UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

Commission File No.: 000-51826

MERCER INTERNATIONAL INC.
(Exact name of Registrant as specified in its charter)

Washington	**47-0956945**
(*State or other jurisdiction of incorporation or organization*)	(*IRS Employer Identification No.*)
Suite 1120, 700 West Pender Street, Vancouver, British Columbia, Canada	**V6C 1G8**
(*Address of Principal Executive Office*)	(*Zip Code*)

Registrant's telephone number including area code: **(604) 684-1099**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $1.00 per share	**MERC**	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2020, the last business day of the Registrant's most recently completed second fiscal quarter, based on the closing price of the voting stock on the NASDAQ Global Select Market on such date, was approximately $519.9 million.

As of February 11, 2021, the Registrant had 65,868,086 shares of common stock, $1.00 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information that will be contained in the definitive proxy statement for the Registrant's annual meeting to be held in 2021 is incorporated by reference into Part III of this Form 10-K.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K includes “forward-looking” statements within the meaning of the *Private Securities Litigation Reform Act of 1995.* Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believes”, “expects”, “anticipates”, “estimates”, “intends”, “plans”, “seeks” or words of similar meaning, or future or conditional verbs, such as “will”, “should”, “could”, “may”, “aims”, “intends” or “projects”. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on forward-looking statements, which speak only as of the date of this annual report on Form 10-K. These forward-looking statements are all based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, the risks and uncertainties discussed under Item 1. “Business”, Item 1A. “Risk Factors” and Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this annual report on Form 10-K and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the *Private Securities Litigation Reform Act of 1995* for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

INDUSTRY AND MARKET DATA

In this annual report on Form 10-K, we rely on and refer to information and statistics regarding our market share and the markets in which we compete. We have obtained some of this market share information and industry data from internal surveys, market research, publicly available information and industry publications. Such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed. Although we believe this information is reliable, we have not independently verified, nor can we guarantee, the accuracy or completeness of that information.

Statements in this annual report on Form 10-K concerning the production capacity of our mills are management estimates based primarily on historically achieved levels of production and assumptions regarding maintenance downtime. Statements concerning electrical generating capacity at our mills are also management estimates based primarily on our expected production (which largely determines the amount of electricity we can generate) and assumptions regarding maintenance downtime, in each case within manufacturers’ specifications of capacity.

CURRENCY

The following table sets out exchange rates, based on the noon buying rates in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, referred to as the "Noon Buying Rate", for the conversion of dollars to euros and Canadian dollars in effect at the end of the following periods, the average exchange rates during these periods (based on daily Noon Buying Rates) and the range of high and low exchange rates for these periods:

	Year Ended December 31,				
	2020	**2019**	**2018**	**2017**	**2016**
			($/€)		
End of period	1.2230	1.1227	1.1456	1.2022	1.0552
High for period	1.0682	1.0905	1.1281	1.0416	1.0375
Low for period	1.2280	1.1524	1.2488	1.2041	1.1516
Average for period	1.1410	1.1194	1.1817	1.1301	1.1072
			($/C$)		
End of period	0.7841	0.7715	0.7329	0.7989	0.7448
High for period	0.6878	0.7358	0.7326	0.7275	0.6853
Low for period	0.7865	0.7715	0.8143	0.8243	0.7972
Average for period	0.7457	0.7537	0.7722	0.7710	0.7558

On February 8, 2021, the most recent weekly publication of the daily Noon Buying Rate before the filing of this annual report on Form 10-K reported that the Noon Buying Rate as of February 5, 2021 for the conversion of dollars to euros and Canadian dollars was $1.2035 per euro and $0.7824 per Canadian dollar.

PART I

ITEM 1. BUSINESS

In this document, please note the following:

- references to “we”, “our”, “us”, the “Company” or “Mercer” mean Mercer International Inc. and its subsidiaries, unless the context clearly suggests otherwise, and references to “Mercer Inc.” mean Mercer International Inc. excluding its subsidiaries;
- references to “$” or “dollars” shall mean U.S. dollars, which is our reporting currency, unless otherwise stated; “€” refers to euros; and “C$” refers to Canadian dollars;
- references to “NBHK” mean northern bleached hardwood kraft;
- references to “NBSK” mean northern bleached softwood kraft;
- references to “ADMTs” mean air-dried metric tonnes;
- references to “MW” mean megawatts and “MWh” mean megawatt hours;
- references to “Mfbm” mean thousand board feet;
- references to “MMfbm” mean million board feet; and
- our lumber metrics are converted from cubic meters to Mfbm using a conversion ratio of 1.6 cubic meters of lumber equaling one Mfbm, which is the ratio commonly used in the industry.

Due to rounding, numbers presented throughout this report may not add up precisely to totals we provide and percentages may not precisely reflect the absolute figures.

Mercer

General

We are a global forest products company and have two reportable operating segments:

- **Pulp** – consists of the manufacture, sale and distribution of pulp, electricity and other by-products at our pulp mills.
- **Wood Products –** consists of the manufacture, sale and distribution of lumber, electricity and other wood residuals at the Friesau mill.

We have consolidated annual production capacity of approximately 2.2 million ADMTs of kraft pulp, 550 MMfbm of lumber and approximately 416.5 MW of electrical generation.

Pulp Segment

We are one of the world’s largest producers of “market” NBSK pulp, which is pulp that is sold on the open market. Our size provides us increased presence, better industry information in our markets and close customer relationships with many large pulp consumers.

We operate two modern and highly efficient NBSK mills in Eastern Germany and one NBSK mill and a “swing” kraft mill in Western Canada, referred to as “MPR”, which produces both NBSK and NBHK. MPR also has a 50% joint venture interest in another NBSK mill in the interior of British Columbia.

We are the sole NBSK producer, and the only significant market pulp producer in Germany, which is the largest pulp import market in Europe. We supply the growing pulp demand in China both through our Canadian mills' ready access to the Port of Vancouver and through our Stendal mill's existing logistics arrangements. In addition, as a result of the significant investments made in cogeneration equipment, all of our mills generate and sell a significant amount of surplus "green" energy. We also produce and sell tall oil, a by-product of our production process, which is used as both a chemical additive and as a green energy source.

Of our consolidated annual production capacity of approximately 2.2 million ADMTs of kraft pulp, approximately 1.8 million ADMTs or 85% is NBSK and the balance is NBHK.

Key operating details for each of our pulp mills are as follows:

- ***Rosenthal mill***. Our Rosenthal mill is a modern, efficient ISO 9001, 14001 and 50001 certified NBSK pulp mill that has an annual production capacity of approximately 360,000 ADMTs and 57 MW of electrical generation. The Rosenthal mill exported 154,177 MWh of electricity in 2020, resulting in approximately $16.1 million in revenues. The Rosenthal mill is located in the town of Rosenthal am Rennsteig, Germany, approximately 300 kilometers south of Berlin.
- ***Stendal mill***. Our Stendal mill is a state-of-the-art, single line, ISO 9001, 14001 and 50001 certified NBSK pulp mill that has an annual production capacity of approximately 660,000 ADMTs and 148 MW of electrical generation. The Stendal mill exported 539,607 MWh of electricity in 2020, resulting in approximately $51.3 million in revenues. The Stendal mill is located near the town of Stendal, Germany, approximately 130 kilometers west of Berlin.
- ***Celgar mill***. Our Celgar mill is a modern, efficient ISO 9001 and 14001 certified NBSK pulp mill that has an annual production capacity of approximately 520,000 ADMTs and 100 MW of electrical generation. The Celgar mill exported 134,444 MWh of electricity in 2020, resulting in approximately $10.9 million in revenues. The Celgar mill is located near the city of Castlegar, British Columbia, Canada, approximately 600 kilometers east of Vancouver.
- ***Peace River mill***. Our Peace River mill is a modern ISO 9001 and 14001 certified mill that produces both NBSK and NBHK pulp and has an annual production capacity of approximately 475,000 ADMTs and 70 MW of electrical generation. The Peace River mill exported 66,306 MWh of electricity in 2020, resulting in approximately $5.2 million in revenues. The Peace River mill is located near the town of Peace River, Alberta, approximately 490 kilometers north of Edmonton. MPR also holds two 20-year renewable governmental forest management agreements and three deciduous timber allocations in Alberta with an aggregate allowable annual cut of approximately 2.4 million cubic meters of hardwood and softwood allocations totaling 400,000 cubic meters. Through our Peace River mill, we have a 50% proportionate share of the annual production capacity of the Cariboo mill, which is approximately 170,000 ADMTs and 28.5 MW of electrical generation. The Cariboo mill is located in Quesnel, British Columbia, approximately 660 kilometers north of Vancouver.

Our pulp mills are some of the newest and most modern pulp mills in Europe and North America. We believe the relative age, production capacity and electrical generation capacity of our mills provide us with certain manufacturing cost and other advantages over many of our competitors. We believe our competitors' older mills do not have the equipment or capacity to produce or sell surplus power or chemicals in a meaningful amount. In addition, as a result of the relative age of our mills, they benefit from lower maintenance capital requirements and higher efficiency relative to many of our competitors' mills.

The following table sets out our pulp production and pulp revenues for the periods indicated:

	Year Ended December 31,		
	2020	**2019**	**2018**[(1)]
Pulp production ('000 ADMTs)	2,051.1	2,040.6	1,472.6
Pulp sales ('000 ADMTs)	2,029.4	2,098.8	1,440.9
Pulp revenues (in thousands)	$ 1,130,302	$ 1,370,742	$ 1,190,588

(1) Includes results of MPR since December 10, 2018.

Our pulp mills generate and sell surplus electricity, providing us with a stable revenue source unrelated to pulp prices. Our German pulp mills also generate tall oil from black liquor, which is sold to third parties for use in numerous applications, including bio-fuels. Since our energy and chemical production are by-products of our pulp production process, there are minimal incremental costs and our surplus energy and chemical sales are highly profitable. All of our mills generate and sell surplus energy to regional utilities or the regional electrical market. Until December 31, 2020, all of our German mills benefitted from special tariffs under Germany's *Renewable Energy Sources Act*, referred to as the "Renewable Energy Act", which provides for premium pricing on green energy. In 2020, the German government proposed measures that would have, among other things, extended the time period that such tariffs would be available for pulp mills. However, such measures did not come into effect. As a result, commencing January 1, 2021, the prior special tariff in respect of our Rosenthal mill expired and it began selling its surplus power at market rates which fluctuate over time. As a result of, among other things, the COVID-19 pandemic reducing power demand generally in Germany, market rates are currently materially lower than the prior prescribed special tariff. The German government has publicly announced that it will seek to further incentivize green energy production at pulp mills through additional measures in 2021. Our Stendal and Friesau mills continue to benefit from the aforesaid special tariffs until 2024 and 2029, respectively. Our Peace River mill sells surplus energy to its regional electrical market. Each of our Celgar mill and the Cariboo mill is party to a fixed electricity purchase agreement with the regional public utility provider for the sale of surplus power. Our Celgar mill finalized a new electricity purchase agreement with the regional public utility that commenced in October 2020 for a ten-year term. The electricity purchase agreement for the Cariboo mill runs until December 2022 and is renewable by it for a further ten-year term.

The following table sets out the amount of surplus energy we produced and sold and revenues from the sale of such surplus energy and chemicals in our pulp segment for the periods indicated:

	Year Ended December 31,					
	2020		2019		2018[(1)]	
	(MWh)	($) (in thousands)	(MWh)	($) (in thousands)	(MWh)	($) (in thousands)
Surplus electricity[(2)]	894,534	83,420	822,841	75,018	615,182	63,189
Chemicals		6,922		11,363		14,427
Total		90,342		86,381		77,616

(1) Includes results of MPR since December 10, 2018.

(2) Does not include our 50% joint venture interest in the Cariboo mill, which is accounted for using the equity method.

We serve pulp customers in Europe, Asia and North America. We primarily work directly with customers to capitalize on our geographic diversity, coordinate sales and enhance customer relationships. We believe our ability to deliver high-quality pulp on a timely basis and our customer service makes us a preferred supplier for many customers.

Wood Products Segment

We entered the wood products segment in mid-2017 when we acquired substantially all of the assets of the Friesau mill, one of Germany's largest sawmills.

Our Friesau mill has an annual production capacity of approximately 550 MMfbm of lumber and 13 MW of electrical generation from a modern biomass fueled cogeneration power plant built in 2009. The Friesau mill is located approximately 16 kilometers west of our Rosenthal mill and has historically been one of the Rosenthal mill's largest fiber suppliers.

We manufacture, sell and distribute lumber, electricity and other wood residuals at the Friesau mill which produces lumber for European, U.S. and other lumber export markets.

The European and U.S. lumber markets are very different. In the European market, lumber is generally customized in terms of dimensions and finishing. The U.S. market is driven primarily by demand from new housing starts and home renovation activities and dimensions and finishing are generally standardized.

Additionally, lumber production and sales in Europe are commonly measured in cubic meters, whereas in the U.S. they are measured in thousand board feet or Mfbm.

The following table sets out our lumber production and lumber revenues for the periods indicated:

	Year Ended December 31,		
	2020	2019	2018
Lumber production (MMfbm)	438.0	414.7	398.7
Lumber sales (MMfbm)	449.2	408.8	412.9
Lumber revenues (in thousands)	$ 180,769	$ 142,243	$ 168,663

The Friesau mill generates electricity for minimal incremental costs, all of which is sold, providing a stable revenue source unrelated to lumber prices. The Friesau mill's modern biomass fueled cogeneration power plant has an annual production capacity of approximately 13 MW of electricity. The plant sells electricity pursuant to a long-term fixed price green power tariff that runs to 2029.

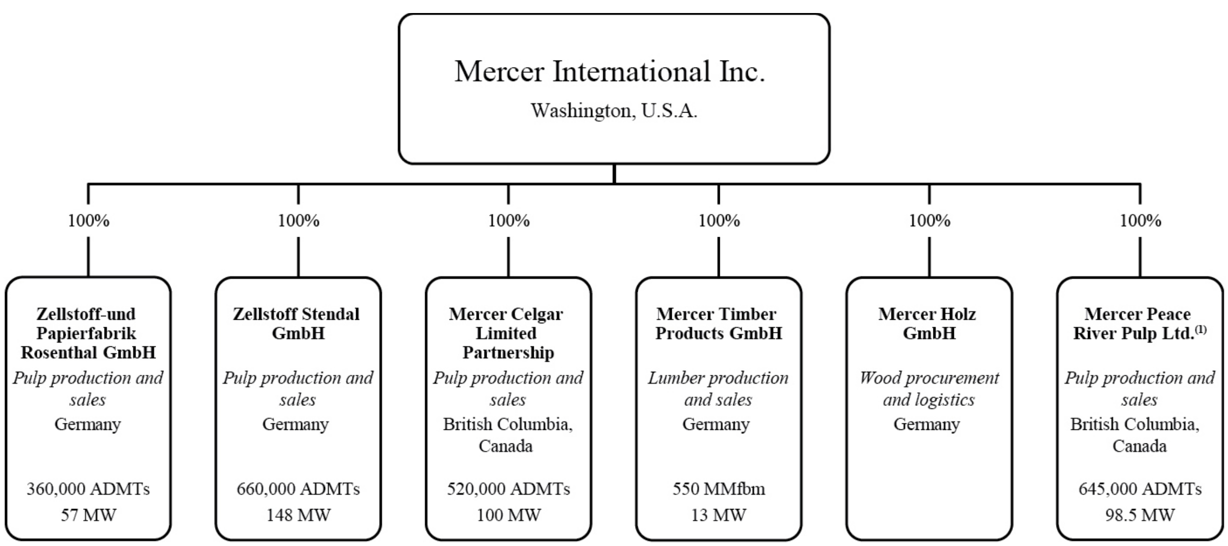
The following table sets out the amount of surplus energy we produced and sold and revenues from the sale of surplus energy by our Friesau mill for the periods indicated.

	Year Ended December 31,					
	2020		2019		2018	
	(MWh)	($) (in thousands)	(MWh)	($) (in thousands)	(MWh)	($) (in thousands)
Surplus electricity	88,985	10,619	83,490	9,721	86,325	10,831

Corporate Structure, History and Development of Business

Mercer Inc. is a corporation organized under the laws of the State of Washington whose common stock is quoted and listed for trading on the NASDAQ Global Select Market (MERC).

The following simplified chart sets out our principal operating subsidiaries, their jurisdictions of organization, their principal activities and their annual pulp or lumber production and electrical generation capacity:



(1) Includes 170,000 ADMTs and 28.5 MW based on MPR's 50% joint venture interest in the Cariboo mill.

We entered into the pulp business in 1994 by acquiring our Rosenthal mill and in 1999 converted it to the production of kraft pulp.

In September 2004, we expanded our pulp operations by constructing the Stendal mill at a cost of approximately $1.1 billion.

We further expanded our pulp operations by acquiring the Celgar mill in 2005 and MPR in 2018.

In April 2017, we entered into the wood products segment when we acquired the Friesau mill and in October 2018, acquired the Santanol Group, which operates Indian sandalwood plantations and an oil extractives plant in Australia.

Corporate Strategy

Our corporate strategy is to grow in businesses where we have clear competencies while maintaining modern facilities, managing the integrity of our balance sheet and liquidity and a high standard of environmental, social and governance performance. Key elements of our strategy include:

- ***Operate World Class Assets***. The maintenance of modern, reliable and energy efficient operations is key to our ability to produce stable returns through the economic cycle. The markets for our principal products are cyclical and subject to global economic influences. Further, our manufacturing operations are capital intensive and complex. Maintaining a high standard of maintenance and strategic capital expenditure programs differentiates us from older, higher cost, lower efficiency competitors. We believe that over time this will reduce our exposure to product price volatility, unexpected downtime and changes in environmental and regulatory conditions. We operate four modern pulp mills and one of the most modern sawmills in the world. In 2020, the majority of our capital expenditures focused on projects to increase production and operational efficiency and reduce costs. Additionally, we continuously strive to enhance our maintenance systems to improve and increase production by improving reliability. We also seek to reduce operating costs by better managing our fiber procurement, sales, marketing and logistics activities. We believe this continued focus on operational excellence enhances our profitability and cash flows.

- ***Growth and Diversification Where We Have Core Competencies***. We are focused on growth in areas where we have a clear leadership position or high degree of competence to ensure that we can add value for shareholders. We believe that a larger company will benefit shareholders in terms of improved equity trading, liquidity and reduced variability of earnings. Our core competencies lend themselves to growth in one or more of the following areas:

    - Pulp. The core of our business is NBSK pulp. We are one of the largest producers of market NBSK in the world and have deep expertise and a market reputation as a reliable, efficient and high quality producer. We believe that the global demand for kraft pulp will continue to grow and that the supply of fiber to meet that demand is limited. In 2018, we expanded our pulp segment with the acquisition of MPR, an acquisition that fortified our position as a leading kraft pulp producer and added NBHK to our product line.

    - Wood Products. We have significant expertise in forestry and wood procurement services and have utilized that expertise and our logistics networks in support of our pulp operations. In 2017, we began leveraging this foundation into the solid wood products business with the acquisition of one of the world's largest and most flexible sawmills at Friesau, Germany. The Friesau mill created synergies with our wood procurement and pulp businesses. We believe that further strategic expansion within this segment can add more value for shareholders in the future. In the first half of 2021, we expect to complete a three-year upgrade to the Friesau mill that will make it one of the most technologically advanced and largest in the world.

- Wood Extractives. We believe that we are very well positioned to fully extract all of the value from wood including those elements that were traditionally wasted or burned. We have applied considerable resources to manufacturing products such as tall oil, which is upgraded by our customers and used in adhesives and bio-fuels that are displacing fossil fuel based alternatives. We are also expanding our production of turpentine for use in aromatics and fragrances. We also acquired sandalwood plantations and an essential sandalwood oil extraction and sales business to further develop such operations and move closer to the end customer. We are also focused on researching and commercializing other complex and novel products based on wood and have established various partnerships and working relationships to advance these products.

- Green Energy. Our modern, highly efficient mills allow us to produce green, cogenerated electricity. Our mills are all self-sufficient in power and net exporters of electricity and our power is sold to regional utilities or the regional market. We are very experienced at building and operating cogeneration facilities and we have increased our electricity production by 42% since 2011.

- ***Managing the Integrity of our Balance Sheet and Liquidity***. We focus on maintaining a balance sheet that allows us to advance our objectives through the full economic cycle, while at the same time, giving us some flexibility to take advantage of strategic growth opportunities as they arise. We maintain a foundation of long term, unsecured, senior notes with expiry dates in 2026 and beyond. In addition to cash on hand, we have a series of revolving credit facilities intended to provide liquidity and flexibility in times of opportunity or economic slowdown. We commenced a dividend in 2015 and remain committed to returning capital to our shareholders through the economic cycle.

- ***Sustainable Operations***. We seek to operate to exceed or meet best in class standards in environmental performance, social conditions and governance (often referred to as "ESG" standards). We believe that sustainably-focused businesses can flourish if they align themselves with societal objectives, and that the diminishing tolerance of stakeholders for under-performing companies in regards to sustainability will lead to their decline. Further, we believe that our products, which are renewable wood-based fiber, carbon sequestering solid wood products, green energy and naturally sourced wood extractives, are becoming more important for a world seeking to limit its reliance on fossil fuel-based products. We will continue to grow these products, enhance our environmental performance and stakeholder engagement and maintain strong governance and ethical business practices.

The Pulp Industry

General

Pulp is used in the production of paper, tissues and paper-related products. Pulp is generally classified according to fiber type, the process used in its production and the degree to which it is bleached. Kraft pulp, a type of chemical pulp, is produced through a sulphate chemical process in which lignin, the component of wood which binds individual fibers, is dissolved in a chemical reaction. Chemically prepared pulp allows the wood's fiber to retain its length and flexibility, resulting in stronger paper products. Kraft pulp can be bleached to increase its brightness. Softwood kraft pulp is noted for its strength, brightness and absorption properties and is used to produce a variety of products, including lightweight publication grades of paper, tissues and other paper-related products.

There are two main types of bleached kraft pulp, being softwood kraft made from coniferous trees and hardwood kraft made from deciduous trees. Softwood species generally have long, flexible fibers which add strength to paper while fibers from species of hardwood contain shorter fibers which lend bulk and opacity.

We primarily produce and sell NBSK pulp, which is a bleached kraft pulp manufactured using northern softwood and is considered a premium grade because of its strength. It generally obtains the highest price relative to other kraft pulps. Our Peace River mill produces both NBSK and NBHK pulp.

Most paper users of market kraft pulp use a mix of softwood and hardwood grades to optimize production and product qualities. In 2020, market kraft pulp consumption was approximately 57% hardwood bleached kraft and

39% softwood bleached kraft, with the remainder comprised of unbleached pulp. Over the last several years, production of hardwood pulp, based on fast growing plantation fiber primarily from Asia and South America, has increased much more rapidly than that of softwood grades, because of longer growth cycles. Hardwood kraft generally has a cost advantage over softwood kraft as a result of lower fiber costs, higher wood yields and, for newer hardwood mills, economies of scale. As a result of this growth in supply and lower costs, kraft pulp customers have substituted some of the pulp content in their products to hardwood pulp.

However, the requirement for strength and formation characteristics in finished goods counters customers' ability to substitute cheaper hardwood pulp for NBSK. Paper and tissue makers focus on larger paper machines with higher speeds and lower basis weights for certain papers which require the strength characteristics of softwood pulp. Additionally, where paper products are lightweight or specialized, like direct mail, magazine paper or premium tissue, or where strength or absorbency are important, softwood kraft forms a significant proportion of the fiber used. As a result, we believe that the ability of kraft pulp users to further substitute hardwood for softwood pulp is limited by such requirements.

Kraft pulp can be made in different grades, with varying technical specifications, for different end uses. Softwood kraft pulp is an important ingredient for tissue manufacturing and tissue demand tends to increase with living standards in developing countries. Softwood kraft pulp is also valued for its reinforcing role in mechanical printing papers and is sought after by producers of paper for the publishing industry, primarily for magazines and advertising materials.

Markets

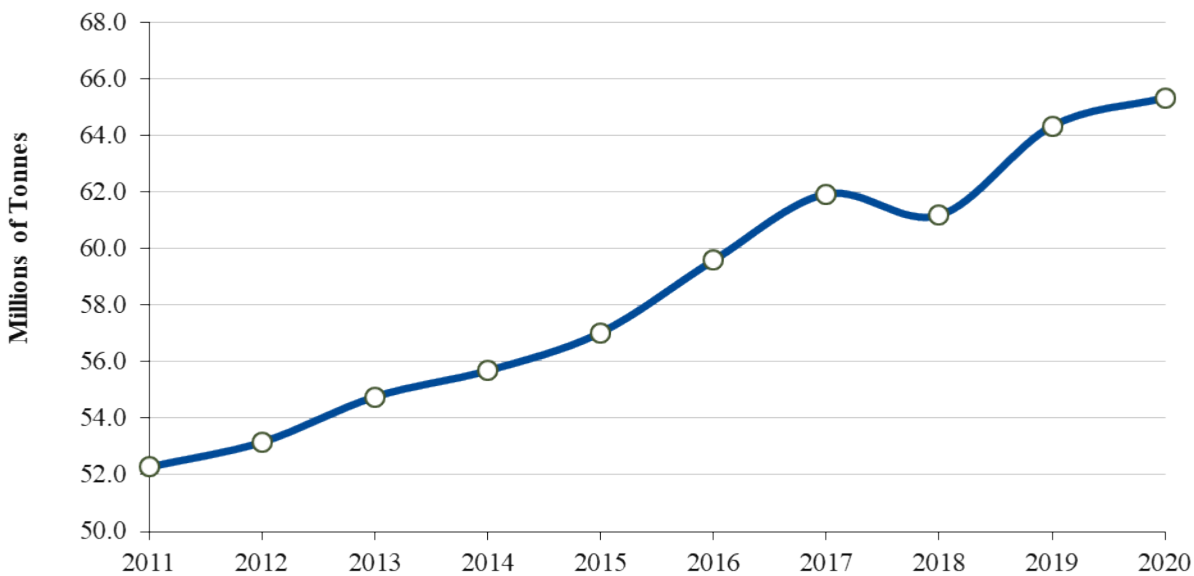
We believe that over 145 million ADMTs of chemical pulp are converted annually into tissues, printing and writing papers, carton boards and other specialty grades of paper and paperboard around the world. We also believe that approximately 40% of this pulp is sold on the open market as market pulp, while the remainder is produced for internal purposes by integrated paper and paperboard manufacturers.

The pulp business is highly cyclical in nature and markets are characterized by periods of supply and demand imbalance, which in turn affect prices. Pulp markets are highly competitive and are sensitive to cyclical changes in the global economy, industry capacity and foreign exchange rates, all of which can have a significant influence on selling prices and our operating results. The length and magnitude of industry cycles have varied over time but generally reflect changes in macro-economic conditions and levels of industry capacity. Pulp is a commodity that is generally available from other producers. Because commodity products have few distinguishing qualities from producer to producer, competition is generally based upon price, which is generally determined by supply relative to demand.

Between 2011 and 2020, worldwide demand for chemical market pulp grew at an average rate of approximately 2% annually, with worldwide demand for bleached softwood kraft market pulp having grown at an average of approximately 1% per annum.

The following chart illustrates the global demand for chemical market pulp for the periods indicated:

Estimated Global Chemical Market Pulp Demand



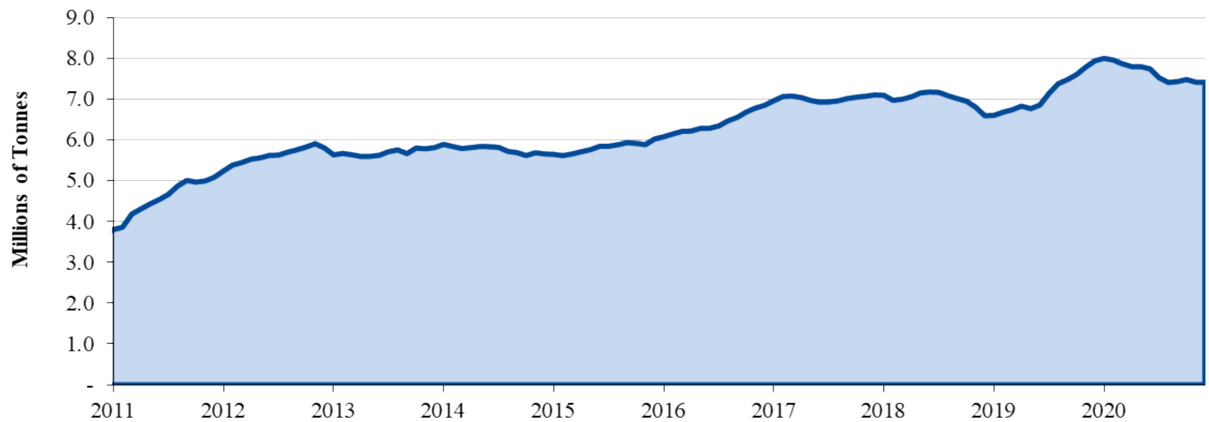
NBSK pulp demand is significantly impacted by global macro-economic trends. A significant increase in demand from emerging markets, and in particular China has generally more than offset declining and stagnating demand in the mature markets of Europe, North America and Japan. In developing countries, increasing income levels, rapid urbanization of populations and rising living standards are creating strong demand for fiber of all grades. In China alone, tissue production capacity has increased by approximately 6.5 million ADMTs over the last five years. However, in the developed economies of North America and Western Europe, demand for NBSK in printing and writing grades has fallen due to the digitalization of print media.

In 2020, COVID-19 has impacted and accelerated a change in end-use demand for pulp. Since the start of the pandemic was declared, NBSK demand for tissue and hygiene products has continued to increase globally. Early in the pandemic, this demand was supported by inventory build and currently, demand has remained sustainably higher than pre-COVID-19 levels. In addition, as global reliance on online delivery of products has increased, demand for packaging and specialties products remained resilient. However, graphic and printing and writing paper demand declined materially and while we believe a portion of this demand will not return, we expect the remainder to recover as global economic conditions improve.

Over the last ten years, demand for chemical softwood market pulp has grown in the emerging markets of Asia, particularly China and Eastern Europe. In China, imports of chemical softwood market pulp grew by approximately 8% per annum between 2011 and 2020. We believe the emerging markets now account for approximately 58% of total global demand for bleached softwood kraft market pulp and China itself now accounts for approximately 34% of global bleached softwood kraft market pulp demand compared to approximately 26% in 2011. Western Europe currently accounts for approximately 21% of global bleached softwood kraft market pulp demand compared to approximately 29% in 2011.

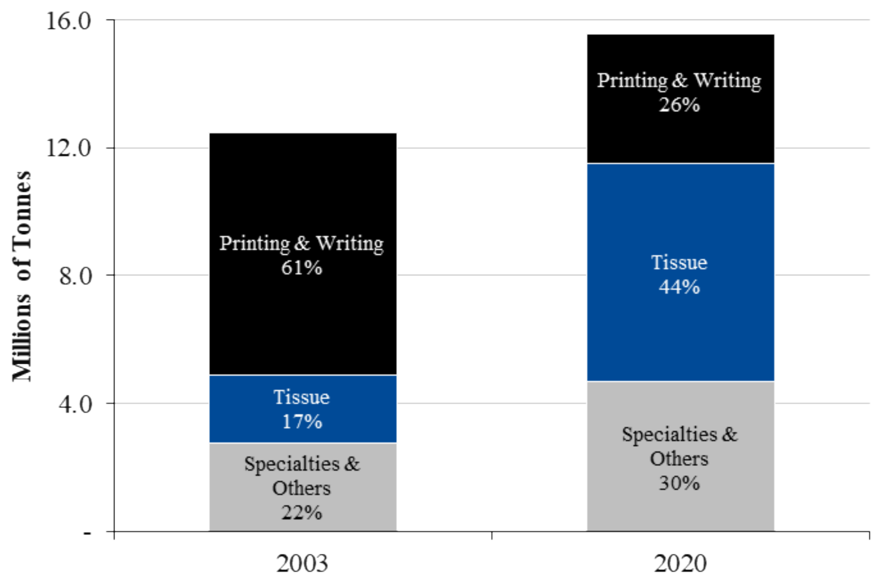
The following chart sets forth industry-wide bleached softwood kraft deliveries to China for the periods indicated:

12 Month Rolling Bleached Softwood Kraft Pulp Deliveries to China



The following chart compares worldwide NBSK pulp demand by end use in each of 2003 and 2020:

NBSK Pulp Demand by End Use



In 2020, there was no material net change in chemical pulp capacity. Currently, we are aware of 1.9 million ADMTs of announced capacity increases primarily of hardwood kraft pulp in 2021.

NBSK Pulp Pricing

Kraft pulp is a globally traded commodity and prices are highly cyclical. Kraft pulp prices are generally quoted in dollars. Pricing is primarily influenced by the balance between supply and demand, as affected by global macro-economic conditions, changes in consumption and capacity, the level of customer and producer inventories and fluctuations in exchange rates. Generally, we and other producers consider global NBSK pulp supply and demand to be evenly balanced when world inventory levels are at about 32 days' supply.

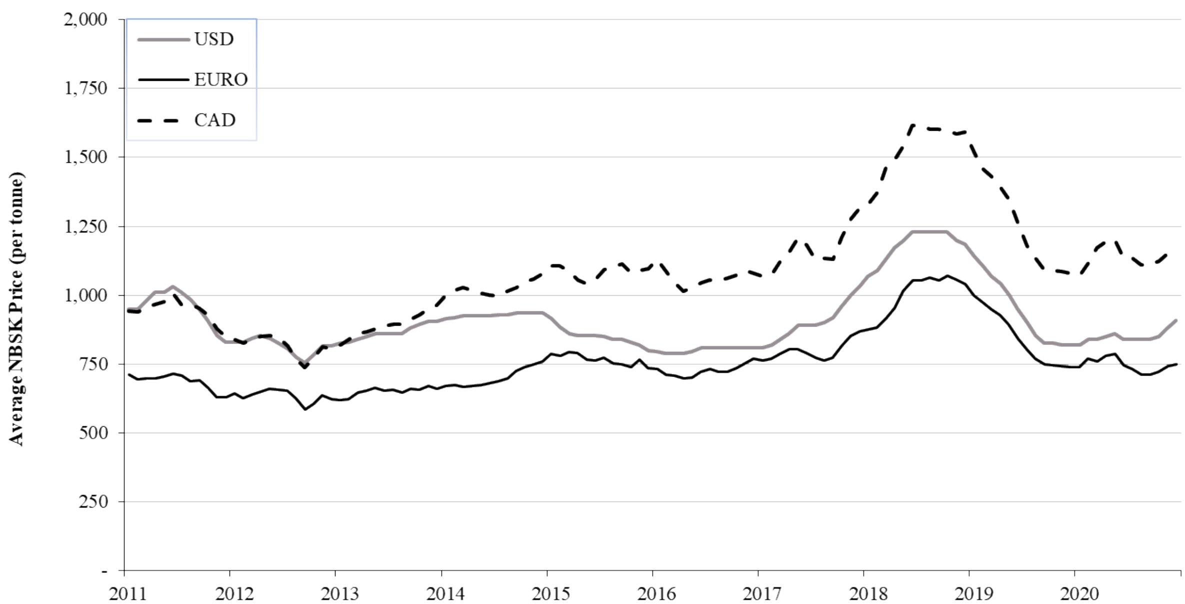
As the majority of market NBSK pulp is produced and sold by Canadian and Northern European producers, while the price of NBSK pulp is generally quoted in dollars, pricing is often affected by fluctuations in the currency exchange rates for the dollar versus the euro and the Canadian dollar. As NBSK pulp producers generally incur costs in their local currency, while pulp is quoted in dollars, a dollar strengthening generally benefits producers' businesses and operating margins. Conversely, a weakening of the dollar versus the local currency of producers generally adversely affects producers' businesses and operating margins.

