. When we look at the container throughput index, that continues to be on a very high level historically, and we saw another three percent increase year-on-year in the container throughput. The long-term drivers remain the same. The automation trend that we've seen, the geopolitical trends that also drive new placement of logistics flows and therefore also the ports and terminals. The electrification and sustainability trend, as well as the demographics which drive both automation and the outsourcing trends. More on a current note, particularly if you look at the current political environment, and particularly it is this situation or crisis in the Middle East. The impact of that is somewhat, but in a smaller way, in the sales side and in sales delays.

00:07:31 - 00:08:23
Marko Tulokas: But, when we look at the demand environment, in fact, that is in the short and mid-term, also having some potential possible positive opportunities, we see some realignment of investments because of the change in the logistic flows and most recently the announced plans in UAE that there would be a new terminal on the on the east coast of the United Arab Emirates because of the situation. That's a good example of what these sorts of things actually may result in, particularly in this industry. The other thing is that our customers in this industry are the shipping lines and terminal operators. They are doing financially very well and very much continue their consolidation and investment in the terminals in this business, and that is a positive driver for us.

00:08:28 - 00:09:20
Marko Tulokas: Now, looking still a bit more in detail at the volume development, as I said, As I said, orders were solid from all three BAs, and particularly in Port Solutions, we saw a good order intake increase. We had two large orders, one from YILPORT, which was announced, and the other one was an unannounced, larger order. Besides that, we also had a decent order intake in Port Solutions in the other segments too. On the Industrial Equipment side one large defense segment Navy order in the United States. I can also say that we have continued to see solid component distribution business development also in the second quarter. On the Industrial Service side five percent growth in orders and four percent in agreement-based, which is a positive thing.

00:09:20 - 00:10:12
Marko Tulokas: We see an increase in the Americas and Asia Pacific, but some decrease still in EMEA that maybe reflects the demand environment too. On the sales side, Industrial Equipment saw growth actually, and the slowness has been on the Industrial Service side, particularly in EMEA and in Asia-Pacific. As I said already a couple of times, the Port Solutions are the timing of deliveries issues, and most of that is planned and well known in advance. And these volumes resulted in a clearly higher order book compared to the previous quarter and what we had last year. We have a 15 percent higher order book than the previous year at the same time. That's the best in three years. All business areas increased.

00:10:12 - 00:11:09
Marko Tulokas: We have a confidence-building order book for second-half delivery since we have a €200 million higher order book for the second half of this year compared to the previous year at the same time. In this section, finally, I'd slightly touch again upon our progression towards the financial targets. We saw a slight decline in the 12-month rolling comparable EBITA development. In Industrial Service, Port Solutions and the group volume, whereas Industrial Equipment continued to gradually improve. What I can of course say is that we are well within the target range that we have set for ourselves until 2029, as also communicated earlier. Now, at this stage, I'd like to turn over to Teo, and then I'll come back a bit later or so for two more things or three more things, actually.

00:11:14 - 00:11:15
Teo Ottola: Thank you, Marko.

00:11:15 - 00:11:15
Marko Tulokas: Thank you.

00:11:17 - 00:12:21
Teo Ottola: Let's move more into the numbers. Let's start with the group profitability slide. As we already saw, we had a decline in the group comparable EBITA of 1.6 percentage points to 12.7 now in the second quarter of 26'. When we take a look at it by BA, we had an improvement in Industrial Equipment, actually. We had a decline in Port Solutions and service when we take a look at the business areas where we had a decline. So, the main reason for the decline was the underlying volume development, which was downwards. If we unpack the EBITA a little bit more with the help of the EBITA bridge on the right-hand side. First of all, we know that the decline in euros was 20 million. If we go more into the details and take a look at the pricing impact, we had maybe two to three percent higher prices now than a year ago.

