



For Immediate Release

**MERCER INTERNATIONAL INC. REPORTS RECORD 2018 FOURTH QUARTER
AND YEAR END RESULTS AND ANNOUNCES QUARTERLY CASH DIVIDEND OF \$0.125**

Selected Highlights

- **Strong fourth quarter net income of \$45.0 million (\$0.68 per diluted share) and record Operating EBITDA* of \$118.1 million**
- **Record quarterly pulp production benefitting from our capital investments**
- **Strong 2018 net income of \$128.6 million (\$1.96 per diluted share) and record annual Operating EBITDA of \$364.6 million**

NEW YORK, NY, February 14, 2019 - Mercer International Inc. (Nasdaq: MERC) today reported record results for the fourth quarter ended December 31, 2018 due to strong pulp sales realizations and record pulp production. Operating EBITDA in the current quarter increased to a record \$118.1 million from \$89.5 million in the fourth quarter of 2017 and \$86.7 million in the third quarter of 2018.

For the fourth quarter of 2018, net income increased to \$45.0 million, or \$0.69 per basic share and \$0.68 per diluted share, from \$41.7 million, or \$0.64 per share, in the fourth quarter of 2017 and \$41.2 million, or \$0.63 per share, in the prior quarter of 2018.

In 2018, Operating EBITDA increased to a record \$364.6 million from \$253.8 million in 2017. In fiscal 2018, net income was \$128.6 million (or \$1.96 per diluted share) after giving effect to \$33.7 million (or \$0.51 per diluted share) in debt settlement, legal cost award and acquisition commitment fee costs. In 2017, net income was \$70.5 million (or \$1.08 per diluted share), which included \$10.7 million in debt settlement costs.

Mr. David M. Gandossi, the Chief Executive Officer, stated: "We are pleased with our record fourth quarter and 2018 results. They reflect record quarterly pulp production, which benefited from our capital investments and strong operating performance." He added: "Looking forward to 2019, we are excited by our recent significant expansion through the acquisition of Mercer Peace River Pulp Ltd. (formerly called Daishowa-Marubeni International Ltd.) ("MPR") and the Santanol sandalwood business. MPR operates a swing NBSK and NBHK mill with an annual production capacity of approximately 475,000 ADMTs of pulp and has a 50% joint venture interest in another NBSK mill which represents approximately 170,000 ADMTs of additional annual pulp production capacity. MPR will materially increase our production, revenues and scope of operations in 2019. We are currently focused on integrating both of these operations to ensure a smooth transition and maximize available synergies with MPR. We

*Operating EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States ("GAAP") and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. See page 6 of the financial tables included in this press release for a reconciliation of net income to Operating EBITDA.

are also continuing to execute on our value creation strategy of delivering sustainable profitable growth by leveraging our core competencies to complement our world class assets."

Consolidated Financial Highlights

| | Q4 2018 ⁽¹⁾ | Q3 2018 | Q4 2017 | Year 2018 ⁽¹⁾ | Year 2017 |
|-----------------------------|--|------------|--------------------------|-----------------------------|----------------------------|
| | (in thousands, except per share amounts) | | | | |
| Revenues | \$ 412,225 | \$ 331,058 | \$ 337,686 | \$ 1,457,718 | \$ 1,169,145 |
| Operating income | \$ 90,997 | \$ 63,346 | \$ 66,683 ⁽²⁾ | \$ 267,867 | \$ 168,554 ⁽²⁾ |
| Operating EBITDA | \$ 118,083 | \$ 86,656 | \$ 89,458 ⁽²⁾ | \$ 364,596 | \$ 253,848 ⁽²⁾ |
| Loss on settlement of debt | \$ — | \$ — | \$ — | \$ (21,515) ⁽³⁾ | \$ (10,696) ⁽⁴⁾ |
| Legal cost award | \$ — | \$ — | \$ — | \$ (6,951) | \$ — |
| Acquisition commitment fee | \$ (5,250) | \$ — | \$ — | \$ (5,250) | \$ — |
| Net income | \$ 45,009 | \$ 41,176 | \$ 41,718 | \$ 128,589 | \$ 70,483 |
| Net income per common share | | | | | |
| Basic | \$ 0.69 | \$ 0.63 | \$ 0.64 | \$ 1.97 | \$ 1.09 |
| Diluted | \$ 0.68 | \$ 0.63 | \$ 0.64 | \$ 1.96 | \$ 1.08 |

(1) Results of MPR included from the date of acquisition on December 10, 2018.