As a corollary to changes in exchange rates between the dollar and the euro and Canadian dollar, a stronger dollar generally increases costs to customers of NBSK pulp producers and results in downward pressure on prices. Conversely, a weakening dollar generally supports higher pulp pricing. However, there is invariably a time lag between changes in currency exchange rates and pulp prices. This lag can vary and is not predictable with any certainty.

As Northern Europe has historically been the world's largest market and NBSK pulp is the premium grade, the European market NBSK price is generally used as a benchmark price by the industry. The average European list prices for NBSK pulp since 2011 have fluctuated between a low of approximately $760 per ADMT in 2012 and a high of $1,230 per ADMT in 2018.

The following chart sets out the changes in list prices for NBSK pulp in Europe, as stated in dollars, Canadian dollars and euros for the periods indicated:

NBSK Pulp Price History (European Delivery)



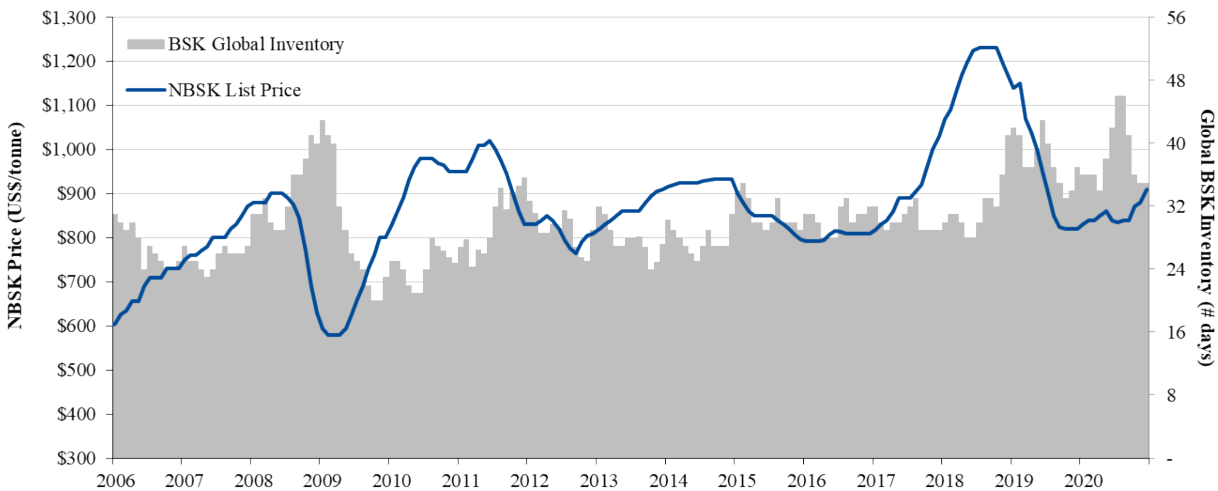
The following table sets out list prices for NBSK pulp in Europe and North America and net prices for NBSK pulp in China at the dates indicated:

	December 31,	
	2020	2019
	($/ADMT)	
Europe	910	820
North America	1,155	1,115
China	695	555

A producer's net sales realizations are list prices, net of customer discounts, rebates and other selling concessions. The nature of the pricing structure in Asia is different in that, while list prices tend to be lower than Europe, customer discounts and rebates are much lower, resulting in net sales realizations that are generally similar to other markets.

The following chart sets forth changes in FOEX PIX Pulp Index prices for NBSK pulp in Europe and global bleached softwood kraft inventory levels between 2006 and 2020:

Pulp Price and Global Inventory History



Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These factors are common in the kraft pulp industry. We generally have weaker pulp demand in Europe during the summer holiday months and in China in the period relating to the lunar new year. We typically have a seasonal build-up in raw material inventories in the early winter months as our mills build up their fiber supply for the winter when there is reduced availability.

Competition

Pulp markets are large and highly competitive. Producers ranging from small independent manufacturers to large integrated companies produce pulp worldwide. Our pulp and customer services compete with similar products manufactured and distributed by others. While many factors influence our competitive position, particularly in weak economic times, a key factor is price. Other factors include service, quality and convenience of location. Some of our competitors are larger than we are in certain markets and have substantially greater financial resources. These resources may afford those competitors more purchasing power, increased financial flexibility, more capital resources for expansion and improvement and enable them to compete more effectively. Our key NBSK pulp competitors are principally located in Northern Europe and Canada and include Metsä Fibre, Södra Cell, Ilim, Paper Excellence, Canfor Pulp, and SCA.

Pulp Production

Our pulp production capacity and actual production by mill for the periods indicated is set out below:

	Annual Production Capacity(1)	Year Ended December 31, 2020	Year Ended December 31, 2019
		(ADMTs)	
Rosenthal	360,000	348,384	352,575
Stendal	660,000	659,827	656,714
Celgar	520,000	444,036	433,432
Peace River	475,000	449,213	444,102
Cariboo(2)	170,000	149,624	153,759
Total pulp production	2,185,000	2,051,084	2,040,582

(1) Capacity is the rated capacity of the plants for the year ended December 31, 2020.
(2) MPR's 50% joint venture interest in the Cariboo mill.

Generation and Sales of Green Energy and Chemicals

General

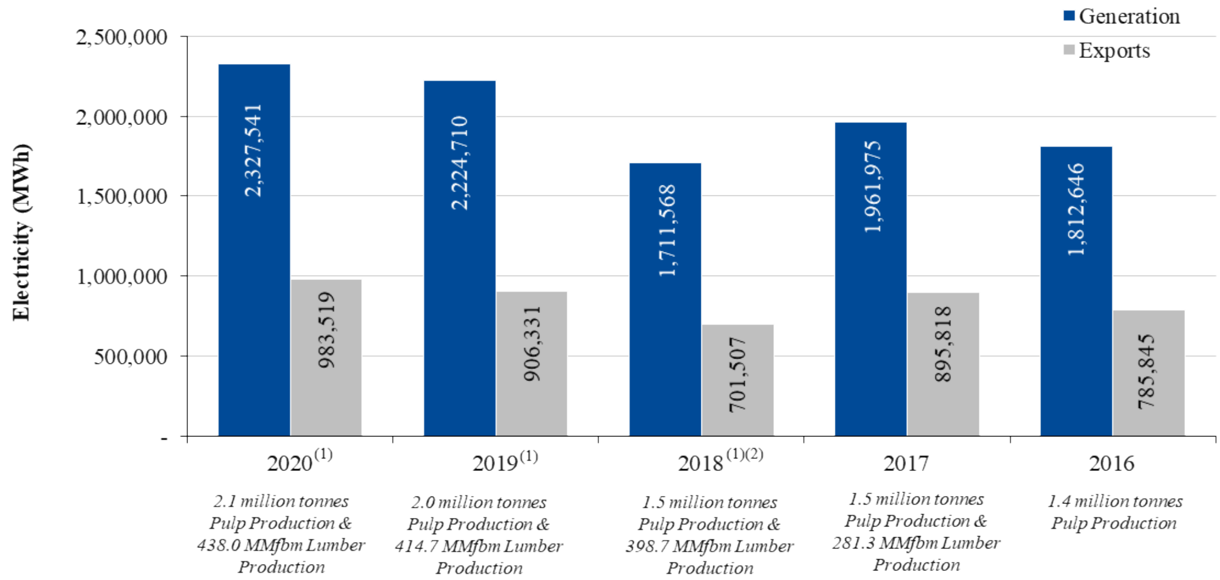
Our pulp mills are large scale bio-refineries that, in addition to pulp, also produce surplus "carbon neutral" or green energy. As part of the pulp production process, our mills generate green energy using carbon neutral bio-fuels such as black liquor and wood waste. Through the incineration of bio-fuels in the recovery and power boilers, our mills produce sufficient steam to cover all of our steam requirements and allow us to produce surplus electricity which we sell to third-party utilities or into the regional electricity market. As a result, we have benefited from green energy legislation, incentives and commercialization that have developed over the last decades in Europe and Canada. In addition, in recent years we have applied considerable resources to increasing our capacity to produce and sell chemicals, primarily tall oil for use in numerous applications including bio-fuels.

Our Friesau mill also generates and sells green energy produced from its biomass cogeneration power plant.

Our surplus energy and chemical sales provide us with a stable revenue source unrelated to pulp or lumber prices. Since our energy and chemical production are by-products of our production processes, there are minimal incremental costs and our surplus energy and chemical sales are highly profitable. We believe that this revenue source gives our mills a competitive advantage over other older mills which do not have the equipment or capacity to produce and/or sell surplus power and/or chemicals in a meaningful amount.

The following table sets out our electricity generation and surplus electricity sales for the five years ended December 31, 2020:

Electricity Generation and Exports

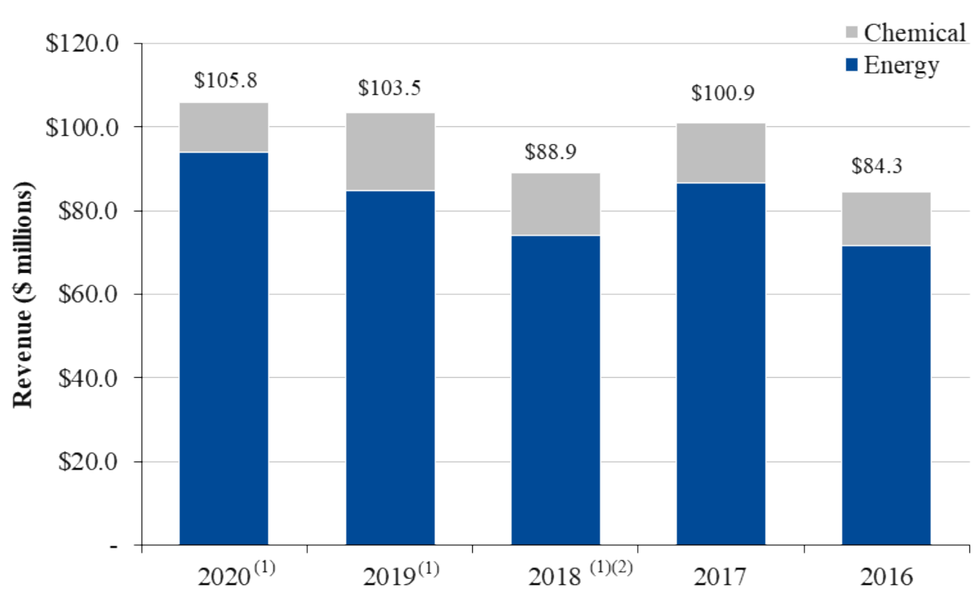


(1) Does not include electricity generation and exports of our 50% joint venture interest in the Cariboo mill, which is accounted for using the equity method.

(2) Includes results of MPR from December 10, 2018.

The following chart sets forth our consolidated revenues from electricity and chemical sales for the five years ended December 31, 2020:

Energy and Chemical Revenue



(1) Does not include energy revenues of our 50% joint venture interest in the Cariboo mill, which is accounted for using the equity method.

(2) Includes results of MPR from December 10, 2018.

Germany

Until December 31, 2020, all of our German mills participated in a program established pursuant to the Renewable Energy Act, which provides for premium pricing on green energy. In 2020, the German government proposed measures that would have, among other things, extended the time period that such tariffs would be available for pulp mills. However, such measures did not come into effect. As a result, commencing January 1, 2021, the prior special tariff in respect of our Rosenthal mill expired and it began selling its surplus power at market rates which fluctuate over time. As a result of, among other things, the COVID-19 pandemic reducing power demand generally in Germany, market rates are currently materially lower than the prior prescribed special tariff. The German government has publicly announced that it will seek to further incentivize green energy production at pulp mills through additional measures in 2021. The special tariff for our Stendal mill is in effect until December 31, 2024 and for our Friesau mill until 2029.

In 2020, energy sales for our German pulp mills and the Friesau mill were approximately $78.0 million or 782,769 MWh.

In 2020, our Rosenthal and Stendal mills generated approximately $6.9 million from the sale of tall oil, a by-product of our production process, and other chemicals.

Canada

In September 2020, our Celgar mill renewed its electricity sales agreement with the provincial energy utility for a ten-year term. Pursuant to the new agreement, which expires in October 2030, the mill agreed to supply a maximum of approximately 127,000 MWh of surplus electrical energy annually to the utility. Compared to the prior agreement, the new agreement provides for the sale of approximately 80% of the mill’s surplus power at about 80% of the previous price but provides us with greater flexibility and optionality to pursue and effect “market” sales and other strategic initiatives with respect to the mill’s surplus power.

In 2020, our Celgar mill sold approximately 134,444 MWh of renewable electricity for proceeds of approximately $10.9 million.

The Peace River mill has a production capacity of approximately 70 MW of electrical generation and its surplus electricity is sold into the Alberta market.

In 2020, our Peace River mill sold approximately 66,306 MWh of renewable electricity for proceeds of approximately $5.2 million.

The Cariboo mill sells electricity to a public utility provider at a fixed rate pursuant to a long-term electricity purchase agreement that runs until December 2022 and may be extended for an additional ten-year term at the option of the joint venture.

Cash Production Costs

The following table sets forth our consolidated cash production costs and cash production costs per ADMT for our pulp segment, and a reconciliation of such amounts to cost of sales, excluding depreciation and amortization, as presented in our consolidated financial statements, for the periods indicated:

	Year Ended December 31,			
	2020		2019	
	(in thousands)	(per ADMT)[1]	(in thousands)	(per ADMT)[1]
Fiber	$ 422,376	$ 222	$ 491,834	$ 261
Labor	109,534	58	117,245	62
Chemicals	101,263	53	109,226	58
Energy	36,469	19	40,646	22
Other	137,122	72	163,059	86
Pulp segment cash production costs[2]	806,764	$ 424	922,010	$ 489
Purchased pulp[3]	76,875		97,384	
Pulp segment other direct costs[4]	138,314		180,426	
Pulp segment cost of sales, excluding depreciation and amortization	1,021,953		1,199,820	
Wood products segment and corporate and other cost of sales, excluding depreciation and amortization	153,794		155,750	
Intercompany eliminations	(12,020)		(15,190)	
Cost of sales, excluding depreciation and amortization	$ 1,163,727		$ 1,340,380	

(1) Cash production costs per ADMT are cash production costs divided by pulp production for the year.
(2) Cash production costs exclude depreciation and amortization.
(3) Pulp purchased from the 50% owned Cariboo mill, which is accounted for using the equity method.
(4) Other direct costs primarily consist of freight and the net change in finished goods inventory.

Production Costs

Our major costs of pulp production are fiber, labor, chemicals and energy.

Fiber, comprised of wood chips and pulp logs, is our most significant operating expense for our pulp segment, representing about 52% of our pulp cash production costs in 2020. Further, fiber, in the form of sawlogs, represents about 69% of lumber cash production costs in 2020.

Given the significance of fiber to our total operating expenses and our limited ability to control its cost compared with our other operating costs, volatility in fiber costs can materially affect our margins and results of operations.

Fiber

General

Our mills are situated in regions which generally provide a relatively stable supply of fiber. The fiber consumed by our pulp mills consists of wood chips produced by sawmills as a by-product of the sawmilling process and pulp logs. Wood chips are small pieces of wood used to make pulp and are either wood residuals from the sawmilling process or pulp logs chipped especially for this purpose. Pulp logs consist of lower quality logs not used in the production of lumber. The Friesau mill consumes sawlogs and waste wood, which are cyclical in both price and supply.

Generally, the cost of wood chips, pulp logs and sawlogs is primarily affected by the supply and demand for lumber. Additionally, regional factors including harvesting levels, weather conditions and insect infestations can also have a material effect on the supply, demand and price for fiber.

While fiber costs and supply are subject to cyclical changes, we expect that we will be able to continue to obtain an adequate supply of fiber on reasonably satisfactory terms for our mills due to their locations and our long-term relationships with suppliers. We have not historically experienced any significant fiber supply interruptions for our operations.

During the past few years, certain customers have endeavored to purchase pulp that is produced using fiber that meets certain recognized wood certification requirements from forest certification agencies like the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC), the Sustainable Forestry Initiative (SFI) and the Canadian Standards Association (CSA). If the fiber we purchase does not meet certain wood certifications required by customers, it may make it more difficult to, or prevent us from, selling our pulp to such customers. The chain of custody wood certification process is a voluntary process which allows a company to demonstrate that they use forest resources in accordance with strict principles and standards in the areas of sustainable forest management practices and environmental management. In an effort to procure wood only from sustainably managed sources, we employ an FSC Chain of Custody protocol for controlled wood and PEFC certification, which requires tracking of fiber origins and preparing risk based assessments regarding the region and operator. In the areas where we operate, we are actively engaged in the further development of certification processes. However, there is competition among private certification systems along with efforts by supporters to further these systems by having customers of forest products require products to be certified to their preferred system. Such wood certification standards continue to evolve and are not consistent from jurisdiction to jurisdiction or how they are interpreted and applied. We currently do not expect certification requirements to have a material adverse impact on our fiber procurement and sales. However, if sufficient marketplace demand requires wood raw materials to be sourced from standards that are inconsistent with those in our fiber supply regions, it could increase our operating costs and available harvest levels.

Germany

We believe we are the largest consumer of wood chips and pulp logs in Germany and often provide the best long-term economic outlet for the sale of wood chips in Eastern Germany. We coordinate the wood procurement activities for our German mills to reduce overall personnel and administrative costs, provide greater purchasing power and coordinate buying and trading activities. This coordination and integration of fiber flows also allows us to optimize transportation costs, and the species and fiber mix for our mills. We are also party to a joint wood purchasing arrangement with one of the largest wood consumers in Europe.

In 2020, our German pulp mills consumed an aggregate of approximately 5.1 million cubic meters of fiber. Approximately 59% was in the form of pulp logs and approximately 41% was in the form of sawmill wood chips.

In 2020, our per unit pulp fiber costs in Germany decreased compared to 2019, primarily as a result of the availability of beetle damaged wood.

Our Rosenthal mill sources wood chips from approximately 20 sawmills located primarily in the German states of Bavaria, Baden-Württemberg and Thuringia and primarily within a 300 kilometer radius of the Rosenthal mill. Within this radius, the Rosenthal mill is the largest consumer of wood chips. Given its location and size, the Rosenthal mill is often the best economic outlet for the sale of wood chips in the area. In 2020, approximately 94% of the fiber consumed by the Rosenthal mill was spruce and the remainder was pine. Wood chips for the Rosenthal mill are normally sourced from sawmills under one-year contracts with quarterly adjustments for market pricing. Substantially all of our chip supply is sourced from suppliers with which we have long-standing relationships. Pulp logs are sourced from the state forest agencies in Thuringia, Saxony and Bavaria and from private and municipal forest owners. In addition, the Rosenthal mill buys relevant volumes from dealers and via imports from the Czech Republic.

The core wood supply region for the Stendal mill includes most of the Northeastern and Western part of Germany, primarily within an approximate 400 kilometer radius of the mill. We also purchase wood chips from Southwestern and Southern Germany as well as the Baltic Sea region. The fiber consumed by the Stendal mill consisted of approximately 62% spruce, 36% pine and 2% other species in 2020. The Stendal mill has sufficient chipping capacity to fully operate solely using pulp logs, if required. We source pulp logs from private and municipal forest owners and from state forest agencies. Our Stendal mill has historically also imported fiber from Poland and the Baltic Sea region.

Our Friesau mill is dependent on the consistent supply of sawlog fiber. Wood fiber is the single largest input cost and accounts for about 69% of its cash costs of producing lumber in 2020. Our Friesau mill is located in an area where there is a significant amount of high-quality fiber within economic reach. The wood fiber requirements of the Friesau mill are met primarily through open market purchases and contract purchases from state forestry agencies and private and municipal forest owners.

In Germany, over the last several years, the price and supply of wood chips has been affected from time to time by increasing demand from alternative or renewable energy producers and government initiatives for carbon neutral energy. Declining energy prices, weaker economies and warm winters tempered the demand for wood chips resulting from initiatives by European governments to promote the use of wood as a carbon neutral energy. There can be no assurance that such non-traditional demand for fiber will not be stronger in the long-term.

Offsetting some of the increases in demand for wood fiber have been initiatives to increase harvest levels in Germany, particularly from small private forest owners which have been harvested at rates much lower than their rate of growth. We believe that Germany has the highest availability of softwood forests in Europe suitable for harvesting and manufacturing.

Canada

In 2020, the Celgar mill consumed approximately 2.4 million cubic meters of fiber. Approximately 70% of such fiber was in the form of sawmill wood chips and the remaining 30% came from pulp logs processed through its woodroom or chipped by a third-party. Celgar’s woodroom is able to process about 40% of the mill’s fiber needs. The source of fiber at the mill is characterized by a mixture of species (pine, douglas fir, hemlock, cedar and spruce) and the mill sources fiber from a number of Canadian and U.S. suppliers.

In 2020, our Celgar mill’s per unit fiber costs decreased compared to 2019, due to strong sawmill activity in the mill’s fiber procurement area but remained at historically high levels due to strong demand for fiber in the mills’ fiber procurement areas.

The availability of fiber for the Celgar mill is in large part influenced by the strength of the lumber market. Lumber markets are primarily driven by U.S. housing starts, home renovation activities and, to a lesser degree, demand from China.

In 2020, the Celgar mill had access to over 25 different chip suppliers from Canada and the United States. Chips are purchased in Canada and the United States in accordance with chip purchase agreements. Generally, pricing is reviewed and adjusted periodically to reflect market conditions. The contracts are generally for one year with quarterly adjustments or on three-month terms.

To secure the volume of pulp logs required by its woodroom and field chippers, the Celgar mill has entered into pulp log supply agreements, which can range from three-month to one-year terms, with a number of different suppliers, many of whom are also contract chip suppliers to the mill. All of the pulp log agreements can be terminated by either party for any reason, upon seven days’ written notice. The Celgar mill also bids on British Columbia timber sales from time to time.

In 2020, our Peace River mill consumed approximately 2.4 million cubic meters of softwood and hardwood fiber. Approximately 55% of such fiber was in the form of hardwood chips from portable chippers and the remaining 45% came from sawmills in the form of residual softwood chips. The source of fiber at the mill is characterized by a mixture of softwood (spruce and pine) and hardwood species (aspen and balsam poplar) and the mill sources fiber from a number of Canadian suppliers.

MPR holds two 20-year renewable governmental forest management agreements and three deciduous timber allocations in Alberta with an aggregate allowable annual cut of approximately 2.4 million cubic meters of hardwood, of which it currently harvests approximately 44%, and 400,000 cubic meters of softwood, which it sells or trades to sawmills surrounding the Peace River mill in exchange for wood chips. The forest management agreements were last renewed for a 20-year term expiring in 2029. While our Peace River mill can satisfy all of its hardwood fiber requirements from its forest management agreements and timber allocations, in order to optimize its fiber flow, it satisfies a small portion of its needs from third-party owned timberlands. Softwood fiber supply is from residual sawmill chips from local surrounding sawmills.

In 2020, the Peace River mill had access to several different softwood chip suppliers. Chips are purchased in accordance with chip purchase agreements. Generally, pricing is reviewed and adjusted periodically to reflect market prices. All contracts are generally for three to five years with monthly adjustments indexed on the average pulp price for the previous three months.

Labor

Our labor costs are generally steady, with small overall increases due to inflation in wages and health care costs. We have generally been able to largely offset such increases by increasing our efficiencies and production and streamlining operations.

Energy

Our energy is primarily generated from renewable carbon neutral sources, such as black liquor and wood waste. Our mills produce all of our energy requirements and generate excess energy which we sell to third-party utilities and to regional markets. We utilize fossil fuels, such as natural gas, primarily in our lime kilns and we use a limited amount for start-up and shut-down operations. Additionally, from time to time, mill process disruptions occur and we consume small quantities of purchased electricity and fossil fuels to maintain operations. As a result, all of our mills are subject to fluctuations in the prices for fossil fuels.

Chemicals

Our pulp mills use certain chemicals which are generally available from several suppliers and sourcing is primarily based upon pricing and location. Our chemical costs have generally been stable in recent years.

In connection with our focus on the growing bio-energy market, we sell tall oil, a by-product of our pulp production process which is used as both a chemical additive and as a green energy source. In 2020, we generated approximately $6.9 million from the sale of tall oil and other chemicals from our pulp segment.

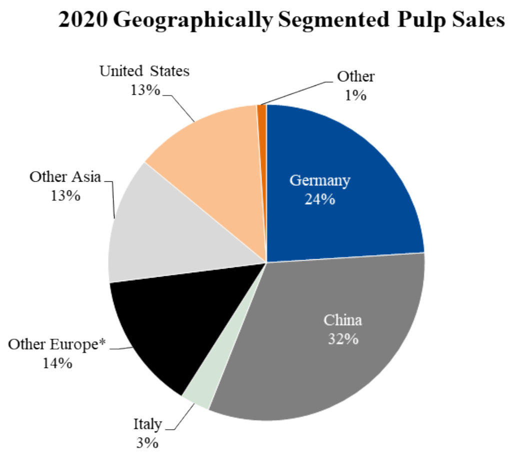
Sales, Marketing and Distribution

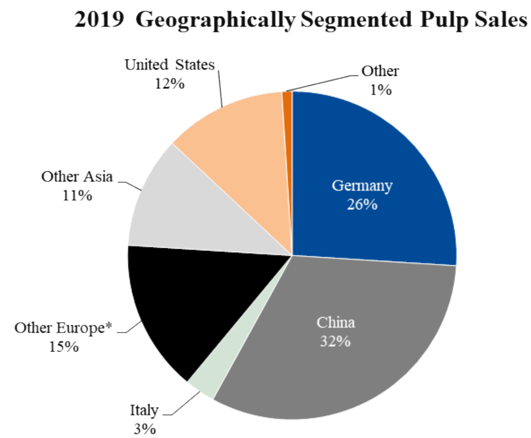
Our pulp revenues by geographic area are set out in the following table for the periods indicated:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Germany	$ 268,978	$ 356,803
Italy	33,166	40,782
Other Europe[1]	158,119	207,870
United States	149,759	168,197
China	364,527	430,508
Other Asia	141,695	150,012
Other countries	14,058	16,570
Total[2]	$ 1,130,302	$ 1,370,742

(1) Excluding Germany and Italy.
(2) Excluding intercompany sales.

The following charts illustrate the geographic distribution of our pulp revenues as a percentage of our total pulp revenues for the periods indicated:





* Excluding Germany and Italy.

The distribution of our pulp sales volumes by end use are set out in the following table for the periods indicated:

	Year Ended December 31,	
	2020	2019
	(in thousands of ADMTs)	
Tissue	807	766
Specialty	338	279
Printing & Writing	779	1,008
Other	105	46
Total	2,029	2,099

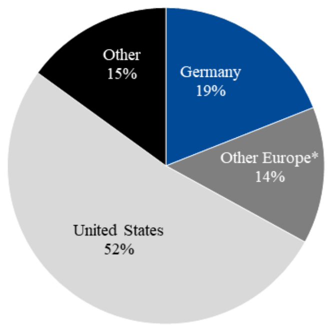
Our lumber revenues by geographic area are set out in the following table for the periods indicated:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
United States	$ 93,802	$ 54,098
Germany	34,065	36,040
Other Europe(1)	25,313	25,525
Other countries	27,589	26,580
Total(2)	$ 180,769	$ 142,243

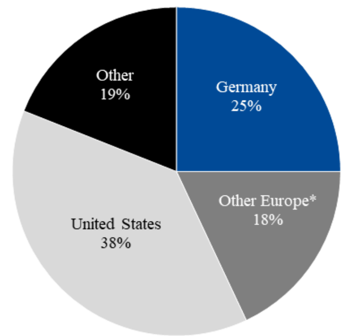
(1) Excluding Germany.
(2) Excluding intercompany sales.

The following charts illustrate the geographic distribution of our lumber revenues as a percentage of our total lumber revenues for the periods indicated:

2020 Geographically Segmented Lumber Sales



2019 Geographically Segmented Lumber Sales



* Excluding Germany.

Our global sales and marketing group is responsible for conducting all sales and marketing of the pulp produced at our mills and currently has approximately 25 employees. This group largely handles all European and North American sales directly. Sales to Asia are made directly or through commission agents overseen by our sales group. The global sales and marketing group handles sales to over 240 customers. We coordinate and integrate the sales and marketing activities of our German mills to realize on a number of synergies between them. These include reduced overall administrative and personnel costs and coordinated selling, marketing and transportation activities. We also coordinate pulp sales across our mills on a global basis, thereby providing our larger customers with seamless service across all major geographies. In marketing our pulp, we seek to establish long-term relationships by providing a competitively priced, high-quality, consistent product and excellent service. In accordance with customary practice, we maintain long-standing relationships with our customers, pursuant to which we periodically reach agreements on specific volumes and prices.

Our lumber sales are handled by our sales teams in Germany and Vancouver. We also sell lumber through commissioned agents in certain markets.

Our pulp and lumber sales are on customary industry terms. At December 31, 2020, we had no material payment delinquencies. In 2020 and 2019, no customer accounted for 10% or more of our revenues. We do not believe our pulp sales are dependent upon the activities of any single customer and the loss of any single customer would not have a material adverse effect on us.

Transportation

We transport our pulp and lumber generally by truck, rail and ocean carriers through third-party carriers. We have a small fleet of trucks in Germany that deliver some of our German mills’ pulp.

Our German pulp mills are currently the only market kraft pulp producers in Germany, which is the largest import market for kraft pulp in Europe. We therefore have a competitive transportation cost advantage compared to Canadian and Northern European pulp producers when shipping to customers in Europe. Due to the location of our German mills, we are able to deliver pulp to many of our customers primarily by truck and rail.

Our Canadian mills’ pulp is transported to customers by truck, rail and ocean carrier to ensure timely delivery. The majority of our Canadian mills’ pulp for overseas markets is initially delivered primarily by rail to the Port of Vancouver for shipment overseas by ocean carrier. Based in Western Canada, our Canadian mills are well positioned to service Asian customers. The majority of our Canadian mills’ pulp for domestic markets is shipped by rail directly to the customer or to third-party warehouses in the United States. We also operate a logistics and reload center near Trail, British Columbia to provide us with additional warehouse space and greater transportation flexibility in terms of access to rail and trucking options.

The Friesau mill’s lumber is transported to customers by truck, rail and ocean carriers through third-party carriers.

In each of 2020 and 2019, outbound transportation costs comprised approximately 13% and 11%, respectively, of our total consolidated costs and expenses.

Capital Expenditures

We have continued to make capital investments designed to increase pulp, green energy and chemical production, reduce costs and improve efficiency and environmental performance at our pulp mills. The improvements made over the years have increased the competitive position of our pulp segment. Since its acquisition, we have also made capital investments to optimize sawmill production at the Friesau mill.

Total capital expenditures at our mills (excluding any related governmental grants) are set out in the following table for the periods indicated:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Rosenthal	$ 9,786	$ 13,334
Stendal	21,881	20,622
Celgar	11,816	48,587
Peace River	10,268	20,523
Friesau	23,788	28,425
Total	$ 77,539	$ 131,491

Capital investments at the Rosenthal mill in 2020 and 2019 primarily related to wastewater improvement and maintenance projects.

Capital investments at the Stendal mill in 2020 primarily related to capacity expansion, land for fiber storage and maintenance projects. In 2019, they primarily related to wastewater improvement projects including the extension of the effluent treatment plant and other projects.

In June 2018, we commenced a Phase II expansion and optimization project at the Friesau mill, which is designed to, among other things, increase annual lumber production to approximately 750 MMfbm of lumber and improve production grade capabilities and efficiencies. We currently expect to substantially complete the project in the first half of 2021.

Capital investments at the Celgar mill in 2020 primarily related to fiber consumption improvement projects and maintenance projects. In 2019, they primarily related to improvements to the mill's bale line, a turpentine extraction project and other production improvement projects.

Capital investments at the Peace River mill in 2020 and 2019 primarily related to large maintenance projects.

Certain of our capital investment programs in Germany were partially financed through government grants made available by German federal and state governments. Under legislation adopted by the federal and certain state governments of Germany, government grants were provided to qualifying businesses operating in Eastern Germany to finance capital investments. The grants were made to encourage investment and job creation.

Qualifying capital investments at industrial facilities in Germany that reduce pollutants in the effluent discharge offset wastewater fees that would otherwise be required to be paid. For more information about our environmental capital expenditures, see "– Environmental".

In 2021, excluding amounts being financed through government grants and expected insurance proceeds, we currently expect our total capital expenditures to be approximately $150.0 million.

In our pulp segment, excluding our Peace River mill, we currently expect our capital expenditures in 2021 to be principally comprised of capacity expansion projects for the Stendal mill, wastewater improvement and maintenance projects. At the Peace River mill we will be undertaking significant maintenance to the boiler that will be funded by insurance proceeds.

In our wood products segment, we currently expect capital expenditures in 2021 at our Friesau mill to be approximately $30.0 million for further upgrades to our sorter line and other capital improvement and maintenance projects.

Innovation

We utilize our expertise with wood, its processing and by-products to expand our product mix. As a result, we seek to develop new products based on our expertise working with derivatives of the kraft pulping process and wood processing. Currently these processes are focused on:

- the further refinement of materials contained in black liquor, the extractive chemical and lignin containing compounds that are a result of the kraft pulping process;
- the further refinement of cellulose materials that are currently the basis of pulp; and
- higher use products that may be derived from wood and plant processing and harvesting including oils from sandalwood trees and plants.

We are working on some of these initiatives on our own and with others in conjunction with industry associations or joint venture partners. We are also researching potential higher use products that may be derived from processing different species of trees and plants.

