

Transcription

Metsä Board Q4 Interim Report 2020

11 February 2021

Mika Joukio

Good afternoon everyone and welcome to the presentation of Metsä Board's Results for the fourth quarter and full year of 2020.

My name is Mika Joukio, I'm the CEO of Metsä Board. Together here with me I have our CFO Jussi Noponen.

As always, let's first take a look at the main events of the fourth quarter.

Good demand in paperboard continued during the quarter, and delivery volumes decreased only slightly from Q3 levels. This development is normal due to seasonality.

The pulp market was strong especially in China, and demand was on a good level. Metsä Board's market pulp deliveries grew clearly from the levels of previous quarters. Prices of market pulp increased both in China and in Europe.

Our material and production efficiency was at a high level, which reduced production costs and improved profitability. The comparable operating result was 65 million euros, roughly at the level of Q3.

The amendment to the environmental permit regarding the renewal of Husum pulp mill was finally approved, and we made the final investment decision on the renewal's first phase.

One of the major events during the quarter was the sale of a 30% stake in the Husum pulp mill to Norra Skog. I will go through this in more detail in my next slide.

The Board proposes a dividend of 26 euro cents per share, which corresponds to a 54% distribution of our net result.

In December, we announced that we had agreed to sell a 30% of our Husum pulp mill to Norra Skog, a Swedish forest owners' cooperative.

This deal ensures the long-term availability of certified Swedish pulp wood for Metsä Board. In the coming years, less wood will be imported from the Baltic countries, which decreases the mill's cost volatility and increases the certification level of purchased wood.

With this transaction, our net debt decreased by approximately 260 million euros, which makes us basically a net debt free company. It will also decrease our financing share in the second phase of Husum pulp mill renewal by approximately 100 million euros.

The released capital will be used to further develop and grow our paperboard business, of which we have already made announcements.

The transaction was closed on the 4th of January, meaning that its impacts will be included in our financial reporting as of the first quarter results 2021.

Before going into the financials, let's have an update of the impact the coronavirus has had on Metsä Board's operations.

The top priority in our operations has been to ensure the safety of our employees, prevent the virus from spreading, and secure the continuity of our business. I think we have succeeded well in achieving these aims.

We have avoided infection chains among employees and our deliveries have continued without disruption during the pandemic. The annual maintenance shutdowns at our mills have been carried out successfully. Actually, the production efficiency of our mills has been during the year at a high level and we have achieved several new production records.

The impacts of the coronavirus on paperboard demand have been mixed: we have seen strong demand in food, beverage and pharma packaging, whereas segments like luxury

packaging and graphic end uses have suffered. Also, the decreased movement of people in public places reduced demand in fast food end uses especially in the early stage of pandemic.

Despite the challenging year, our total deliveries grew from the previous year and exceeded 1.8 million tonnes. Also, the Q4 volumes were a bit higher compared to corresponding quarter last year. Seasonality had a small negative impact on the fourth quarter's delivery volumes, as always.

And on the right hand side you can see the typical end uses of our paperboards. The majority of our boards go into food packaging or various retail packaging solutions.

Then, the paperboard sales development by region in 2020, starting with our biggest market – EMEA.

In folding boxboard, we saw good demand throughout the year driven by the increased need for food and pharma packaging, in particular. In uncoated white kraftliners in Europe, there was some oversupply in the summer, and we adjusted our production accordingly. However, demand picked up towards the end of the year, and has remained at good level in the beginning of the year.

The average prices of paperboards decreased slightly year-on-year.

Americas performed well in 2020, and our total delivery volumes in paperboards grew by 12 per cent from 2019. The total delivery volumes were 484,000 tonnes, close to the targeted level of 500,000 tonnes, which we set in 2016, along with the Husum folding boxboard expansion.

Average selling prices of paperboards remained stable in local currencies.

In APAC, the delivery volumes, mainly in folding boxboard, decreased year-on-year.

Sales declined slightly from last year, mainly due to lower market pulp prices. Higher delivery volumes offset the negative impact somewhat.

The comparable operating result in the fourth quarter improved by 65% compared to the corresponding quarter last year, and full year operating result by 20% compared to 2019. I think this is an excellent achievement considering the exceptional circumstances in 2020, and the strike in Finland at the beginning of the year.