(2) Adjusted as a result of our adoption of Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost*, in the current year.

(3) Redemption of 7.75% senior notes due 2022.

(4) Redemption of 7.00% senior notes due 2019.

Consolidated – Three Months Ended December 31, 2018 Compared to Three Months Ended December 31, 2017

In the fourth quarter of 2018, operating income increased to \$91.0 million, or by approximately 44% from \$63.3 million in the prior quarter of 2018, and by approximately 36% from \$66.7 million in the same quarter of the prior year. The increase in the current quarter over the prior quarter is primarily due to higher pulp and energy sales volumes, the positive impact of a stronger dollar and lower per unit fiber costs partially offset by lower pulp and lumber sales realizations. The increase in the current quarter over the same quarter of the prior year is primarily due to higher pulp sales realizations partially offset by higher per unit fiber costs and lower lumber sales realizations in the current quarter. Our acquisition of MPR had a minimal impact on our net income as its results were only included from December 10, 2018 and due to costs associated with the acquisition.

For the fourth quarter of 2018, net income increased to \$45.0 million, which included a \$5.3 million acquisition commitment fee related to the acquisition of MPR, from \$41.7 million in the same quarter of 2017.

Segment Results

Pulp: Record production benefitting from our capital investments

| | Three Months Ended December 31, | |
|------------------------------|------------------------------------|------------|
| | 2018 ⁽¹⁾ | 2017 |
| | (in thousands) | |
| Pulp revenues | \$ 345,128 | \$ 266,835 |
| Energy and chemical revenues | \$ 24,240 | \$ 23,852 |
| Operating income | \$ 94,532 | \$ 66,868 |

(1) Results of MPR included from December 10, 2018.

In the fourth quarter of 2018 pulp revenues increased by approximately 29% to \$345.1 million from \$266.8 million in the same quarter of the prior year due to higher sales realizations. In the current quarter our NBSK pulp realized sales price increased by approximately 16% to \$830 per ADMT from \$716 per ADMT in the same quarter of the prior year as a result of steady demand. NBSK pulp sales volumes increased by approximately 7% to 392,729 ADMTs in the current quarter from 367,393 ADMTs in the same quarter of the prior year primarily due to our record production and the inclusion of 17,760 ADMTs resulting from the acquisition of MPR. During the current quarter, as a result of the acquisition of MPR, we also sold 22,907 ADMTs of NBHK pulp.

Pulp markets in China weakened during the last quarter of 2018 primarily as a result of market sentiment and lower demand from graphic paper and packaging producers. This trend began in the later part of the third quarter of 2018 and we currently expect it to continue into the first quarter of 2019.

In the fourth quarter of 2018, NBSK pulp production increased by approximately 8% to 413,630 ADMTs from 382,487 ADMTs in the same quarter of 2017 and included 20,278 ADMTs of NBSK from MPR. Excluding MPR, we had record quarterly NBSK pulp production due to strong production at all of our incumbent pulp mills and the realization of benefits associated with capital expenditures. In the current quarter we also produced 21,263 ADMTs of NBHK pulp. In both the current quarter and the same quarter of 2017, we had three days of annual maintenance downtime at our Stendal mill.

Overall, per unit fiber costs increased by approximately 12% in the current quarter from the same quarter of 2017 primarily as a result of strong demand for wood from competitors in the procurement areas for our German mills. In our Celgar mill's fiber basket strong demand from coastal pulp mills and limited pulp log availability created upward pricing pressure.

In the fourth quarter of 2018 pulp segment operating income increased by approximately 41% to \$94.5 million from \$66.9 million in the same quarter of 2017 as higher pulp sales realizations more than offset higher per unit fiber costs.

Wood Products: Steady sales impacted by lower prices

| | Three Months Ended | |
|------------------------|--------------------|-----------|
| | December 31, | |
| | 2018 | 2017 |
| | (in thousands) | |
| Lumber revenues | \$ 37,234 | \$ 40,732 |
| Energy revenues | \$ 2,817 | \$ 3,111 |
| Wood residual revenues | \$ 2,328 | \$ 3,156 |
| Operating income | \$ 669 | \$ 2,546 |

In the fourth quarter of 2018 lumber revenues decreased by approximately 9% to \$37.2 million from \$40.7 million in the same quarter of the prior year due to lower realized sales prices. Average lumber sales realizations decreased by approximately 11% to \$369 per Mfbm in the fourth quarter of 2018 from approximately \$416 per Mfbm in the same quarter of 2017 primarily due to weakening in the U.S. lumber markets. U.S. lumber pricing declined in the current quarter as record pricing earlier in the year resulted in increased supply and high customer inventory levels combined with a slower summer housing market. European lumber pricing also declined due to an increase in beetle and storm damaged wood entering the market at lower prices.