Environmental

Our operations are subject to a wide range of environmental laws and regulations, dealing primarily with:

- air, water and land;
- solid and hazardous waste management;
- waste disposal;
- remediation and contaminated sites; and
- chemical usage.

Compliance with these laws and regulations generally involves capital expenditures as well as additional operating costs. We cannot easily quantify the future amounts of capital expenditures we might have to make to comply with these laws and regulations or the effects on our operating costs because in some instances compliance standards have not been developed, have not become final or definitive or may be amended in the future. In addition, it is difficult to isolate the environmental component of most manufacturing capital projects.

We devote significant management and financial resources to comply with all applicable environmental laws and regulations. In particular, the operation of our plants is subject to permits, authorizations and approvals and we have to comply with prescribed emission limits. Compliance with these requirements is monitored by local authorities and non-compliance may result in administrative orders, fines or closures of the non-compliant mill. Our total capital expenditures on environmental projects at our mills were approximately $2.3 million in 2020 and approximately $16.7 million in 2019. In 2021, capital expenditures for environmental projects, principally comprised of projects to improve wastewater quality, are expected to be approximately $13.2 million.

Environmental responsibility is a priority for our operations. To ensure compliance with environmental laws and regulations, we regularly monitor emissions at our mills and periodically perform environmental audits of operational sites and procedures both with our internal personnel and outside consultants. These audits identify opportunities for improvement and allow us to take proactive measures at the mills as considered appropriate.

We believe we have obtained all required environmental permits, authorizations and approvals for our operations. We believe our operations are currently in material compliance with the requirements of all applicable environmental laws and regulations and our respective operating permits.

Under German state environmental rules relating to effluent discharges, industrial users are required to pay wastewater fees based upon the amount of pollutants they discharge in their effluent. These rules also provide that an industrial user which undertakes environmental capital expenditures and lowers certain effluent pollutants to prescribed levels may offset the amount of these expenditures against the wastewater fees that they would otherwise be required to pay. We expect capital investment programs and other environmental initiatives at our German mills will continue to offset the wastewater fees that are payable and we believe they will ensure that our operations continue in substantial compliance with prescribed standards.

In Canada, in addition to existing provincial air quality regulations, an air quality management system, referred to as "AQMS", outlines a comprehensive national approach for improving air quality in Canada. Under the AQMS, all levels of government are to work collaboratively to respond to different air quality challenges across the country. The AQMS includes four elements:

- Canadian Ambient Air Quality Standards (CAAQS), meant to drive local air quality improvements. They provide the basis for provincial territorial governments to determine the level of action needed.
- A framework for regional and local air quality management through air zones and regional airsheds.
- Base-level Industrial Emissions Requirements (BLIERs) for certain major industries.
- An intergovernmental working group to improve collaboration and reduce emissions from mobile sources (*i.e.* sources such as in-use cars and trucks).

In 2016, Environment Canada released the Pan-Canadian Framework on Clean Growth and Climate Change. The framework put in place a national, sector-based greenhouse gas reduction program applicable to a number of industries. In addition, the various provincial governments, including British Columbia and Alberta, have introduced legislation with the intention of reducing greenhouse gas emissions.

British Columbia has, for example, introduced a carbon tax and low-carbon fuel standards. British Columbia has also implemented performance standards, such as greenhouse gas emissions benchmarks for select industrial facilities and sectors, and new greenhouse gas emissions reporting regulations for certain industrial operations. British Columbia has also established greenhouse gas emission offset projects.

In 2019, the federal government began phasing in a federal carbon tax pricing system in provinces and territories without a provincial carbon tax program. As of January 1, 2020, the federal carbon tax pricing system applies to Saskatchewan, Manitoba, Ontario, New Brunswick and Alberta, as well as the territories of Nunavut and the Yukon.

We believe that these water and air emission measures in Germany and Canada have not had, and in 2021 will not have, a significant effect on our operations. Although these measures could have a material adverse effect on our operations in the future, we expect that we will not be disproportionately affected by these measures as compared with owners of comparable operations. We also expect that these measures will not significantly disrupt our planned operations.

Future regulations or permits may place lower limits on allowable types of emissions, including air, water, waste and hazardous materials, and may increase the financial consequences of maintaining compliance with environmental laws and regulations or conducting remediation. Our ongoing monitoring and policies have enabled us to develop and implement effective measures to maintain emissions in substantial compliance with environmental laws and regulations to date in a cost-effective manner. However, there can be no assurance that this will be the case in the future.

Climate Change

Changing weather patterns and climatic conditions due to natural and man-made causes have added to the unpredictability and frequency of natural disasters, such as hurricanes, hail storms, wildfires and wind, snow and ice storms. Such changes and resulting conditions can adversely affect our operations, including variations in the cost and availability of raw materials, such as fiber, unplanned downtime, operating rates and transportation and logistics. There are differing scientific studies relating to the severity, extent and speed at which climate change is occurring and as a result, we are unable to identify and predict all of the consequences of climate change and the timing of the same on our business and operations.

The effects and perceived effects of climate change and social and governmental responses have created both opportunities and negative consequences for our business.

The focus on climate change has generated a substantial increase in demand and in legislative requirements for carbon neutral or green energy. Pulp mills consume wood residuals, being wood chips and pulp logs, as the base raw material for their production process. Wood chips are residuals left over from lumber production and pulp logs are generally lower quality logs left over from logging that are unsuitable for the production of lumber. Sawmills consume sawlogs and residuals, like wood chips, are generally sold to other industrial consumers like pulp and pellet producers.

As part of their production process, our pulp mills take wood residuals and process them through a digester where cellulose is separated from the wood to be used in pulp production and the remaining residuals, called black liquor, are used for green energy production. As a result of their use of wood residuals and because our mills generate combined heat and power in a process known as cogeneration, they are efficient producers of energy. Our Friesau mill utilizes residual bark and shavings from consumed logs to produce energy. This energy is carbon neutral and produced from a renewable source. Our relatively modern mills generate a substantial amount of energy that is surplus to their operational requirements.

These factors, along with governmental initiatives in respect of renewable or green energy legislation, have provided business opportunities for us to enhance our generation and sales of green energy to regional utilities.

We are constantly exploring other initiatives to enhance our generation and sales of surplus green energy and chemical by-products. Other potential opportunities that may result from climate change include:

- the expansion of softwood forests and increased growth rates for such forests;
- more intensive forestry practices and timber salvaging versus harvesting standing timber;
- greater demand for sustainable energy and cellulosic biomass fuels; and
- additional governmental incentives and/or legislative requirements to enhance biomass energy production.

We cannot currently predict which, if any, of these potential opportunities will be realized by us or their economic effect on our business.

While not all of the specific consequences to our business from climate change are predictable, one of the most significant adverse consequences is that the focus on renewable energy has created greater demand and competition for wood residuals or fiber from renewable energy producers like the pellet industry in Germany.

In Germany, the price and supply of wood residuals have been periodically affected by an increasing demand from alternative or renewable energy producers and governmental initiatives for carbon neutral energy. Declining energy prices, weaker economies and warm winters temper the demand for wood chips resulting from initiatives by European governments to promote the use of wood as a carbon neutral energy. There can be no assurance that such non-traditional demand for fiber will not be stronger in the long-term. Additionally, the growing interest and focus in British Columbia for renewable green energy has created additional competition for such fiber. Such additional demand for wood residuals may increase the competition and prices for wood residuals over time.

In response to climate change risks, there have been governmental initiatives and legislation on the international, national, state and local levels. Such governmental action or legislation can have an important effect on the demand and prices for fiber. As governments pursue green energy initiatives, they risk creating incentives and demand for wood residuals from renewable energy producers that "cannibalizes" or adversely affects traditional users, such as lumber and pulp and paper producers. We are continually engaged in dialogue with governments to educate and try to ensure potential initiatives recognize the traditional and continuing role of our mills in the overall usage of forestry resources and the economies of local communities.

Other potential negative consequences from climate change that can affect our business include:

- a greater susceptibility of northern forests to disease, fire and insect infestation;
- the disruption of transportation systems and power supply lines due to more severe storms;
- the loss of fresh water transportation for logs and pulp due to lower water levels;
- decreases in the quantity and quality of processed water for our mill operations;

- the loss of northern forests in areas in sufficient proximity to our mills to competitively acquire fiber; and
- lower harvest levels decreasing the supply of harvestable timber and, as a consequence, wood residuals.

Well-publicized events have been attributed at least in part to climate change, including a beetle infestation in Western Canada that has damaged significant amounts of forest lands and harvestable timber. In the last couple of years, Germany is experiencing a similar beetle infestation that has affected a large portion of its forests. Changes in climate conditions have also been attributed at least in part to increasingly frequent and severe wildfires in the interior of Western Canada and portions of the western United States and Europe. We cannot currently predict whether such climate-affected conditions will continue, or the frequency or severity of the same in the future.

Wood Products Industry

General

With approximately 3.7 billion cubic meters, Germany has the largest timber reserves in Europe. The principal trees are spruce, pine, beech and oak. Approximately 70 to 80 million cubic meters are harvested annually. Many of the German forest areas have been certified according to PEFC or FSC standards. Modern solid wood products include sawn and planed lumber which are used in different areas.

Demand for softwood lumber is cyclical and influenced by transportation costs, exchange rates, government tariffs and competitiveness of substitute products, as well as factors that affect consumer confidence and drive demand for residential construction, such as interest rates, disposable income, unemployment rates, perceived job security and other indicators of general economic conditions. Demand can vary from region to region within a country and seasonal factors that determine optimal building conditions can also affect demand.

Lumber Products and Markets

Our Friesau mill, which was built in 1992 and has two high-volume Linck sawlines, has the ability to produce both rough and planed products. The sawmill principally manufactures finished sawn lumber milled from spruce and pine, including European metric and specialty lumber, U.S. dimensional lumber and J-grade lumber, in various sizes and grades.

The process for manufacturing lumber results in a significant percentage of each sawlog ending up as by-products or residuals such as wood chips, trim blocks, sawdust shavings and bark. By-products are typically used as fuel for our cogeneration power plant or sold to a wide variety of customers. In addition, we utilize a significant portion of the chips from the Friesau mill at our Rosenthal pulp mill.

The main markets for our lumber products are in the United States, Europe and the Far East.

Our Friesau mill fosters a diverse customer base in each of its key markets. Customers include national and regional distributors, large construction firms, secondary manufacturers, retail yards and home centers.

Competition

The markets for our lumber products are highly competitive on a global basis and producers compete generally on price, quality and service. Factors influencing our competitive position include, among others, the availability, quality and cost of raw materials, including fiber, energy and labor and the efficiency and productivity of the Friesau mill in relation to its competitors. The Friesau mill competes in international markets subject to currency fluctuations and global business conditions.

Our Friesau mill competes against many producers, a number of whom own and operate more mills than we do and numerous competitors have greater financial resources or lower production costs than us.

Human Capital

We employ a collaborative group of skilled, dedicated, resourceful and innovative individuals that support our core purpose and reflect our values every day. Investment in our people drives our excellence and accordingly, we are committed to attracting, retaining and developing quality personnel. By nature of the industries in which we operate, many of our employees are professionals who require specialized knowledge and skills and include various categories of engineers and many licensed trade persons and equipment operators. Our senior managers and directors have extensive experience in the forest products industry, and we have experienced managers at all of our mills. Our management has a proven track record of implementing new initiatives and capital projects in order to reduce costs throughout our operations as well as identifying and harnessing new revenue opportunities.

As of December 31, 2020, we employ approximately 2,375 people, of which approximately 1,505 employees work in our German operations and approximately 830 employees work in our Canadian operations. Our pulp segment employs approximately 1,875 people and our wood products segment employs approximately 430 people. The majority of our employees in both segments are bound by collective agreements. We consider the relationships with our employees, and the unions which represent them, to be good. Strong labor management relations are fundamental to our operations. Accordingly, we recognize and work cooperatively with the unions to ensure we build and maintain superior working conditions, a supportive work environment, training and growth opportunities and fair compensation packages.

Health and Safety

Safety is a core value of our company. The industries in which we operate have their own particular set of risks including hazards from our complex industrial manufacturing facilities such as manufacturing processes, heavy and complex equipment, operating boilers, energy production, and the use and recovery of chemicals. Accordingly, there is no initiative that attracts a higher degree of focus for our management team than our “Road to Zero” program, which is a company-wide initiative to create safe and productive work environments with a goal of zero workplace incidents.

We have developed tools to analyze potential and incurred incidents and we have resources to develop prevention initiatives. In particular, we focus on modelling responses to eliminate the risk, where possible, by using the "hierarchy of controls" adopted by many of the world's leading health and safety organizations. Our priority is the elimination of hazards, followed by safe administrative practices and the appropriate personal protective equipment. We identify, monitor, educate, and take a data-driven approach to drive workplace safety improvements. Many of our programs revolve around education, hazard identification, and risk mitigation strategies. These proactive initiatives bring safety to the forefront of our work practices. Our teams of safety professionals are dedicated to finding and utilizing the right tools to prevent all workplace injuries. Our Chief Executive Officer is the Chair of our Senior Safety Leadership Committee, referred to as the "SSLC", which designs and implements broad policies, strategies, expenditures, and training for our employees. The SSLC has engaged a globally recognized safety consultant specializing in the design and implementation of health and safety management systems. Such advisors have been supporting the initiatives established by the SSLC and providing leadership training, policy implementation, and practical tools to support our employees.

We closely monitor the health and safety issues related to the COVID-19 pandemic. In 2020, we encouraged and supported remote-access initiatives so that key staff can work from home or from non-office locations; restricted business travel, based on guidance from the World Health Organization; provided alternative arrangements for site and staff meetings; provided safe working environments that include disinfection of work stations, increased cleaning by janitorial staff, separated shifts, limited staff gatherings in lunchrooms; and instituted social distancing and self-assessment opportunities, which were overseen by trained staff. Employees experiencing cold- or flu-like symptoms were prohibited from coming into the operations and were advised to seek medical attention in line with provincial and regional COVID-19 guidelines. From an operational standpoint, we aligned the work processes at our operating locations within the guidelines of relevant authorities and remained fully operational. A dedicated leadership team met daily to respond to evolving developments and to adjust our operations accordingly while ensuring the safety and health of our employees, contractors, customers, and partners.

Employee Engagement and Development

We aim to support our employees with a well-paying job, rich career opportunities, and a balanced and secure future accompanied by time away from work. All of our employees are provided competitive benefits packages that provide pension, medical, dental, and vision care benefits. Employees are also able to access specialized assistance such as physiotherapy, lifestyle, retirement planning, and family counselling services. We provide a deep mix of training to help our people grow and be more effective in their current and future roles. Our partnership with a global management institute in Switzerland provides company-focused management and strategic development training for our future leaders.

Diversity, Equity and Inclusion

We believe that a culture of diversity and inclusion is critical in making the best decisions for our people and achieving sustainable business success. While gender is only one aspect under diversity, a number of our top management positions were and continue to be held by women. We continue to effect changes to our recruiting and training processes to make our workplaces even more reflective of the diversity that exists in our communities.

We have partnered with a global management consulting company that works to create "Change that Matters". Their long-standing commitment to advancing gender parity, diversity, and inclusion in business aligns with our values and goals. We are working together to create a custom strategy to assist us in becoming the employer of choice, both locally and globally, for future employees.

We do not employ nor do we contract with any parties that employ people who are subjected to unsafe conditions. The vast majority of our employees are part of a union or are represented by a works council with whom we have worked to design conditions that are safe from harassment, and discrimination. In addition, as a supportive workplace, we do our best to accommodate the distinct circumstances of our employees that may require modified workplaces. We have also adopted a written Code of Business Conduct and Ethics to support a corporate culture which, among other things, promotes a work environment that prohibits intimidation and harassment and encourages and promotes diversity and inclusion.

Description of Certain Indebtedness

The following summarizes certain material provisions of our senior notes and revolving working capital facilities. The summaries are not complete and are qualified by reference to the applicable documents and the applicable amendments to such documents on file with the U.S. Securities and Exchange Commission, referred to as the “SEC”, and incorporated by reference herein.

Senior Notes

In January 2021, we issued $875.0 million aggregate principal amount of 5.125% senior notes due February 1, 2029, referred to as the “2029 Senior Notes” to refinance all $250.0 million in aggregate principal amount of our 6.500% Senior Notes due 2024, referred to as the “2024 Senior Notes”, pursuant to a tender offer and a subsequent redemption and to redeem all $550.0 million in aggregate principal amount of our 7.375% senior notes due 2025, referred to as the “2025 Senior Notes”. After giving effect to the foregoing transactions, we now have outstanding the following issues of senior notes, collectively referred to as the “Senior Notes”:

- $300.0 million in aggregate principal amount of 5.500% senior notes due 2026, referred to as the “2026 Senior Notes”; and
- $875.0 million in aggregate principal amount of 2029 Senior Notes.

The 2026 Senior Notes mature on January 15, 2026 and interest on the 2026 Senior Notes is payable semi-annually in arrears on each January 15 and July 15. Commencing July 15, 2018, interest is payable to holders of record of the 2026 Senior Notes on the immediately preceding January 1 and July 1 and is computed on the basis of a 360-day year consisting of twelve 30-day months. Commencing January 15, 2021, the 2026 Senior Notes will become redeemable at our option at a price equal to 102.750% of the principal amount redeemed and declining ratably on January 15 of each year thereafter to 100.000% on or after January 15, 2023.

The 2029 Senior Notes mature on February 1, 2029 and interest on the 2029 Senior Notes is payable semi-annually in arrears on each February 1 and August 1. Commencing August 1, 2021, interest is payable to holders of record of the 2029 Senior Notes on the immediately preceding January 15 and July 15 and is computed on the basis of a 360-day year consisting of twelve 30-day months. Commencing February 1, 2024, the 2029 Senior Notes will become redeemable at our option at a price equal to 102.563% of the principal amount redeemed and declining ratably on February 1 of each year thereafter to 100.000% on or after February 1, 2026.

The indentures governing the Senior Notes contain covenants limiting, among other things, our ability and the ability of our restricted subsidiaries to: incur additional indebtedness or issue preferred stock; pay dividends or make other distributions to our shareholders; purchase or redeem capital stock or subordinated indebtedness; make investments; create liens; incur restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us; sell assets; consolidate or merge with or into other companies or transfer all or substantially all of our assets; and engage in transactions with affiliates. As of December 31, 2020, all of our subsidiaries were restricted subsidiaries.

The Senior Notes are unsecured and are not guaranteed by any of our operating subsidiaries, all of which are located outside the United States. Our obligations under the Senior Notes rank: effectively junior in right of payment to all of our existing and future secured indebtedness, to the extent of the assets securing such indebtedness, and all indebtedness and liabilities of our subsidiaries; equal in right of payment with all of our existing and future unsecured senior indebtedness; and senior in right of payment to any of our future subordinated indebtedness.

Pan-German Revolving Credit Facility

In December 2018, certain of our German subsidiaries entered into a €200.0 million joint revolving credit facility, referred to as the “German Facility”, with a group of bank lenders. The principal terms of the facility include:

- The total availability under the German Facility is €200.0 million.
- The German Facility matures in December 2023.
- The German Facility is unsecured and is jointly and severally guaranteed by each of our German subsidiaries.
- Interest under the German Facility is payable on loans of Euribor plus 1.05% to 2.00% depending on the leverage ratio as defined in the underlying credit agreement.
- A commitment fee equal to 35% of the applicable margin on the unused and uncancelled amount of the German Facility is payable quarterly in arrears.
- The German Facility contains financial maintenance covenants which are tested on a quarterly basis, commencing March 31, 2019, which require: (i) our German subsidiaries that are party thereto to maintain a leverage ratio of “net debt” (excluding shareholder loans) to EBITDA of not greater than 3.50:1.00; and (ii) defined capital of not less than €400.0 million.
- The German Facility contains other customary restrictive covenants which, among other things, govern the ability of our German subsidiaries to incur liens, sell assets, incur indebtedness, make acquisitions with proceeds from the German Facility, enter into joint ventures or repurchase or redeem shares. The German Facility also contains customary events of default.

The German Facility is available to all of the borrowers, subject to maximum borrowing sub-limits for certain of the borrowers.

As of December 31, 2020, approximately €12.5 million ($15.3 million) of the German Facility was supporting bank guarantees leaving approximately €187.5 million ($230.1 million) available.

Celgar Working Capital Facility

In June 2020, our Celgar mill amended its revolving credit facility agreement with a Canadian bank to increase the principal amount to C$60.0 million, referred to as the "Celgar Working Capital Facility". The principal terms of the facility include:

- The facility matures in July 2023.
- The facility is available by way of: (i) Canadian and U.S. denominated advances, which bear interest at a designated prime rate less 0.125% to plus 0.125% per annum; (ii) banker's acceptance equivalent loans, which bear interest at the applicable Canadian dollar banker's acceptance plus 1.25% to 1.625% per annum; and (iii) dollar LIBOR advances, which bear interest at LIBOR plus 1.25% to 1.625% per annum.
- The facility includes a C$3.0 million sub-limit for letters of credit. Celgar is required to pay 1.00% to 1.375% per annum on issued letters of credit and 0.25% per annum on unused availability under the facility.
- The availability of the facility is subject to a borrowing base limit that is based on the Celgar mill's eligible receivable and inventory levels from time to time.
- The Celgar Working Capital Facility is secured by, among other things, a first priority charge on the inventories and receivables of Celgar.
- The facility includes a springing financial covenant, which is measured when excess availability under the facility is less than C$5.0 million and which requires Celgar to comply with a 1.10:1.00 fixed charge coverage ratio.
- The facility also contains restrictive covenants which, among other things, restrict the ability of Celgar to declare and pay dividends, incur indebtedness, incur liens and make payments on subordinated debt. The facility contains customary events of default.

As of December 31, 2020, approximately C$42.0 million ($33.0 million) of this facility was drawn and accruing interest at a rate of 1.84%, approximately C$0.5 million ($0.4 million) was supporting letters of credit and approximately C$15.6 million ($12.3 million) was available under the Celgar Working Capital Facility.

MPR Revolving Credit Facility

In February 2019, our Peace River mill entered into a C$60.0 million revolving credit facility with a Canadian bank, referred to as the "MPR Working Capital Facility". The principal terms of the facility include:

- The facility matures in February 2024.
- The facility is available by way of: (i) Canadian denominated advances, which bear interest at a designated prime rate per annum; (ii) banker's acceptance equivalent loans, which bear interest at the applicable Canadian dollar banker's acceptance plus 1.25% to 1.50% per annum; (iii) dollar denominated base rate advances at the greater of the federal funds rate plus 0.50%, a designated LIBOR rate plus 1.00% and the bank's applicable reference rate for U.S. dollar loans; and (iv) dollar LIBOR advances, which bear interest at LIBOR plus 1.25% to 1.50% per annum.
- The facility includes a C$5.0 million sub-limit for letters of credit of MPR. MPR is required to pay 1.25% to 1.50% per annum, plus a 0.125% annual fee where there is more than one lender under the facility, on issued letters of credit.
- The availability of the facility is subject to a borrowing base limit that is based on the Peace River mill's eligible receivable and inventory levels from time to time.
- The MPR Working Capital Facility is secured by, among other things, a first priority charge on the inventories and receivables of the Peace River mill.
- The facility includes a springing financial covenant, which is measured when excess availability under the facility is less than the greater of 10% of borrowing base thereunder or C$4.5 million and which requires MPR to comply with a 1.00:1.00 fixed charge coverage ratio.

- The facility also contains restrictive covenants which, among other things, restrict the ability of MPR to declare and pay dividends, incur indebtedness, incur liens, make investments, including in its existing joint ventures, and make payments on subordinated debt. The facility contains customary events of default.

As of December 31, 2020, approximately C$28.0 million ($22.0 million) of this facility was drawn and accruing interest at a rate of 1.72%, approximately C$0.9 million ($0.7 million) was supporting letters of credit and approximately C$31.1 million ($24.4 million) was available under the MPR Working Capital Facility.

Internet Availability and Additional Information

We make available free of charge, on or through our website at www.mercerint.com, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and all amendments to these reports, as soon as reasonably practicable after we file these materials with, or furnish these materials to, the SEC. The SEC maintains an internet site at www.sec.gov that also contains our current and periodic reports, including our proxy and information statements.

All websites referred to herein are inactive textual references only, meaning that the information contained on such websites is not incorporated by reference herein and you should not consider information contained on such websites as part of this document unless expressly specified.

ITEM 1A. RISK FACTORS

The statements in this “Risk Factors” section describe material risks to our business and should be considered carefully. You should review carefully the risk factors listed below, as well as those factors listed in other documents we file with the SEC. In addition, these statements constitute our cautionary statements under the *Private Securities Litigation Reform Act of 1995*. Our disclosure and analysis in this annual report on Form 10-K and in our annual report to shareholders contain some forward-looking statements that set forth anticipated results based on management’s current plans and assumptions. If any of the risks and uncertainties described in the cautionary factors described below actually occur or continue to occur, our business, financial condition and results of operations and the trading price of our common stock could be materially and adversely affected. Moreover, the risks below are not the only risks we face and additional risks not currently known to us or that we presently deem immaterial may emerge or become material at any time and may negatively impact our business, reputation, financial condition, results of operations or the trading price of our common stock.

Risks Related to our Business

The COVID-19 pandemic could materially adversely affect our business, financial position and results of operations.

The outbreak of COVID-19 in late 2019 initially in China and its subsequent spread globally through 2020 has resulted in significant and widespread global infections and fatalities. In March 2020, the World Health Organization declared the spread of the COVID-19 virus a pandemic. The spread of the virus has resulted in various federal, state and provincial governments declaring emergency measures and the implementation of numerous measures to attempt to contain the virus, including travel bans and restrictions, quarantines, business closures, shelter in place orders and other shutdowns and restrictions.

The impact of the pandemic and the global response thereto has, among other things, significantly disrupted global economic activity, negatively impacted gross domestic product and caused significant volatility in financial markets, with various countries already reporting significant declines in gross domestic product and business activity and material increases in unemployment. While various countries, including the United States, Germany, Canada and China have implemented stimulus packages and other fiscal measures to attempt to reduce the impact of the pandemic on their economies, the impact of the pandemic on global economic activity and markets both in the short and longer term is uncertain at this time.

As demand for our products has principally historically been determined by general global macro-economic activities, demand and prices for our products have historically decreased substantially during economic slowdowns. A significant economic downturn may adversely affect our sales and profitability and may also adversely affect our customers and suppliers. Additionally, significant disruptions and volatility in financial markets could have a negative impact on our ability to access capital in the future.

Commencing in the fourth quarter of 2020, there has been a significant widespread increase or "second wave" in reported infections including in Europe, the United States and Canada, as well as the emergence and rapid spread of new variants of the COVID-19 virus. In response, various countries including in Europe have announced the re-imposition of restrictions on social, business, travel and other activities. In several countries such restrictions are at or near the level of lockdown restrictions imposed earlier in 2020. In February 2021, a couple of individuals at our Peace River mill tested positive for COVID-19. Following both provincial health protocols and our own health and safety policies, the mill was able to continue normal operations. We are currently working with the provincial health authority to implement broad-based testing at the mill.

In December 2020, various countries approved the use of certain vaccines to aid in the prevention and spread of the COVID-19 virus. Vaccinations started to be rolled out in late 2020 and are expected to continue throughout 2021. Although trial results for the vaccines were positive and encouraging, we cannot predict how successful the vaccines will be against COVID-19 or any of its variants, if there will be significant adverse side effects, how quickly the vaccines will be available and rolled out to the general population, the level of willingness of people to get vaccinated and how long it will take the vaccines to be effective enough for global economies to reopen.

Currently, we are unable to predict the impact of the recent resurgence in infections or emergence and spread of new variants of the virus, the extent of measures governments may take in response thereto, including imposing some or all prior or new restrictive measures, including business closures, nor the effectiveness of and the time required to roll out vaccinations on a large scale. Further, we are currently unable to predict the overall impact of such resurgence or emergence on global economic activity or the pace of any economic recovery.

Our products are an important constituent of many pandemic related high demand goods such as tissue and cleaning products and certain personal protective equipment. However, our mills could experience disruptions, downtime and closures in the future as a result of changes to existing government response measures, outbreaks of the virus among our employees or operations or disruptions to raw material supplies or access to logistics networks.

The magnitude and duration of the disruption and resulting decline in business activity resulting from the COVID-19 pandemic is currently uncertain. The extent to which the COVID-19 pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including:

- the duration and scope of the pandemic;
- governmental, business and individuals' actions that have been and may in the future be taken in response to the pandemic including any resurgence or additional waves of viral infection or any emergence and spread of new variants of the virus;
- the impact of the pandemic on economic activity and actions taken in response thereto, including the recent easing of health and safety restrictions, measures and closures to reopened economies;
- any resurgence in infections and fatalities resulting from recent efforts of governments to reopen economies;
- any additional waves of the virus;
- the effectiveness of vaccines and when vaccines will become widely available;
- the effect on our customers' demand for pulp and wood products;
- our vendors' ability to supply us with raw materials;
- the availability of logistics networks, our ability to ship our products to customers and the availability of any required contractors to perform maintenance services;
- the ability of our customers to pay for our products; and
- any closures of our and our customers' facilities and offices.

The effect of the pandemic, including remote working arrangements for employees, has also increased the risk of cyberattacks on, and other material breaches of, our and our third party service providers' information technology systems.

Our business is highly cyclical in nature.

The pulp and lumber businesses are highly cyclical in nature and markets are characterized by periods of supply and demand imbalance, which in turn can materially affect prices. Pulp and lumber markets are sensitive to cyclical changes in the global economy, industry capacity and foreign exchange rates, all of which can have a significant influence on selling prices and our operating results. The length and magnitude of industry cycles have varied over time but generally reflect changes in macro-economic conditions and levels of industry capacity. Pulp and lumber are commodities that are generally available from other producers. Because commodity products have few distinguishing qualities from producer to producer, competition is generally based upon price, which is generally determined by supply relative to demand.

Industry capacity can fluctuate as changing industry conditions can influence producers to idle production capacity or permanently close mills. In addition, to avoid substantial cash costs in idling or closing a mill, some producers will choose to operate at a loss, sometimes even a cash loss, which can prolong weak pricing environments due to oversupply. Oversupply of our products can also result from producers introducing new capacity in response to favorable pricing trends. Certain integrated pulp and paper producers have the ability to discontinue paper production by idling their paper machines and selling their pulp production on the market, if market conditions, prices and trends warrant such actions.

Currently, we are aware of 1.9 million ADMTs of announced capacity increases, primarily of hardwood kraft pulp in 2021. However, we cannot predict whether new capacity will be announced or will come on line in the future. If any new capacity, particularly for NBSK pulp, is not absorbed in the market or offset by curtailments or closures of older, high-cost pulp mills, the increase could put downward pressure on pulp prices and materially adversely affect our results of operations, margin and profitability. Additionally, while NBHK pulp is not a direct competitor to NBSK pulp, if any future increases in pulp supply are not absorbed by demand growth, such supply could put downward pressure on NBSK pulp prices as well.

Demand for each of pulp and lumber has historically been determined primarily by general global macro-economic conditions and has been closely tied to overall business activity. Pulp prices have been and are likely to continue to be volatile and can fluctuate widely over time. Between 2011 and 2020, average European list prices for NBSK pulp have fluctuated between a low of approximately $760 per ADMT in 2012 to a high of $1,230 per ADMT in 2018. In the same period, the average North American NBHK price has fluctuated between a low of $700 per ADMT in 2012 to a high of $1,235 per ADMT in 2018.

A pulp producer’s actual sales price realizations are list prices net of customer discounts, rebates and other selling concessions. Our sales price realizations may also be affected by price movements between the order and shipment dates.

Accordingly, prices for pulp and lumber are driven by many factors outside our control, and we have little influence over the timing and extent of price changes, which are often volatile. Because market conditions beyond our control determine the prices for pulp and lumber, prices may fall below our cash production costs, requiring us to either incur short-term losses on product sales or cease production at one or more of our mills. Therefore, our profitability depends on managing our cost structure, particularly raw materials which represent a significant component of our operating costs and can fluctuate based upon factors beyond our control. If the prices of our products decline, or if prices for our raw materials increase, or both, our results of operations and cash flows could be materially adversely affected.

Cyclical fluctuations in the price and supply of our raw materials, particularly fiber, could adversely affect our business.

Our main raw material is fiber in the form of wood chips, pulp logs and sawlogs. Fiber represented approximately 52% of our pulp cash production costs and approximately 69% of our lumber cash production costs in 2020. Fiber is a commodity and both prices and supply are cyclical. Fiber pricing is subject to regional market influences and our costs of fiber may increase in a region as a result of local market shifts. The cost of wood chips, pulp logs and sawlogs is primarily affected by the supply and demand for lumber. Demand for these raw materials is generally determined by the volume of pulp and paper products and wood products produced globally and regionally. Governmental regulations related to the environment, forest stewardship and green or renewable energy can also affect the supply of fiber. In Germany, governmental initiatives to increase the supply of renewable energy have led to more renewable energy projects in Europe, including Germany. Demand for wood residuals from such energy producers, combined with lower harvesting rates, has generally put upward pressure on prices for wood residuals, such as wood chips, in Germany and its neighboring countries. This has historically resulted in higher fiber costs for our German pulp mills and such trend could continue to put further upward pressure on wood chip prices. Wood chip supply in Germany was generally stable during the last three years due to stable sawmill production and lower demand from pellet producers and board manufacturers; however, there is no assurance that wood chip supply will continue to be stable or that supply will not be reduced or that fiber costs will not increase in the future.

Similarly, North American sawmill activity declined significantly during the recession, reducing the supply of chips and availability of pulp logs to pulp mills, including our Celgar mill. Additionally, North American energy producers are exploring the viability of renewable energy initiatives and governmental initiatives in this field are increasing, all of which could lead to higher demand for sawmill residual fiber, including chips. A recovery in U.S. housing starts, which commenced in the latter part of 2012 and continued through the first half of 2018, resulted in increased sawmill activity. This increased the supply of wood chips for the Celgar mill and reduced its need for pulp logs, which are generally a higher cost for the mill than wood chips. However, a slowdown in sawmilling activities that commenced in the second half of 2018 reduced the availability of both wood chips and pulp logs and put upward pressure on fiber costs. There is no assurance that sawmill activity will improve or become stable or that fiber prices will not increase in the future.