00:12:22 - 00:13:21
Teo Ottola: When we combine that with the fact that the sales declined in comparable currencies by 2.8 percent. We are actually looking at an underlying volume decline of 5 percent or even slightly more, which obviously flows into the EBIT development as well as a negative item. Then when we take a look at the inflation. Actually, the inflation was roughly in line with the price increases that we had, somewhere between two and three percent on a weighted average basis. We did not, in this quarter, have a net inflation gain or loss. We were basically able to cover the inflation with the price increases but not more than that. This is okay. However, it is a little bit different than what we have been having in the previous quarters because we have had many quarters where we have had a net of inflation pricing gain. This time that was not the case.

00:13:22 - 00:14:18
Teo Ottola: When we then take a look at the other elements, the mixed impact was not really meaningfully big. It was a fairly small one. We had a small negative from the execution and performance in a year-on-year comparison. Then, when we take a look at the fixed costs of the delta in the bridge, minus seven million. This is basically inflation, and that much we were able to compensate with the pricing. As said, we were able to cover the inflation, but nothing extra on top of that. Then the overall end conclusion is that basically what comes through to the EBIT is then the volume impact. The other topics are then more or less netting each other out. So, it's the underlying volume development which is behind the profitability development. Then when we move into the businesses and start with the service, the order intake was roughly €400 million.

00:14:18 - 00:15:07
Teo Ottola: That is an increase of a little bit more than five percent in comparable currencies. We had an increase both in field service as well as in parts. When we take a look at the regions, we had an increase in the Americas and EMEA, but a decrease in APAC. Again, taking a look at the regions, one can say that the Americas region order intake was very strong in the second quarter. Then the agreement base continued to grow again, higher than four percent growth year-on-year in comparable currencies. Very good news there. Then the order book is higher than a year ago. It's also higher than at the end of the first quarter, so both sequential and year-on-year growth from the order book point of view.

00:15:07 - 00:16:17
Teo Ottola: Sales are down 1.7 percent in comparison to the situation a year ago now despite the fairly good order intake. We have some slowness in the sales, and like Marko already pointed out, so it comes partially from the maybe a bit lower than expected invoicing regarding the agreement base, and also then that our order book is now a little bit higher than what it has been. Therefore, part of it is in the order book in a way, and part is in the slower-than-normal invoicing from the agreement base. We, however, feel that this is primarily a timing topic and the sales performance will recover going forward to the second half. Then, when taking a look at the comparable EBITA margin, 21.2 percent, this is a decline of 1.4 percentage points year-on-year. Here, the reason is the same as for the whole group. It is basically the underlying volume which is causing the decline in the service EBITA margin.

00:16:20 - 00:17:17
Teo Ottola: Industrial Equipment then had very good order intake in the second quarter more than 18 percent growth in a year-on-year comparison. We had good growth in components. We also had good growth in process cranes, but a slight decline in standard cranes in a year-on-year comparison. Again, taking a look at the regions. Americas was strong here also, like in service as well. Also, APAC grew, but EMEA was more or less stable in a year-on-year comparison. Then the sequential comparison is interesting and important as well. There we had a decline in standard cranes as well as in components, but process cranes were more or less flat in a sequential comparison. It's worth noting that component order intake, despite declining a little bit in a sequential comparison, still continued to be on a very good level.

00:17:18 - 00:18:24
Teo Ottola: Here, too, the order book increased both in a year-on-year comparison as well as in the sequential comparison. Net sales grew by 8.6 percent in the year-on-year comparison. We actually here had growth in all business units, with some delays from the customer delivery point of view but nothing major, and sales growth is there. Then, when we take a look at the comparable EBITA margin, 6.9 percent or 0.6 percent each point improvement. This is then a different story than in the service. For example, volume increased and supported the EBITA. Also, pricing gave us more positive here within Industrial Equipment. Then on the negative side, on the other hand, we have the FX, Eurodollar in particular, which is impacting us and is in a worse position from our point of view than a year ago. Then also from the execution point of view, it was not a completely clean quarter, so there was a little bit of that also included in the numbers.