And here are the positives and negatives impacting profitability.

First, the Q4 2020 versus Q4 2019. The Q4 result was improved by lower costs especially in the paperboard business, higher volumes in market pulp and positive impact from FX.

And for the full year 2020, the largest single positive effect came from lower production costs. Cheaper pulp improved the profitability of the paperboard business. However, we need to remember, that taking into account Metsä Board's surplus in pulp, the overall impact of pulp on profit was neutral. In addition, wood, energy and other raw material costs were lower year-on-year.

On the negative side, we had lower market pulp prices, which obviously impacted negatively on the result share from Metsä Fibre. And the Finnish strike, which took place in January-February and lasted for over two weeks, had a negative impact of 20 million euros on our operating result.

Then to market pulp. As already mentioned, Metsä Board's market pulp deliveries grew year-on-year by a total of 13 per cent. The main growth came from China, where increased economic activity supported paper and paperboard production, in particular. At the same time, global pulp supply decreased due to the maintenance work and extended shutdowns carried out by pulp producers. Also, the container shortage in traffic between Europe and Asia tightened the market, and the pulp prices started to rise. Prices have continued to rise in the beginning of this year.

Good earnings performance boosted the return on capital employment to our long-term target level, over 12%. In Q4, the ROCE exceeded 14%, and for the full year the return was 12%.

Our balance sheet remained strong, net debt at 235 million euros and leverage at 0.7 at the end of the year. The transaction with Norra Skog in January will further decrease our net debt by roughly 260 million euros.

Operating cash flow in the fourth quarter was 84 million euros, and free cash flow 33 million euros. Q4 cash flow was affected by an advance tax payment of 35 million euros.

Throughout the year, we have witnessed a good cash flow development. This, combined with the strong balance sheet, provides us with a solid starting point for the development and growth of our paperboard business in the near future.

In 2020, our total investments were 166 million euros. In addition to the ongoing investments, the investment amounts for 2021 and 2022 depend on the decision on the planned investment that I will be talking about next. But to give you some guidance, a total of 400 to 500 million euros could be invested by the end of 2022.

And now, let's have a look at what we have in the pipeline.

Starting from the Husum pulp mill renewal. In Q4, we made the final investment decision on the first phase of this investment: the new recovery boiler and turbine. The erection of the steel frame is ongoing, and the construction of the recovery boiler will start next. The expected start-up of this 320 million euros investment is estimated in the first half of 2022.

The second phase of this investment consists of a new fibre line, which will be decided on and implemented during the 2020s. We have started preparations for the environmental permit process; the application will follow later on this year.

In order to continue profitable growth together with our customers, we need to increase our capacity.

The high utilization rate of our current production capacity is a limiting factor for future growth. So, three weeks ago, we started a pre-engineering project for increasing the annual production capacity of the folding boxboard machine BM1 in Husum. The annual capacity expansion would be approximately 200,000 tonnes, which is approximately 50% on top of current capacity. We expect to make the final investment decision this summer, in which case the ramp-up of the new capacity would take place in 2023.

This project would strengthen our position as Europe's leading producer of folding boxboard.

Just earlier today, our associated company Metsä Fibre announced, that the final investment decision on a new bioproduct mill in Kemi, has been made.

Construction will start in the second quarter this year and planned start-up would be in 2023. The new bioproduct mill, with 1.5 million annual capacity, will replace the old pulp mill in Kemi, which annual capacity is 620 000 tonnes. The total investment value is 1.6 billion euros, and financing consists of Metsä Fibre's own cash and debt. Metsä Board does not invest equity to finance the project.

The total pulp capacity, 1.5 million tonnes per annum, includes the unbleached pulp used by Metsä Board. More about that on the next slide.

Enabled by Metsä Fibre's investment decision of the new bioproduct mill, we are launching a development programme for our Kemi paperboard mill, which already produces premium quality white-top kraftliners.

The programme will include a series of bottleneck investments and renewal works of the board production line. It also includes purchase of the unbleached pulp production line from Metsä Fibre in 2023, once it has been modernised.