The 2006 Softwood Lumber Agreement, which governed softwood lumber exports from Canada to the United States, expired in 2015, and a one-year post-expiration period during which the United States agreed not to impose trade sanctions expired in October 2016. In November 2016, a petition was filed by a coalition of U.S. lumber producers to the U.S. Department of Commerce and the U.S. International Trade Commission requesting an investigation into alleged subsidies provided to Canadian lumber producers. Since then, the U.S. Department of Commerce announced various countervailing and anti-dumping duty rates on Canadian softwood lumber and the United States and Canada have engaged in proceedings under the North American Free Trade Agreement and through the World Trade Organization. In November 2020, the U.S. Department of Commerce reduced the countervailing duty to 7.42% and the anti-dumping rate to 1.57%, for a total cash deposit rate of 8.99% for "all other" Canadian lumber producers. It is uncertain when or if the United States and Canada may settle a new agreement and what terms or restrictions it may contain. Any duties or other restrictions imposed on Canadian softwood lumber exports by the United States could negatively impact Canadian sawmill production in our Canadian mills' supply area and result in reduced availability and increased costs for wood chips for our Canadian mills. While we believe this may be partially offset by increased wood chip supply from U.S. sawmills and pulp log availability, we cannot currently predict the overall effect on our Canadian mills' overall fiber costs.

Availability of fiber may be further limited by adverse responses to and prevention of wildfires, weather, insect infestation, disease, ice storms, wind storms, flooding and other natural causes. In addition, the quantity, quality and price of fiber we receive could be affected by man-made causes such as those resulting from industrial disputes, material curtailments or shut-down of operations by suppliers, government orders and legislation (including new taxes or tariffs). Any or a combination of these can affect fiber prices in a region.

The cyclical nature of pricing for fiber represents a potential risk to our profit margins if pulp and lumber producers are unable to pass along price increases to their customers or we cannot offset such costs through higher prices for our surplus energy.

Other than the renewable forest licenses of MPR, we do not own any timberlands or have any material long-term governmental timber concessions. We also currently have few long-term fiber contracts at our German operations. Fiber is available from a number of suppliers and we have not historically experienced material supply interruptions or substantial sustained price increases. However, our requirements have increased and may continue to do so as we expand capacity through capital projects or other efficiency measures at our mills. As a result, we may not be able to purchase sufficient quantities of these raw materials to meet our production requirements at prices acceptable to us during times of tight supply. An insufficient supply of fiber or reduction in the quality of fiber we receive would materially adversely affect our business, financial condition, results of operations and cash flows.

In addition to the supply of fiber, we are, to a lesser extent, dependent on the supply of certain chemicals and other inputs used in our production facilities. Any disruption in the supply of these chemicals or other inputs could affect our ability to meet customer demand in a timely manner and could harm our reputation. Any material increase in the cost of these chemicals or other inputs could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We face intense competition in our markets.

We sell our pulp and lumber globally, with a large percentage sold in Europe, Asia and North America. The markets for pulp and lumber are highly competitive. A number of other global companies compete in each of these markets and no company holds a dominant position. Our pulp and lumber are considered commodities because many companies produce similar and largely standardized products. As a result, the primary basis for competition in our markets has been price. Many of our competitors have greater resources and lower leverage than we do and may be able to adapt more quickly to industry or market changes or devote greater resources to the sale of products than we can. Additionally, certain of our competitors are fully or more vertically integrated than we are and may have different priorities when operating their respective businesses. There can be no assurance that we will continue to be competitive in the future. Prices for our products are affected by many factors outside of our control and we have no influence over the timing and extent of price changes, which are often volatile. Our ability to maintain satisfactory margins depends, in large part, on managing our costs, particularly raw material and energy costs which represent significant components of our operating costs and can fluctuate based upon factors beyond our control.

Our mills and operations voluntarily subject themselves to third-party certification as to compliance with internationally recognized, sustainable management standards because end use paper and lumber customers have shown an increased interest in understanding the origin of products they purchase. Demand for our products could be adversely affected if we, or our suppliers, are unable to achieve compliance or are perceived by the public as failing to comply with these standards or if our customers require compliance with alternate standards for which our operations are not certified.

Global pulp and lumber markets have historically been characterized by considerable swings in prices which have and will result in variability in our earnings.

Our business is subject to risks associated with climate change and social and government responses thereto.

Our operations and those of our suppliers are subject to climate change variations which can impact the productivity of forests, the abundance of species, harvest levels and lumber. Further, over the last few years, changing weather patterns and climate conditions due to natural and man-made causes have added to the frequency and unpredictability of natural disasters like storms, wildfires and wind, snow and ice storms. One or a combination of these factors could adversely affect our fiber supply which is our largest cash production cost. There are differing scientific studies and opinions relating to the severity, extent and speed at which climate change is or may be occurring around the world. As a result, we are currently unable to identify and predict all of the specific consequences of climate change on our business and operations.

Further, governmental initiatives in response to climate change also have an impact on operations. There continue to be numerous international, country level and regional initiatives to address global and country specific climate issues.

In Germany, government and social focus on and demand for carbon neutral or green energy has created greater demand and competition for the wood residuals or fiber that is consumed by our pulp mills as part of their production processes. This has helped drive up the cost of fiber for German mills. In addition, further or new governmental initiatives or legislation may also increase both the demand and prices for wood residuals. As governments pursue green energy initiatives, they may implement financial, tax, pricing or other legislated incentives for renewable energy producers that “cannibalize” or materially adversely affect fiber supplies for existing traditional users, such as lumber and pulp and paper producers.

Such additional demand for wood residuals and/or governmental initiatives may materially increase the competition and prices for wood residuals over time. This could increase our fiber costs and/or restrict our ability to acquire fiber at competitive prices or at all during times of shortages. If our fiber costs increase and we cannot pass on these costs to our customers or offset them through higher prices for our sales of surplus energy, it will negatively affect our operating margins, results of operations and financial position. If we cannot obtain the fiber required to operate our mills, we may have to curtail and/or shut down production. This could have a material adverse effect on our operations, financial results and financial position.

Other risks to our business from climate change include:

- a greater susceptibility of northern forests to disease, fire and insect infestation, which could diminish fiber availability;
- the disruption of transportation systems and power supply lines due to more severe storms;
- the loss of fresh water transportation for logs and pulp due to lower water levels;
- decreases in the quantity and quality of processed water for our mill operations;
- the loss of northern forests in areas in sufficient proximity to our mills to competitively acquire fiber; and
- lower harvest levels decreasing the supply of harvestable timber and, as a consequence, wood residuals.

The occurrence of any or a combination of these events could have a material adverse effect on our operations and/or financial results.

Our operations require substantial capital and we may be unable to maintain adequate capital resources to provide for such capital requirements.

Our business is capital intensive and requires that we regularly incur capital expenditures to maintain our equipment, improve efficiencies and, as a result of changes to environmental regulations that require capital expenditures, bring our operations into compliance with such regulations. In addition, we may approve projects in the future that will require significant capital expenditures. Increased capital expenditures could have a material adverse effect on our cash flow and our ability to satisfy our debt obligations. If our available cash resources and cash generated from operations are not sufficient to fund our operating needs and capital expenditures, we would have to obtain additional funds from borrowings or other available sources or reduce or delay our capital expenditures. Our indebtedness could adversely affect our financial health, limit our operations or impair our ability to raise additional capital. If this occurs, we may not be able to obtain additional funds on favorable terms or at all. If we cannot maintain or upgrade our equipment as may be required from time to time, we may become unable to manufacture products that compete effectively. An inability to make required capital expenditures in a timely fashion could have a material adverse effect on our growth, business, financial condition or results of operations.

We have limited control over the operations of the Cariboo mill.

Our 50% ownership interest in the Cariboo mill is through an unincorporated joint venture. The ownership and operation of the Cariboo mill is subject to the agreement underlying the joint venture and its day-to-day operations are principally conducted by our joint venture partner. Joint ventures generally involve special risks, including that the business and strategic interests of the joint venture partner and ourselves may not coincide or that the joint venture partner may be unable to meet its economic or other obligations thereunder. We have limited control over the actions of the joint venture partner in respect of the Cariboo mill, including any non-performance, default or bankruptcy of such party. Any non-performance by our joint venture partner or other actions taken by the joint venture partner in connection with the day-to-day operation of the Cariboo mill may adversely affect our results of operations and financial condition.

Fluctuations in prices and demand for lumber could adversely affect our business.

The financial performance of the Friesau mill depends on the demand for and selling price of lumber, which is subject to significant fluctuations. The markets for lumber are highly volatile and are affected by economic conditions in Europe, Asia and the United States, the strength of housing markets in such regions, the growing importance of the Asian market, changes in industry production capacity, changes in inventory levels and other factors beyond our control. Additionally, interest rates have a significant impact on residential construction and renovation activity, which in turn influence the demand for and price of lumber.

Adverse housing market conditions may increase the credit risk from customers of our wood products segment.

Our wood products segment generally extends credit to customers who are generally susceptible to the same economic business risks that we are. Unfavorable housing market conditions could result in financial failures of one or more of such customers. If such customers' financial position becomes impaired, our ability to fully collect receivables from such customers could be impaired and negatively affect our operating results, cash flows and liquidity.

Our wood products segment lumber products are vulnerable to declines in demand due to competing technologies or materials.

Our lumber products may compete with alternative products. For example, plastic, wood/plastic or composite materials may be used by builders as alternatives to the lumber products produced by our wood products segment. Changes in the prices for oil, chemicals and other products can change the competitive position of our wood products segment lumber products relative to available alternatives and could increase substitution of those products for our wood products segment products. If use of these alternative products grows, demand for and pricing of our wood products segment products could be adversely affected.

We may experience material disruptions to our production.

A material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, reduce our pulp, lumber and energy sales and/or negatively impact our results of operations. Any of our mills could cease operations unexpectedly due to a number of events, including:

- unscheduled maintenance outages;
- prolonged power failures;
- equipment failure;
- employee errors or failures;
- design error or employee or contractor error;
- chemical spill or release;
- explosion of a boiler;
- disruptions in the transportation infrastructure, including roads, bridges, railway tracks, tunnels, canals and ports;
- fires, floods, earthquakes, windstorms, pest infestations, severe weather conditions or other natural catastrophes affecting our production of goods or the supply of raw materials like fiber;
- prolonged supply disruption of major inputs;
- labor difficulties;
- capital projects that require temporary cost increases or curtailment of production; and
- other operational problems.

Any such downtime or facility damage could prevent us from meeting customer demand for our products and/or require us to make unplanned capital expenditures. If any of our facilities were to incur significant downtime, our ability to meet our production capacity targets and satisfy customer requirements would be impaired and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Future acquisitions may result in additional risks and uncertainties in our business.

In order to grow our business, we may seek to acquire additional assets or companies. Our ability to pursue selective and accretive acquisitions will be dependent on management's ability to identify, acquire and develop suitable acquisition targets in both new and existing markets. In pursuing acquisition and investment opportunities, we face competition from other companies having similar growth strategies, many of which may have substantially greater resources than us. Competition for these acquisitions or investment targets could result in increased acquisition or investment prices, higher risks and a diminished pool of businesses or assets available for acquisition.

Acquisitions also frequently result in recording of goodwill and other intangible assets, which are subject to potential impairments in the future that could have a material adverse effect on our operating results. Furthermore, the costs of integrating acquired businesses (including restructuring charges associated with the acquisitions, as well as other acquisition costs, such as accounting fees, legal fees and investment banking fees) could significantly impact our operating results.

Although we perform diligence on the businesses we purchase, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses. We may not be able to ascertain the value or understand the potential liabilities of the acquired businesses and their operations until we assume operating control of the assets and operations of these businesses.

Furthermore, future acquisitions could entail a number of risks, including:

- diversion of management's attention from our ongoing business;
- difficulty integrating the operations, including financial and accounting functions, sales and marketing procedures, technology and other corporate administrative functions of the combined operations;
- increased operating costs;
- exposure to substantial unanticipated liabilities;
- difficulty in realizing projected synergies, efficiencies and cost savings;
- difficulty maintaining relationships with present and potential customers, distributors and suppliers due to uncertainties regarding service, production quality and prices; and
- problems retaining key employees.

If we are unable to address any of these risks, our results of operations and financial condition could be materially adversely affected.

We are subject to risks related to our employees.

The majority of our employees are unionized and we have collective agreements in place with our employees at all of our mills, other than the Peace River mill which is non-union. Although we have not experienced any material work stoppages in the past, there can be no assurance that we will be able to negotiate acceptable collective agreements or other satisfactory arrangements with our employees upon the expiration of our collective agreements. This could result in a strike or work stoppage by the affected workers. The registration or renewal of the collective agreements or the outcome of our wage negotiations could result in higher wages or benefits paid to union members. Additionally, changing demographics may make it more difficult for us to recruit skilled employees in the future. Accordingly, we could experience a significant disruption of our operations or higher ongoing labor costs, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, whenever we seek to reduce the workforce at any of our mills, the affected mill's labor force could seek to hinder or delay such actions, we could incur material severance or other costs and our operations could be disrupted.

We are dependent on key personnel.

Our future success depends, to a large extent, on the efforts and abilities of our executive and senior mill operating officers. Such officers are industry professionals, many of whom have operated through multiple business cycles.

The loss of one or more of our officers could make us less competitive, which could materially adversely affect our business, financial condition, results of operations and cash flows. We do not maintain key person life insurance for any of our executive or senior mill operating officers.

If our long-lived assets become impaired, we may be required to record non-cash impairment charges that could have a material impact on our results of operations.

We review the carrying value of long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Should the markets for our products deteriorate or should we decide to invest capital differently or should other cash flow assumptions change, it is possible that we will be required to record non-cash impairment charges in the future that could have a material adverse effect on our results of operations.

Our insurance coverage may not be adequate.

We have obtained insurance coverage that we believe would ordinarily be maintained by an operator of facilities similar to our mills. Our insurance is subject to various limits and exclusions. Damage or destruction to our facilities could result in claims that are excluded by, or exceed the limits of, our insurance coverage. Additionally, the weak global and financial markets have also reduced the availability and extent of credit insurance for our customers. If we cannot obtain adequate credit insurance for our customers, we may be forced to amend or curtail our planned operations which could negatively impact our sales revenues, results of operations and financial position.

We rely on third parties for transportation services.

Our business primarily relies upon third parties for the transportation of pulp and lumber to our customers, as well as for the delivery of our raw materials to our mills. Our pulp, lumber and raw materials are principally transported by truck, barge, rail and sea-going vessels, all of which are highly regulated. Increases in transportation rates can also materially adversely affect our results of operations.

Further, if our transportation providers fail to deliver our pulp or lumber in a timely manner, it could negatively impact our customer relationships and we may be unable to manufacture pulp or lumber in response to customer orders or sell them at full value. Also, if any of our transportation providers were to cease operations, we may be unable to replace them at a reasonable cost. The occurrence of any of the foregoing events could materially adversely affect our results of operations.

We periodically use derivatives to manage certain risks which could cause significant fluctuations in our operating results.

We periodically use derivatives related to currency exchange rates, interest rates, commodity prices and energy prices. We record unrealized gains or losses on our derivative instruments when they are marked to market at the end of each reporting period and realized gains or losses on them when they are settled. These unrealized and realized gains and losses can materially impact our operating results for any reporting period.

If any of the variety of instruments and strategies we utilize is not effective, we may incur losses which may have a material adverse effect on our business, financial condition, results of operations and cash flows. The purpose of our derivative activity may also be considered speculative in nature; we do not use these instruments with respect to any pre-set percentage of revenues or other formula, but either to augment our potential gains or reduce our potential losses depending on our perception of future economic events and developments.

Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business.

We use information technologies to manage our operations and various business functions. We rely on various technologies to process, store and report on our business and to communicate electronically between our facilities, personnel, customers and suppliers as well as for administrative functions and many of such technology systems are dependent on one another for their functionality. We also use information technologies to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. We rely on third party providers for some of these information technologies and support. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products is highly dependent on our technology systems. Despite our security design and controls and other operational safeguards, and those of our third party providers, our information technology systems may be vulnerable to a variety of interruptions, including during the process of upgrading or replacing hardware, software, databases or components thereof, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks, hackers, unauthorized access attempts and other security issues or may be breached due to employee error, malfeasance or other disruptions. Any such interruption or breach could result in operational disruptions or the misappropriation of sensitive data that could subject us to civil and criminal penalties, litigation or have a negative impact on our reputation. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not negatively impact our cash flows and materially affect our results of operations or financial condition.

In addition, many of our information technology systems, such as those we use for administrative functions, including human resources, payroll, accounting and internal and external communications, as well as the information technology systems of our third-party business partners and service providers, whether cloud-based or hosted in proprietary servers, contain personal, financial or other information that is entrusted to us by our customers and personnel. Many of our information technology systems also contain proprietary and other confidential information related to our business, such as business plans and research and development initiatives. To the extent we or a third party were to experience a material breach of our or such third party's information technology systems that results in the unauthorized access, theft, use, destruction or other compromises of our customers' or personnel's data or confidential information stored in such systems, including through cyber-attacks or other external or internal methods, it could result in a violation of applicable privacy and other laws, and subject us to litigation and governmental investigations and proceedings, any of which could result in our exposure to material liability.

Risks Related to our Debt

Our level of indebtedness could negatively impact our financial condition, results of operations and liquidity.

As of December 31, 2020, we had approximately $1,145.3 million of indebtedness outstanding. We may also incur additional indebtedness in the future. Our high debt levels may have important consequences for us, including, but not limited to the following:

- our ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes or to fund future operations may not be available on terms favorable to us or at all;
- a significant amount of our operating cash flow is dedicated to the payment of interest and principal on our indebtedness, thereby diminishing funds that would otherwise be available for our operations and for other purposes;
- increasing our vulnerability to current and future adverse economic and industry conditions;
- a substantial decrease in net operating cash flows or increase in our expenses could make it more difficult for us to meet our debt service requirements, which could force us to modify our operations;
- our leveraged capital structure may place us at a competitive disadvantage by hindering our ability to adjust rapidly to changing market conditions or by making us vulnerable to a downturn in our business or the economy in general;
- causing us to offer debt or equity securities on terms that may not be favorable to us or our shareholders;

- limiting our flexibility in planning for, or reacting to, changes and opportunities in our business and our industry; and
- our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay the principal or interest due in respect of our indebtedness.

The indentures that govern our Senior Notes, and our existing credit facilities contain restrictive covenants which impose operating and other restrictions on us and our subsidiaries. These restrictions will affect, and in many respects will limit or prohibit, our ability to, among other things, incur or guarantee additional indebtedness, pay dividends or make distributions on capital stock or redeem or repurchase capital stock, make investments or acquisitions, create liens and enter into mergers, consolidations or transactions with affiliates. The terms of our indebtedness also restrict our ability to sell certain assets, apply the proceeds of such sales and reinvest in our business.

Certain of the agreements governing our indebtedness have covenants that require us to maintain prescribed financial ratios and tests. Failure to comply with such covenants could result in events of default and could have a material adverse effect on our liquidity, results of operations and financial condition.

Our ability to repay or refinance our indebtedness will depend on our future financial and operating performance. Our performance, in turn, will be subject to prevailing economic and competitive conditions, as well as financial, business, legislative, regulatory, industry and other factors, many of which are beyond our control. Our ability to meet our future debt service and other obligations may depend in significant part on the extent to which we can successfully implement our business strategy. We cannot assure you that we will be able to implement our strategy fully or that the anticipated results of our strategy will be realized. Over the next several years, we will require financing to refinance maturing debt obligations (unless extended), and such refinancing may not be available on favorable terms or at all.

In addition, certain of our credit facilities use LIBOR as a benchmark for establishing borrowing rates. In July 2017, the United Kingdom regulator that regulates LIBOR announced its intention to phase out LIBOR rates by the end of 2021. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, and it is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported during or after 2021 or whether any additional reforms to LIBOR may be enacted. While our credit facilities generally include provisions for the determination of a successor benchmark, any discontinuation of LIBOR after 2021 and the replacement with an alternative reference rate may adversely impact interest rates and our cost of borrowing.

Changes in credit ratings issued by nationally recognized statistical rating organizations could adversely affect our cost of financing and have an adverse effect on the market price of our securities.

Credit rating agencies rate our debt securities on factors that include our operating results, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading or downgrading the current rating or placing the company on a watch list for possible future downgrading. Downgrading the credit rating of our debt securities or placing us on a watch list for possible future downgrading could limit our access to credit markets, increase our cost of financing and have an adverse effect on the market price of our securities, including our Senior Notes.

We are exposed to interest rate fluctuations.

Interest on borrowings under our revolving credit facilities are at “floating” rates. As a result, increases in interest rates will increase our costs of borrowing and reduce our operating margins.

Risks Related to Macro-economic Conditions

A weakening of the global economy, including capital and credit markets, could adversely affect our business and financial results and have a material adverse effect on our liquidity and capital resources.

As demand for our products has principally historically been determined by general global macro-economic activities, demand and prices for our products have historically decreased substantially during economic slowdowns. A significant economic downturn may affect our sales and profitability. Further, our suppliers and customers may also be adversely affected by an economic downturn. Additionally, restricted credit and capital availability restrains our customers' ability or willingness to purchase our products, resulting in lower revenues. Depending on their severity and duration, the effects and consequences of a global economic downturn could have a material adverse effect on our liquidity and capital resources, including our ability to raise capital, if needed, and otherwise negatively impact our business and financial results.

In addition, financial uncertainties and other events in our major international markets, including uncertainties arising as a result of global pandemics, may negatively impact the global economy and consequently, our results of operations.

We are exposed to currency exchange rate fluctuations.

We have manufacturing operations in Germany and Canada. Most of the operating costs and expenses of our German mills are incurred in euros and those of our Canadian mills in Canadian dollars. However, the majority of our sales are in products quoted in dollars. Our results of operations and financial condition are reported in dollars. As a result, our costs generally benefit from a strengthening dollar but are adversely affected by a decrease in the value of the dollar relative to the euro and to the Canadian dollar. Such declines in the dollar relative to the euro and the Canadian dollar reduce our operating margins and the cash flow available to fund our operations and to service our debt. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Further, while a strengthening dollar generally lowers our costs and expenses, it increases the cost of pulp to our customers and generally puts downward pressure on pulp prices and reduces our energy, chemical and European lumber sales revenues as they are sold in euros and Canadian dollars.

Although we report in dollars, we hold certain assets and liabilities, including our mills, in euros and Canadian dollars. We translate foreign denominated assets and liabilities into dollars at the rate of exchange on the balance sheet date. Equity accounts are translated using historical exchange rates. Unrealized gains or losses from these translations are recorded in other comprehensive income (loss) and do not affect our net earnings, operating income or Operating EBITDA.

Certain intercompany dollar advances between Mercer Inc. and its foreign subsidiaries are held in euros and Canadian dollars. Mercer Inc. holds some cash in foreign currencies and certain foreign subsidiaries hold some cash and other balances in dollars. When such advances, cash and other balances are translated into the applicable local currency at the end of each reporting period, the gains or losses thereon are reflected in net earnings.

Political uncertainty and an increase in trade protectionism could have a material adverse effect on global macro-economic activities and trade and adversely affect our business, results of operations and financial condition.

The rise of economic nationalist sentiments and trade protectionism has led to increasing political uncertainty and unpredictability throughout the world. The United Kingdom has departed from the European Union and currently there is no certainty as to the overall effect on European and world economies. The U.S. previously imposed various tariffs on various goods from various countries, including China. Although there has been a partial first phase trade deal between the United States and China, there can be no certainty whether any further trade deals or relaxation or elimination of trade tariffs will occur or upon what terms. Additionally, there can be no assurance that additional or new trade tensions and tariffs will not arise between various trade partners including, among others, the United States and China. These potential developments, market perceptions concerning these and related issues and the attendant regulatory uncertainty regarding, for example, the posture of governments with respect to international trade, could have a material adverse effect on global trade and economic growth which, in turn, can adversely affect our business, results of operation and financial condition.

Increased trade protectionism could materially adversely affect our business. If the current global economy or outlook is undermined by downside risks and there is a prolonged economic downturn, governments may resort to new or enhanced trade barriers to protect their domestic industries against imports, thereby depressing demand. Changes in the trade policies of the U.S. and other countries, such as the announcement of unilateral tariffs on imported products, have already triggered retaliatory actions from affected countries, resulting in "trade wars" that could have a material adverse effect on global trade and economic growth.

Protectionist developments, or the perception they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Increasing trade protectionism in the markets could increase the risks associated with exporting goods to such markets. These developments could have a material adverse effect on our business, results of operations and financial condition.

We may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks or natural disasters.

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks or natural disasters, could create economic and financial disruptions and could lead to operational difficulties (including travel limitations) that could impair our ability to manage or operate our business and adversely affect our results of operations.

Legal and Regulatory Risks

We are subject to extensive environmental regulation and we could incur substantial costs as a result of compliance with, violations of or liabilities under applicable environmental laws and regulations.

Our operations are subject to numerous environmental laws and regulations as well as permits, guidelines and policies relating to the protection of the environment. These laws, regulations, permits, guidelines and policies govern, among other things:

- unlawful discharges to land, air, water and sewers;
- waste collection, storage, transportation and disposal;
- hazardous waste;
- dangerous goods and hazardous materials and the collection, storage, transportation and disposal of such substances;
- the clean-up of unlawful discharges;
- land use planning;
- municipal zoning; and
- employee health and safety.

In addition, as a result of our operations, we may be subject to remediation, clean-up or other administrative orders or amendments to our operating permits, and we may be involved from time to time in administrative and judicial proceedings or inquiries. Future orders, proceedings or inquiries could have a material adverse effect on our business, financial condition and results of operations. Environmental laws and land use laws and regulations are constantly changing. New regulations or the increased enforcement of existing laws could have a material adverse effect on our business and financial condition. In addition, compliance with regulatory requirements is expensive, at times requiring the replacement, enhancement or modification of equipment, facilities or operations. There can be no assurance that we will be able to maintain our profitability by offsetting any increased costs of complying with future regulatory requirements.

We are subject to liability for environmental damage at the facilities that we own or operate, including damage to neighboring landowners, residents or employees, particularly as a result of the contamination of soil, groundwater or surface water and especially drinking water. The costs of such liabilities can be substantial. Our potential liability may include damages resulting from conditions existing before we purchased or operated these facilities. We may also be subject to liability for any offsite environmental contamination caused by pollutants or hazardous substances that we or our predecessors arranged to transport, treat or dispose of at other locations. In addition, we may be held legally responsible for liabilities as a successor owner of businesses that we acquire or have acquired. Except for Stendal, our facilities have been operating for decades and we have not done invasive testing to determine whether or to what extent any such environmental contamination exists. As a result, these businesses may have liabilities for conditions that we discover or that become apparent, including liabilities arising from non-compliance with environmental laws by prior owners. Because of the limited availability of insurance coverage for environmental liability, any substantial liability for environmental damage could materially adversely affect our results of operations and financial condition.

We have incurred, and we expect to continue to incur, significant capital, operating and other expenditures as a result of complying with applicable environmental laws and regulations.

Further, enactment of new environmental laws or regulations, changes in existing laws or regulations or the interpretation of these laws and regulations might require significant capital expenditures. We may be unable to generate sufficient funds or access other sources of capital to fund unforeseen environmental liabilities or expenditures.

We participate in German statutory energy programs.

In Germany, our Stendal and Friesau mills sell surplus green energy at fixed prices or tariffs pursuant to the Renewable Energy Act. Effective January 1, 2017, the German government amended the Renewable Energy Act so that funding for renewable energy is to be allocated through an auction system, primarily to create a competitive bidding process for new installations of wind, solar and biomass energy. Our Stendal mill’s tariff expires in 2024 and Friesau mill's tariff expires in 2029. Our Rosenthal mill's initial 20-year tariff expired on December 31, 2020. In 2020, the German government proposed measures that would have, among other things, extended the time period that such tariffs would be available for pulp mills. However, such measures did not come into effect. As a result, commencing January 1, 2021, our Rosenthal mill started selling its power at market rates which fluctuate over time. As a result of, among other things, the COVID-19 pandemic reducing power demand generally in Germany, market rates are currently materially lower than the prior prescribed special tariff. The German government has publicly announced that it will seek to further incentivize green energy production at pulp mills through additional measures in 2021.

The availability of tariffs and other incentives for our green energy production activities is dependent, to a large extent, on political and policy developments relating to environmental concerns in the regions in which we operate. We cannot currently predict the scope of any such measures whether they will provide similar economic incentives as under the tariffs, when, if at all, they will be implemented or their potential application and impact on our Rosenthal mill and, on the expiry of their existing tariffs in 2024 and 2029, respectively, our Stendal and Friesau mills.

Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.

As a result of our international sales and operations, we are subject to trade and economic sanctions and other restrictions imposed by the United States, Canada and other governments or organizations, including prohibitions in the United States against foreign competitors’ (including our operating subsidiaries) receipt of certain unlawful foreign governmental benefits. We are also subject to the U.S. *Foreign Corrupt Practices Act of 1977*, the Canadian *Corruption of Foreign Public Officials Act* and other anti-bribery laws that generally bar bribes or unreasonable gifts to foreign governments or officials. Changes in trade sanction laws could restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned entities, and may result in modifications to compliance programs. Violations of these laws or regulations could result in sanctions including fines, loss of authorizations needed to conduct our international business, the imposition of tariffs or duties and other penalties, which could adversely impact our business, operating results and financial condition.

Risks Related to Ownership of our Shares

The price of our common stock may be volatile.

The market price of our common stock may be influenced by many factors, some of which are beyond our control, including those described above and the following:

- actual or anticipated fluctuations in our operating results or our competitors' operating results;
- announcements by us or our competitors of new products, capacity changes, significant contracts, acquisitions or strategic investments;
- our growth rate and our competitors' growth rates;
- the financial market and general economic conditions;
- changes in stock market analyst recommendations regarding us, our competitors or the forest products industry generally or lack of analyst coverage of our common stock;
- sales of common stock by our executive officers, directors and significant shareholders;
- changes in accounting principles; and
- changes in laws and regulations.

In addition, there has been significant volatility in the market price and trading volume of securities of companies operating in the forest products industry that often has been unrelated to the operating performance of particular companies. Some companies that have had volatile market prices for their securities have had securities litigation brought against them. If litigation of this type is brought against us, it could result in substantial costs and would divert management's attention and resources.

A small number of our shareholders could significantly influence our business.

There are a few significant shareholders of our common stock who own a substantial percentage of the outstanding shares of our common stock. These few significant shareholders, either individually or acting together, may be able to exercise significant influence over matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of the company or our assets. This concentration of ownership may make it more difficult for other shareholders to effect substantial changes in the company, may have the effect of delaying, preventing or expediting, as the case may be, a change in control of the company and may adversely affect the market price of our common stock. Further, the possibility that one or more of these significant shareholders may sell all or a large portion of their common stock in a short period of time could adversely affect the trading price of our common stock. Also, the interests of these few shareholders may not be in the best interests of all shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own the Rosenthal, Stendal, Celgar, Peace River pulp mills, the Friesau mill and their underlying properties and have a 50% joint venture interest in the Cariboo pulp mill. We also own sandalwood plantations in Western Australia.

Rosenthal Mill. The Rosenthal mill is situated on a 230 acre site in the town of Rosenthal am Rennsteig in the state of Thuringia, approximately 300 kilometers south of Berlin. The Saale River flows through the site of the mill. In late 1999, we completed a major capital project which converted the Rosenthal mill to the production of kraft pulp. It is a single line mill with a current annual production capacity of approximately 360,000 ADMTs of kraft pulp. The mill is self-sufficient in steam and electrical power. Some excess electrical power which is constantly generated is sold to the regional power grid. The facilities at the mill include:

- an approximately 425,000 square feet fiber storage area;
- debarking and chipping facilities for pulp logs;

- an approximately 700,000 square feet roundwood yard;
- a fiber line, which includes a Kamyr continuous digester and bleaching facilities;
- a pulp machine, which includes a dryer, a cutter and a baling line;
- an approximately 60,000 square feet finished goods storage area;
- a chemical recovery line, which includes a recovery boiler, evaporation plant, recausticizing plant and lime kiln;
- a fresh water plant;
- a wastewater treatment plant; and
- a power station with a turbine capable of producing 57 MW of electrical power from steam produced by the recovery boiler and a power boiler.

Stendal Mill. The Stendal mill is situated on a 96.5 hectare site owned by Stendal that is part of a larger 1,250 hectares industrial park near the town of Stendal in the state of Saxony-Anhalt, approximately 300 kilometers north of the Rosenthal mill and 130 kilometers west of Berlin. The mill is adjacent to the Elbe River and has access to harbor facilities for water transportation. The mill is a single line mill with a current annual design production capacity of approximately 660,000 ADMTs of kraft pulp. The Stendal mill is self-sufficient in steam and electrical power. Some excess electrical power which is constantly being generated is sold to the regional power grid. The facilities at the mill include:

- an approximately 740,000 square feet fiber and roundwood storage area;
- debarking and chipping facilities for pulp logs;
- a fiber line, which includes ten SuperBatch™ digesters and bleaching facilities;
- a pulp machine, which includes a dryer, a cutter and two baling lines;
- an approximately 105,000 square feet finished goods storage area;
- a chemical recovery line, which includes a recovery boiler, evaporation plant, recausticizing plant and lime kiln;
- a fresh water plant;
- a wastewater treatment plant; and
- a power station with two turbines capable of producing 148 MW of electrical power.

Celgar Mill. The Celgar mill is situated on a 400 acre site near the city of Castlegar, British Columbia. The mill is located on the south bank of the Columbia River, approximately 600 kilometers east of the port city of Vancouver, British Columbia, and approximately 32 kilometers north of the Canada-U.S. border. The city of Seattle, Washington is approximately 650 kilometers southwest of Castlegar. The Celgar mill is a single line mill with a current annual production capacity of approximately 520,000 ADMTs of kraft pulp. The mill is self-sufficient in steam and electrical power. Some excess electrical power which is constantly generated is sold to the regional power grid. The facilities at the Celgar mill include:

- an approximately 450,000 square feet fiber storage area and approximately 440,000 square feet log storage;
- a woodroom containing debarking and chipping facilities for pulp logs;
- a fiber line, which includes a dual vessel hydraulic digester, a two stage oxygen delignification system and a four stage bleach plant;
- two pulp machines, which each include a dryer, a cutter and a baling line;
- an approximately 28,000 square feet on-site finished goods storage area and an approximately 29,000 square feet off-site finished goods storage area;
- a chemical recovery line, which includes a recovery boiler, evaporation plant, recausticizing plant and lime kiln;

- a wastewater treatment system; and
- a power station with two turbines capable of producing approximately 100 MW of electrical power.

Peace River Mill. The Peace River mill is situated on a 791 acre site near the town of Peace River, Alberta, approximately 490 kilometers north of Edmonton. The mill has an annual production capacity of approximately 475,000 ADMTs of kraft pulp. The mill is self-sufficient in steam and electrical power. The facilities at the Peace River mill include:

- an approximately 1,130,000 square feet fiber storage area and approximately 2,700,000 square feet log storage;
- an approximately 189 railcar siding/storage capacity;
- a fiber line which includes a dual vessel hydraulic digester, a single stage oxygen delignification system and a four stage bleach plant;
- a pulp machine which includes a dryer, cutter and two baling lines;
- an approximately 56,000 square feet on-site finished goods storage area;
- a chemical recovery line which includes a recovery boiler, evaporation plant, recausticizing plant and a lime kiln;
- a fresh water treatment plant;
- a wastewater treatment system; and
- two turbines capable of producing approximately 70 MW of electrical power.