In the current quarter, per unit fiber costs decreased by approximately 9% from the same quarter of 2017 primarily as a result of the availability of beetle and storm damaged wood.

In the fourth quarter of 2018 our wood products segment had operating income of \$0.7 million compared to operating income of \$2.5 million in the same quarter of 2017 primarily due to lower lumber sales realizations partially offset by lower per unit fiber costs.

Consolidated – Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Total revenues in 2018 increased by approximately 25% to \$1,457.7 million from \$1,169.1 million in 2017 primarily due to a 28% increase in NBSK pulp sales realizations and the inclusion of revenues from our wood products segment for the full year, partially offset by lower pulp sales volumes.

Costs and expenses in 2018 increased by approximately 19% to \$1,189.9 million from \$1,000.6 million in 2017 primarily due to higher per unit fiber costs, higher maintenance costs and the inclusion of our wood products segment results for the full year.

In 2018, cost of sales depreciation and amortization increased to \$96.3 million from \$84.9 million in 2017 due to the completion of large capital projects at our mills, the inclusion of our wood products segment for the full year and the impact of an overall weaker dollar on our euro denominated expenses.

Selling, general and administrative expenses increased to \$61.5 million in 2018 from \$49.7 million in 2017 primarily due to increased business development activities and the inclusion of our wood products segment for the full year.

In 2018, our operating income increased by approximately 59% to \$267.9 million from \$168.6 million in 2017.

Interest expense in 2018 decreased to \$51.5 million from \$54.8 million in 2017 primarily as a result of a lower overall average interest rate on our outstanding debt.

During 2018, income tax expense increased to \$48.7 million from \$33.5 million in 2017 primarily due to higher taxable income for our German mills. In 2018, record net income resulted in our loss carryforwards and other deductions being reduced and current income taxes of \$32.1 million.

In 2018, net income increased to \$128.6 million, or \$1.97 per basic and \$1.96 per diluted share, after giving effect to \$33.7 million (or \$0.51 per diluted share) in debt settlement, legal cost award and acquisition commitment fee costs, from \$70.5 million (or \$1.08 per diluted share) in 2017, which included \$10.7 million in debt settlement costs.

In 2018, Operating EBITDA increased by approximately 44% to \$364.6 million from \$253.8 million in 2017 as higher pulp sales realizations more than offset higher per unit fiber costs, higher maintenance costs and lower energy and pulp sales volumes.

Segment Results

Selected Pulp Segment Financial Information

| | Year Ended December 31, | |
|-------------------------------|-------------------------|------------|
| | 2018 ⁽¹⁾ | 2017 |
| | (in thousands) | |
| Pulp revenues | \$ 1,190,588 | \$ 979,645 |
| Energy and chemical revenues | \$ 77,616 | \$ 92,070 |
| Depreciation and amortization | \$ 87,628 | \$ 80,833 |
| Operating income | \$ 274,356 | \$ 171,279 |

(1) Results of MPR included from December 10, 2018.

Selected Wood Products Segment Financial Information

| | Year Ended December 31, | |
|-------------------------------|-------------------------|---------------------|
| | 2018 | 2017 ⁽¹⁾ |
| | (in thousands) | |
| Lumber revenues | \$ 168,663 | \$ 82,176 |
| Energy revenues | \$ 10,831 | \$ 8,872 |
| Wood residual revenues | \$ 9,542 | \$ 6,382 |
| Depreciation and amortization | \$ 8,485 | \$ 4,060 |
| Operating income | \$ 6,203 | \$ 5,610 |

(1) We acquired the Friesau mill in April 2017.

Outlook

At the end of December 2018, world NBSK producer inventories were about 41 days' supply. At the start of 2019, we are starting to see increased demand in China, which we expect will lower inventory levels.

We currently expect first quarter lumber pricing to be generally stable.

In 2019 we will be focused on integrating our new acquisitions to maximize identified synergies and execute our sustainable profitable growth strategy.