00:18:26 - 00:19:37
Teo Ottola: Then Port Solutions also here actually had excellent order intake. The growth was 17 percent year-on-year, as Marko already pointed out. We had two large orders that were received in the second quarter. Activity overall was good in RTGs, lift trucks, also port service in year-on-year comparison. Then, when we take a look at the sales, we have a clear decline, almost 13 percent in year-on-year comparison. Again, repeating what Marko already mentioned. This is primarily an order book timing topic, so the deliveries are scheduled for a later time. This was the main reason a couple of deliveries probably could have been going within Q2 and slipped to Q3. Additionally, unfortunately, we were not able to deliver the pending Middle East case that was already pending at the end of Q1. That was a little less than a 15 million impact. However, as I said, we had already seen that at the end of Q1, but we haven't really seen any major new delays as a result of the conflict in the Middle East.

00:19:38 - 00:20:53
Teo Ottola: Then, when we take a look at the comparable EBITA 10.8 percent, 1.9 percentage points down in the year-on-year comparison, so the decline is primarily as a result of the lower volume. The profit was supported a little bit by a US tariff refund. We have applied for refunds. We have received a refund. It was a little bit less than 2 million for Port Solutions in this quarter, and this was a tariff that we actually originally paid last year. Now that we have got a refund, it is helping our Q2 result this year. Then a couple of comments on the balance sheet and cash flow. Here on the net working capital side, we have actually now, for the first time in two years, a situation that we are on the wrong side of our target of being below 10 percent of rolling 12-month sales. This is because of the inventories, so it is the work in progress primarily, which is causing this. The sales are a little bit on the low side, and the flip side is that the goods are in the inventory. That is the reason behind that.

00:20:53 - 00:22:15
Teo Ottola: Advances from customers are on a somewhat higher level. However, it is obviously not enough to compensate for the build-up in the work in progress or the contract assets that we now have there. This is also a timing topic, but we are, like I said, on the wrong side of our own target in this quarter. This then impacts our free cash flow as well. The second quarter free cash flow was not good, on the negative. When we take a look at it on a rolling 12-month basis, we are now very close to a situation where we have cash conversion at about 100 percent at the end of Q2 on a rolling 12-month basis. The cash flow is then of course reflected on this slide. On the right-hand side, we can see the net debt. Net working capital development has impacted this one. A bigger impact, however, comes from the dividend payment that was taken care of in the second quarter. Now we are in a small net debt situation at the end of the second quarter. When taking a look at rolling 12 months, ROCE,

we are there at 22.5 on a comparable return on capital employed basis. With these comments, I will then hand over back to Marko.

00:22:16 - 00:23:16
Marko Tulokas: Thank you, Teo. Talking about demand outlook. So, we reiterate our earlier demand outlook, and in our industrial customer segment, we do expect that our demand environment remains healthy, as I was explaining earlier. For port customers, container throughput is on a high level. As already described earlier, the long-term prospects are remaining very good. However, the uncertainty has not gone anywhere, and that is related to geopolitics and the tariff policy that has also not changed and is almost equally as volatile as it was before, and that keeps the uncertainty in the demand outlook. From a financial guidance point of view, we reiterate the guidance of net sales expected to remain approximately on the same level or to increase from the previous year, and that our comparable EBITA margin is expected to remain approximately on the same level.

00:23:16 - 00:24:06
Marko Tulokas: So, that means that we remain confident thanks to a good order book and stable profitability development, but at the same time realistic about the uncertainties in the environment. With that, I have one more message, and it is that we have at Konecranes worked to further sharpen our strategic priorities and ambitions. I'd like to tell you more, or we'd like to tell you more in connection with our quarter three results on October 23rd. You are very welcome to join us either virtually or in Helsinki, and we will then share more of these strategic priorities and ambitions and welcome a discussion with all of you. With that, I am happy to close this section and move on to the Q&A with Linda.