Friesau Mill. The Friesau mill is situated on a 62 acre site in the town of Saalburg-Ebersdorf, Germany, approximately 300 kilometers south of Berlin and only 16 kilometers from the Rosenthal mill. It is a two line sawmill with an annual production capacity of approximately 550 MMfbm of lumber on a continuously operating basis. The mill also sells electrical power generation to the regional power grid at fixed green power tariffs. The mill is self-sufficient in thermal power. The facilities at the Friesau mill include:

- an approximately one million square feet roundwood storage area;
- three log debarking and two sorting lines;
- two Linck sawing lines;
- 42 lumber kilns capable of matching sawmill production;
- two continuous kilns;
- three planer lines;
- an approximately 663,800 square feet finished goods storage area; and
- a biomass fueled cogeneration power plant capable of producing 13 MW of electrical power.

Santanol. Santanol owns and leases approximately 2,500 hectares of Indian sandalwood plantations and a processing and extraction plant in Western Australia.

ITEM 3. LEGAL PROCEEDINGS

We are subject to routine litigation incidental to our business. We do not believe that the outcome of such litigation will have a material adverse effect on our business or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) *Market Information.* Our shares are quoted for trading on the NASDAQ Global Select Market under the symbol "MERC".

(b) *Shareholder Information.* As of February 11, 2021, there were approximately 173 holders of record of our shares and a total of 65,868,086 shares were outstanding.

(c) *Dividend Information.* On February 12, 2021, our board of directors approved a quarterly dividend of $0.0650 per share to be paid to holders of our common stock on April 7, 2021 to shareholders of record on March 31, 2021.

In 2020, our board of directors approved one quarterly dividend of $0.1375 per share and three quarterly dividend payments of $0.0650 per share each, the first being paid on April 1, 2020, the second being paid on July 7, 2020, the third being paid on October 6, 2020 and the fourth being paid on December 30, 2020.

The further declaration and payment of dividends is at the discretion of our board of directors and will depend upon various factors, including our earnings, financial condition, restrictions imposed by our credit facilities and the terms of any other indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by our board of directors. The indentures governing our Senior Notes and our credit facilities limit our ability to pay dividends or make other distributions on capital stock. See Item 1. "Business – Description of Certain Indebtedness".

(d) *Equity Compensation Plans.* The following table sets forth information as of December 31, 2020 with respect to the shares of our common stock that may be issued under our existing equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	— (1)	$ —	1,747,393 (2)
Equity compensation plans not approved by shareholders	—	$ —	—

(1) Excludes 68,140 outstanding restricted shares which vest in 2021 and a maximum of 2,364,848 outstanding performance share units, 618,288 of which had vested as of December 31, 2020. The underlying shares of common stock relating to the vested performance share units were issued in February 2021. Of the remaining 1,746,560 performance share units, 626,550 will vest in 2021 and 1,120,010 will vest in 2022. The actual number of shares of common stock issued in respect of unvested performance share units will vary from 0% to 200% of performance share units granted, based upon achievement of performance objectives established for such awards.

(2) Represents the number of shares of our common stock remaining available for issuance under the 2010 Stock Incentive Plan, which replaced two previous plans, as of December 31, 2020. The plan provides for options, restricted stock rights, restricted shares, performance shares, performance share units and stock appreciation rights to be awarded to employees, consultants and non-employee directors.

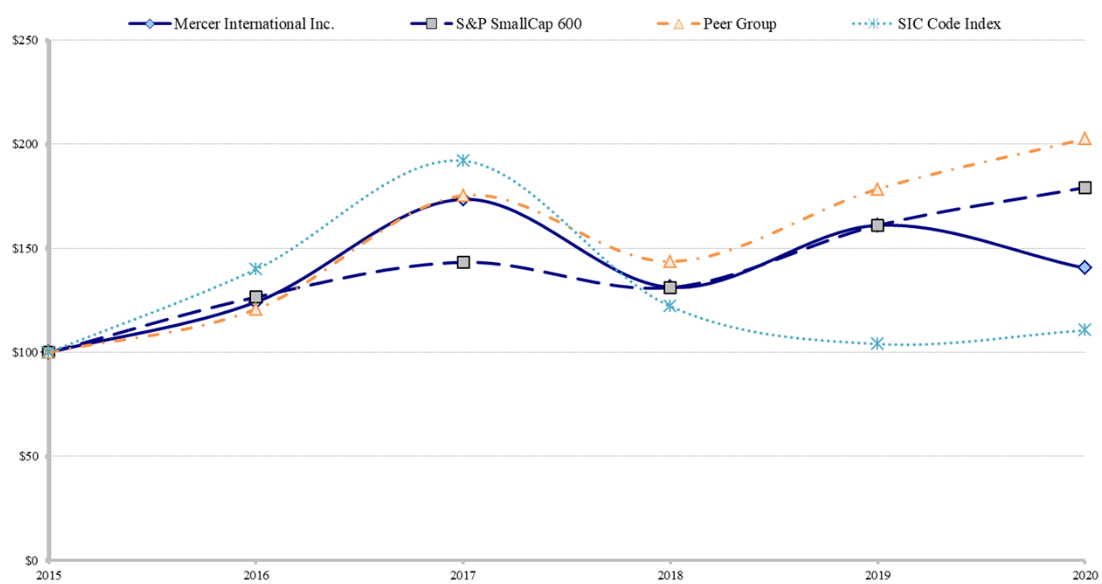
(e) *Purchases of Equity Securities by the Issuer and Affiliated Purchasers.* The following table provides information regarding our share repurchase activity during 2020:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
March 1 - March 31, 2020	23,584	$ 6.84	23,584	$ 49,084,880

(1) In May 2019, our board of directors authorized a common stock repurchase program, under which we may purchase up to $50 million of our shares, which expired in May 2020.

(f) *Performance Graph.* The following graph shows a five-year comparison of cumulative total shareholder return, calculated on an assumed dividend reinvested basis, for our common stock, the S&P SmallCap 600 Index, a group of peer companies, referred to as the "Peer Group", and Standard Industrial Classification Code Index or "SIC" (SIC Code 2611 - pulp mills), referred to as the "SIC Code Index". The graph assumes $100 was invested in each of our common stock, the S&P SmallCap 600 Index, the Peer Group and the SIC Code Index on December 31, 2015. Data points on the graph are annual.

Comparison of Cumulative Total Return



Assumes $100 Invested December 31, 2015
Assumes Dividends Reinvested
Fiscal Year Ending December 31, 2020

	2015	2016	2017	2018	2019	2020
Mercer International Inc.	$ 100.00	$ 124.20	$ 173.56	$ 131.28	$ 161.06	$ 140.51
S&P SmallCap 600 Index	$ 100.00	$ 126.56	$ 143.30	$ 131.15	$ 161.03	$ 179.20
Peer Group[1]	$ 100.00	$ 120.77	$ 175.34	$ 143.74	$ 178.49	$ 202.62
SIC Code Index	$ 100.00	$ 139.92	$ 192.06	$ 122.09	$ 104.04	$ 110.61

(1) The Peer Group is comprised of Borregard ASA, Canfor Pulp Products Inc., Domtar Corporation, ENC Energy Cellulose SA, Resolute Forest Products Inc., Rottneros RROS, Stora Enso Oyj, UPM-Kymmene Oyj and West Fraser Timber Co. Ltd.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected historical financial and operating data as of and for the years indicated. The following selected financial data are qualified in their entirety by, and should be read in conjunction with, our consolidated financial statements and related notes contained in this annual report and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Year Ended December 31,				
	2020	**2019**	**2018[1]**	**2017**	**2016**
	(in thousands, other than per share amounts and operating data)				
Statement of Operations Data					
Pulp segment revenues	$1,220,644	$1,457,123	$1,268,204	$1,071,715	$ 931,623
Wood products segment revenues	197,649	159,937	189,036	97,430	
Corporate and other revenues	4,847	7,351	478		
Total revenues	$1,423,140	$1,624,411	$1,457,718	$1,169,145	$ 931,623
Pulp segment operating income	$ 37,952	$ 90,583	$ 274,356	$ 171,279 [2]	$ 124,594 [2]
Wood products segment operating income	34,704	7,349	6,203	5,610	
Corporate and other operating loss	(8,927)	(13,929)	(12,692)	(8,335)	(9,470)
Total operating income	$ 63,729	$ 84,003	$ 267,867	$ 168,554	$ 115,124
Pulp segment depreciation and amortization	$ 115,945	$ 117,108	$ 87,628	$ 80,833	$ 71,476
Wood products segment depreciation and amortization	12,212	7,966	8,485	4,060	
Corporate and other depreciation and amortization	764	1,320	616	401	508
Total depreciation and amortization	$ 128,921	$ 126,394	$ 96,729	$ 85,294	$ 71,984
Costs and expenses	$1,359,411	$1,540,408	$1,189,851	$1,000,591 [2]	$ 816,499 [2]
Interest expense	$ 80,746	$ 75,750	$ 51,464	$ 54,796	$ 51,575
Loss on settlement of debt	$ —	$ (4,750) [3]	$ (21,515) [3]	$ (10,696) [4]	$ (454) [4]
Other income (expenses)	$ 5,878	$ 6,084	$ (17,618)	$ 873 [2]	$ (3,631) [2]
Net income (loss)	$ (17,235)	$ (9,639)	$ 128,589	$ 70,483	$ 34,943
Net income (loss) per common share					
Basic	$ (0.26)	$ (0.15)	$ 1.97	$ 1.09	$ 0.54
Diluted	$ (0.26)	$ (0.15)	$ 1.96	$ 1.08	$ 0.54
Dividends declared per common share	$ 0.3325	$ 0.5375	$ 0.5000	$ 0.4700	$ 0.4600
Weighted average shares outstanding					
Basic	65,768	65,553	65,133	64,916	64,631
Diluted	65,768	65,553	65,771	65,393	65,098
Balance Sheet Data					
Current assets	$ 874,852	$ 844,697	$ 810,699	$ 852,339 [5]	$ 401,851
Current liabilities	$ 211,796	$ 256,312	$ 195,388	$ 430,466 [5]	$ 93,170
Working capital	$ 663,056	$ 588,385	$ 615,311	$ 421,873	$ 308,681
Total assets[6]	$2,129,126	$2,065,720	$1,975,735	$1,724,710 [5]	$1,158,708
Long-term liabilities	$1,316,303	$1,259,005	$1,198,918	$ 743,578	$ 686,410
Total shareholders' equity	$ 601,027	$ 550,403	$ 581,429	$ 550,666	$ 379,128

	Year Ended December 31,				
	2020	2019	2018[1]	2017	2016
Selected Production, Sales and Other Data					
Pulp Segment					
Pulp production (‘000 ADMTs)					
NBSK	1,716.1	1,736.4	1,451.3	1,507.0	1,428.4
NBHK	335.0	304.2	21.3		
Pulp sales (‘000 ADMTs)					
NBSK	1,700.4	1,773.2	1,418.0	1,515.1	1,428.7
NBHK	329.0	325.7	22.9		
Average pulp sales realizations ($/ADMT) [7]					
NBSK	572	663	821	640	586
NBHK	452	567	707		
Energy production (‘000 MWh)	2,238.6 [8]	2,141.2 [8]	1,625.2 [8]	1,888.3	1,812.6
Energy sales (‘000 MWh)	894.5 [8]	822.8 [8]	615.2 [8]	822.1	785.8
Average energy sales realizations ($/MWh)	93 [8]	91 [8]	103 [8]	95	91
Wood Products Segment					
Lumber production (MMfbm)	438.0	414.7	398.7	281.3	
Lumber sales (MMfbm)	449.2	408.8	412.9	213.5	
Average lumber sales realizations ($/Mfbm)	402	348	408	385	
Energy production and sales (‘000 MWh)	89.0	83.5	86.3	73.7	
Average energy sales realizations ($/MWh)	119	116	125	120	

(1) Includes results of MPR from 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*.
(3) Redemption of our outstanding 7.75% senior notes due 2022, referred to as the “2022 Senior Notes”.
(4) Redemption of our outstanding 7.00% senior notes due 2019.
(5) In December 2017, we issued $300.0 million of 2026 Senior Notes and used the proceeds along with cash on hand to redeem, on January 5, 2018, $300.0 million of 2022 Senior Notes.
(6) We do not report the effect of government grants relating to our assets in our net income (loss). These grants reduce the cost basis of the assets purchased. See Item 1. “Business – Capital Expenditures”.
(7) Sales realizations after customer discounts, rebates and other selling concessions. Incorporates the effect of pulp price variations occurring between the order and shipment dates.
(8) Does not include energy production and sales relating to our 50% joint venture interest in the Cariboo mill, which is accounted for using the equity method.

NON-GAAP FINANCIAL MEASURES

This annual report on Form 10-K contains “non-GAAP financial measures”, that is, financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with the generally accepted accounting principles in the United States, referred to as “GAAP”. Specifically, we make use of the non-GAAP measures “Operating EBITDA” and “Operating EBITDA margin”.

Operating EBITDA is defined as operating income (loss) plus depreciation and amortization and non-recurring capital asset impairment charges. Operating EBITDA margin is Operating EBITDA expressed as a percentage of revenues. We use Operating EBITDA and Operating EBITDA margin as benchmark measurements of our own operating results and as benchmarks relative to our competitors. We consider them to be meaningful supplements to operating income as performance measures primarily because depreciation expense and non-recurring capital asset impairment charges are not actual cash costs, and depreciation expense varies widely from company to company in a manner that we consider 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 (loss), 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 (loss) or operating income as a measure of performance, or as an alternative to net cash from (used in) operating activities as a measure of liquidity. Operating EBITDA and Operating EBITDA margin are internal measures and therefore may not be comparable to other companies.

Operating EBITDA has significant limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that Operating EBITDA does not reflect: (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (ii) changes in, or cash requirements for, working capital needs; (iii) the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our outstanding debt; (iv) the impact of realized or marked to market changes in our derivative positions, which can be substantial; and (v) the impact of non-recurring impairment charges against our investments or assets. Because of these limitations, Operating EBITDA should only be considered as a supplemental performance measure and should not be considered as a measure of liquidity or cash available to us to invest in the growth of our business. Because all companies do not calculate Operating EBITDA in the same manner, Operating EBITDA as calculated by us may differ from Operating EBITDA or EBITDA as calculated by other companies. We compensate for these limitations by using Operating EBITDA as a supplemental measure of our performance and by relying primarily on our GAAP financial statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of our operations for the years ended December 31, 2020 and 2019 is based upon and should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this annual report. Please refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2019 for a discussion of our results of operations for 2018 and financial position as of December 31, 2018. This annual report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those indicated in forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements" and Item 1A. "Risk Factors".

Results of Operations

General

We have two reportable operating segments:

- **Pulp** – consists of the manufacture, sale and distribution of pulp, electricity and other by-products at our pulp mills.
- **Wood Products** – consists of the manufacture, sale and distribution of lumber, electricity and other wood residuals at the Friesau mill.

Each segment offers primarily different products and requires different manufacturing processes, technology and sales and marketing.

Markets for kraft pulp are global, cyclical and commodity based. Our financial performance depends on a number of variables that impact sales and production costs. Sales and production results for kraft pulp are influenced largely by the market price for kraft pulp, fiber costs and foreign currency exchange rates. Kraft pulp prices are highly cyclical and primarily determined by the balance between supply and demand. Pricing and demand are influenced by global macro-economic conditions, changes in consumption and industry capacity, the level of customer and producer inventories and fluctuations in exchange rates. The average European list prices for NBSK pulp between 2011 and 2020 have fluctuated between a low of $760 per ADMT in 2012 to a high of $1,230 per ADMT in 2018. In the same period, average North American list prices for NBHK pulp have fluctuated between a low of $700 per ADMT in 2012 to a high of $1,235 per ADMT in 2018.

Our pulp sales realizations are list prices, net of customer discounts, rebates and other selling concessions. Our sales to China are closer to a net price with significantly lower or little discounts and rebates.

European and U.S. lumber markets differ. In the European market, lumber is generally customized in terms of dimensions and finishing, whereas the U.S. market is driven primarily by demand from new housing starts and home renovation activities and dimensions and finishing are generally standardized.

Energy and chemical production and sales are key revenue sources for us. Further initiatives to increase our generation and sales of renewable energy, chemicals and other by-products will continue to be a key focus for us. Such further initiatives may require additional capital spending.

Energy and chemicals are by-products of our pulp and lumber production and the volumes generated and sold are primarily related to the rate of production. Prices for our energy and chemical sales are generally stable and unrelated to cyclical changes in pulp or lumber prices.

Our financial performance is also impacted by changes in the dollar to euro and Canadian dollar exchange rates. Changes in currency rates affect our operating results because most of our operating costs at our German mills are incurred in euros and those at our Canadian mills are in Canadian dollars. These costs do not fluctuate with the dollar to euro or Canadian dollar exchange rates. Thus, an increase in the strength of the dollar versus the euro and the Canadian dollar decreases our operating costs and increases our operating margins and income from operations. Conversely, a weakening of the dollar against the euro and the Canadian dollar tends to increase our operating costs and decrease our operating margins and income from operations. Our energy, chemical and European lumber sales are made in local currencies and, as a result, decline in dollar terms when the dollar strengthens and increase when the dollar weakens.

As a corollary to changes in exchange rates between the dollar and the euro and Canadian dollar, a stronger dollar generally increases costs to our customers and results in downward pressure on pulp and lumber prices. Conversely, a weakening dollar generally supports higher pulp and lumber pricing. However, there is invariably a time lag between changes in currency exchange rates and prices. This lag can vary and is not predictable with any precision.

Our production costs are influenced by the availability and cost of raw materials, energy and labor, and our plant efficiencies and productivity. Our main raw material is fiber in the form of wood chips, pulp logs and sawlogs. Wood chip, pulp log and sawlog costs are primarily affected by the supply of, and demand for, lumber and pulp, which are both highly cyclical. Higher fiber costs could affect producer profit margins if they are unable to pass along price increases to pulp and lumber customers or purchasers of surplus energy.

Production costs also depend on the total volume of production. High operating rates and production efficiencies permit us to lower our average per unit cost by spreading fixed costs over more units. Higher operating rates also permit us to increase our generation and sales of surplus renewable energy and chemicals. Our production levels are also dependent on, among other things, the number of days of maintenance downtime at our mills.

Unexpected maintenance downtime can be particularly disruptive in our industry.

Selected 2020 Highlights

In 2020, we:

- implemented our crisis management plan and developed COVID-19 exposure control plans, risk assessments and protocols, which helped result in no material disruptions to our operations since the pandemic was declared in March 2020;
- achieved record operating income for our wood products segment of $34.7 million driven by record production, high lumber sales realizations and low per unit fiber costs; and
- advanced several important expansion projects including the construction of new planer, drying and automated grading capacity at our Friesau sawmill along with the early stages of a pulp capacity increase project at our Stendal pulp mill.

Current Market Environment

In January 2021, published NBSK list prices increased $50 per ADMT in Europe, and $30 per ADMT in North America and net prices increased $100 per ADMT in China. Although there is continued economic uncertainty as a result of the COVID-19 pandemic, based on the recent NBSK price increases and an improving supply demand balance, we are currently expecting stable pulp demand and modestly improving prices during the course of 2021.

In our wood products segment, going into 2021 we currently expect continued strong lumber demand and prices in the U.S. market along with modestly improving sales realizations in the European market.

Summary Financial Highlights

	Year Ended December 31,	
	2020	2019
	(in thousands, other than percent and per share amounts)	
Statement of Operations Data		
Pulp segment revenues	$ 1,220,644	$ 1,457,123
Wood products segment revenues	197,649	159,937
Corporate and other revenues	4,847	7,351
Total revenues	$ 1,423,140	$ 1,624,411
Pulp segment operating income	$ 37,952	$ 90,583
Wood products segment operating income	34,704	7,349
Corporate and other operating loss	(8,927)	(13,929)
Total operating income	$ 63,729	$ 84,003
Pulp segment depreciation and amortization	$ 115,945	$ 117,108
Wood products segment depreciation and amortization	12,212	7,966
Corporate and other depreciation and amortization	764	1,320
Total depreciation and amortization	$ 128,921	$ 126,394
Operating EBITDA(1)	$ 192,650	$ 210,397
Operating EBITDA margin(1)	14%	13%
Loss on settlement of debt	$ —	$ (4,750) (2)
Income tax provision	$ (6,096)	$ (19,226)
Net loss	$ (17,235)	$ (9,639)
Net loss per common share		
Basic	$ (0.26)	$ (0.15)
Diluted	$ (0.26)	$ (0.15)
Common shares outstanding at period end	65,868	65,629

(1) See "Non-GAAP Financial Measures" for a description of Operating EBITDA and Operating EBITDA margin, their limitations and why we consider them to be useful measures.

The following table provides a reconciliation of net loss to operating income and Operating EBITDA for the years indicated:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Net loss	$ (17,235)	$ (9,639)
Income tax provision	6,096	19,226
Interest expense	80,746	75,750
Loss on settlement of debt	—	4,750
Other income	(5,878)	(6,084)
Operating income	63,729	84,003
Add: Depreciation and amortization	128,921	126,394
Operating EBITDA	$ 192,650	$ 210,397

(2) Redemption of 2022 Senior Notes.

Selected Production, Sales and Other Data

	Year Ended December 31,	
	2020	2019
Pulp Segment		
Pulp production ('000 ADMTs)		
NBSK	1,716.1	1,736.4
NBHK	335.0	304.2
Annual maintenance downtime ('000 ADMTs)	50.1	108.1
Annual maintenance downtime (days)	43	82
Pulp sales ('000 ADMTs)		
NBSK	1,700.4	1,773.2
NBHK	329.0	325.7
Average NBSK pulp prices ($/ADMT)(1)		
Europe	851	946
China	588	612
North America	1,139	1,239
Average NBHK pulp prices ($/ADMT)(1)		
China	462	558
North America	881	1,036
Average pulp sales realizations ($/ADMT)(2)		
NBSK	572	663
NBHK	452	567
Energy production ('000 MWh)(3)	2,238.6	2,141.2
Energy sales ('000 MWh)(3)	894.5	822.8
Average energy sales realizations ($/MWh)(3)	93	91
Wood Products Segment		
Lumber production (MMfbm)	438.0	414.7
Lumber sales (MMfbm)	449.2	408.8
Average lumber sales realizations ($/Mfbm)	402	348
Energy production and sales ('000 MWh)	89.0	83.5
Average energy sales realizations ($/MWh)	119	116
Average Spot Currency Exchange Rates		
$ / €(4)	1.1410	1.1194
$ / C$(4)	0.7457	0.7537

(1) Source: RISI pricing report. Europe and North America are list prices. China are net prices which include discounts, allowances and rebates. Effective January 2020, the RISI pricing report does not provide list prices for China.
(2) Sales realizations after customer discounts, rebates and other selling concessions. Incorporates the effect of pulp price variations occurring between the order and shipment dates.
(3) Does not include our 50% joint venture interest in the Cariboo mill, which is accounted for using the equity method.
(4) Average Federal Reserve Bank of New York Noon Buying Rates over the reporting period.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Consolidated – Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Total revenues in 2020 decreased by approximately 12% to $1,423.1 million from $1,624.4 million in 2019 primarily due to lower pulp sales realizations and pulp sales volumes partially offset by higher lumber sales realizations and sales volumes.

In 2020 and 2019, we sold 983,519 MWh and 906,331 MWh, respectively, of renewable energy. In 2020, energy and chemical revenues increased by approximately 2% compared to 2019 due to lower annual maintenance downtime and stable production.

Costs and expenses in 2020 decreased by approximately 12% to $1,359.4 million from $1,540.4 million in 2019 primarily due to lower per unit fiber costs, maintenance costs and pulp sales volumes. 2019 costs and expenses included a reversal of $20.9 million in accrued wastewater fees at our German pulp mills.

In 2020, our per unit fiber costs decreased by approximately 15% for our pulp segment and 17% for our wood products segment due to lower per unit fiber costs at all of our mills. The German mills’ per unit fiber costs declined due to the continued availability of storm and beetle damaged wood. The per unit fiber costs for our Canadian mills declined due to increased sawmill activity, but remained historically high due to strong demand in the Canadian mills' fiber procurement areas.

In 2020, cost of sales depreciation and amortization increased to $128.8 million from $125.8 million in 2019.

Selling, general and administrative expenses decreased by approximately 10% to $66.9 million in 2020 from $74.2 million in 2019 primarily due to cost reduction initiatives and lower stock based compensation expense.

In 2020, our operating income decreased by approximately 24% to $63.7 million from $84.0 million in 2019 as lower pulp sales realizations were only partially offset by lower per unit fiber costs, lower maintenance costs and higher lumber sales realizations. 2019 operating income includes a $20.9 million reversal of accrued wastewater fees.

Interest expense in 2020 increased to $80.7 million from $75.8 million in 2019 primarily as a result of higher indebtedness resulting from our issuance of an additional $100.0 million of senior notes in October 2019.

In 2019, we redeemed $100.0 million of 2022 Senior Notes at a cost, including premium, of $103.9 million and recorded a loss on such redemption of $4.8 million (being $0.07 per share).

In 2020, we had $5.9 million of other income primarily due to a $17.5 million realized gain on the sale of investments partially offset by a $13.8 million foreign exchange loss primarily on the translation of dollar denominated cash held at the mills as the dollar weakened at the end of 2020. In 2019, we had $6.1 million of other income primarily due to interest earned on cash.

During 2020, income tax expense was $6.1 million primarily due to the tax provision for our German entities only partially offset by tax recoveries for our Canadian entities. In 2019, income tax expense was $19.2 million, due to higher income for our German entities.

In 2020, the dollar was 2% weaker against the euro and 1% stronger against the Canadian dollar compared to 2019, which increased our euro and decreased our Canadian dollar denominated costs and expenses.

In 2020, our net loss was $17.2 million, or $0.26 per share, from a net loss in 2019 of $9.6 million, or $0.15 per share after giving effect to costs of $4.8 million, or $0.07 per share, for the loss on the redemption of senior notes.

In 2020, Operating EBITDA decreased by approximately 8% to $192.7 million from $210.4 million in 2019 as lower pulp sales realizations were only partially offset by lower per unit fiber costs, lower maintenance costs and higher lumber sales realizations. 2019 EBITDA includes a $20.9 million reversal of accrued wastewater fees.

Pulp Segment – Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Selected Financial Information

	Year Ended December 31,	
	2020	**2019**
	(in thousands)	
Pulp revenues	$ 1,130,302	$ 1,370,742
Energy and chemical revenues	$ 90,342	$ 86,381
Depreciation and amortization	$ 115,945	$ 117,108
Operating income	$ 37,952	$ 90,583

Pulp revenues in 2020 decreased by approximately 18% to $1,130.3 million from $1,370.7 million in 2019 due to lower sales realizations and sales volumes.

Energy and chemical revenues increased by approximately 5% to $90.3 million in 2020 from $86.4 million in 2019 primarily due to higher energy production partially offset by lower chemical production caused by our German mills processing dry beetle damaged wood.

NBSK pulp production modestly decreased to 1,716,067 ADMTs in 2020 from 1,736,372 ADMTs in 2019. In 2020, we also produced 335,017 ADMTs of NBHK pulp up from 304,210 ADMTs in 2019. In 2020, we had annual scheduled maintenance downtime of 43 days (approximately 50,100 ADMTs), and in July 2020 our Celgar mill had 30 days of market related downtime. In 2019, we had annual scheduled maintenance downtime of 82 days (approximately 108,100 ADMTs).

We estimate that such maintenance downtime in 2020 adversely impacted our operating income by approximately $27.8 million, comprised of approximately $16.3 million in direct out-of-pocket expenses and the balance in reduced production. Many of our competitors that report their financial results using International Financial Reporting Standards, referred to as "IFRS", capitalize their direct costs of maintenance downtime.

In 2021, excluding the Peace River mill, we currently have scheduled maintenance downtime for our pulp mills of 73 days, or approximately 97,000 ADMTs. Of such downtime, 20 days, or approximately 27,600 ADMTs will be in the first quarter, an aggregate of 32 days, or approximately 44,800 ADMTs, will be in the second quarter, an aggregate of 19 days, or approximately 20,800 ADMTs, in the third quarter and an aggregate of 2 days, or approximately 3,800 ADMTs, in the fourth quarter. At the Peace River Mill, we expect to commence approximately 63 days of down time, or approximately 95,600 ADMTs, in April 2021 relating to work that was scheduled in 2020 and rescheduled to 2021 as a result of the COVID-19 pandemic and regular annual maintenance. The work related to a boiler incident in 2017 and we currently expect insurance to cover the estimated costs of about $27.0 million. Upon completion, the mill will have a new state-of-the-art boiler. We also expect to receive business interruption insurance for the extra downtime for repairs resulting from the prior incident. Such business interruption insurance proceeds will be recorded as a reduction to our cost and expenses.

NBSK pulp sales volumes decreased by approximately 4% to 1,700,369 ADMTs in 2020 compared to 1,773,153 ADMTs in 2019 primarily due to the timing of sales and lower production. In 2020, we also sold 329,040 ADMTs of NBHK pulp compared to 325,665 ADMTs in 2019.

In 2020, average list prices for NBSK pulp decreased by approximately 10% in Europe and 8% in North America compared to 2019. In 2020, average net prices for NBSK pulp in China decreased by approximately 4% compared to 2019. Such decreases in prices principally resulted from high producer inventory levels and market uncertainty due to the COVID-19 pandemic. In 2020, the pandemic accelerated the shift in end-customer demand for pulp, with NBSK pulp demand for tissue and hygiene products continuing to increase globally and demand for graphic and printing and writing paper declining. During the fourth quarter of 2020, pulp markets started to recover and prices improved modestly. Average list prices for NBSK pulp in Europe and North America were approximately $851 per ADMT and $1,139 per AMDT, respectively in 2020 compared to approximately $946 per ADMT and $1,239 per ADMT, respectively, in 2019. As of December 31, 2020, NBSK list prices in Europe and North America were approximately $910 per ADMT and $1,155 per ADMT, respectively, and net prices in China were approximately $695 per ADMT. As of December 31, 2020, NBHK list prices in North America were $880 per ADMT and net prices in China were $535 per ADMT. Average net prices for NBSK pulp in China were approximately $588 per ADMT in 2020 compared to approximately $612 per ADMT in 2019.

Average NBSK pulp sales realizations decreased by approximately 14% to $572 per ADMT in 2020 from $663 per ADMT in 2019 due to lower list prices. In 2020, NBHK pulp sales realizations decreased by approximately 20% to $452 per ADMT in 2020 from $567 per ADMT in 2019.

In 2020, our Canadian mills recorded write downs of our inventory carrying values of $26.0 million as a result of lower pulp sales realizations and high fiber costs. In 2019, our Canadian mills recorded write-downs of our inventory carrying values of $23.0 million.

In 2020, the net negative impact on operating income due to foreign exchange was $2.9 million primarily due to the effect of a weaker dollar on average compared to the euro which increased the dollar cost of our euro denominated costs and expenses compared to 2019.

Costs and expenses in 2020 decreased by approximately 13% to $1,183.2 million from $1,367.1 million in 2019 primarily due to lower per unit fiber costs, maintenance costs and pulp sales volumes. In 2020 we have received approximately $9.1 million of wage assistance under a Canadian government wage subsidy program. 2019 costs and expenses include the reversal of $20.9 million in accrued wastewater fees at our German pulp mills.

In 2020, depreciation and amortization decreased to $115.9 million from $117.1 million in 2019.

On average, in 2020, overall per unit fiber costs decreased by approximately 15% from 2019 due to lower per unit fiber costs at all of our mills. In 2020, per unit fiber costs for our German mills declined due to the continued availability of beetle damaged wood. For our Canadian mills, per unit fiber costs declined due to increased sawmill activity but remained at historically high levels due to strong demand in the mills' fiber procurement areas.

In 2021, we currently expect stable per unit fiber costs due to the continued availability of beetle damaged wood in Germany and continued strong demand for fiber in the Canadian mill's fiber procurement areas.

Transportation costs were flat at $144.4 million in 2020 from $144.5 million in 2019 as lower costs due to lower sales volumes were mostly offset by higher per unit costs.

In 2020, pulp segment operating income decreased by approximately 58% to $38.0 million from $90.6 million in 2019 as lower pulp sales realizations were only partially offset by the positive impact of lower per unit fiber costs and lower maintenance costs. 2019 operating income includes the reversal of $20.9 million of accrued wastewater fees.

Wood Products Segment – Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Selected Financial Information

	Year Ended December 31,	
	2020	**2019**
	(in thousands)	
Lumber revenues	$ 180,769	$ 142,243
Energy revenues	$ 10,619	$ 9,721
Wood residual revenues	$ 6,261	$ 7,973
Depreciation and amortization	$ 12,212	$ 7,966
Operating income	$ 34,704	$ 7,349

In 2020, lumber revenues increased by approximately 27% to $180.8 million from $142.2 million, primarily due to a higher realized sales price and higher sales volumes. Overall, in 2020, U.S. markets were strong with approximately 52% of our lumber revenues and 36% of sales volumes to such market. The majority of the balance of our lumber sales were to Europe.

Energy and wood residual revenues decreased by approximately 5% to $16.9 million in 2020 from $17.7 million in 2019 due to lower sales realizations for wood residuals.

Lumber production increased by approximately 6% to a record 438.0 MMfbm of lumber in 2020 from 414.7 MMfbm in 2019 primarily due to capital improvements.

Lumber sales volumes increased by approximately 10% to a record 449.2 MMfbm in 2020 from 408.8 MMfbm in 2019 due to strong production and demand.

Average lumber sales realizations increased by approximately 16% to $402 per Mfbm in 2020 from $348 per Mfbm in 2019. In 2020, U.S lumber markets were strong and European lumber markets were generally stable. U.S. lumber pricing increased due to strong demand from the housing and renovation market. European lumber pricing declined due to an increase in the supply of lumber processed from beetle and storm damaged wood which generally obtains lower prices.

Fiber costs were approximately 69% of our lumber cash production costs in 2020. In 2020 per unit fiber costs decreased by approximately 17% from 2019 primarily due to the availability of lower cost beetle damaged wood. We currently expect stable per unit fiber costs in 2021 as a result of the continued availability of beetle damaged wood.

In 2020, depreciation and amortization for our wood products segment increased to $12.2 million from $8.0 million in 2019 primarily due to the completion of capital projects.