Quarterly Dividend

A quarterly dividend of \$0.125 per share will be paid on April 3, 2019 to all shareholders of record on March 27, 2019. Future dividends will be subject to Board approval and may be adjusted as business and industry conditions warrant.

Earnings Release Call

In conjunction with this release, Mercer International Inc. will host a conference call, which will be simultaneously broadcast live over the Internet. Management will host the call, which is scheduled for February 15, 2019 at 10:00 AM (Eastern Standard Time). Listeners can access the conference call live and archived for 30 days over the Internet at <https://edge.media-server.com/m6/p/rpgxqrn4> or through a link on the company's home page at <http://www.mercerint.com>. Please allow 15 minutes prior to the call to visit the site and download and install any necessary audio software.

Mercer International Inc. is a global forest products company with operations in Germany and Canada with consolidated annual production capacity of 2.2 million tonnes of pulp and 550 million board feet of lumber. To obtain further information on the company, please visit its web site at <http://www.mercerint.com>.

The preceding includes forward looking statements which involve known and unknown risks and uncertainties which may cause our actual results in future periods to differ materially from forecasted results. Words such as "expects", "anticipates", "projects", "intends", "designed", "will", "believes", "estimates", "may", "could" and variations of such words and similar expressions are intended to identify such forward-looking statements. Among those factors which could cause actual results to differ materially are the following: the highly cyclical nature of our business, raw material costs, our level of indebtedness, competition, foreign exchange and interest rate fluctuations, our use of derivatives, expenditures for capital projects, environmental regulation and compliance, disruptions to our production, market conditions and other risk factors listed from time to time in our SEC reports.

APPROVED BY:

Jimmy S.H. Lee
Executive Chairman
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David M. Gandossi
Chief Executive Officer
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-FINANCIAL TABLES FOLLOW-

Summary Financial Highlights

| | Q4 2018 ⁽¹⁾ | Q3 2018 | Q4 2017 | Year 2018 ⁽¹⁾ | Year 2017 |
|---|---------------------------|-------------|--------------------------|-----------------------------|----------------------------|
| (in thousands, except per share amounts) | | | | | |
| Pulp segment revenues | \$ 369,368 | \$ 292,969 | \$ 290,687 | \$ 1,268,204 | \$ 1,071,715 |
| Wood products segment revenues | 42,379 | 38,089 | 46,999 | 189,036 | 97,430 |
| Corporate and other revenues | 478 | | | 478 | |
| Total revenues | \$ 412,225 | \$ 331,058 | \$ 337,686 | \$ 1,457,718 | \$ 1,169,145 |
| Pulp segment operating income | \$ 94,532 | \$ 68,794 | \$ 66,868 ⁽²⁾ | \$ 274,356 | \$ 171,279 ⁽²⁾ |
| Wood products segment operating income (loss) | 669 | (1,770) | 2,546 | 6,203 | 5,610 |
| Corporate and other operating loss | (4,204) | (3,678) | (2,731) | (12,692) | (8,335) |
| Total operating income | \$ 90,997 | \$ 63,346 | \$ 66,683 | \$ 267,867 | \$ 168,554 |
| Pulp segment depreciation and amortization | \$ 24,176 | \$ 20,802 | 21,181 | \$ 87,628 | \$ 80,833 |
| Wood products segment depreciation and amortization | 2,625 | 2,395 | 1,507 | 8,485 | 4,060 |
| Corporate and other depreciation and amortization | 285 | 113 | 87 | 616 | 401 |
| Total depreciation and amortization | \$ 27,086 | \$ 23,310 | \$ 22,775 | \$ 96,729 | \$ 85,294 |
| Operating EBITDA | \$ 118,083 | \$ 86,656 | \$ 89,458 ⁽²⁾ | \$ 364,596 | \$ 253,848 ⁽²⁾ |
| Loss on settlement of debt | \$ — | \$ — | \$ — | \$ (21,515) ⁽³⁾ | \$ (10,696) ⁽⁴⁾ |
| Legal cost award | \$ — | \$ — | \$ — | \$ (6,951) | \$ — |
| Acquisition commitment fee | \$ (5,250) | \$ — | \$ — | \$ (5,250) | \$ — |
| Provision for income taxes | \$ (20,457) | \$ (10,182) | \$ (11,555) | \$ (48,681) | \$ (33,452) |
| Net income | \$ 45,009 | \$ 41,176 | \$ 41,718 | \$ 128,589 | \$ 70,483 |
| Net income per common share | | | | | |
| Basic | \$ 0.69 | \$ 0.63 | \$ 0.64 | \$ 1.97 | \$ 1.09 |
| Diluted | \$ 0.68 | \$ 0.63 | \$ 0.64 | \$ 1.96 | \$ 1.08 |
| Common shares outstanding at period end | 65,202 | 65,202 | 65,017 | 65,202 | 65,017 |

(1) Results of MPR included from the date of acquisition on December 10, 2018.