00:24:06 - 00:24:17
Linda Häkkilä: Thank you for the presentations, Marko and Teo. Now we will start the Q&A session for today. Operator, we are ready to start taking questions through the conference call lines.

00:24:19 - 00:24:37
Operator: If you wish to ask a question, please dial Pound Key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial Pound Key six on your telephone keypad. The next question comes from Daniela Costa from Goldman Sachs. Please go ahead.

00:24:38 - 00:25:16
Daniela Costa: Hi. Good afternoon. Thank you for taking my questions. I have two, and I will ask them one at a time. First, I just wanted to understand the service margin a little bit better because is there any impact also from mix, or how should we think about the fact that what parts went up in field services went down? I would have thought that is mix accretive. However, on the other hand, we also had Asia doing better than the rest of the world. Maybe extending that, you mentioned your order book a bit when you were going through the explanations. I didn't quite get it, but what's been the trend of margins in the Order and Agreement book?

00:25:18 - 00:25:18
Marko Tulokas: Maybe you want to.

00:25:19 - 00:26:41
Teo Ottola: If we start with the service question and the mixed impact there. Yes, it is correct that the spare parts have been doing, and we're doing now, from the order intake point of view and sales point of view, also a little bit better than the field service. The difference also this time, as in so many other times within the service, is not so big that it would be significantly impacting the margin structure, so that the mix typically doesn't have a huge impact within the service. This was undoubtedly a small positive, but nothing so much that it would be clearly visible in the margin. When we take a look at the gross margin in service and compare it to the situation a year ago. These two are very close to each other. Now we need to remember that we have been having a little bit of additional cost burden as a result of the Middle East conflict, because some of the cost items, like fuel, have been at a higher level than what it was earlier, but we have been able to mitigate that cost increase quite well with our own actions and hence the gross margins there are basically more or less unchanged. It is the volume drop that actually causes the decline in the profitability within the service.

00:26:42 - 00:26:54
Marko Tulokas: The other question was about the order book margins. I guess that is for service as well as elsewhere. The order book margins are roughly on the same level as they have been in the year-to-date numbers.

00:26:54 - 00:27:05
Teo Ottola: That is correct. Within service, the order book is maybe then more focused, or it's more on the modernization side. Therefore, it's not maybe less the spare parts and field service.

00:27:05 - 00:27:06
Marko Tulokas: Yes.

00:27:06 - 00:27:31
Teo Ottola: But, by and large, that is correct. Now, when we take a look at the order intake now in the second quarter for service, as I said, it was quite good. More than 5 percent growth. This was not because of the modernization. We didn't have more modernization now than a year ago. Actually, the other way around. Modernization order intake was somewhat lower than in the second quarter of last year.

00:27:32 - 00:27:51
Daniela Costa: Got it. Just on the free cash flow, we had all these very large orders towards the back end of the quarter. Are we missing the advances from these recent large orders? Is that why the free cash flow was negative, or can you delve a little bit into what caused it?

00:27:52 - 00:28:41
Teo Ottola: Timing of the order intake is basically what caused it. These came very much towards the end of the quarter. Then the advance payment, in a way, schedule was not in place to the extent that maybe it would have been if this had been done two months earlier or one and a half months earlier, so this is the basic example in that one. There hasn't been any major significant shift within the contract terms from higher advances to lower advances or anything like that. The advance payments have been and they continue to be part of the way of doing business in these kinds of deals where a cancellation would be a problem for us because of the tailor-made cranes.

00:28:43 - 00:28:44
Daniela Costa: Got it. Very clear. Thank you.

00:28:48 - 00:28:52
Operator: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

00:28:54 - 00:29:37
Panu Laitinmäki: Hi. Thanks for taking my questions. I have two questions. Firstly, on the guidance so you keep it unchanged? You are behind last year after the first half. Could you talk about the kind of drivers in the second half that enabled you to reach the guidance, especially given that the margin comps are pretty high? Then the second is on services. I didn't fully understand the kind of comment that you had about good orders but then lower sales. Could you explain the thing with the kind of lower delivery from the agreement base, and is this improving going into Q3 already?