Transportation costs increased by approximately 23% to $29.2 million in 2020 from $23.7 million in 2019 primarily due to higher sales volumes primarily to the U.S. market.

In 2020, our wood products segment had record operating income of $34.7 million compared to $7.3 million in 2019 primarily due to a higher lumber realized sales price, lower per unit fiber costs and strong production.

Sensitivities

The following sensitivity analysis provides only a limited point-in-time view of the pulp price, lumber price, fiber costs and foreign exchange rates discussed. The actual impact of the underlying price and rate changes may differ materially from that shown in the sensitivity analysis.

Our earnings are sensitive to, among other things, fluctuations in:

Pulp Price. Pulp is a global commodity that is priced in dollars, whose markets are highly competitive and cyclical in nature. As a result, our earnings are sensitive to pulp price changes. Based upon our 2020 sales volume and assuming all other factors remained constant, each $10.00 per tonne change in pulp list prices yields a change in pulp revenues of approximately $15.4 million.

Lumber Price. Lumber markets are highly competitive and cyclical in nature. As a result, our earnings are sensitive to lumber price changes. Based upon our 2020 sales volume and assuming all other factors remain constant, each $10.00 per Mfbm change in lumber price yields a change in lumber revenues of approximately $4.5 million.

Fiber Costs. Our main raw material is fiber in the form of wood chips, pulp logs and sawlogs. Fiber is a commodity and both prices and supply are cyclical. As a result, our operating costs are sensitive to fiber cost changes. For our pulp segment, based upon our 2020 fiber costs and assuming all other factors remained constant, each 1% change in per unit fiber cost yields a change in annual operating costs of approximately $4.2 million. For our wood products segment, based upon our 2020 fiber costs and assuming all other factors remained constant, each 1% change in per unit fiber cost yields a change in annual operating costs of approximately $0.8 million.

Foreign Exchange. Our operating costs are in euros for our German mills and Canadian dollars for our Canadian mills. As a result, our operating costs will fluctuate with changes in the value of the dollar relative to the euro and Canadian dollar. Based on our 2020 operating costs and assuming all other factors remained constant, each $0.01 change in the value of the dollar relative to the Canadian dollar yields a total change in annual operating costs of approximately $8.3 million. Based on our 2020 operating costs and assuming all other factors remained constant, each $0.01 change in the value of the dollar relative to the euro yields a total change in annual operating costs of approximately $6.4 million.

Our energy, chemical and European lumber sales are made in local currencies and, as a result, decline in dollar terms when the dollar strengthens. Based on our 2020 energy, chemical and lumber revenues and assuming all other factors remained constant, each $0.01 change in the value of the dollar relative to the euro yields a total change in energy, chemical and lumber revenues of approximately $1.3 million. Based on our 2020 energy and chemical revenues and assuming all other factors remained constant, each $0.01 change in the value of the dollar relative to the Canadian dollar yields a total change in energy and chemical revenues of approximately $0.2 million.

Seasonal Influences. We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These factors are common in the pulp and lumber industries. We generally have weaker pulp demand in Europe during the summer holiday months and in China in the period relating to the lunar new year. We typically have a seasonal build-up in raw material inventories in the early winter months as the mills build up their fiber supply for the winter when there is reduced availability.

Liquidity and Capital Resources

Summary of Cash Flows

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Net cash from operating activities	$ 41,565	$ 244,283
Net cash used in investing activities	(59,827)	(139,358)
Net cash from financing activities	26,317	6,098
Effect of exchange rate changes on cash and cash equivalents	1,958	(429)
Net increase in cash and cash equivalents	$ 10,013	$ 110,594

We operate in a cyclical industry and our operating cash flows vary accordingly. Our principal operating cash expenditures are for labor, fiber, chemicals and debt service.

Working capital levels fluctuate throughout the year and are affected by maintenance downtime, changing sales patterns, seasonality and the timing of receivables and the payment of payables and expenses. Generally, finished goods inventories are increased prior to scheduled maintenance downtime to maintain sales volume while production is stopped. Our fiber inventories exhibit seasonal swings as we increase pulp log, sawlog and wood chip inventories to ensure adequate supply of fiber to our mills during the winter months. Changes in sales volume can affect the level of receivables and influence overall working capital levels. We believe our management practices with respect to working capital conform to common business practices.

Cash Flows from Operating Activities

Cash from operations includes:

- cash received from customers;
- cash paid to employees and suppliers;
- cash paid for interest on our debt; and
- cash paid or received for taxes.

Cash provided by operating activities in 2020 decreased to $41.6 million from $244.3 million in 2019 due to a higher net working capital balance. In 2020, an increase in accounts receivable used cash of $6.3 million and in 2019, a decrease in accounts receivable provided cash of $41.4 million. In 2020, an increase in inventories, excluding non-cash items, used cash of $11.4 million and in 2019, a decrease in inventories provided cash of $24.7 million. In 2020, a decrease in accounts payable and accrued expenses used cash of $53.7 million and in 2019, an increase in accounts payable and accrued expenses provided cash of $45.3 million.

Cash Flows from Investing Activities

Cash from investing activities includes:

- acquisitions of property, plant and equipment and businesses;
- proceeds from the sale of assets; and
- purchases and sales of short-term investments.

Investing activities in 2020 used cash of $59.8 million primarily related to capital expenditures of $78.5 million and $9.4 million for other investments partially offset by proceeds of $26.9 million from the sale of such investments. Investing activities in 2019 used cash of $139.4 million primarily related to capital expenditures of $132.0 million and acquisitions of $6.4 million primarily for certain forestry operations.

In 2020, capital expenditures included the Phase II expansion and optimization project at our Friesau sawmill, pulp capacity expansion projects and additional land for fiber storage at the Stendal mill and other small maintenance and optimization projects. In 2019, capital expenditures included improvements to the bale line and a turpentine extraction project at our Celgar mill, the planer line replacement project at our Friesau mill and the completion of wastewater improvement projects at our German pulp mills.

Cash Flows from Financing Activities

Cash from financing activities includes:

- issuances and payments of debt;
- borrowings and payments under revolving lines of credit;
- proceeds from issuances of stock; and
- payments of cash dividends and repurchases of stock.

In 2020, financing activities provided cash of $26.3 million primarily from $52.7 million of borrowings under our revolving credit facilities. In 2020, we paid dividends of $21.9 million and used $0.2 million to repurchase common shares. In 2019, financing activities provided cash of $6.1 million primarily from the issuance of $200.0 million 2025 Senior Notes which were used to redeem $100.0 million of 2022 Senior Notes and for general corporate purposes. In 2019, we primarily used cash to repay $58.4 million of revolving credit facilities and pay dividends of $35.3 million. In 2019 we received $6.5 million of government grants primarily to finance greenhouse gas reduction capital projects at the Peace River mill.

Balance Sheet Data

The following table is a summary of selected financial information for the dates indicated:

	December 31,			
	2020		2019	
	(in thousands)			
Financial Position				
Cash and cash equivalents	$	361,098	$	351,085
Working capital	$	663,056	$	588,385
Total assets	$	2,129,126	$	2,065,720
Long-term liabilities	$	1,316,303	$	1,259,005
Total shareholders' equity	$	601,027	$	550,403

Sources and Uses of Funds

Our principal sources of funds are cash flows from operations and cash and cash equivalents on hand. Our principal uses of funds consist of operating expenditures, capital expenditures and interest payments on our Senior Notes.

The following table sets out our total capital expenditures and interest expense for the periods indicated:

	Year Ended December 31,			
	2020		2019	
	(in thousands)			
Capital expenditures	$	78,518	$	132,034
Cash paid for interest expense(1)	$	78,151	$	59,707
Interest expense(2)	$	80,746	$	75,750

(1) Amounts differ from interest expense which includes non-cash items. See supplemental disclosure of cash flow information from our consolidated financial statements included in this annual report.

(2) Interest on our 2022 Senior Notes was paid semi-annually in June and December of each year. In October 2019, we redeemed the remaining $100.0 million of our 2022 Senior Notes. Interest on our 2024 Senior Notes was paid semi-annually in February and August of each year and interest on our 2025 Senior Notes was paid semi-annually in January and July of each year, commencing in July 2019 for our 2025 Senior Notes. In January 2021, we redeemed our 2024 Senior Notes and 2025 Senior Notes. Interest on our 2026 Senior Notes is paid semi-annually in January and July of each year. See Item 1. “Business – Description of Certain Indebtedness” for further information.

As of December 31, 2020, our cash and cash equivalents increased to $361.1 million from $351.1 million at the end of 2019.

As of December 31, 2020, we had approximately $266.8 million available under our revolving credit facilities.

As of December 31, 2020, we had no material commitments to acquire assets or operating businesses.

In 2021, excluding amounts being financed through government grants and expected insurance proceeds, we currently expect capital expenditures to be approximately $150.0 million.

We currently consider the majority of undistributed earnings of our foreign subsidiaries to be indefinitely reinvested and, accordingly, no U.S. income tax has been provided on such earnings. However, if we were required to repatriate funds to the United States, we believe that we currently could repatriate the majority thereof without incurring any material amount of taxes as a result of our shareholder advances and U.S. tax reform. However, it is currently not practical to estimate the income tax liability that might be incurred if such earnings were remitted to the United States. Substantially all of our undistributed earnings are held by our foreign subsidiaries outside of the United States.

Based upon the current level of operations and our current expectations for future periods in light of the current economic environment, and in particular, current and expected pulp and lumber pricing and foreign exchange rates, we believe that cash flow from operations and available cash, together with available borrowings under our revolving credit facilities, will be adequate to finance the capital requirements for our business including the payment of our quarterly dividend during the next 12 months.

In the future we may make acquisitions of businesses or assets or commitments to additional capital projects. To achieve the long-term goals of expanding our assets and earnings, including through acquisitions, capital resources will be required. Depending on the size of a transaction, the capital resources that will be required can be substantial. The necessary resources will be generated from cash flow from operations, cash on hand, borrowing against our assets or the issuance of securities.

Credit Facilities and Debt Covenants

We had the following principal amounts outstanding under our credit facilities and Senior Notes as of the dates indicated:

	December 31,	
	2020	2019
	(in thousands)	
German Facility	$ —	$ —
Rosenthal €2.6 million loan	$ —	$ —
Celgar Working Capital Facility	$ 32,988	$ —
MPR Working Capital Facility	$ 21,992	$ —
2024 Senior Notes(1)	$ 250,000	$ 250,000
2025 Senior Notes(1)	$ 550,000	$ 550,000
2026 Senior Notes	$ 300,000	$ 300,000

(1) In January 2021, we issued $875 million in 2029 Senior Notes and used a portion of the net proceeds to refinance and discharge in full the 2024 Senior Notes and 2025 Senior Notes.

For a description of such indebtedness, see Item 1. "Business – Description of Certain Indebtedness".

Certain of our long-term obligations contain various financial tests and covenants customary to these types of arrangements.

Under the German Facility, the Obligors must not exceed a ratio of net debt to EBITDA of 3.50:1 in any 12-month period and maintain defined capital of not less than €400.0 million.

The Celgar Working Capital Facility includes a covenant that, for so long as the excess amount under the facility is less than C$5.0 million, then until it becomes equal to or greater than such amount, the Celgar mill must maintain a fixed charge coverage ratio of not less than 1.1:1.0 for each 12-month period.

The MPR Working Capital Facility includes a covenant that so long as the excess amount under the facility is less than the greater of 10% of the borrowing base thereunder or C$4.5 million, MPR must comply with a 1.00:1.00 fixed charge coverage ratio.

The German Facility is provided by a syndicate of six financial institutions and each of our Celgar Working Capital Facility and MPR Working Capital Facility is provided by one financial institution. To date we have not experienced any reductions in credit availability with respect to these credit facilities. However, if any of these financial institutions were to default on their commitment to fund, we could be adversely affected.

The indentures governing the Senior Notes do not contain any financial maintenance covenants and there are no scheduled principal payments until maturity. Interest on our 2026 Senior Notes is payable semi-annually in arrears on January 15 and July 15, at the rate of 5.50% and they mature in January 2026. Interest on our 2029 Senior Notes is payable semi-annually in arrears on February 1 and August 1, at the rate of 5.125% and they mature in February 2029. After giving effect to the refinancing of the 2024 Senior Notes and 2025 Senior Notes, we have no other issues of Senior Notes outstanding.

As of December 31, 2020, we were in full compliance with all of the covenants of our indebtedness.

Off-Balance Sheet Activities

As of December 31, 2020 and December 31, 2019, we had no off-balance sheet arrangements.

Contractual Obligations and Commitments

The following table sets out our contractual obligations and commitments as of December 31, 2020:

	Payments Due By Period				
	2021	**2022-2023**	**2024-2025**	**Beyond 2025**	**Total**
			(in thousands)		
Contractual Obligations[1]					
Debt[2]	$ —	$ 32,988	$ 821,992	$ 300,000	$ 1,154,980
Interest on debt[3]	75,298	150,198	102,008	8,250	335,754
Finance lease liabilities[4]	6,826	13,146	11,699	21,622	53,293
Operating lease liabilities[5]	4,140	6,459	2,499	2,809	15,907
Purchase obligations[6]	152,367	136,024	52,960	20,446	361,797
Other long-term liabilities[7]	8,858	11,269	12,360	35,483	67,970
Total	$ 247,489	$ 350,084	$ 1,003,518	$ 388,610	$ 1,989,701

(1) We have identified approximately $10.0 million of asset retirement obligations. However, due to the uncertain timing related to these potential liabilities, we are unable to allocate the payments in the contractual obligations table.
(2) This reflects the future principal payments due under our debt obligations. See Item 1. "Business – Description of Certain Indebtedness" and Note 10 to our consolidated financial statements included herein for a description of such indebtedness.
(3) Amounts presented for interest payments assume that all debt outstanding as of December 31, 2020 will remain outstanding until maturity, and interest rates on variable rate debt in effect as of December 31, 2020 will remain in effect until maturity.
(4) Finance lease liabilities are primarily for railcars and production equipment. These amounts reflect principal and imputed interest.
(5) Operating lease liabilities are primarily for land to support sandalwood plantations and for offices. These amounts reflect principal and imputed interest.
(6) Purchase obligations relate primarily to take-or-pay contracts, including for purchases of fiber, made in the ordinary course of business.
(7) Other long-term liabilities relate primarily to future payments that will be made for pension and other post-retirement benefits. Those amounts are estimated using actuarial assumptions, including expected future service, to project the future obligations.

Foreign Currency

Our reporting currency is the dollar. However, we hold certain assets and liabilities in euros and Canadian dollars and the majority of our expenditures are denominated in euros or Canadian dollars. Accordingly, our consolidated financial results are subject to foreign currency exchange rate fluctuations.

We translate foreign denominated assets and liabilities into dollars at the rate of exchange on the balance sheet date. Equity accounts are translated using historical exchange rates. Unrealized gains or losses from these translations are recorded in our other comprehensive income (loss) and do not affect our net earnings.

In 2020, accumulated other comprehensive loss decreased by $89.0 million to a loss of $27.6 million, primarily due to the foreign currency translation adjustment.

Based upon the exchange rate at December 31, 2020, the dollar was approximately 9% weaker against the euro and approximately 2% weaker against the Canadian dollar since December 31, 2019. See Item 7A. “Quantitative and Qualitative Disclosures about Market Risk”.

Credit Ratings of Senior Notes

We and our Senior Notes are rated by Standard & Poor’s Rating Services, referred to as “S&P”, and Moody’s Investors Service, Inc., referred to as “Moody’s”.

S&P and Moody’s base their assessment of the credit risk on our Senior Notes on the business and financial profile of Mercer Inc. and our restricted subsidiaries under the indentures governing the Senior Notes. As of December 31, 2020, all of our subsidiaries are restricted subsidiaries. Factors that may affect our credit rating include changes in our operating performance and liquidity. Credit rating downgrades can adversely impact, among other things, future borrowing costs and access to capital markets.

In July 2020 Moody's confirmed its rating on our Senior Notes is Ba3 and its outlook is stable. In April 2020, S&P reduced its rating on our Senior Notes to B+ from BB- and its outlook to negative from stable. Its recovery rating remained unchanged at "3".

Credit ratings are not recommendations to buy, sell or hold securities and may be subject to revision or withdrawal by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect both the amount and the timing of recording of assets, liabilities, revenues and expenses in the consolidated financial statements and accompanying note disclosures. Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increase, these judgments become even more subjective and complex.

Our significant accounting policies are disclosed in Note 1 to our audited annual consolidated financial statements included in Part IV of this annual report. While all of the significant accounting policies are important to the consolidated financial statements, some of these policies may be viewed as having a high degree of judgment. On an ongoing basis using currently available information, management reviews its estimates, including those related to accounting for, among other things, pension and other post-retirement benefit obligations, deferred income taxes (valuation allowance and permanent reinvestment), depreciation and amortization, future cash flows associated with impairment testing for long-lived assets, the allocation of the purchase price in a business combination to the assets acquired and liabilities assumed, legal liabilities and contingencies. Actual results could differ materially from these estimates, and changes in these estimates are recorded when known.

The following accounting policies require management’s most difficult, subjective and complex judgments, and are subject to a fair degree of measurement uncertainty.

Pension and Other Post-Retirement Benefit Obligations

We maintain defined benefit pension plans and an other post-retirement benefit plan for certain employees of MPR and our Celgar mill which are funded based on actuarial estimates and requirements and are non-contributory. We recognize the net funded status of the plans and we record net periodic benefit costs associated with these net obligations. As of December 31, 2020, we had pension and other post-retirement benefit obligations aggregating $143.1 million and accumulated pension plan assets with a fair value of $110.5 million. Our 2020 net periodic pension and other post-retirement benefit costs were $3.1 million. The amounts recorded for the net pension and other post-retirement obligations include various judgments and uncertainties.

The following inputs are used to determine our net obligations and our net periodic benefit costs each year and the determination of these inputs requires judgment:

- discount rate – used to determine the net present value of our pension and other post-retirement benefit obligations and to determine the interest cost component of our net periodic pension and other post-retirement benefit costs;
- return on assets – used to estimate the growth in the value of invested assets that are available to satisfy pension obligations and to determine the expected return on the plan assets component of our net periodic pension costs;
- mortality rate – used to estimate the impact of mortality on pension and other post-retirement benefit obligations;
- rate of compensation increase – used to calculate the impact future pay increases will have on pension benefit obligations; and
- health care cost trend rate – used to calculate the impact of future health care costs on other post-retirement benefit obligations.

For the discount rate, we use the rates available on high-quality corporate bonds with a duration that is expected to match the timing of expected pension and other post-retirement benefit obligations. High-quality corporate bonds are those with a rating of “AA” or better.

In determining the expected return on assets, we consider the historical long-term returns, expected asset mix and the active management premium.

For the mortality rate we use actuarially-determined mortality tables that are consistent with our historical mortality experience and future expectations for mortality of the employees who participate in our pension and other post-retirement benefit plans.

In determining the rate of compensation increase, we review historical compensation increases and promotions, while considering current industry conditions, the terms of collective bargaining agreements with employees and the outlook for the industry.

For the health care cost trend rate, we consider historical trends for these costs, as well as recently enacted health care legislation. We also compare our health care rate to those of our industry.

Variations in assumptions described above could have a significant effect on the pension and other post-retirement benefits net periodic benefit cost and obligation reported in our consolidated financial statements. For example, a one-percentage point change in any one of the following assumptions would have increased (decreased) our 2020 net periodic benefit cost and our accrued benefit obligation as follows:

	Net periodic benefit cost		Accrued benefit obligation	
	1% increase	1% decrease	1% increase	1% decrease
	(in thousands)			
Assumption				
Discount rate	$ (190)	$ 116	$ (21,598)	$ 25,647
Return on assets	$ (1,590)	$ 448	$ —	$ —
Rate of compensation	$ 459	$ (424)	$ 4,153	$ (3,988)
Health care cost trend rate	$ 29	$ (31)	$ 562	$ (540)

Deferred Taxes

As of December 31, 2020, we had $1.4 million in deferred tax assets and $77.0 million in deferred tax liabilities, resulting in a net deferred tax liability of $75.6 million. Our tax assets are net of a $31.1 million valuation allowance. Our deferred tax assets are comprised primarily of tax loss and interest carryforwards and deductible temporary differences, all of which will reduce taxable income in the future. We assess the realization of these deferred tax assets at each reporting period to determine whether it is more likely than not that the deferred tax assets will be realized. Our assessment includes a review of all available positive and negative evidence, including, but not limited to, the following:

- the history of the tax loss carryforwards and their expiry dates;
- future reversals of temporary differences;
- our historical and projected earnings; and
- tax planning opportunities.

Significant judgment is required when evaluating the positive and negative evidence, specifically the Company's estimates of future earnings. The weight given to negative and positive evidence is commensurate with the extent to which it can be objectively verified. Operating results during the most recent three-year period are generally given more weight than expectations of future profitability, which are inherently uncertain. A cumulative loss position during the most recent three-year period is considered significant negative evidence in assessing the realizability of deferred income tax assets that is difficult to overcome.

Once our evaluation of the evidence is complete, if we believe that it is more likely than not that some of the deferred tax assets will not be realized, based on currently available information, an income tax valuation allowance is recorded against the deferred tax assets.

If market conditions improve or tax planning opportunities arise in the future, we may reduce our valuation allowance, resulting in future tax benefits. If market conditions deteriorate in the future, we may increase our valuation allowance, resulting in future tax expenses. Any change in tax laws may change the valuation allowances in future periods.

Long-Lived Assets

As of December 31, 2020, we had long-lived assets recorded in our Consolidated Balance Sheet of $1,161.3 million. These long-lived assets include property, plant and equipment, net and amortizable intangible assets, net. In 2020, we recorded depreciation and amortization of $128.9 million and no impairment charges. Depreciation and amortization and impairment charges are based on accounting estimates.

The calculation of depreciation and amortization of long-lived assets requires us to apply judgment in selecting the remaining useful lives of the assets. The remaining useful life of an asset must address both physical and economic considerations. The remaining economic life of a long-lived asset may be shorter than its physical life. The pulp industry has historically been characterized by considerable uncertainty in business conditions. Estimates of future economic conditions for our long-lived assets and therefore, their remaining useful economic life, require considerable judgment.

If our estimate of the remaining useful life changes, such a change is accounted for prospectively in our determination of depreciation and amortization. Actual depreciation and amortization charges for an individual asset may therefore be significantly accelerated if the outlook for its remaining useful life is shortened considerably.

The unit of accounting for impairment testing for long-lived assets is its “Asset Group”, which includes property, plant and equipment, net, amortizable intangible assets, net and liabilities directly related to those assets. We evaluate an Asset Group for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable, such as continuing operating losses. When an indicator that the carrying value of an Asset Group may not be recoverable is triggered, we compare the carrying value of the Asset Group to its forecasted undiscounted future cash flows. If the carrying value of the Asset Group is greater than the undiscounted future cash flows an impairment charge is recorded based on the excess of the Asset Group’s carrying value over its fair value.

Impairment testing for long-lived assets requires us to apply judgement in estimating the future cash flows of the Asset Group. The significant estimates in the future cash flows include periods of operation, projections of product pricing, production levels, fiber and other production costs and maintenance spending. When performing impairment tests, we estimate the fair values of the assets using management’s best assumptions, which we believe would be consistent with the assumptions that a hypothetical marketplace participant would use. Estimates and assumptions used in these tests are evaluated and updated each period an impairment indicator is triggered.

Actual asset impairment losses could vary considerably from estimated impairment losses if actual results are not consistent with the assumptions and judgements used in estimating future cash flows.

Business Combination

We allocate the total purchase of the assets acquired and liabilities assumed based on their estimated fair values as of the business combination date. In developing estimates of fair values for long-lived assets, including identifiable intangible assets, we utilize a variety of inputs including forecasted cash flows, discount rates, estimated replacement costs and depreciation and obsolescence factors. Determining the fair value for specifically identified intangible assets, such as contracts, involves judgment. We may refine our estimates and make adjustments to the assets acquired and liabilities assumed over a measurement period, not to exceed one year. Upon the conclusion of the measurement period or the final determination of the values of assets acquired and liabilities assumed, whichever comes first, any subsequent adjustments are charged to earnings. Subsequent actual results of the underlying business activity supporting the specifically identified intangible assets could change, requiring us to record impairment charges or accelerate the remaining useful life.

Contingent Liabilities

We are subject to lawsuits, investigations and other claims related to environmental, product and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses. We disclose contingent liabilities when there is a reasonable possibility that an ultimate loss may occur and we record contingent liabilities when it becomes probable that we will have to make payments and the amount of loss can be reasonably estimated.

Assessing probability of loss and estimating probable losses requires analysis of multiple factors, including, but not limited to, the following:

- historical experience;
- judgments about the potential actions of third-party claimants and courts; and
- recommendations of legal counsel.

Contingent liabilities are based on the best information available and actual losses in any future period are inherently uncertain. If estimated probable future losses or actual losses exceed our recorded liability for such claims, we would record additional charges. These exposures and proceedings can be significant and the ultimate negative outcomes could be material to our operating results or liquidity in any given quarter or year.

New Accounting Standards

See Note 1 to our consolidated financial statements included in Item 15 of this annual report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to risks associated with fluctuations in:

- foreign currency exchange rates;
- prices for the products we manufacture;
- fiber costs;
- credit risk; and
- interest rates.

For a discussion of our earnings sensitivities to foreign exchange rates, pulp and lumber prices and fiber costs, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Sensitivities” on page 61 hereof.

Foreign Currency Exchange Risk

We compete with producers from around the world, particularly Europe and North America, in our product lines. We sell our principal product, pulp, mainly in transactions denominated in dollars but sell certain other products including energy, chemicals and European lumber in local currencies, being euros and Canadian dollars. Changes in the relative strength or weakness of the dollar versus the euro and the Canadian dollar affect our operating costs and margins. A stronger dollar lowers our operating costs but can in turn increase the cost of pulp to our customers and thereby create downward pressure on prices. On the other hand, a weaker dollar tends to increase our operating costs but tends to support higher pulp prices.

We are particularly sensitive to changes in the value of the dollar versus the euro and Canadian dollar. We expect exchange rate fluctuations to continue to impact costs and revenues, but we cannot predict the magnitude or direction of this effect for any period, and there can be no assurance of any future effects.

Furthermore, certain of our assets and liabilities are denominated in euros and Canadian dollars. A depreciation of these currencies against the dollar will decrease the fair value of such financial instrument assets and an appreciation of these currencies against the dollar will increase the fair value of such financial instrument liabilities, thereby decreasing our fair value. An appreciation of these currencies against the dollar will increase the fair value of such financial instrument assets and a depreciation of these currencies against the dollar will decrease the fair value of financial instrument liabilities, thereby increasing our fair value. As a result, our earnings can be subject to the potentially significant effect of foreign currency translation gains or losses in respect of these euros and Canadian dollar items.

The following table provides information about our exposure to foreign currency exchange rate fluctuations for the carrying amount of financial instruments sensitive to such fluctuations as of December 31, 2020 and expected cash flows from these instruments:

	As of December 31, 2020							
			Expected maturity date					
	Carrying Value	Fair Value	2021	2022	2023	2024	2025	Thereafter
			(in thousands)					
Financial Instruments								
in euros								
Cash and cash equivalents	12,298	12,298	12,298	—	—	—	—	—
Accounts receivable	55,925	55,925	55,925	—	—	—	—	—
Accounts payable and other	80,175	80,175	80,175	—	—	—	—	—
Finance lease liabilities	36,265	36,265	3,765	3,939	4,178	3,881	3,849	16,653
Operating lease liabilities	1,883	1,883	763	691	306	49	11	63
in Canadian dollars								
Cash and cash equivalents	25,927	25,927	25,927	—	—	—	—	—
Accounts receivable	25,095	25,095	25,095	—	—	—	—	—
Accounts payable and other	82,839	82,839	82,839	—	—	—	—	—
Finance lease liabilities	2,790	2,790	983	620	459	462	266	—
Operating lease liabilities	3,333	3,333	1,138	848	510	249	192	396
Debt	70,000	70,000	—	—	42,000	28,000	—	—
in Australian dollars								
Cash and cash equivalents	3,015	3,015	3,015	—	—	—	—	—
Accounts receivable	1,185	1,185	1,185	—	—	—	—	—
Accounts payable and other	1,540	1,540	1,540	—	—	—	—	—
Operating lease liabilities	10,848	10,848	1,989	2,245	1,951	1,382	695	2,586

Product Price Risk

Historically, economic and market shifts, fluctuations in capacity and changes in foreign currency exchange rates have created cyclical changes in prices, sales volume and margins for our principal products, being kraft pulp and lumber. In general, our products are commodities that are widely available from other producers and, because these products have few distinguishing qualities from producer to producer, competition is based primarily on price which is determined by supply relative to demand. The overall levels of demand for the products we manufacture, and consequently our sales and profitability, reflect fluctuations in end user demand.

Fiber Price Risk

Fiber in the form of wood chips, pulp logs and sawlogs represents our largest operating cost. Fiber is a market-priced commodity and, as such, is subject to fluctuations in prices based on supply and demand. Increases in the prices of fiber will tend to increase our operating costs and reduce our operating margins.

Interest Rate Risk

Fluctuations in interest rates may affect the fair value of fixed interest rate financial instruments which are sensitive to such fluctuations. A decrease in interest rates may increase the fair value of such fixed interest rate financial instrument assets and an increase in interest rates may decrease the fair value of such fixed interest rate financial instrument liabilities, thereby increasing our fair value. An increase in interest rates may decrease the fair value of such fixed interest rate financial instrument assets and a decrease in interest rates may increase the fair value of such fixed interest rate financial instrument liabilities, thereby decreasing our fair value. We may seek to manage our interest rate risks through the use of interest rate derivatives.

The following tables provide information about our exposure to interest rate fluctuations for the financial instruments sensitive to such fluctuations as of December 31, 2020 and expected cash flows from these instruments:

	As of December 31, 2020							
			Expected maturity date					
	Total	Fair Value	2021	2022	2023	2024	2025	Thereafter
			(in thousands other than percentages)					
Liabilities								
Long-term debt:								
Fixed rate ($)[1][2][3][4]	1,100,000	1,131,229	—	—	—	250,000	550,000	300,000
Average interest rate	6.66%	6.66%				6.50%	7.38%	5.50%
Variable rate ($)[5][6]	54,980	54,980	—	—	32,988	21,992	—	—
Average interest rate	1.79%	1.79%			1.84%	1.72%		

(1) 2024 Senior Notes bearing interest at 6.50%, principal amount $250.0 million.
(2) 2025 Senior Notes bearing interest at 7.375%, principal amount $550.0 million.
(3) 2026 Senior Notes bearing interest at 5.50%, principal amount $300.0 million.
(4) In January 2021, we issued a principal amount of $875.0 million of 2029 Senior Notes bearing interest at 5.125%. A portion of the net proceeds of this offering were used to refinance in full the 2024 Senior Notes and the 2025 Senior Notes.
(5) Celgar Working Capital Facility bearing interest by way of: (i) Canadian and U.S. denominated advances, which bear interest at a designated prime rate less 0.125% per annum to a designated prime rate plus 0.125% per annum; (ii) banker's acceptance equivalent loans, which bear interest at the applicable Canadian dollar banker's acceptance plus 1.25% to 1.625% per annum; and (iii) dollar LIBOR advances, which bear interest at LIBOR plus 1.25% to 1.625% per annum.
(6) MPR Revolving Credit Facility bearing interest by way of: (i) Canadian denominated advances, which bear interest at a designated prime rate per annum; (ii) banker's acceptance equivalent loans, which bear interest at the applicable Canadian dollar banker's acceptance plus 1.25% to 1.50% per annum; (iii) dollar denominated base rate advances at the greater of the federal funds rate plus 0.50%, a designated LIBOR rate plus 1.00% and the bank's applicable reference rate for U.S. dollar loans; and (iv) dollar LIBOR advances, which bear interest at LIBOR plus 1.25% to 1.50% per annum.

Credit Risk

We are exposed to credit risk on the accounts receivable from our customers. In order to manage our credit risk, we have adopted policies which include the analysis of the financial position of our customers and the regular review of their credit limits. We also subscribe to credit insurance and, in some cases, require bank letters of credit. Our customers are mainly in the business of tissue, printing, paper converting and other consumer products, as well as lumber wholesale and retail.

Risk Management and Derivatives

We seek to manage these risks through internal risk management policies as well as, from time to time, through the periodic use of derivatives. We may also from time to time use derivatives to reduce or limit our exposure to interest rate and currency risks. We may also use derivatives to reduce or limit our exposure to fluctuations in pulp and lumber prices. We may use derivatives to reduce our potential losses or to augment our potential gains, depending on our management's perception of future economic events and developments. These types of derivatives are generally highly speculative in nature. They are also very volatile as they are highly leveraged given that margin requirements are relatively low in proportion to notional amounts.

The principal derivatives we have periodically previously used are interest rate derivatives, pulp price derivatives, energy derivatives and foreign exchange derivatives.

Many of our strategies, including the use of derivatives, and the types of derivatives selected by us, are based on historical trading patterns and correlations and our management's expectations of future events. However, these strategies may not be effective in all market environments or against all types of risks. Unexpected market developments may affect our risk management strategies during this time, and unanticipated developments could impact our risk management strategies in the future. If any of the variety of instruments and strategies we utilize is not effective, we may incur significant losses.

As of each of December 31, 2020 and 2019, we had no outstanding derivatives.

However, in the future, we may from time to time use foreign exchange derivatives to convert some of our costs (including currency swaps relating to our long-term indebtedness) from euros or Canadian dollars to dollars as our principal product is priced in dollars. We have also converted some of our costs to dollars by issuing long-term dollar-denominated debt in the form of our Senior Notes. We may also from time to time use pulp or lumber derivatives to fix price realizations and interest rate derivatives to fix the rate of interest on indebtedness.

We record unrealized gains and losses on our outstanding derivatives when they are marked to market at the end of each reporting period and realized gains or losses on them when they are settled. We determine market valuations based primarily upon valuations provided by our counterparties.

We are exposed to modest credit related risks in the event of non-performance by counterparties to derivative contracts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data required with respect to this Item 8, and as listed in Item 15 of this annual report on Form 10-K, are included in this annual report on Form 10-K commencing on page 84.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this annual report on Form 10-K. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Mercer’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Mercer;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Mercer’s internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth in *Internal Control-Integrated Framework*, as issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their attestation report which appears in this annual report on Form 10-K.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Chairman, Chief Executive Officer and Directors

We are governed by a board of directors, referred to as the “Board”, each member of which is elected annually. The following sets forth information relating to our directors and executive officers.