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After these actions, Metsä Board's white kraftliner capacity will increase approximately by 40,000 tonnes and pulp capacity by 180 000 tonnes annually. All in all, the investments in Kemi by Metsä Board and Metsä Fibre will increase Metsä Board's annual surplus in pulp by approximately 325,000 tonnes.

The total investment value is 67 million euros, and it will be divided between years 2021 to 2023, with the highest weight on 2023.

The development programme is also a significant step towards the company's ambitious 2030 sustainability targets. The water consumption per produced paperboard tonne at the Kemi board mill will be reduced by about 40 per cent and energy consumption by about 5 per cent.

Then to the outlook.

In the first quarter of 2021, our paperboard delivery volumes are expected to grow compared to the fourth quarter last year. In white kraftliners, the market situation is favourable both in Europe and the US, and we see a possibility of some price increases. In folding boxboard, we expect prices to remain stable.

As always, the first quarter is practically a maintenance free quarter, which supports profitability.

Increased economic activity in China is boosting the pulp demand, and the market situation is improving in Europe too. This has been reflected in market pulp prices, which have risen in past months.

Production costs are expected to remain fairly stable, except energy prices, which will be higher.

The weakened US dollar against euro will have a negative impact on the first, and further, the second quarter results. The negative impact on Q1 versus Q4 last year is roughly 8 million euros.

And based on this, we expect that our comparable operating result for the first quarter will improve from Q4 2020. And to summarize.

Despite these exceptional circumstances, Metsä Board performed well in 2020. We managed to ensure the safety of our employees, and our production as well as deliveries to customers have run smoothly during the pandemic. Our profitability improved, we generated strong cash flow, and our delivery volumes increased. The sale of a 30% minority stake of Husum pulp mill to Norra Skog made us practically a net debt free company.

This in turn provides an excellent platform to grow our core business – sustainable and high-quality fresh fibre paperboards.

And there we have already taken actions. We have started pre-engineering for increasing the annual folding boxboard capacity in BM1 at the Husum mill in Sweden by approximately 200,000 tonnes. Also, along with Metsä Fibre's investment decision of the new bioproduct mill in Kemi, we launched a development programme in our Kemi paperboard mill to increase annual white kraftliner capacity by approximately 40,000 tonnes.

The first phase of the renewal in Husum pulp mill is progressing, supported by the final investment decision made in December, and we have already started the preparations for the second phase. This project will have a significant contribution to our target of fossil free mills by 2030.

Many positive things are going on, but at the same time, the coronavirus and vaccination progression still creates uncertainty. Our top priorities will remain on securing our employees' health and safety, ensuring the business continuity and preventing the virus spread

And by this, we are now ready for your questions, please go ahead.

Q&A

Operator

The first question is from Antti Koskivuori from Danske Bank. Please go ahead. Your line is open.

Antti Koskivuori

Thank you, and good afternoon, all. I actually have three questions. I'll just shoot them out all in once and we'll take it from there. The first one on kraftliner prices. We're seeing some €50 per tonne increase announcements in the market. How do you see the pricing situation for kraftliners at the moment? And also, what kind of assumption have you baked into your guidance? I think you said slight increase in kraftliner prices in Q1.

Then, secondly, on the kraftliner capacity increase in Kemi, so just to confirm - maybe I missed it - but is the plan to increase the capacity by 2023? And also, if you could comment on the expected ROCE on the 67 million investment.

And then, lastly, on input costs in 2021 because there seems to be signs of inflation picking up. Now, you guide energy prices to increase in Q1 and the rest of the input costs to remain flat. Should we anticipate inflationary pressures also for you in 2021 as a whole? Thank you.

Mika Joukio

Starting from the white kraftliner prices, we have announced price increase of €50 here in Europe, and then \$50 in America. So, in the US market. And depending on the market, we see the increases then some time during the first quarter. I would say around February or latest March, and then it doesn't necessarily go fully through that 50. So, a bit lower figure, but that's our, so to say, timetable with white kraftliner prices.

Then, this Kemi new capacity. Yes, it's coming on 2023 so when this main investment or the start-up of the new bio-product mill will take place. So, this 40,000 tonnes will then be seen after that. And we don't announce the return of capital employed over projects. The company target is 12%, and that's it.