(2) Adjusted as a result of our adoption of Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost*, in the current year.

(3) Redemption of 7.75% senior notes due 2022.

(4) Redemption of 7.00% senior notes due 2019.

Summary Operating Highlights

| | Q4 2018 ⁽¹⁾ | Q3 2018 | Q4 2017 | Year 2018 ⁽¹⁾ | Year 2017 |
|---|---------------------------|------------|------------|-----------------------------|--------------|
| Pulp Segment | | | | | |
| Pulp production ('000 ADMTs) | | | | | |
| NBSK | 413.6 | 363.5 | 382.5 | 1,451.3 | 1,507.0 |
| NBHK | 21.3 | | | 21.3 | |
| Annual maintenance downtime ('000 ADMTs) | 5.7 | 14.4 | 5.3 | 75.6 | 48.0 |
| Annual maintenance downtime (days) | 3 | 14 | 3 | 54 | 35 |
| Pulp sales ('000 ADMTs) | | | | | |
| NBSK | 392.7 | 319.9 | 367.4 | 1,418.0 | 1,515.1 |
| NBHK | 22.9 | | | 22.9 | |
| Average NBSK pulp list prices in Europe (\$/ADMT) ⁽²⁾ | 1,205 | 1,230 | 997 | 1,183 | 901 |
| Average NBSK pulp list prices in China (\$/ADMT) ⁽²⁾ | 805 | 887 | 863 | 878 | 712 |
| Average NBSK pulp list prices in North America (\$/ADMT) ⁽²⁾ | 1,428 | 1,377 | 1,183 | 1,337 | 1,105 |
| Average pulp sales realizations (\$/ADMT) ⁽³⁾ | | | | | |
| NBSK | 830 | 852 | 716 | 821 | 640 |
| NBHK | 707 | | | 707 | |
| Energy production ('000 MWh) | 504.6 ⁽⁴⁾ | 388.0 | 469.8 | 1,625.2 ⁽⁴⁾ | 1,888.3 |
| Energy sales ('000 MWh) | 213.9 ⁽⁴⁾ | 141.0 | 201.2 | 615.2 ⁽⁴⁾ | 822.1 |
| Average energy sales realizations (\$/MWh) | 99 | 105 | 102 | 103 | 95 |
| Wood Products Segment | | | | | |
| Lumber production (MMfbm) | 104.7 | 79.5 | 104.2 | 398.7 | 281.3 |
| Lumber sales (MMfbm) | 100.9 | 83.8 | 97.9 | 412.9 | 213.5 |
| Average lumber sales realizations (\$/Mfbm) | 369 | 409 | 416 | 408 | 385 |
| Energy production and sales ('000 MWh) | 23.8 | 16.4 | 25.2 | 86.3 | 73.7 |
| Average energy sales realizations (\$/MWh) | 118 | 121 | 123 | 125 | 120 |
| Average Spot Currency Exchange Rates | | | | | |
| \$ / € ⁽⁵⁾ | 1.1414 | 1.1629 | 1.1778 | 1.1817 | 1.1301 |
| \$ / C\$ ⁽⁵⁾ | 0.7577 | 0.7651 | 0.7866 | 0.7722 | 0.7710 |

(1) Results of MPR included from the date of acquisition on December 10, 2018.

(2) Source: RISI pricing report.

(3) Sales realizations after customer discounts, rebates and other selling concessions. Incorporates the effect of pulp price variations occurring between the order and shipment dates.

(4) Excludes energy production and sales relating to our 50% interest in the joint venture NBSK mill which is accounted for as an equity investment.

(5) Average Federal Reserve Bank of New York Noon Buying Rates over the reporting period.