00:29:38 - 00:30:29
Marko Tulokas: Maybe I can start on that. On the confidence for the second half, particularly, that's predominantly related to the stronger order book. Our order book is roughly €200 million stronger. Unless we see a deteriorating delivery environment compared to the situation that there is today, then of course that gives us confidence that we should be able to deliver the second half. And as stated by Teo, as it relates to service, that is something that drives the profitability also very well. It is predominantly the reason why we are confident in the second half guidance under these current assumptions and conditions. The other question was about the service margin, right?

00:30:30 - 00:30:31
Teo Ottola: Service sales probably.

00:30:32 - 00:31:52
Marko Tulokas: Yes, service sales. The service sales topic, I mean, you were referring to how come the service sales is behind, or the book-to-bill to the orders is what it is. That is to some extent, there are elements there that may not be easy even for someone like us to explain. The key reason is that customers, when they have such an environment where they either may be very loaded with the project, which is the case with some of the customers, or in some cases have additional capacity or uncertainty themselves. They may hold back on the agreement-based orders or sales that they have already ordered in. Hence, when they order less, then of course that is something that also results in a spin later or the sales that we would get from that inspection visit. That is why there is a lag or a snowball that we may push in ahead of us or will push ahead of us in service. The orders are there, and the agreement base is there. Eventually, the customer will need to do that maintenance and that service and replace that part, and that's why we are also confident from the service side that this will, once we are back on growth track with the orders, that will turn into sales.

00:31:52 - 00:33:10
Teo Ottola: One way of taking a look at the same, in light of the numbers, is that when we take a look at the agreement-based growth, which has been four percent or more, and then we take a look at the invoicing from the agreement base, it is growing less. In a way, there is a delay in delivering the agreement base. That delay is something like now stated, so that we feel that it is temporary and it will be fulfilled over time. There has been a mismatch between the growth of the agreement base and the agreement base-related invoicing. There is another explanation as well. If you take a look at the order book for service, which typically is fairly modest, but now it has been growing. For example, if we take a look at the order book for service at the end of Q1 and compare it to the end of Q2, we have a higher order book. Some of the orders that have been done now, for example, retrofits, for which the quarter was quite good, have not been delivered, but the order book will be delivered at a given time going forward. The Q2 sales were maybe a little bit lower than what we would have wanted them to be.

00:33:12 - 00:33:35
Panu Laitinmäki: Okay, thanks. Can I just ask as a follow-up? How should we interpret this? You have been talking about the cautious service market for a while, but now the order intake trends were clearly better. Should we understand that it's been an inflection point and it's getting better, or is it still soft given the sales dynamics that you explained?

00:33:37 - 00:34:03
Marko Tulokas: It is a bit of a market that is, as I said, we're describing cautious. There are elements there that give confidence. I would say that it's probably just to be on the conservative side to say that it is a bit too early to say, but the outlook is more positive than it was a few months ago, and there are elements there that could turn this much more positive going forward.

00:34:03 - 00:34:55
Teo Ottola: If we take a look at the data that we get from the cranes at the customers. What we have been seeing is that the utilization rate seems to be going in the right direction, so up, in the beginning of the year, or Q1 or so. When we take a look at it now, it's still on a higher level than year to date. Then again, the last couple of months have not been superb in a sequential comparison. There's maybe a little bit of conflicting messages, as cliché as it is. One needs to say that the uncertainty is there. Again, when we take a look at the behavior that we had from the order intake point of view, for example, in the Americas now in the second quarter. Both service and equipment were strong from the order intake point of view. Therefore, there are also good signs in that sense.

00:34:58 - 00:34:59
Panu Laitinmäki: All right. Thank you.