And then, the costs. I would say that as far as the first quarter is concerned; the whole year is pretty much similar at least at this point that we don't estimate any major increases, preferably. Or I would say that the chemical prices they are pretty stable concerning the whole year. At least, that is the situation at the moment, how we see it.

Antti Koskivuori

All right. Thank you very much.

Operator

Thank you. Next, we have a question from Robin Santavirta from Carnegie. Please go ahead. Your line is open.

Robin Santavirta [ph]

Yes, thank you very much. Just maybe a follow-up on the cost side. If you look at 2020 and the paperboard business, the profitability improved quite significantly, especially after the strike in Q1. What are the main reasons? It seems as the core side is down quite significantly. So, what are the main reasons for that?

And then, in terms of the paperboard business cost outlook for '21, you say roughly flat input cost outlook at this stage for the full year. What is the lag if you see prices of pulp start to increase, for example, in the summer in Sweden and Finland? So, when is that seen in your P&L?

Mika Joukio

Okay, so – starting - the main contributors concerning our profit improvement, of course, is the higher volumes in paperboard as we have estimated, and then also this positive price development in pulp, of course. That that will clearly have a remarkable positive impact on our results. And that's simply how we see it at the moment.

Of course, then we need to remember that from currencies, from FX, that there will be a clear negative impact as far as this year is concerned. But I'm very optimistic and positive concerning the whole year, and I do not see any major threats in costs side, whether they are chemicals or other raw materials or wood at this point. At least, we do not have any signs of that.

Robin Santavirta [ph]

All right. Then, the time of lag? If you see increasing pulpwood prices, for example, in Sweden, in the summer or after the summer, what idea do you have? Is it one quarter or two quarters before it's the P&L.

Mika Joukio

So, what do you mean by lag?

Robin Santavirta [ph]

If the list prices of pulpwood increase, I guess, first, you have some kind of inventory, and secondly, you have some agreements on your wood purchases in these markets. What kind of dynamics do you have in wood purchases and pricing?

Mika Joukio

Of course, now when we have this Norra deal, that, of course, helps our wood procurement clearly, and I repeat by saying that we do not see any major negative impact coming from wood side, whether it's Finland or Sweden.

Robin Santavirta [ph]

All right, thanks. And then, another question related to paperboard. You said during the Capital Markets Day that there is a possibility that the pandemic could have some structural positives in terms of demand dynamics for you guys in paperboard. What are you seeing now we're four months later now? Is it a cyclical recovery, or do you see some structural positives as well with, for example, fibre-based packaging replacing other materials at the moment or this year?

Mika Joukio

I would say that the situation is pretty much similar as three to four months ago. Of course, there are differences between the segments – so food and beverage and pharma sector is doing fine. And then, of course, the graphical end use, and then, luxury packaging, it's a bit worse. But in general terms, our order inflows are good. And last year, we ran full except the strike, and no reason to believe that that wouldn't be the case this year either.

Of course, you never know what happens to the global economy. If this pandemic goes on and goes on, that's another story, but at the moment, the demand is good and the order books are healthy.

Robin Santavirta [ph]

All right. Thanks.

Mika Joukio

The situation in white kraftliners is now better than, for example, last summer.

Robin Santavirta [ph]

For sure, that's probably more cyclical than structural. But finally, two technical questions. What was the CO₂, allowance-wise, sales gain you got in Q4 last year? And what is the amount of CO₂ allowance-wise that you received for this year? The price is up quite significantly, so that probably has an impact on earnings this year as well.

And then, secondly, related to maintenance, what was the earnings impact in Q4 from maintenance shut that you and Metsä Fibre had?

Mika Joukio

Jussi Nojonen will take this.

Jussi Nojonen

Yes, good afternoon. I can take the emission allowance question, at least. In the fourth quarter, we sold worth about €6 million. And the new surplus for this year is still unknown, but at the year-end, we had about 800,000 tonnes of surplus from earlier years without any new surplus from this year. But there will be a surplus also from 2021.

Mika Joukio

All right. And related to the maintenance. Can you give some finals?

Jussi Noponen

So, the question was Q4 versus Q1?

Mika Joukio

Yes.