MERCER INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended December 31, | | For the Year Ended December 31, | |
|--|------------------------------------|------------|------------------------------------|--------------|
| | 2018 ⁽¹⁾ | 2017 | 2018 ⁽¹⁾ | 2017 |
| Revenues | \$ 412,225 | \$ 337,686 | \$ 1,457,718 | \$ 1,169,145 |
| Costs and expenses | | | | |
| Cost of sales, excluding depreciation and amortization | 276,673 | 233,948 | 1,032,101 | 866,019 |
| Cost of sales depreciation and amortization | 26,976 | 22,688 | 96,288 | 84,893 |
| Selling, general and administrative expenses | 17,579 | 14,367 | 61,462 | 49,679 |
| Operating income | 90,997 | 66,683 | 267,867 | 168,554 |
| Other income (expenses) | | | | |
| Interest expense | (15,492) | (14,084) | (51,464) | (54,796) |
| Loss on settlement of debt | — | — | (21,515) | (10,696) |
| Legal cost award | — | — | (6,951) | — |
| Acquisition commitment fee | (5,250) | — | (5,250) | — |
| Other income (expenses) | (4,789) | 674 | (5,417) | 873 |
| Total other expenses | (25,531) | (13,410) | (90,597) | (64,619) |
| Income before provision for income taxes | 65,466 | 53,273 | 177,270 | 103,935 |
| Provision for income taxes | (20,457) | (11,555) | (48,681) | (33,452) |
| Net income | \$ 45,009 | \$ 41,718 | \$ 128,589 | \$ 70,483 |
| Net income per common share | | | | |
| Basic | \$ 0.69 | \$ 0.64 | \$ 1.97 | \$ 1.09 |
| Diluted | \$ 0.68 | \$ 0.64 | \$ 1.96 | \$ 1.08 |
| Dividends declared per common share | \$ 0.125 | \$ 0.125 | \$ 0.500 | \$ 0.470 |

(1) Results of MPR included from the date of acquisition on December 10, 2018.

MERCER INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share data)

| | December 31, | |
|---|---------------------|---------------------|
| | 2018 | 2017 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 240,491 | \$ 143,299 |
| Restricted cash to redeem senior notes | — | 317,439 |
| Accounts receivable | 252,692 | 206,027 |
| Inventories | 303,813 | 176,601 |
| Prepaid expenses and other | 13,703 | 8,973 |
| Total current assets | 810,699 | 852,339 |
| Property, plant and equipment, net | 1,029,257 | 844,848 |
| Investment in joint ventures | 62,574 | — |
| Intangible and other assets | 71,831 | 26,147 |
| Deferred income tax | 1,374 | 1,376 |
| Total assets | <u>\$ 1,975,735</u> | <u>\$ 1,724,710</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and other | \$ 194,484 | \$ 133,557 |
| Pension and other post-retirement benefit obligations | 904 | 985 |
| Senior notes to be redeemed with restricted cash | — | 295,924 |
| Total current liabilities | 195,388 | 430,466 |
| Debt | 1,041,389 | 662,997 |
| Pension and other post-retirement benefit obligations | 25,829 | 21,156 |
| Capital leases and other | 38,593 | 27,464 |
| Deferred income tax | 93,107 | 31,961 |
| Total liabilities | <u>1,394,306</u> | <u>1,174,044</u> |
| Shareholders' equity | | |
| Common shares \$1 par value; 200,000,000 authorized; 65,202,000 issued and outstanding (2017 – 65,017,000) | 65,171 | 64,974 |
| Additional paid-in capital | 342,438 | 338,695 |
| Retained earnings | 301,990 | 205,998 |
| Accumulated other comprehensive loss | (128,170) | (59,001) |
| Total shareholders' equity | <u>581,429</u> | <u>550,666</u> |
| Total liabilities and shareholders' equity | <u>\$ 1,975,735</u> | <u>\$ 1,724,710</u> |