00:35:01 - 00:35:05
Mikael Doepel: The next question comes from Mikael Doepel from Nordea. Please go ahead.

00:35:07 - 00:35:24
Mikael Doepel: Thank you. Good afternoon, everybody. Just a follow-up on this last one. You mentioned that, in terms of the service business, some elements look more positive than two months ago. Could you just clarify what elements you are actually referring to?

00:35:26 - 00:36:03
Marko Tulokas: I believe that is as Teo was just stating, that we see the activity in the so called trueconnect or the connected crane that is on a year-on-year basis is higher, but slightly lower in the last month comparison, but, in a year comparison between quarters, it is positive. That's one small signal. When we look at our sales funnels, they are on a rather healthy level. The uncertainty comes from things like that. When does the order actually get placed and when it gets delivered. That's, to some extent, the same on the service side.

00:36:04 - 00:36:48
Teo Ottola: There are not very clear signs that one could immediately be able to interpret that we are going in one particular direction, so it is the funnel value. They are stable on a fairly good level when we take a look at the number of new cases that have come to the funnel. It is very stable in comparison to what it was some months ago, if there is a difference within the service, it may be slightly positive. What can one conclude from all of this so that, in the big picture, it seems the overall environment seems pretty stable? There are these regional differences. Americas look much more positive than EMEA, for example, from the service point of view. I guess the same applies to the equipment as well.

00:36:51 - 00:37:06
Mikael Doepel: Okay. Therefore, it's fair to say that, I mean, in terms of the sales funnels, I guess what you're talking about now is not only service, but broadly speaking, sales funnels that you see. Those are solid across business segments and regions.

00:37:06 - 00:37:31
Marko Tulokas: Yes, with the differences and just on the service side still, maybe if you look at the modernization, there is quite a bit of modernization activity. One of those things that in the last quarters we have been in the funnels because you can only go so long without doing a modernization or replacement, that is also one sign. When you were saying that, what are the reasons why you believe that there would be a good trend, again, that is only one sign, so.

00:37:33 - 00:38:19
Mikael Doepel: That makes sense. Good. Then just a final question. I guess, Teo, you mentioned the pricing net of cost inflation in the quarter was fairly neutral, and it has been slightly positive in the couple of past quarters. How should we think about this equation going forward? What are you seeing out there? Could assume that maybe there are some increased cost pressures out there on logistics and other things. At the same time, I would also assume that you're adjusting your pricing. How should we think about this going forward? Also not related to this but in terms of the tariff refunds, what do you expect on that front into the second half?

00:38:21 - 00:39:49
Teo Ottola: If we start with the pricing. I guess that it's the same commentary as we have been having earlier as well, so we feel that we will be able to price inflation in. So there can be certain delays if there are abrupt shocks to the system, either from the freight point of view or from the fuel point of view. But, as we can see now, within the second quarter, we have been able to handle those, for example, now fairly well. Then we are cautioning that one should not think that we would automatically be able to make net of inflation pricing gain going forward. Our commentaries that we will be able to push inflation into the customer prices, but not necessarily much more. If that is the case, we can increase value added to the customer and can increase pricing more, that's very good. But, let's not count on that on a short- and midterm basis. Then regarding the tariff situation. This goes in phases in the US, you most likely know. We will be applying for more refunds if the system allows that. We will be following how it is, how it is done, and then we will be applying more as we go. But, there are uncertainties related to this one as well. Time will tell how it will go in practice.

00:39:51 - 00:39:54
Mikael Doepel: Right. Okay. Well, that's right there. Thank you very much.

00:39:58 - 00:40:08
Operator: As a reminder, if you wish to ask a question, please dial Pound Key five on your telephone keypad. The next question comes from Antti Kansanen from SEB. Please go ahead.

00:40:11 - 00:40:27
Antti Kansanen: Hi, guys. Just a couple of follow-ups left from me. First is on the commentary of having 200 million more from the backlog for the second half. Is this a comment predominantly for the port segment, or is it also divided for the industrial side?