Mika Joukio

Of course, in Q1 this is practically maintenance-free. But comparing last year Q4,

Jussi Noponen

we don't have the figure exactly here, but it is a substantial positive compared to the fourth quarter as we don't have much maintenance in the first quarter.

Mika Joukio

That's true.

Robin Santavirta [ph]

All right. Thank you very much.

Operator

Thank you. The next question comes from the line of Linus Larsson from SEB. Please go ahead. Your line is open.

Linus Larsson

Thank you very much, and a good day to everyone. I just want to have a couple of confirmative answers, hopefully, around the financing of the Kemi by-product mill. Do I understand it right that there will be no equity injections from Metsä Board side? If you could please confirm that?

Mika Joukio

Yeah, confirmed.

Linus Larsson

Confirmed. Excellent. And also, in that context, over the past couple of years, Metsä Board has received dividends from Metsä Fibre. What's the proposal for 2020?

Jussi Noponen

Jussi, here. I can take this one. As Metsä Fibre's net result from last year was slightly negative, so they are not proposing a dividend from last year.

Linus Larsson

That makes sense. Thank you. And then, on your own CapEx, maybe I missed that, but what's your CapEx guidance for 2021 full-year? And if you could please break that down. How much is maintenance? How much is expansion? And also, Mika you did give some rough guidance on CapEx for the next couple of years, specifically on the planned Husum paperboard project, what CapEx are you expecting for the 200,000 tonnes of additional folding boxboard capacity?

Mika Joukio

Yeah. So, concerning the CapEx this year, it's too early to say anything because the impact then coming from the possible board machine number one rebuild or new capacity is still open. So, it's very difficult at this point to estimate. So, we will come back to that when we have the figure. We don't have that figure yet. And I think maybe this is a disappointment as far as the answer is concerned, but we can't say much more at this point.

Linus Larsson

No, that's fair enough. I'm just a bit curious on the Husum investment. Is it so that you are looking at quite a broad range of potential projects? Or is it so that you know already now that if you go ahead, this is the amount of money fairly precisely that you're expecting to be spending?

Mika Joukio

That's precisely what we are doing at the moment. So, of course, we have a rough figure in our mind, but we want to get a more exact figure, and that's what our development people - technical people are doing at the moment. So, you are right.

Linus Larsson

OK. That's fine. And then, also, on your net balance in terms of pulp exposure, could you please give an update on what you expect for the full-year 2021 in terms of net pulp balance?

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And also, you state today that, assuming the successful start-up in 2023, you will get an additional 325,000 tonnes of indirect pulp exposure. Could you share some of your thoughts around that? What's your targeted net pulp position? Should we expect some changes in terms of that once the Kemi pulp mill is up and running?

Mika Joukio

Now, the situation after Norra deal is that our pulp position is 400,000 tonnes long. And then, after this, Kemi. Metsä Fibre investment as well, our ownership of the unbleached pulp in the pipeline, then additional capacity will be 325,000 roughly. So, then, after this Kemi implementation, whether it's Metsä Fibre or Metsä Board, then we are, ball park, around 700,000.

Jussi Noponen

And then, a positive investment position on the BM1 expansion would take it back down a little bit.

Linus Larsson

Right, fair point. But is it your thinking that this is something that you want to keep options open, or should we expect you to reduce your ownership in Metsä Fibre beyond the start-up? What's your general thinking around that?

Mika Joukio

Our general thinking is still the same as last time we discussed about this. All the options are, of course, open and possible. Nothing is carved in stone as far as the ownership of Metsä Fibre is concerned, but at the moment we don't have any plans to change. But of course, it can be an option in the future.

Linus Larsson

Thank you very much.

Operator

Thank you. The next question comes from Harri Taittonen from Nordea. Please go ahead. Your line is open.

Harri Taittonen [ph]

Good afternoon, and congratulations on getting the investment ongoing on the broad fork front. Most questions have been asked already, but on the cartonboard pricing, I understood that the pricing picture might be a bit stronger in the US, and just wondering if you have any insight to that, the potential to see your prices linked to the potential strength over there.

Mika Joukio

OK. So, I already mentioned the white kraftliner prices in the US. We have announced price increases, and then it remains to be seen how much goes through. But expectation is that some time in February or, latest, March, we will see increase there.