MERCER INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

| | For the Year Ended December 31, | | |
|--|---------------------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 |
| Cash flows from (used in) operating activities | | | |
| Net income | \$ 128,589 | \$ 70,483 | \$ 34,943 |
| Adjustments to reconcile net income to cash flows from operating activities | | | |
| Depreciation and amortization | 96,729 | 85,294 | 71,984 |
| Deferred income tax provision | 16,596 | 22,056 | 16,809 |
| Loss on settlement of debt | 21,515 | 10,696 | 454 |
| Defined benefit pension plans and other post-retirement benefit plan expense | 1,868 | 2,179 | 1,955 |
| Stock compensation expense | 3,940 | 2,890 | 4,659 |
| Other | 3,165 | 2,497 | 4,582 |
| Defined benefit pension plans and other post-retirement benefit plan contributions | (1,133) | (2,031) | (2,316) |
| Changes in working capital | | | |
| Accounts receivable | (10,370) | (64,949) | 9,466 |
| Inventories | (58,082) | (19,994) | 6,844 |
| Accounts payable and accrued expenses | 37,959 | 37,170 | (10,274) |
| Other | (4,108) | (4,365) | 1,676 |
| Net cash from (used in) operating activities | <u>236,668</u> | <u>141,926</u> | <u>140,782</u> |
| Cash flows from (used in) investing activities | | | |
| Purchase of property, plant and equipment | (87,012) | (57,915) | (42,526) |
| Purchase of intangible assets | (600) | (1,777) | (1,844) |
| Acquisitions | (380,312) | (61,627) | — |
| Other | 445 | (232) | 67 |
| Net cash from (used in) investing activities | <u>(467,479)</u> | <u>(121,551)</u> | <u>(44,303)</u> |
| Cash flows from (used in) financing activities | | | |
| Redemption of senior notes | (317,439) | (234,945) | (23,079) |
| Proceeds from issuance of senior notes | 350,000 | 550,000 | — |
| Proceeds from revolving credit facilities, net | 36,560 | 22,281 | — |
| Dividend payments | (40,724) | (29,866) | (29,733) |
| Payment of interest rate derivative liability | — | (6,887) | (10,883) |
| Payment of debt issuance costs | (10,074) | (11,620) | — |
| Other | (3,462) | (212) | 1,318 |
| Net cash from (used in) financing activities | <u>14,861</u> | <u>288,751</u> | <u>(62,377)</u> |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (4,297) | 10,716 | (2,065) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | <u>(220,247)</u> | <u>319,842</u> | <u>32,037</u> |
| Cash, cash equivalents and restricted cash, beginning of year | 460,738 | 140,896 | 108,859 |
| Cash, cash equivalents and restricted cash, end of year | <u>\$ 240,491</u> | <u>\$ 460,738</u> | <u>\$ 140,896</u> |

MERCER INTERNATIONAL INC.

COMPUTATION OF OPERATING EBITDA
(Unaudited)
(In thousands)

Operating EBITDA is defined as operating income plus depreciation and amortization and non-recurring capital asset impairment charges. Management uses Operating EBITDA as a benchmark measurement of its own operating results, and as a benchmark relative to its competitors. Management considers it to be a meaningful supplement to operating income as a performance measure primarily because depreciation expense and non-recurring capital asset impairment charges are not an actual cash cost, and depreciation expense varies widely from company to company in a manner that management considers largely independent of the underlying cost efficiency of our operating facilities. In addition, we believe Operating EBITDA is commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

Operating EBITDA does not reflect the impact of a number of items that affect our net income, including financing costs and the effect of derivative instruments. Operating EBITDA is not a measure of financial performance under GAAP, and should not be considered as an alternative to net income or income from operations as a measure of performance, nor as an alternative to net cash from operating activities as a measure of liquidity. The following tables set forth the net income to Operating EBITDA:

| | Q4 2018 | Q3 2018 | Q4 2017 | Year 2018 | Year 2017 |
|------------------------------------|------------|------------|------------|--------------|--------------|
| Net income | \$ 45,009 | \$ 41,176 | \$ 41,718 | \$ 128,589 | \$ 70,483 |
| Provision for income taxes | 20,457 | 10,182 | 11,555 | 48,681 | 33,452 |
| Interest expense | 15,492 | 11,729 | 14,084 | 51,464 | 54,796 |
| Loss on settlement of debt | — | — | — | 21,515 | 10,696 |
| Legal cost award | — | — | — | 6,951 | — |
| Acquisition commitment fee | 5,250 | — | — | 5,250 | — |
| Other (income) expenses | 4,789 | 259 | (674) | 5,417 | (873) |
| Operating income | 90,997 | 63,346 | 66,683 | 267,867 | 168,554 |
| Add: Depreciation and amortization | 27,086 | 23,310 | 22,775 | 96,729 | 85,294 |
| Operating EBITDA | \$ 118,083 | \$ 86,656 | \$ 89,458 | \$ 364,596 | \$ 253,848 |