00:40:29 - 00:40:46
Marko Tulokas: It is divided across everybody, but of course mostly ports where that is coming from. All the business areas have a stronger order book. If you look at service and also Industrial Equipment, their throughput times are generally speaking shorter than ports, for all of them.

00:40:50 - 00:41:27
Antti Kansanen: Coming back to the previous question on the pricing in the backlog, you mentioned that perhaps we shouldn't expect you to be able to price net of inflation gains. If you look at kind of that order backlog that is now set to roll out in the second half, are you fully covered for these inflationary pressures that have hit this year? You mentioned fuel and perhaps some raw materials as well. Is there a concern that there might be a temporary kind of a net of inflation headwind coming on the second half? I understand that you are pricing new orders with good pricing, but based on the existing backlog.

00:41:29 - 00:42:30
Teo Ottola: One could may be formulated so that, in the big picture, we think that we are quite okay. But of course, if there is now, from this onwards, let's say during the second half of the year, again, a new shock on something as a result of whatever takes place in the world. Then it can be that there are temporary issues for us, and the reason for that one is the same as we discussed in connection with Q1 as well. In those agreements and cases that we have in the order book, it is difficult to get a price escalation there because it's already been agreed. If there are cost items that are unhedged, like fuel and freight, at least to some extent, then that may be more difficult to cover on a short-term basis. Like said, based on the current situation, we don't see a massive risk from that point of view. But, if something unexpected happens, then of course it may have an impact.

00:42:33 - 00:43:03
Antti Kansanen: Okay. Then the very last from me is on the Industrial Equipment profitability in the second half of last year, which is, as it was referred to earlier, quite a challenging comp in margins are a bit of an outlier. If I remember correctly, you then flagged some temporary pricing gains from the tariff landscape. Could you maybe walk us through a little bit what's a reasonable expectation now in the second half versus what you did a year ago on the Industrial Equipment side?

00:43:05 - 00:43:36
Marko Tulokas: Yes. I'll start again. There was some tariff tailwind. I think it was a 2 million a quarter level in Industrial Equipment. That is no longer a tailwind, but it's neither a headwind this year. It is my understanding the currency is working against us a bit in Industrial Equipment. Other than that, whether we had anything more specific than just good volumes last year and good execution that I have to ask Teo from.

00:43:36 - 00:43:41
Teo Ottola: We had some, like the R&D grant we had.

00:43:41 - 00:43:42
Marko Tulokas: That's right.

00:43:42 - 00:44:25
Teo Ottola: I guess that it is fair to say that when we take a look at the tariff situation, so the tailwind that we had from that one, that's not going to be there most likely, unless there are again changes that we do not know of today, but that is maybe not there. On the other hand, when one takes a look at the FX, which has been for Industrial Equipment, a little bit of a burden now in the second quarter in particular, but also Q1. This one, based on the Eurodollar rates now, should not be going in the worst

direction. It should be going slightly in the better direction now in the third quarter. Then the fourth quarter is still open, not fully hedged.

00:44:28 - 00:44:40
Antti Kansanen: Okay. Then there's obviously the volume impact, which should be perhaps positive also for the Industrial Equipment from the backlog, which helps you to offset some of these last year's tailwinds.

00:44:40 - 00:44:52
Marko Tulokas: Yes.

00:44:52 - 00:44:57
Operator: There are no more questions at this time. Therefore, I hand the conference back to the speakers.

00:44:58 - 00:45:20
Linda Häkkilä: It seems that there are no more questions. This concludes our Q&A session for today. I want to thank you, everyone, for following our event today. Before we close the call, I would like to remind you that we will be publishing our Q3 results and arranging a capital markets update on October 23rd. Thank you once again and have a lovely day.

00:45:21 - 00:45:22
Teo Ottola: Thank you very much.

00:45:22 - 00:45:22
Marko Tulokas: Thank you.