And then, as far as folding boxboard in the US is concerned, we have announced price increase already at the beginning of this year, and it should be valid some time also in February, latest March. So, both folding boxboard and white kraftliner prices in the US market, we have announced price increases.

Harri Taittonen [ph]

Yes, I know. I guess that the folding boxboard will be linked to the success of the solid base sulphate price movement. That will be the driver.

Mika Joukio

Yeah, that's true.

Harri Taittonen [ph]

Excellent. And then the FX impact for Q1, I understood it would be something like a high single-digit number, maybe negative, compared to the Q4, given the hedges, postponing the impact from half a year ago. Is that more or less the quantity?

Mika Joukio

Jussi will take this, yes.

Jussi Noponen

The first quarter '21 versus fourth quarter '20 will be about 8 million negative.

Harri Taittonen [ph]

Exactly. And then, there will probably be a bit more in the second quarter versus Q1.

Jussi Noponen

That's correct. Yes.

Harri Taittonen [ph]

Correct. Yes. You started with a lot of projects going on, and I'm just checking if there's any development on the Husum investment involving debt, increasing use of changing, if there is movement to this bio-based replacing PE, and if there's developments on that side now running in parallel with all these other projects.

Mika Joukio

Yes. So, we have launched this new eco barrier roughly a bit more than a year ago, and that sales has developed even though the circumstances are difficult concerning the trials, *et cetera*. But there has been good progress, and I'm positive concerning that particular product.

But of course, then, in addition to that, our target is to develop additional barrier products also in the future, and that work is ongoing at the moment. But this eco-barrier that we produce at our mill in, that business has developed quite OK-ish.

Harri Taittonen [ph]

OK, excellent. That's good. Thank you.

Operator

Thank you. The next question comes from Mikael Doepel from UBS. Please go ahead. Your line is open.

Mikael Doepel [ph]

Thank you. Good afternoon, everybody. A couple of questions. Firstly, on the folding boxboard pricing in Europe, I think you say in your release that it looks stable overall compared to Q4. Not sure if you're referring to Europe only or globally. Looking at the charts at the end of the presentation, the pricing seems to be down a bit, so maybe if you could clarify how you see the folding boxboard pricing in Europe right now. Let's start there, and I've a couple of follow-ups.

Mika Joukio

OK. Folding boxboard demand for Metsä Board in Europe is good at the moment. As I said, all the mills are running full and order inflows are healthy, order books are healthy. So, of course, we think about all options. Also, option to do something here in Europe, but no decisions have been made so far. But at the moment, the situation looks good.

Mikael Doepel [ph]

OK. But for the moment, you would say pricing is stable in Europe.

Mika Joukio

I think it's stable at the moment, yes.

Mikael Doepel [ph]

OK. That's clear. And then, a question on the containerboard shipping situation in Europe right now. How do you see that evolving? It's been a bit of a nightmare from a logistical point of view, globally, in the second half of last year. Has there been an improvement based on what you're seeing there? I guess you do ship some, for example, to Asia from Europe.

Mika Joukio

Yeah, container situation is tight at the moment, and of course, the biggest impact is on the pulp side. But of course, we see some challenges also in the paperboard side. But as you know, our volumes in Asia Pacific market, they are not that big. But you are right by saying that the container situation is tight at the moment, and it's not balanced between especially China and Europe.

Mikael Doepel [ph]

And you ship a lot also to the US on the folding boxboard side. Has that been impacted in any way by this?

Mika Joukio

That has been better. The problem or concern is pretty much these deliveries to Asia and especially to China. But here as well as pulp is concerned, of course we are able to use also break bulk deliveries, not only container deliveries. So, that option will be utilised also.

Mikael Doepel [ph]

OK. That's clear. And then, a final question on the financial impact of the Norra transaction. Just wondering if you could clarify that bit. It's basically selling a minority stake in the pulp mill, and I assume that you consolidate everything 100% in your P&L and in the balance sheet. But somewhere you need to subtract the minority stake, I would assume, or maybe just close to cash flow and dividends. But maybe if you could just clarify the financial impact on your P&L and balance sheet and cash flow from this transaction, that would be great.

Mika Joukio

OK. Jussi will take this.

Jussi Noponen

On the P&L statement, the pulp mill is consolidated 100% on all lines, but then, below the P&L statement there is a separate table of how the result is distributed between the shareholders of the parent company and the minority. But then when you calculate earnings per share, minority share is separated from the net result in there. And then, in terms of cash flow, Norra is, of course, receiving their share of the dividend that Husum Pulp AB, the company, pays out.

Mikael Doepel [ph]

In terms of the balance sheet, what's the size of the minority stake? It's going to be booked in equity there. Do you have any numbers already on that?

Jussi Noponen

We have not disclosed the structure of the equity yet, but you will then see it starting from the first quarter of this year.

Mikael Doepel [ph]

But we're going to have a minority basically charging away in the P&L coming from this, if I understood you correctly.

Jussi Noponen

Not in the P&L, but when calculating earnings per share there will be?

Mikael Doepel [ph]

Only for EPS, not for net income. Yes, that's correct.

Mikael Doepel [ph]

Perfect. Thank you very much.

Operator

Thank you. Just a reminder that if you would like to ask a question, please press 01 on your keypad now.

Our next question comes from Johannes Grunselius from Kepler Cheuvreux. Please go ahead. Your line is open.

Johannes Grunselius [ph]

Hello, everyone. Johannes here. Can you give some colour on the lead times before the higher pulp prices comes through in your P&L? How should we be thinking about the realised price in Q1? Could you also maybe talk a little bit about how quickly the price hikes are being accepted in the market at the moment? And maybe you can indicate what we should expect for the second quarter then. Thank you.

Mika Joukio

Yeah, of course, it depends a little bit whether you are selling to China or Europe, but I would say on the average it takes two months, rough figure.

Johannes Grunselius [ph]

So, can you help us - I can do the maths here, but I suppose the realised pulp prices for you will not be significantly higher in the Q1 because of this two months' delay, right?

Mika Joukio

Yeah, the pulp prices for Metsä Board or pulp prices for our market?

Johannes Grunselius [ph]

I'm interested in both sides actually.

Mika Joukio

I think it's pretty much the same delay.

Johannes Grunselius [ph]

OK.

Jussi Noponen

What we can perhaps say more is that as prices started to rise in China first before Europe, and Metsä Fibre has a higher share of their sales allocated to China, so we will clearly start seeing the positive through Metsä Fibre's result first, already starting from the first quarter.

Johannes Grunselius [ph]

OK. What's your view on that? I suppose pulp travels quite easily - relatively easily throughout the world. So, over time, I suppose that the European pricing should be on par with China. What's your view there?

Mika Joukio

Yeah, that has typically been the case that now the difference between net prices in China and prices in Europe is still quite high. So, Europe prices are lower, if you think about the net prices, and of course, that will obviously and probably push prices up also here in Europe, if and when the development in China will continue as during the last twelve months.

Johannes Grunselius [ph]

Perhaps you can't share this, but what's the strategy from here? Is that to go for more price hikes? Do you think the market can absorb that, or what's your thinking there?

Mika Joukio

Could you repeat? The line was not very good.

Johannes Grunselius [ph]

You are being very active with price hikes over the last few months, and all pulp producers have been very active with pulp pricing. Do you foresee more of that over the coming, let's say, weeks or months? Or do we think we - how do you see the market? Is the demand good enough for accepting more price hikes. What's your view?

Mika Joukio

In China or in Europe?

Johannes Grunselius [ph]

Both.

Mika Joukio

In China, the demand is good, and as we all know, prices are really rocketing up at the moment, and, of course, then the price gap. If you think about the net prices in China and the net prices in Europe, the gap has become bigger, and for that reason, we have seen also price increases in Europe. And I personally think that that will continue.

Johannes Grunselius [ph]

OK. Thank you. And then, I have a question on the maintenance breaks or cost for that. Obviously Q1 will be a maintenance-free quarter, but maybe I missed this, but can you remind us about how the maintenance that is planned for this year and the magnitude for this?

Mika Joukio

If we compare the impacts versus Q1, the Q2 impact is somewhere between 5 million and 10 million; in Q3, somewhere between 10 million and 15 million; and then, Q4, the highest comparing Q1, somewhere between 15 million and 20 million.

Johannes Grunselius [ph]

OK. Thank you very much.