Jimmy S.H. Lee, *Executive Chairman and Director*, age 63, has served as a director since May 1985, as Executive Chairman since July 2015 and as President and Chief Executive Officer from 1992 to 2015. In March 2016, Mr. Lee was appointed a director of Golden Valley Mines Ltd. Previously, during the period when MFC Bancorp Ltd. was our affiliate, he served as a director from 1986 and President from 1988 to December 1996 when it was spun out. Mr. Lee was also a director of Quinsam Capital Corp. from March 2004 to November 2007 and Fortress Paper Ltd. from August 2006 to April 2008. During Mr. Lee’s tenure with Mercer, we acquired the Rosenthal mill and converted it to the production of kraft pulp, constructed and commenced operations at the Stendal mill and acquired the Celgar mill, the Friesau mill and MPR. He holds a Bachelor of Science degree in Chemical Engineering from the University of British Columbia, Canada. Mr. Lee possesses particular knowledge and experience in our business as a “founder” and as our Chief Executive Officer for over 25 years. He also has broad knowledge and experience in finance and banking, credit markets, international pulp markets, derivative risk management and capital allocation.

David M. Gandossi, *Chief Executive Officer, President and Director*, age 63, has served as a director and as Chief Executive Officer and President since July 2015 and served as Executive Vice-President, Chief Financial Officer and Secretary from August 2003 to July 2015. His previous roles included Chief Financial Officer and other senior executive positions with Formation Forest Products and Pacifica Papers Inc. Mr. Gandossi has previously chaired a number of industry working committees or groups including the B.C. Pulp and Paper Task Force, the B.C. Bio-economy Transformation Council and the FPI National Research Advisory Committee. He also participated in the Pulp and Paper Advisory Committee to the BC Competition Council and was a member of B.C.’s Working Roundtable on Forestry. He is currently a director of The Forest Products Association of Canada (FPAC) and The Council of Forest Industries (COFI). Mr. Gandossi holds a Bachelor of Commerce degree from the University of British Columbia and is a Fellow of the Institute of Chartered Accountants of British Columbia (ICABC).

William D. McCartney, age 65, has served as a director since January 2003. He has been the President and Chief Executive Officer of Pemcorp Management Inc., a corporate finance and management consulting firm, since its inception in 1990. From 1984 to 1990, he was a founding partner of Davidson & Company, Chartered Accountants, where he specialized in business advisory services. He has been involved with numerous capital restructuring and financing events involving several public companies and brings substantial knowledge relating to the financial accounting and auditing processes. He is a chartered accountant and has been a member of the Chartered Professional Accountants of Canada since 1980. He holds a Bachelor of Arts degree in Business Administration from Simon Fraser University. Mr. McCartney has extensive experience in accounting, financial and capital markets.

James Shepherd, age 68, has served as a director since June 2011. Mr. Shepherd was President and Chief Executive Officer of Canfor Corporation from 2004 to 2007 and Slocan Forest Products Ltd. from 1999 to 2004. He is also the former President of Crestbrook Forest Industries Ltd. and Finlay Forest Industries Limited and the former Chairman of the Forest Products Association of Canada. Mr. Shepherd has previously served as a director of Conifex Timber Inc., Canfor Corporation and Canfor Pulp Income Fund (now Canfor Pulp Products Inc.). Mr. Shepherd holds a degree in Mechanical Engineering from Queen’s University. Mr. Shepherd has also held several chief executive officer leadership and other senior positions in the forest industry.

R. Keith Purchase, age 76, has served as a director since June 2012. Mr. Purchase was Executive Vice-President and Chief Operating Officer for MacMillan Bloedel Ltd. from 1998 to 1999, President and Chief Executive Officer of TimberWest Forest Ltd. from 1994 to 1998 and Managing Director of Tasman Pulp and Paper from 1990 to 1994. Mr. Purchase was previously a director of Catalyst Paper Corporation and Chair of its board of directors. Mr. Purchase has held several very senior positions in significant companies involved in the forestry industry, including internationally.

Alan Wallace, age 61, has served as a director since June 2018. Mr. Wallace is currently the Chief Executive Officer of Peloton Advisors Inc., a corporate financial advisory firm. He is based in Vancouver, British Columbia. Mr. Wallace was the Vice Chairman, Investment Banking, CIBC World Markets Inc. from 1987 to 2013 where he was also the Co-Head of its Paper and Forest Products Group from 1995 to 2013. Mr. Wallace holds a Master of Business Administration from the University of Chicago and a Bachelor of Applied Science (Mech) from the University of Toronto. Mr. Wallace has significant capital markets and mergers and acquisitions experience, including relating to debt and equity financings, corporate credit facilities and financial advisory assignments. He also has extensive forest products experience relating to financings and strategic transactions in the industry.

Linda Welty, age 65, has served as a director since June 2018. Ms. Welty is currently an independent director of Huber Engineered Materials, a global manufacturer of engineered specialty ingredients, a portfolio company of J.M. Huber Corporation and has served in that role since 2014. In 2020, Ms. Welty was also elected as a director of GCP Applied Technologies Inc. which is a global provider of construction products technologies. She is the President and Chief Executive Officer of Welty Strategic Consulting, LLC, an advisory firm focused on the development and execution of value creation strategies. She formerly served as chairman and a director of the Atlanta Chapter of the National Association of Corporate Directors, whose mission is to advance excellence in corporate governance. From 2010 to 2011 she served as a director and member of the special committee of Massey Energy Company. She served as an independent director of Vertellus Specialties, Inc. from 2007 to 2016. Ms. Welty was President and Chief Operating Officer of Flint Ink Corp., a global producer of printing inks for packaging and publication from 2003 to 2005. From 1998 to 2003, she served as President of the Specialty Group of H.B. Fuller Company, a global manufacturer of adhesives, sealants and coatings. She also served for over twenty years in global leadership roles for Hoechst AG and its former U.S. subsidiary, Celanese. She holds a Bachelor of Science in Chemical Engineering from the University of Kansas.

Rainer Rettig, age 61, has served as a director since February 2020. Mr. Rettig has served as head of the Circular Economy Program at Covestro AG (formerly known as Bayer Material Science, a subgroup of Bayer AG), one of the world's leading manufacturers of high-tech polymer materials. He holds a Ph.D in polymer chemistry and polymer processing from the Technical University of Darmstadt in Germany.

Other Executive Officers

David K. Ure, age 53, returned to Mercer in September 2013, assuming the role of Senior Vice President, Finance from September 2013 to July 2015 and the role of Chief Financial Officer and Secretary from July 2015. Prior to serving as Vice President, Finance of Sierra Wireless Inc., Mr. Ure was Vice President, Controller at Mercer from 2006 to 2010. He has also served as Controller at various companies including Catalyst Paper Corp., Pacifica Papers Inc. and Trojan Lithograph Corporation, as well as Chief Financial Officer and Secretary of Finlay Forest Industries Inc. Mr. Ure has over 15 years' experience in the forest products industry. He is currently a director of FPInnovations and has also served on various non-profit boards in the neuro developmental research, child disability and family support spaces and currently sits on the boards of Kids Brain Health Network Inc., Semiahmoo House Society and Peninsula Estates Housing Society. He holds a Bachelor of Commerce in Finance from the University of British Columbia, Canada and is a member of the Chartered Professional Accountants of Canada.

Adolf Koppensteiner, age 59, has been Chief Operating Officer since January 1, 2018 and has served as Managing Director, Operations and Technical of the Stendal mill since October 2013, prior to which he served as Mill Manager at the Rosenthal mill since joining Mercer in 2007. In the past, Mr. Koppensteiner was Managing Director of Kvaerner Central Europe, where he was responsible for sales and service for fifteen years. His whole career has been in the pulp and paper industry, where he has held a variety of positions building up significant experience in engineering, project work, and pulp mill start-ups, as well as the development and optimization of operating processes.

Leonhard Nossol, age 63, has served as our Group Controller for Europe since August 2005. He has also been Managing Director of Rosenthal since 1997 and the sole Managing Director of Rosenthal from 2005 to February 2020. Before joining Mercer, Mr. Nossol was Director, Finance and Administration for a German household appliance producer from 1992 to 1997. Prior to this, he was Operations Controller at Grundig AG (consumer electronics) in Nürnberg. Mr. Nossol has been a member of the board of directors of the Pulp and Paper Association of Germany since 2014 and was elected as the speaker of the forest and wood unit of such association from 2014 to 2020. He has been a member of the German Industry Federation's (BDI) Tax Committee since 2003. He was elected President of the German Wood Users Association (AGR) in 2013. He is also a member of the Scientific Advisory Board of Germany's Thünen Institute, the Federal research institute for forestry, fishery and agriculture. Mr. Nossol holds a Political Science degree from Freie Universität Berlin and a degree in Business Management from the University of Applied Sciences in Berlin.

Richard Short, age 53, has served as Vice President, Controller since February 2014 and as Controller from November 2010 to February 2014, prior to which he served as Controller and Director, Corporate Finance since joining Mercer in 2007. Previous roles include Controller, Financial Reporting from 2006 to 2007 and Director, Corporate Finance from 2004 to 2006 with Catalyst Paper Corporation and Assistant Controller at The Alderwoods Group Inc. Mr. Short holds a Bachelor of Arts in Psychology from the University of British Columbia and has been a member of the Chartered Professional Accountants of Canada since 1993.

Eric X. Heine, age 57, has served as Vice President, Sales, Marketing and Logistics for Asia and North America since June 2005. Mr. Heine was previously Vice President Pulp and International Paper Sales and Marketing for Domtar Inc. from 1999 to 2005. Mr. Heine has over twenty-five years of experience in the pulp and paper industry, including developing strategic sales channels and market partners to build corporate brands. He holds a Bachelor of Science in Forestry (Wood Science) from the University of Toronto, Canada.

Wolfram Ridder, age 59, has served as Vice President of Business Development since 2005, prior to which he served as Managing Director at Mercer's Stendal mill from 2001 to 2005. Mr. Ridder also served as Vice President Pulp Operations, Assistant to CEO from 1999 to 2005 and Assistant Managing Director at the Rosenthal mill from 1995 to 1998. Prior to joining Mercer, Mr. Ridder worked as a Scientist for pulping technology development at the German Federal Research Center for Wood Science and Technology in Hamburg from 1988 to 1995. Mr. Ridder has a Master of Business Administration and a Master of Wood Science and Forest Product Technology from Hamburg University.

Genevieve Stannus, age 50, has served as Treasurer since July 2005, prior to which she served as Senior Financial Analyst since joining Mercer in August 2003. Prior to her role at Mercer, Ms. Stannus held Senior Treasury Analyst positions with Catalyst Paper Corporation and Pacifica Papers Inc. Ms. Stannus has over twenty years of experience in the forest products industry. She is a member of the Chartered Professional Accountants of Canada.

Brian Merwin, age 47, has served as Vice President, Corporate Development, since February 2019 and was previously Vice President, Strategic Initiatives since February 2009. Mr. Merwin previously held roles within Mercer such as Director, Strategic and Business Initiatives, and Business Analyst. Mr. Merwin has a Master of Business Administration from the Richard Ivey School of Business in Ontario, Canada and a Bachelor of Commerce degree from the University of British Columbia, Canada. He has over 15 years of industry experience, including M&A, corporate development, strategy, capital projects, innovation and business integration.

We also have experienced mill managers at all of our mills who have operated through multiple business cycles in the pulp industry.

The Board met fifteen times during 2020 and each current member of the Board attended 100% of the total number of such meetings and meetings of the committees of the Board on which they serve during their term. In addition, our independent directors regularly meet in separate executive sessions without any member of our management present. The Lead Director presides over these meetings. Although we do not have a formal policy with respect to attendance of directors at our annual meetings, all directors are encouraged and expected to attend such meetings if possible. All of our current directors attended our 2020 annual meeting.

The Board has developed corporate governance guidelines in respect of: (i) the duties and responsibilities of the Board, its committees and officers; and (ii) practices with respect to the holding of regular quarterly and strategic meetings of the Board including separate meetings of non-management directors. The Board has established four standing committees, the Audit Committee, the Compensation and Human Resources Committee, the Governance and Nominating Committee and the Environmental, Health and Safety Committee.

Audit Committee

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act and functions pursuant to a charter adopted by the directors, a copy of which is available on our website at www.mercerint.com/investors/governance in the Corporate Governance Guidelines. The function of the Audit

Committee generally is to meet with and review the results of the audit of our financial statements performed by the independent registered public accounting firm and to recommend the selection of an independent registered public accounting firm. The members of the Audit Committee are Mr. McCartney, Mr. Shepherd and Mr. Wallace, each of whom is independent under applicable laws and regulations and the listing requirements of the NASDAQ Global Select Market. Mr. McCartney is a Chartered Professional Accountant and a "financial expert" within the meaning of such term under the *Sarbanes-Oxley Act of 2002*. The Audit Committee met five times in 2020.

The Audit Committee has established procedures for: (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential and anonymous submission by our employees and others of concerns regarding questionable accounting or auditing matters. A person wishing to notify us of such a complaint or concern should send a written notice thereof, marked "Private & Confidential", to the Chairman of the Audit Committee, Mercer International Inc., c/o Suite 1120, 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8.

Compensation and Human Resources Committee

The Board has established a Compensation and Human Resources Committee. The Compensation and Human Resources Committee is responsible for reviewing and approving the strategy and design of our compensation, equity-based and benefits programs. The Compensation and Human Resources Committee functions pursuant to a charter adopted by the directors, a copy of which is available on our website at www.mercerint.com/investors/governance in the Corporate Governance Guidelines. The Compensation and Human Resources Committee is also responsible for approving all compensation actions relating to executive officers. The members of the Compensation and Human Resources Committee are Mr. Rettig, Mr. Shepherd and Mr. Wallace, each of whom is independent under applicable laws and regulations and the listing requirements of the NASDAQ Global Select Market. The Compensation and Human Resources Committee met four times in 2020.

Governance and Nominating Committee

The Board has established a Governance and Nominating Committee comprised of Mr. Purchase, Mr. McCartney and Ms. Welty, each of whom is independent under applicable laws and regulations and the listing requirements of the NASDAQ Global Select Market. The Governance and Nominating Committee functions pursuant to a charter adopted by the directors, a copy of which is available on our website at www.mercerint.com/investors/governance in the Corporate Governance Guidelines. The purpose of the committee is to: (i) manage the corporate governance system of the Board; (ii) assist the Board in fulfilling its duties to meet applicable legal and regulatory and self-regulatory business principles and codes of best practice; (iii) assist in the creation of a corporate culture and environment of integrity and accountability; (iv) in conjunction with the Lead Director, monitor the quality of the relationship between the Board and management; (v) review management succession plans; (vi) recommend to the Board nominees for appointment to the Board; (vii) lead the Board's annual review of the Chief Executive Officer's performance; and (viii) set the Board's forward meeting agenda. The Governance and Nominating Committee met four times in 2020.

Environmental, Health and Safety Committee

The Board established an Environmental, Health and Safety Committee in 2006, currently comprised of Mr. Shepherd, Mr. Purchase, Ms. Welty, Mr. Rettig, Mr. Lee and Mr. Gandossi, to review on behalf of the Board the policies and processes implemented by management, and the resulting impact and assessments of all our environmental, health and safety related activities. The Environmental, Health and Safety Committee functions pursuant to a charter adopted by the directors, a copy of which is available on our website at www.mercerint.com/investors/governance in the Corporate Governance Guidelines. More specifically, the purpose of the Environmental, Health and Safety Committee is to: (i) review and approve, and if necessary revise, our environmental, health and safety policies and environmental compliance programs; (ii) monitor our environmental, health and safety management systems including internal and external audit results and reporting; and (iii) provide direction to management on the frequency and focus of external independent environmental, health and safety audits. The Environmental, Health and Safety Committee met six times in 2020.

Lead Director/Deputy Chairman

The Board appointed Mr. Purchase as Lead Director in 2018. The role of the Lead Director is to provide leadership to the non-management directors on the Board and to ensure that the Board can operate independently of management and that directors have an independent leadership contact. The duties of the Lead Director include, among other things: (i) ensuring that the Board has adequate resources to support its decision-making process and ensuring that the Board is appropriately approving strategy and supervising management's progress against that strategy; (ii) ensuring that the independent directors have adequate opportunity to meet to discuss issues without management being present; (iii) chairing meetings of directors in the absence of the Chairman and Chief Executive Officer; (iv) ensuring that delegated committee functions are carried out and reported to the Board; and (v) communicating to management, as appropriate, the results of private discussions among outside directors and acting as a liaison between the Board and the Chief Executive Officer.

Code of Business Conduct and Ethics and Anti-Corruption Policy

The Board has adopted a Code of Business Conduct and Ethics that applies to our directors, employees and executive officers and an Anti-Corruption Policy. The code and the policy are available on our website at www.mercerint.com/investors/governance. Copies of the code and the policy may also be obtained without charge upon request to Investor Relations, Mercer International Inc., Suite 1120, 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8 (Telephone: (604) 684-1099).

Section 16(a) Beneficial Ownership Reporting Compliance

The information required under "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated by reference from the proxy statement relating to our annual meeting to be held in 2021, which will be filed with the SEC within 120 days of our most recently completed fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference from the proxy statement relating to our annual meeting to be held in 2021, which will be filed with the SEC within 120 days of our most recently completed fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated by reference from the proxy statement relating to our annual meeting to be held in 2020, which will be filed with the SEC within 120 days of our most recently completed fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Review, Approval or Ratification of Transactions with Related Persons

Pursuant to the terms of the Audit Committee Charter, the Audit Committee is responsible for reviewing and approving the terms and conditions of all proposed transactions between us, any of our officers, directors or shareholders who beneficially own more than 5% of our outstanding shares of common stock, or relatives or affiliates of any such officers, directors or shareholders, to ensure that such related party transactions are fair and are in our overall best interest and that of our shareholders. In the case of transactions with employees, a portion of the review authority is delegated to supervising employees pursuant to the terms of our written Code of Business Conduct and Ethics.

The Audit Committee has not adopted any specific procedures for conduct of reviews and considers each transaction in light of the facts and circumstances. In the course of its review and approval of a transaction, the Audit Committee considers, among other factors it deems appropriate:

- whether the transaction is fair and reasonable to us;
- the business reasons for the transaction;
- whether the transaction would impair the independence of one of our non-employee directors; and
- whether the transaction is material, taking into account the significance of the transaction.

Any member of the Audit Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting approval or ratification of the transaction, provided, however, that such director may be counted in determining the presence of a quorum at a meeting of the committee that considers the transaction.

The information called for by Items 404(a) and 407(a) of Regulation S-K required to be included under this Item 13 is incorporated by reference from the proxy statement relating to our annual meeting to be held in 2021, which will be filed with the SEC within 120 days of our most recently completed fiscal year.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated by reference from the proxy statement relating to our annual meeting to be held in 2021, which will be filed with the SEC within 120 days of our most recently completed fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

(a)(2) Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3) Exhibits

Exhibits that are not filed herewith have been previously filed with the SEC and are incorporated herein by reference.

3.1	Articles of Incorporation of Mercer International Inc., as amended. Incorporated by reference from Form 8-A filed March 2, 2006.
3.2*	Bylaws of Mercer International Inc.
4.1	Indenture dated December 20, 2017 between Mercer International Inc. and Wells Fargo Bank, National Association, as trustee, relating to the 2026 Senior Notes. Incorporated by reference from Form 8-K filed December 20, 2017.
4.2	Description of Securities. Incorporated by reference from Form 10-K filed February 13, 2020.
4.3	Indenture dated January 26, 2021 between Mercer International Inc. and Wells Fargo Bank, National Association, as trustee, relating to the 2029 Senior Notes. Incorporated by reference from Form 8-K filed January 26, 2021.
10.1	Revolving Credit Facility Agreement dated December 19, 2018 among Zellstoff-und Papierfabrik Rosenthal GmbH, Mercer Timber Products GmbH, Zellstoff Stendal GmbH, Mercer Holz GmbH, Stendal Pulp Holding GmbH, D&Z Holding GmbH, Zellstoff Stendal Transport GmbH, Mercer Pulp Sales GmbH, UniCredit Bank AG, Commerzbank AG, Luxembourg Branch, Credit Suisse AG, London Branch, Landesbank Baden-Württemberg and Royal Bank of Canada. Incorporated by reference from Form 10-K filed February 14, 2019.
10.2	Form of Trustee's Indemnity Agreement between Mercer International Inc. and its Trustees. Incorporated by reference from Form 10-K filed March 31, 2003.
10.3†	Mercer International Inc. 2010 Stock Incentive Plan, as amended. Incorporated by reference from Appendix A to Mercer International Inc.'s definitive proxy statement on Schedule 14A filed April 13, 2017.
10.4†	Employment Agreement dated October 2, 2006 between Stendal Pulp Holding GmbH and Wolfram Ridder. Incorporated by reference from Form 8-K filed October 3, 2006.
10.5	Share Purchase Agreement by and among Marubeni Corporation, Nippon Paper Industries Co., Ltd. and Daishowa North America Corporation and Mercer International Inc. dated as of October 3, 2018. Incorporated by reference from Form 8-K filed October 9, 2018.

10.6†	Employment Agreement between Mercer International Inc. and David Ure dated August 12, 2013. Incorporated by reference from Form 8-K filed on July 20, 2015.
10.7†	Amendment to Employment Agreement between Mercer International Inc. and David Ure, dated July 17, 2015. Incorporated by reference from Form 8-K filed July 20, 2015.
10.8†	Second Amended and Restated Employment Agreement between Mercer International Inc. and Jimmy S.H. Lee, dated for reference September 29, 2015. Incorporated by reference from Form 8-K filed September 29, 2015.
10.9†	Amended and Restated Employment Agreement between Mercer International Inc. and David M. Gandossi, dated for reference September 29, 2015. Incorporated by reference from Form 8-K filed September 29, 2015.
10.10†	Chief Operating Officer and Managing Director Service Agreement, as amended, dated June 1, 2019 between Stendal Pulp Holding GmbH and Adolf Koppensteiner. Incorporated by reference from Form 10-K filed February 13, 2020.
10.11	Registration Rights Agreement dated January 26, 2021 between Mercer International Inc. and Credit Suisse Securities (USA) LLC, related to the 2029 Senior Notes. Incorporated by reference from Form 8-K filed on January 26, 2021.
21.1	List of Subsidiaries of Registrant. Incorporated by reference from Form 10-K filed February 13, 2020.
23.1*	Consent of PricewaterhouseCoopers LLP.
31.1*	Section 302 Certificate of Chief Executive Officer.
31.2*	Section 302 Certificate of Chief Financial Officer.
32.1*	Section 906 Certificate of Chief Executive Officer.
32.2*	Section 906 Certificate of Chief Financial Officer.
101*	The following financial statements from the Company’s annual report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 16, 2021, formatted in inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Statements of Operations; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Balance Sheets; (iv) Consolidated Statements of Changes in Shareholders’ Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to the Consolidated Financial Statements.
104*	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, has been formatted in Inline XBRL.

* Filed herewith.

† Denotes management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Mercer International Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Mercer International Inc. and its subsidiaries (together, the Company) as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A of the 2020 Annual Report on Form 10-K. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment assessment of the Peace River mill's long-lived assets

As described in Notes 1 and 6 to the consolidated financial statements, the Company's Peace River mill's long-lived assets at December 31, 2020 amounted to $229 million. The unit of accounting for impairment testing for long-lived assets is its asset group, which includes property, plant and equipment, net, amortizable intangible assets, net and liabilities directly related to those assets. Management evaluates an asset group for impairment whenever events or changes in circumstances indicate that the carrying value of the asset group may not be recoverable. When an indicator that the carrying value of an asset group may not be recoverable is triggered, management compares the carrying value of the asset group to its forecasted undiscounted future cash flows. The sustained decline in hardwood pulp prices at the Peace River mill was identified as an indicator of impairment, as a result, management performed an impairment assessment on the long-lived assets of the Peace River mill as of December 31, 2020. If the carrying value of an asset group is greater than its forecasted undiscounted future cash flows an impairment charge is recorded based on the excess of the asset group's carrying value over its fair value. Forecasted undiscounted future cash flows include significant assumptions related to periods of operation, projections of product pricing, production levels, fiber and other production costs, and maintenance spending.

The principal considerations for our determination that performing procedures relating to the impairment assessment of the Peace River mill's long-lived assets is a critical audit matter are i) the significant judgment by management when developing the forecasted undiscounted future cash flows; and ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's significant assumptions related to periods of operation, projections of product pricing, production levels, fiber and other production costs, and maintenance spending.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment including controls relating to the significant assumptions used in the assessment. These procedures also included, among others, testing management's process for developing the forecasted undiscounted future cash flows; evaluating the appropriateness of the undiscounted cash flow model; testing the completeness and accuracy of underlying data used in the undiscounted cash flow model; and evaluating the reasonableness of significant assumptions used by management, related to periods of operation, projections of product pricing, production levels, fiber and other production costs and maintenance spending. Evaluating the reasonableness of these assumptions involved considering: (i) the historical performance of the Peace River mill for mill-specific assumptions, (ii) management's strategic plan, (iii) comparability of key market-related assumptions, such as projections of product pricing, used in the model to external market and third party data, and (iv) consistency with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, Canada
February 16, 2021

We have served as the Company's auditor since 2007.

MERCER INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except per share data)

	For the Year Ended December 31,		
	2020	**2019**	**2018**
Revenues	$ 1,423,140	$ 1,624,411	$ 1,457,718
Costs and expenses			
Cost of sales, excluding depreciation and amortization	1,163,727	1,340,380	1,032,101
Cost of sales depreciation and amortization	128,817	125,801	96,288
Selling, general and administrative expenses	66,867	74,227	61,462
Operating income	63,729	84,003	267,867
Other income (expenses)			
Interest expense	(80,746)	(75,750)	(51,464)
Loss on settlement of debt	—	(4,750)	(21,515)
Other income (expenses)	5,878	6,084	(17,618)
Total other expenses, net	(74,868)	(74,416)	(90,597)
Income (loss) before income taxes	(11,139)	9,587	177,270
Income tax provision	(6,096)	(19,226)	(48,681)
Net income (loss)	$ (17,235)	$ (9,639)	$ 128,589
Net income (loss) per common share			
Basic	$ (0.26)	$ (0.15)	$ 1.97
Diluted	$ (0.26)	$ (0.15)	$ 1.96
Dividends declared per common share	$ 0.3325	$ 0.5375	$ 0.5000

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	For the Year Ended December 31,		
	2020	**2019**	**2018**
Net income (loss)	$ (17,235)	$ (9,639)	$ 128,589
Other comprehensive income (loss), net of taxes			
Foreign currency translation adjustment	95,131	12,291	(76,899)
Change in unrecognized losses and prior service costs related to defined benefit pension plans, net of tax of $2,384 (2019 — $901 and 2018 — $424)	(6,146)	(681)	7,730
Other comprehensive income (loss), net of taxes	88,985	11,610	(69,169)
Total comprehensive income	$ 71,750	$ 1,971	$ 59,420

The accompanying notes are an integral part of these consolidated financial statements.

MERCER INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data)

	December 31,	
	2020	**2019**
ASSETS		
Current assets		
Cash and cash equivalents	$ 361,098	$ 351,085
Accounts receivable, net	227,055	208,740
Inventories	271,696	272,599
Prepaid expenses and other	15,003	12,273
Total current assets	874,852	844,697
Property, plant and equipment, net	1,109,740	1,074,242
Investment in joint ventures	46,429	53,122
Amortizable intangible assets, net	51,571	53,371
Operating lease right-of-use assets	13,251	13,004
Other long-term assets	31,928	26,038
Deferred income tax	1,355	1,246
Total assets	$ 2,129,126	$ 2,065,720
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities		
Accounts payable and other	$ 210,994	$ 255,544
Pension and other post-retirement benefit obligations	802	768
Total current liabilities	211,796	256,312
Debt	1,145,294	1,087,932
Pension and other post-retirement benefit obligations	31,810	25,489
Finance lease liabilities	41,329	31,103
Operating lease liabilities	9,933	10,520
Other long-term liabilities	10,909	14,114
Deferred income tax	77,028	89,847
Total liabilities	1,528,099	1,515,317
Shareholders’ equity		
Common shares $1 par value; 200,000,000 authorized; 65,868,000 issued and outstanding (2019 – 65,629,000)	65,800	65,598
Additional paid-in capital	345,696	344,994
Retained earnings	217,106	256,371
Accumulated other comprehensive loss	(27,575)	(116,560)
Total shareholders’ equity	601,027	550,403
Total liabilities and shareholders’ equity	$ 2,129,126	$ 2,065,720

Commitments and contingencies (Note 19, 20)
Subsequent events (Note 10(a),13)

The accompanying notes are an integral part of these consolidated financial statements.

MERCER INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars)

	Common shares					
	Number (thousands of shares)	Amount, at Par Value	Additional Paid -in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance as of December 31, 2017	65,017	$ 64,974	$ 338,695	$ 205,998	$ (59,001)	$ 550,666
Shares issued on grants of restricted shares	31	43	(43)	—	—	—
Shares issued on grants of performance share units	154	154	(154)	—	—	—
Stock compensation expense	—	—	3,940	—	—	3,940
Net income	—	—	—	128,589	—	128,589
Dividends declared	—	—	—	(32,597)	—	(32,597)
Other comprehensive loss	—	—	—	—	(69,169)	(69,169)
Balance as of December 31, 2018	65,202	65,171	342,438	301,990	(128,170)	581,429
Shares issued on grants of restricted shares	31	31	(31)	—	—	—
Shares issued on grants of performance share units	449	449	(449)	—	—	—
Stock compensation expense	—	—	3,036	—	—	3,036
Net loss	—	—	—	(9,639)	—	(9,639)
Dividends declared	—	—	—	(35,279)	—	(35,279)
Repurchase of common shares	(53)	(53)	—	(701)	—	(754)
Other comprehensive income	—	—	—	—	11,610	11,610
Balance as of December 31, 2019	65,629	65,598	344,994	256,371	(116,560)	550,403
Shares issued on grants of restricted shares	68	31	(31)	—	—	—
Shares issued on grants of performance share units	195	195	(195)	—	—	—
Stock compensation expense	—	—	928	—	—	928
Net loss	—	—	—	(17,235)	—	(17,235)
Dividends declared	—	—	—	(21,892)	—	(21,892)
Repurchase of common shares	(24)	(24)	—	(138)	—	(162)
Other comprehensive income	—	—	—	—	88,985	88,985
Balance as of December 31, 2020	65,868	$ 65,800	$ 345,696	$ 217,106	$ (27,575)	$ 601,027

The accompanying notes are an integral part of these consolidated financial statements.

MERCER INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	For the Year Ended December 31, 2020	2019	2018
Cash flows from (used in) operating activities			
Net income (loss)	$ (17,235)	$ (9,639)	$ 128,589
Adjustments to reconcile net income (loss) to cash flows from operating activities			
Depreciation and amortization	128,921	126,394	96,729
Deferred income tax provision (recovery)	(15,249)	(7,873)	16,596
Inventory impairment	25,998	9,200	—
Loss on settlement of debt	—	4,750	21,515
Defined benefit pension plans and other post-retirement benefit plan expense	3,053	3,449	1,868
Stock compensation expense	928	3,036	3,940
Gain on sale of investments	(17,540)	—	—
Foreign exchange transaction losses	13,272	7,116	746
Other	543	5,834	2,419
Defined benefit pension plans and other post-retirement benefit plan contributions	(4,164)	(4,467)	(1,133)
Changes in working capital			
Accounts receivable	(6,269)	41,369	(10,370)
Inventories	(11,430)	24,683	(58,082)
Accounts payable and accrued expenses	(53,744)	45,256	37,959
Other	(5,519)	(4,825)	(4,108)
Net cash from (used in) operating activities	41,565	244,283	236,668
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(78,518)	(132,034)	(87,012)
Purchase of amortizable intangible assets	(647)	(623)	(600)
Acquisitions (Note 2)	—	(6,380)	(380,312)
Purchase of investments	(9,370)	—	—
Proceeds from sale of investments	26,910	—	—
Other	1,798	(321)	445
Net cash from (used in) investing activities	(59,827)	(139,358)	(467,479)
Cash flows from (used in) financing activities			
Redemption of senior notes	—	(103,875)	(317,439)
Proceeds from issuance of senior notes	—	205,500	350,000
Proceeds from (repayment of) revolving credit facilities, net	52,651	(58,404)	36,560
Dividend payments	(21,892)	(35,279)	(40,724)
Repurchase of common shares	(162)	(754)	—
Payment of debt issuance costs	—	(4,213)	(10,074)
Proceeds from government grants	362	6,467	—
Other	(4,642)	(3,344)	(3,462)
Net cash from (used in) financing activities	26,317	6,098	14,861
Effect of exchange rate changes on cash and cash equivalents	1,958	(429)	(4,297)
Net increase (decrease) in cash and cash equivalents	10,013	110,594	(220,247)
Cash and cash equivalents, beginning of year	351,085	240,491	460,738
Cash and cash equivalents, end of year	$ 361,098	$ 351,085	$ 240,491
Supplemental cash flow disclosure			
Cash paid for interest	$ 78,151	$ 59,707	$ 40,278
Cash paid for income taxes	$ 19,331	$ 52,877	$ 16,149
Supplemental schedule of non-cash investing and financing activities:			
Leased production equipment	$ 13,121	$ 8,739	$ 12,145

The accompanying notes are an integral part of these consolidated financial statements.

MERCER INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except share and per share data)

Note 1. The Company and Summary of Significant Accounting Policies

Background

Mercer International Inc. ("Mercer Inc.") is a Washington corporation and its shares of common stock are quoted and listed for trading on the NASDAQ Global Select Market.

Since acquiring Mercer Peace River Pulp Ltd. ("MPR") in December 2018 Mercer Inc. now owns and operates four pulp manufacturing facilities, two in Canada and two in Germany, has a 50% joint venture interest in a northern bleached softwood kraft ("NBSK") pulp mill in Canada and owns one sawmill in Germany.

In these consolidated financial statements, unless otherwise indicated, all amounts are expressed in U.S. dollars ("$"). The symbol "€" refers to euros and the symbol "C$" refers to Canadian dollars.

Basis of Presentation

These consolidated financial statements contained herein include the accounts of Mercer Inc. and all of its subsidiaries (collectively, the "Company"). The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). All significant intercompany balances and transactions have been eliminated upon consolidation.

The Company owns 100% of its subsidiaries with the exception of the 50% joint venture interest in the Cariboo Pulp & Paper Company ("CPP") with West Fraser Mills Ltd., which is accounted for using the equity method.

Use of Estimates

Preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant management judgment is required in determining the accounting for, among other things, pension and other post-retirement benefit obligations, deferred income taxes (valuation allowance and permanent reinvestment), depreciation and amortization, future cash flows associated with impairment testing for long-lived assets, the allocation of the purchase price in a business combination to the assets acquired and liabilities assumed, legal liabilities and contingencies. Actual results could differ materially from these estimates, and changes in these estimates are recorded when known.

Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank accounts and highly liquid investments with original maturities of three months or less.

Investments

Investments in equity securities in which the Company does not exercise significant influence are measured at fair value through earnings. These securities are reported at fair values; based upon quoted market prices, with the unrealized and realized gains or losses included in "Other income (expenses)" in the Consolidated Statements of Operations.

Note 1. The Company and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. The Company reviews the collectability of accounts receivable at each reporting date and maintains an allowance for doubtful accounts at an amount estimated to cover the expected losses on uninsured accounts receivable. Any amounts that are determined to be uncollectible and uninsured are offset against the allowance. The allowance is based on the Company's evaluation of numerous factors, including the payment history, financial position of the debtors and current market conditions.

The Company's credit risk associated with its sales is currently managed through the purchase of credit insurance, obtaining letters of credit and setting credit limits prior to the sale. The Company reviews new customers' credit history before granting credit and conducts regular reviews of existing customers' credit.

Inventories

Inventories of raw materials, finished goods and work in progress are valued at the lower of cost, using the weighted-average cost method, or net realizable value. Spare parts and other materials are valued at the lower of cost and replacement cost. Cost includes labor, materials and production overhead and is determined by using the weighted average cost method. Raw materials inventories include pulp logs, sawlogs and wood chips. These inventories are located both at the mills and at various offsite locations. In accordance with industry practice, physical inventory counts utilize standardized techniques to estimate quantities of pulp logs, sawlogs and wood chip inventory volumes. These techniques historically have provided reasonable estimates of such inventories.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation of buildings and production equipment is based on the estimated useful lives of the assets and is computed using the straight-line method. The amortization periods have been provided in the Property, Plant and Equipment, Net Note.

The costs of major rebuilds, replacements and those expenditures that substantially increase the useful lives of existing property, plant and equipment are capitalized. The Company capitalizes interest on borrowings during the construction period of major capital projects as part of the related asset. The cost of repairs and maintenance as well as planned shutdown maintenance performed on manufacturing facilities, composed of labor, materials and other incremental costs, is recognized as an expense in the Consolidated Statements of Operations as incurred.

The Company provides for asset retirement obligations when there is a legislated or contractual basis for those obligations. An obligation is recorded as a liability at fair value in the period in which the Company incurs a legal obligation associated with the retirement of an asset. The associated costs are capitalized as part of the carrying value of the related asset and amortized over its remaining useful life. The liability is accreted using a credit adjusted risk-free interest rate.

Note 1. The Company and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Long-lived assets include property, plant and equipment, net and amortizable intangible assets, net. The unit of accounting for impairment testing for long-lived assets is its “Asset Group”, which includes property, plant and equipment, net, amortizable intangible assets, net and liabilities directly related to those assets. The Company evaluates an Asset Group for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable, such as continuing operating losses. When an indicator that the carrying value of an Asset Group may not be recoverable is triggered, the Company compares the carrying value of the Asset Group to its forecasted undiscounted future cash flows. If the carrying value of the Asset Group is greater than the undiscounted future cash flows an impairment charge is recorded based on the excess of the Asset Group’s carrying value over its fair value.

Leases

The Company determines if a contract contains a lease at inception. Leases are classified as either operating or finance leases. Operating leases are included in “Operating lease right-of-use assets”, “Accounts payable and other”, and “Operating lease liabilities” in the Consolidated Balance Sheets. Finance leases are included in “Property, plant and equipment, net”, “Accounts payable and other”, and “Finance lease liabilities” in the Consolidated Balance Sheets. Leases with a term of less than 12 months are not recorded in the Consolidated Balance Sheets, and are expensed over the term of the lease in the Consolidated Statements of Operations.

Operating lease right-of-use assets represent the Company’s right to use an underlying asset for the term of the lease, and the related liabilities represent the Company’s obligation to make the lease payments arising from the lease. Operating lease right-of-use assets and the related liabilities are recognized at the lease commencement date based on the present value of the lease payments over the term of the lease. Renewal and termination options are included in the lease terms when it is reasonably certain that they will be exercised. In determining the present value of lease payments, the Company uses the implicit rate when readily determinable, or the Company’s estimated incremental borrowing rate, which is based on information available at the lease commencement date. Lease payments are expensed in the Consolidated Statements of Operations on a straight-line basis over the term of the lease.

Government Grants

The Company records investment grants from federal and state governments when the conditions of their receipt are complied with and there is reasonable assurance that the grants will be received. Grants related to assets are government grants whose primary condition is that the company qualifying for them should purchase, construct or otherwise acquire long-term assets. Secondary conditions may also be attached, including restricting the type or location of the assets and/or other conditions that must be met. Grants related to assets are deducted from the cost of the assets in the Consolidated Balance Sheets. Grants related to income are government grants which are either unconditional, related to reduced environmental emissions or related to the Company’s normal business operations, and are reported as a reduction of related expenses in the Consolidated Statements of Operations.

The Company is required to pay certain fees based on wastewater emissions at its German mills. Accrued fees can be reduced upon the mills’ demonstration of reduced wastewater emissions. The fees are expensed as incurred and the fee reduction is recognized once the Company has reasonable assurance that the German regulators will accept the reduced level of wastewater emissions. There may be a significant period of time between recognition of the wastewater expense and recognition of the wastewater fee reduction.

Note 1. The Company and Summary of Significant Accounting Policies (continued)

Amortizable Intangible Assets

Amortizable intangible assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets. The amortization periods have been provided in the Amortizable Intangible Assets, Net Note.

Sandalwood Tree Plantations

Sandalwood tree plantations are measured at the lower of cost, which includes both direct and indirect costs of growing and harvesting the sandalwood trees, and net realizable value. The cost of the sandalwood plantations is recorded in “Other long-term assets” and the cost of the harvested sandalwood is recorded in “Inventories” in the Consolidated Balance Sheets.

The sandalwood tree plantations are carried at historical cost and are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may be higher than the net realizable value, such as a sustained drop in sales price.

Pension Plans

The Company maintains defined benefit pension plans for its MPR employees and its salaried employees at the Celgar mill which are funded and non-contributory. The cost of the benefits earned by the employees is determined using the projected unit credit benefit method prorated on years of service. The pension expense reflects the current service cost, the interest on the unfunded liability and the amortization over the estimated average remaining service life of the employees of: (i) prior service costs, and (ii) the net actuarial gain or loss that exceeds 10% of the greater of the accrued benefit obligation and the fair value of plan assets as of the beginning of the year. The Company recognizes the net funded status of the plan.

In addition, hourly-paid employees at the Celgar mill are covered by a multiemployer pension plan for which contributions are expensed in the Consolidated Statements of Operations.

Foreign Operations and Currency Translation

The Company determines its foreign subsidiaries’ functional currency by reviewing the currency of the primary economic environment in which the foreign subsidiaries operate, which is normally the currency of the environment in which the foreign subsidiaries generate and expend cash. The Company translates assets and liabilities of its non-U.S. dollar functional currency subsidiaries into U.S. dollars using the rate in effect at the balance sheet date and revenues and expenses are translated at the average rate of exchange throughout the period. Foreign currency translation gains and losses are recognized within “Accumulated other comprehensive loss” in the Consolidated Balance Sheets.

Transactions in foreign currencies are translated to the respective functional currencies of each operation using exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using historical exchange rates. Gains and losses resulting from foreign currency transactions related to operating activities are included in “Cost of sales, excluding depreciation and amortization” while those related to non-operating activities are included in “Other income (expenses)” in the Consolidated Statements of Operations.

Where intercompany loans are of a long-term investment nature, exchange rate changes are included as a foreign currency translation adjustment within “Accumulated other comprehensive loss” in the Consolidated Balance Sheets.

Note 1. The Company and Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company recognizes revenue when obligations under the terms of a contract with its customer are satisfied; generally this occurs with the transfer of control of the products sold. Transfer of control to the customer is based on the standardized shipping terms in the contract as this determines when the Company has the right to payment, the customer has legal title to the asset and the customer has the risks of ownership. Payment is due, and a receivable is recognized after control has transferred to the customer and revenue is recognized. Payment terms are defined in the contract as typically due within three months after control has transferred to the customer, and as such, the contracts do not have a significant financing component.

The Company has elected to exclude value added, sales and other taxes it collects concurrent with revenue-producing activities from revenues.

The Company may arrange shipping and handling activities as part of the sale of its products. The Company has elected to account for shipping and handling activities that occur after the customer has obtained control of the product as a fulfillment cost rather than as an additional promised service.

The following is a description of the principal activities from which the Company generates its revenues. For a breakdown of revenues by product and geographic location see the Segment Information Note.

Pulp and Lumber Revenues

For European sales sent by truck or train from the mills directly to the customer, the contracted sales terms are such that control transfers once the truck or train leaves the mill. For orders sent by ocean freighter, the contract terms state that control transfers at the time the product passes the ship's rail. For North American sales shipped by truck or train, the contracts state that control transfers once the truck or train has arrived at the customer's specified location.

The transaction price is included in the sales contract and is net of customer discounts, rebates and other selling concessions.

The Company's pulp sales are to tissue and paper producers and the Company's lumber sales are to manufacturers and retailers. The Company's sales to Europe and North America are direct to the customer. The Company's pulp sales to overseas customers are primarily through third party sales agents and the Company's lumber sales to overseas customers are either direct to the customer or through third party sales agents. The Company is the principal in all of the arrangements with third party sales agents.

By-Product Revenues

Energy sales are to utility companies in Canada and Germany. Sales of energy are recognized as the electricity is consumed by the customer and is based on contractual usage rates and meter readings that measure electricity consumption.

Chemicals and wood residuals from the German mills are sold into the European market direct to the customer and have shipping terms where control transfers once the chemicals or wood residuals are loaded onto the truck at the mill.

Shipping and Handling Costs

Amounts charged to customers for shipping and handling costs are recognized in "Revenues" in the Consolidated Statements of Operations. Shipping and handling costs incurred by the Company are included in "Cost of sales, excluding depreciation and amortization" in the Consolidated Statements of Operations at the time the related revenue is recognized.

Note 1. The Company and Summary of Significant Accounting Policies (continued)

Stock-Based Compensation

The Company recognizes stock-based compensation expense over an award's requisite service period based on the award's fair value in "Selling, general, and administrative expenses" in the Consolidated Statements of Operations. The Company issues new shares upon the exercise of stock-based compensation awards.

For performance share units ("PSUs") which have the same grant and service inception date, the fair value is based upon the targeted number of shares to be awarded and the quoted market price of the Company's shares at that date. For PSUs where the service inception date precedes the grant date, the fair value is based upon the targeted number of shares awarded and the quoted price of the Company's shares at each reporting date up to the grant date. The target number of shares is determined using management's best estimate. The final determination of the number of shares to be granted is made by the Company's board of directors. The Company estimates forfeitures of PSUs based on management's expectations and recognizes compensation cost only for those awards expected to vest. Estimated forfeitures are adjusted to actual experience at each balance sheet date.

The fair value of restricted shares is determined based upon the number of shares granted and the quoted price of the Company's shares on the date of grant.

Deferred Income Taxes

Deferred income taxes are recognized using the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax credit carryforwards. Valuation allowances are provided if, after considering both positive and negative available evidence, it is more likely than not that some or all of the net deferred tax assets will not be realized.

Deferred income taxes are determined separately for each tax-paying component of the Company. For each tax-paying component, all deferred tax liabilities and assets are offset and presented as a single net amount.

Derivative Financial Instruments

The Company occasionally enters into derivative financial instruments to manage certain market risks. These derivative instruments are not designated as hedging instruments and accordingly, are recorded at fair value in the Consolidated Balance Sheets with the changes in fair value recognized in "Other income (expenses)" in the Consolidated Statements of Operations. Periodically, the Company enters into derivative contracts to supply materials for its own use and as such are exempt from mark-to-market accounting.

Fair Value Measurements

The fair value methodologies and, as a result, the fair value of the Company's financial instruments are determined based on the fair value hierarchy provided in the Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification, and are as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Valuations based on observable inputs in active markets for similar assets and liabilities, other than Level 1 prices, such as quoted commodity prices or interest or currency exchange rates.

Level 3 – Valuations based on significant unobservable inputs that are supported by little or no market activity, such as discounted cash flow methodologies based on internal cash flow forecasts.

The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Note 1. The Company and Summary of Significant Accounting Policies (continued)

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding in the period. Diluted net income (loss) per common share is calculated to give effect to all potentially dilutive common shares outstanding by applying the “Treasury Stock” and “If-Converted” methods. Instruments that could have a potentially dilutive effect on the Company’s weighted average shares outstanding include all or a portion of outstanding stock options, restricted shares, restricted share units, performance shares and PSUs.

Business Combinations

The Company uses the acquisition method in accounting for a business combination that meets the definition of a business. Under this approach, identifiable assets acquired and liabilities assumed are recorded at their respective fair market values at the date of acquisition. In developing estimates of fair market values for long-lived assets, including identifiable intangible assets, the Company utilizes a variety of inputs including forecasted cash flows, discount rates, estimated replacement costs and depreciation and obsolescence factors. Valuations are performed by management or independent valuation specialists under management’s supervision, where appropriate. Acquisition costs, as well as costs to integrate acquired companies, are expensed as incurred in the Consolidated Statements of Operations.

Impact of the COVID-19 Pandemic

The Company is subject to risks and uncertainties as a result of the COVID-19 pandemic. In mid-2020, many countries eased restrictions on economic and social activities to, among other things, reopen their economies by allowing businesses to restart and encourage economic recovery. Recently there has been a significant widespread increase or "second wave" in reported infections including in Europe, the United States and Canada, as well as the emergence and rapid spread of new variants of the COVID-19 virus. In response, various countries including in Europe have announced the re-imposition of restrictions on social, business, travel and other activities. In several countries such restrictions are at or near the level of lockdown restrictions imposed earlier in 2020. Such economic disruption could have a material adverse effect on our business.

The severity of the impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Company's customers, all of which are uncertain and cannot be predicted. The Company's future results of operations and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, and the impact of any initiatives or programs that the Company may undertake to address financial and operational challenges faced by its customers.

As of the date of issuance of these consolidated financial statements, the Company has not had significant downtime or closures at its mills or disruptions to raw material supplies or access to logistics networks due to the COVID-19 pandemic, but the extent to which the COVID-19 pandemic may materially impact the Company's future financial condition, liquidity, or results of operations remain uncertain.

Note 1. The Company and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

Accounting Pronouncements Adopted

Financial Instruments – Credit Losses

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the current incurred loss impairment method with a method that reflects expected credit losses. In May 2019, the FASB issued ASU 2019-05, Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief, which provides entities with targeted transition relief that is intended to increase comparability of financial statement information for some entities that otherwise would have measured similar financial instruments using different measurement methodologies. These updates were effective for financial statements issued after December 15, 2019. The Company adopted these updates on January 1, 2020 using the modified-retrospective approach. The adoption of these updates did not have an impact on the consolidated financial statements as the Company's credit risk associated with its sales is currently managed through the purchase of credit insurance, obtaining letters of credit and setting credit limits prior to the sale. The Company reviews new customers' credit history before granting credit and conducts regular reviews of existing customers' credit. The Company is exposed to credit risk in the event of non-performance by counterparties to its financial instruments. The Company attempts to minimize this exposure by entering into contracts with counterparties that are believed to be of high credit quality.

The Company's exposure to credit losses may increase if its customers are adversely affected by the COVID-19 pandemic. Although the Company has historically not experienced significant credit losses, it is possible that there could be a material adverse impact from potential adjustments of the carrying amount of trade receivables if the cash flows of the Company's customers are adversely impacted by the COVID-19 pandemic. As of December 31, 2020 the Company has not had significant credit losses due to the COVID-19 pandemic.

Income Taxes – Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes, which removes certain exceptions for investments, intraperiod tax allocations and interim calculations, and adds guidance to reduce complexity in accounting for income taxes. This update is effective for financial statements issued for fiscal years beginning after December 15, 2020, with early adoption permitted. Adoption of this update had no impact on the Company's consolidated financial statements.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022.

Note 1. The Company and Summary of Significant Accounting Policies (continued)

The Celgar and MPR revolving credit facilities utilize LIBOR as a basis for one of the interest rate options available to the Company to apply to outstanding borrowings. LIBOR is expected to be discontinued at some point, and the Company is closely monitoring ongoing market developments in the identification or creation of a widely accepted replacement rate. The revolving credit facilities include provisions that specifically contemplate the transition from LIBOR to a replacement benchmark rate. The Company has also discussed the impending discontinuation of LIBOR with the facility providers, and based on those discussions, it is expected the credit facility agreements will be amended to reflect a new reference rate to replace LIBOR, but it is uncertain when that will occur.

As of December 31, 2020, of the Company's $1,145,294 debt only $54,980 in borrowings are governed by debt agreements that utilize LIBOR as one of the alternative applicable rates. Therefore, given the alternative rates available the Company does not believe that the discontinuation of LIBOR as a reference rate in the credit facility agreements will have a material adverse effect on its financial position or materially affect its interest expense.

Note 2. Acquisitions

2019 Acquisition

Mercer Forestry Services

On October 31, 2019, the Company acquired a log harvesting, road building and trucking services business for $6,938 cash. The acquired business is called Mercer Forestry Services Ltd. ("MFS").

Significantly all of the purchase price was allocated to the fair value of logging equipment. MFS qualified as a business under GAAP and accordingly, the Company began consolidating its results of operations, financial position and cash flows in the consolidated financial statements as of the acquisition date. In the year ended December 31, 2019, $265 of acquisition related costs were recognized in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

Pro forma information related to the acquisition of MFS has not been provided as it does not have a material effect on the Company's Consolidated Statements of Operations.

2018 Acquisitions

MPR

On December 10, 2018, the Company acquired all of the issued and outstanding shares of MPR. The purchase price was cash consideration of $344,030, after certain customary working capital adjustments. The acquisition resulted in 100% ownership of a bleached kraft pulp mill in Peace River, Alberta, a 50% joint venture interest in CPP (being an NBSK pulp mill, in Quesnel, British Columbia) and a 50% interest in a logging and chipping operation for the areas underlying MPR's forest management agreements and timber allocations. The acquisition of MPR expands the Company's sales presence in Asia and adds northern bleached hardwood kraft to its product mix.

(In thousands of U.S. dollars, except share and per share data)

Note 2. Acquisitions (continued)

The following table summarizes the Company’s allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the acquisition date:

		Purchase Price Allocation
Current assets	$	134,748
Property, plant and equipment		214,260
Investment in joint ventures		55,325
Amortizable intangible assets, timber cutting rights (a)		37,634
Other long term-assets		392
Total assets acquired		442,359
Current liabilities		35,578
Pension obligations		9,747
Deferred income tax		49,907
Other long-term liabilities		3,097
Total liabilities assumed		98,329
Net assets acquired	$	344,030

(a) The timber cutting rights are being amortized on a straight-line basis over 30 years. The fair value of the timber cutting rights was determined through the market approach utilizing comparable market data. The values were then discounted at a rate of 12% for 30 years to arrive at the fair value.

During 2019, immaterial adjustments were made to the purchase price allocation to reflect the final valuation of the assets acquired and liabilities assumed.

MPR meets the definition of a business under GAAP and accordingly, the Company began consolidating its results of operations, financial position and cash flows in the consolidated financial statements as of the acquisition date. The amounts of MPR’s revenues and net loss included in the Consolidated Statements of Operations for the year ended December 31, 2018 were $29,907 and $978, respectively. In the year ended December 31, 2018, $1,871 of acquisition related costs were recognized in “Selling, general and administrative expenses” in the Consolidated Statements of Operations. The Company also incurred an acquisition commitment fee of $5,250 for a senior unsecured bridge facility to ensure financing was in place for the acquisition. However, the bridge facility was not used as the Company issued senior notes due 2025.

The following unaudited pro forma information represents the Company’s results of operations as if the acquisition of MPR had occurred on January 1, 2017. This pro forma information does not purport to be indicative of the results that would have occurred for the periods presented or that may be expected in the future.

	For the Year Ended December 31,			
		2018		2017
Revenues	$	1,906,697	$	1,503,446
Net income	$	189,431	$	42,267

The unaudited pro forma information includes additional interest expense related to debt issued to finance the acquisition of $25,190 and $26,989 for the years ended December 31, 2018 and December 31, 2017, respectively and additional depreciation expense of $11,679 and $9,776 for the years ended December 31, 2018 and December 31, 2017, respectively. Other adjustments also include those related to increasing the December 31, 2018 net income and decreasing the December 31, 2017 net income by the non-recurring acquisition commitment fee of $5,250 and acquisition costs of $1,871.

(In thousands of U.S. dollars, except share and per share data)

Note 2. Acquisitions (continued)

Mercer Sandalwood

On October 18, 2018, the Company acquired Mercer Sandalwood Pty Ltd ("Mercer Sandalwood") (formerly Santanol) for $35,724 cash. Mercer Sandalwood owns and leases existing Indian sandalwood plantations and a processing extraction plant in Australia. The acquisition presents the opportunity to expand the Company's operations to include plantation harvesting as well as production and marketing of solid wood chemical extractives.

The following table summarizes the Company's allocation of the purchase price to the fair value of the assets acquired and liabilities assumed from Mercer Sandalwood at the acquisition date:

		Purchase Price Allocation
Net working capital	$	5,111
Property, plant and equipment		18,490
Sandalwood tree plantations (a)		14,587
Deferred income tax liability		(2,464)
Net assets acquired	$	35,724

(a) The fair value of the sandalwood tree plantations was determined using the discounted cash flows method using a rate of 10.5%.

During 2019, immaterial adjustments were made to the purchase price allocation to reflect the final valuation of the assets acquired and liabilities assumed.

Mercer Sandalwood meets the definition of a business under GAAP and accordingly, the Company began consolidating its results of operations, financial position and cash flows in the consolidated financial statements as of the acquisition date. The amount of Mercer Sandalwood's revenues and net loss included in the Consolidated Statements of Operations for the year ended December 31, 2018 was $478 and $907, respectively. In the year ended December 31, 2018, $777 of acquisition related costs were recognized in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

Pro forma information related to the acquisition of Santanol has not been provided as it does not have a material effect on the Company's Consolidated Statements of Operations.

(In thousands of U.S. dollars, except share and per share data)

Note 3. Other Income (Expenses)

Other income (expenses) for the years ended December 31, 2020, 2019 and 2018 was comprised of the following:

	For the Year Ended December 31,		
	2020	2019	2018
Foreign exchange gain (loss)	$ (13,797)	$ 1,080	$ (6,718)
Gain on sale of investments	17,540	—	—
Legal cost award	—	—	(6,951)
Acquisition commitment fee	—	—	(5,250)
Other	2,135	5,004	1,301
Other income (loss)	$ 5,878	$ 6,084	$ (17,618)

In 2020, the Company purchased certain equity security investments for $9,370 and sold them for $26,910 which resulted in a realized gain of $17,540. These investments were Level 1 investments and were held at fair value with gains and losses included in earnings. As of December 31, 2020, the Company held no such investments.

Note 4. Accounts Receivable, Net

Accounts receivable, net as of December 31, 2020 and December 31, 2019, was comprised of the following:

	December 31,	
	2020	2019
Trade, net of allowance of $552 (2019 — $164)	$ 210,963	$ 172,626
Other	16,092	36,114
	$ 227,055	$ 208,740

Note 5. Inventories

Inventories as of December 31, 2020 and December 31, 2019, were comprised of the following:

	December 31,	
	2020	2019
Raw materials	$ 74,526	$ 99,754
Finished goods	88,256	77,815
Spare parts and other	108,914	95,030
	$ 271,696	$ 272,599

In 2020, as a result of low pulp prices and high fiber costs for the Canadian mills, the Company recorded inventory impairment charges of $25,998 (2019 — $23,000). These charges were recorded in “Cost of sales, excluding depreciation and amortization” in the Consolidated Statements of Operations. As of December 31, 2020, there was no impairment provision related to inventories. As of December 31, 2019, $3,500 of the write-down was recorded in raw materials inventory and $5,700 of the write-down was recorded in finished goods inventory.

(In thousands of U.S. dollars, except share and per share data)

Note 6. Property, Plant and Equipment, Net

Property, plant and equipment, net as of December 31, 2020 and December 31, 2019, was comprised of the following:

	Estimated Useful Lives (Years)	December 31, 2020	December 31, 2019
Land		$ 63,610	$ 54,385
Buildings	10 — 50	290,150	255,233
Production and other equipment	5 — 25	2,037,050	1,850,377
		2,390,810	2,159,995
Less: accumulated depreciation		(1,281,070)	(1,085,753)
		$ 1,109,740	$ 1,074,242

As of December 31, 2020, property, plant and equipment was net of $186,330 of unamortized government grants (2019 – $190,571).

As a result of the sustained decline in hardwood pulp prices for the Peace River mill in 2020, the Company performed an impairment test, as of December 31, 2020 on the long-lived assets of the Peace River mill which had a carrying value of $229,085. The Company compared the carrying values of the mill's long-lived assets to its estimated future undiscounted cash flows. The carrying value of the mill's long-lived assets was less than the undiscounted cash flows, so no impairment was recorded. An impairment assessment requires management to apply judgement in estimating the future cash flows. The significant estimates in the future cash flows include periods of operation, projections of product pricing, production levels, fiber and other production costs and maintenance spending.

The Company maintains industrial landfills on its premises for the disposal of waste, primarily from the mills' pulp processing activities. The mills have obligations under their landfill permits to decommission these disposal facilities pursuant to certain regulations. As of December 31, 2020, the Company had recorded $10,005 (2019 – $9,516) of asset retirement obligations in "Other long-term liabilities" in the Consolidated Balance Sheets.

Note 7. Amortizable Intangible Assets, Net

Amortizable intangible assets, net as of December 31, 2020 and December 31, 2019, were comprised of the following:

	Estimated Useful Lives (Years)	December 31, 2020			December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Energy sales agreement	11	$ 18,470	$ (6,253)	$ 12,217	$ 16,909	$ (4,182)	$ 12,727
Timber cutting rights	30	39,546	(2,714)	36,832	38,767	(1,369)	37,398
Software and other intangible assets	5	27,851	(25,329)	2,522	24,999	(21,753)	3,246
		$ 85,867	$ (34,296)	$ 51,571	$ 80,675	$ (27,304)	$ 53,371

Amortization expense related to intangible assets for the year ended December 31, 2020 was $4,414 (2019 – $5,930; 2018 – 5,022).

Amortization expense for the next five years related to intangible assets as of December 31, 2020 is expected to be as follows:

	2021	2022	2023	2024	2025
Amortization expense	$ 4,446	$ 3,628	$ 3,228	$ 3,162	$ 3,065

(In thousands of U.S. dollars, except share and per share data)

Note 8. Other Long-Term Assets

Other long-term assets as of December 31, 2020 and December 31, 2019, were comprised of the following:

	December 31,	
	2020	2019
Sandalwood tree plantations	$ 28,600	$ 21,603
Other	3,328	4,435
	$ 31,928	$ 26,038

Note 9. Accounts Payable and Other

Accounts payable and other as of December 31, 2020 and December 31, 2019, was comprised of the following:

	December 31,	
	2020	2019
Trade payables	$ 42,730	$ 73,721
Accrued expenses	98,036	111,696
Interest payable	33,241	33,198
Income tax payable	23,256	28,080
Other	13,731	8,849
	$ 210,994	$ 255,544

Note 10. Debt

Debt as of December 31, 2020 and December 31, 2019, was comprised of the following:

		December 31,	
	Maturity	2020	2019
Senior notes (a)			
6.50% senior notes	2024	$ 250,000	$ 250,000
7.375% senior notes	2025	550,000	550,000
5.50% senior notes	2026	300,000	300,000
Credit arrangements			
€200 million joint revolving credit facility (b)	2023	—	—
C$60 million revolving credit facility (c)	2024	21,992	—
C$60 million revolving credit facility (d)	2023	32,988	—
€2.6 million demand loan (e)		—	—
		1,154,980	1,100,000
Less: unamortized premium and issuance costs, net		(9,686)	(12,068)
		$ 1,145,294	$ 1,087,932

(In thousands of U.S. dollars, except share and per share data)

Note 10. Debt (continued)

The maturities of the principal portion of debt as of December 31, 2020 were as follows:

2021	$ —
2022	—
2023	32,988
2024	271,992
2025	550,000
Thereafter	300,000
	$ 1,154,980

Certain of the Company’s debt instruments were issued under agreements which, among other things, may limit its ability and the ability of its subsidiaries to make certain payments, including dividends. These limitations are subject to specific exceptions. As of December 31, 2020, the Company was in compliance with the terms of its debt agreements.

(a) In January 2021, the Company issued $875,000 in aggregate principal amount of 5.125% senior notes which mature on February 1, 2029. The net proceeds of this offering were used to redeem the outstanding senior notes which were to mature in 2024 and 2025 and for general corporate purposes.

The senior notes which mature on January 15, 2026 (the “2026 Senior Notes”) are general unsecured senior obligations of the Company. The Company may redeem all or a part of the 2026 Senior Notes, upon not less than 10 days’ or more than 60 days’ notice at the redemption price plus accrued and unpaid interest to (but not including) the applicable redemption date.

The following table presents the redemption prices (expressed as percentages of principal amount) and the redemption periods of the 2026 Senior Notes:

2026 Senior Notes	
12 Month Period Beginning	**Percentage**
January 15, 2021	102.750%
January 15, 2022	101.375%
January 15, 2023 and thereafter	100.000%

(b) A €200.0 million joint revolving credit facility with all of the Company’s German mills that matures in December 2023. Borrowings under the facility are unsecured and bear interest at Euribor plus a variable margin ranging from 1.05% to 2.00% dependent on conditions including but not limited to a prescribed leverage ratio. As of December 31, 2020, approximately €12.5 million ($15,292) of this facility was supporting bank guarantees and approximately €187.5 million ($230,128) was available.

Note 10. Debt (continued)

(c) A C$60.0 million revolving credit facility for MPR that matures in February 2024. The facility is available by way of: (i) Canadian dollar denominated advances, which bear interest at a designated prime rate per annum; (ii) banker's acceptance equivalent loans, which bear interest at the applicable Canadian dollar banker's acceptance plus 1.25% to 1.50% per annum; (iii) dollar denominated base rate advances at the greater of the federal funds rate plus 0.50%, a designated LIBOR rate plus 1.00% and the bank's applicable reference rate for U.S. dollar loans; and (iv) dollar LIBOR advances, which bear interest at LIBOR plus 1.25% to 1.50% per annum. Borrowings under the facility are collateralized by, among other things, the mill's inventories and accounts receivable. As of December 31, 2020, approximately C$28.0 million ($21,992) of this facility was drawn and accruing interest at a rate of 1.72%, approximately C$0.9 million ($728) was supporting letters of credit and approximately C$31.1 million ($24,405) was available.

(d) In June 2020, Celgar amended its revolving credit facility agreement to increase the principal amount to C$60.0 million. The revolving credit facility matures in July 2023. Borrowings under the facility are collateralized by the mill's inventories, accounts receivable, general intangibles and capital assets and are restricted by a borrowing base calculated on the mill's inventories and accounts receivable. The facility is available by way of: (i) Canadian and U.S. dollar denominated advances, which bear interest at a designated prime rate less 0.125% to plus 0.125% per annum; (ii) banker's acceptance equivalent loans, which bear interest at the applicable Canadian dollar banker's acceptance plus 1.25% to 1.625% per annum; and (iii) dollar LIBOR advances, which bear interest at LIBOR plus 1.25% to 1.625% per annum. As of December 31, 2020, approximately C$42.0 million ($32,988) of this facility was drawn and accruing interest at a rate of 1.84%, approximately C$0.5 million ($354) was supporting letters of credit and approximately C$15.6 million ($12,284) was available.

(e) A €2.6 million demand loan at the Rosenthal mill that does not have a maturity date. Borrowings under this facility are unsecured and bear interest at the rate of the three-month Euribor plus 2.50%. As of December 31, 2020, approximately €2.6 million ($3,132) of this facility was supporting bank guarantees and approximately $nil was available.

(In thousands of U.S. dollars, except share and per share data)

Note 11. Pension and Other Post-Retirement Benefit Obligations

Defined Benefit Plans

Pension benefits are based on employees' earnings and years of service. The defined benefit plans are funded by contributions from the Company based on actuarial estimates and statutory requirements. Information about the Celgar and MPR defined benefit plans, in aggregate for the year ended December 31, 2020 was as follows:

	2020		
	Pension	Other Post-Retirement Benefits	Total
Change in benefit obligation			
Benefit obligation, December 31, 2019	$ 112,996	$ 13,252	$ 126,248
Service cost	3,404	258	3,662
Interest cost	3,367	385	3,752
Benefit payments	(4,346)	(479)	(4,825)
Actuarial losses	10,469	514	10,983
Foreign currency exchange rate changes	2,964	304	3,268
Benefit obligation, December 31, 2020	128,854	14,234	143,088
Reconciliation of fair value of plan assets			
Fair value of plan assets, December 31, 2019	99,991	—	99,991
Actual returns	8,704	—	8,704
Contributions	3,685	479	4,164
Benefit payments	(4,346)	(479)	(4,825)
Foreign currency exchange rate changes	2,442	—	2,442
Fair value of plan assets, December 31, 2020	110,476	—	110,476
Funded status, December 31, 2020	$ (18,378)	$ (14,234)	$ (32,612)
Components of the net benefit cost recognized			
Service cost	$ 3,404	$ 258	$ 3,662
Interest cost	3,367	385	3,752
Expected return on plan assets	(4,329)	—	(4,329)
Amortization of unrecognized items	860	(892)	(32)
Net benefit cost	$ 3,302	$ (249)	$ 3,053

(In thousands of U.S. dollars, except share and per share data)

Note 11. Pension and Other Post-Retirement Benefit Obligations (continued)

Information about the Celgar and MPR defined benefit plans, in aggregate for the year ended December 31, 2019 was as follows:

	2019		
	Pension	Other Post-Retirement Benefits	Total
Change in benefit obligation			
Benefit obligation, December 31, 2018	$ 95,996	$ 14,859	$ 110,855
Service cost	2,868	271	3,139
Interest cost	3,516	548	4,064
Benefit payments	(3,703)	(647)	(4,350)
Actuarial losses (gains)	9,228	(2,477)	6,751
Foreign currency exchange rate changes	5,091	698	5,789
Benefit obligation, December 31, 2019	112,996	13,252	126,248
Reconciliation of fair value of plan assets			
Fair value of plan assets, December 31, 2018	84,122	—	84,122
Actual returns	11,269	—	11,269
Contributions	3,820	647	4,467
Benefit payments	(3,703)	(647)	(4,350)
Foreign currency exchange rate changes	4,483	—	4,483
Fair value of plan assets, December 31, 2019	99,991	—	99,991
Funded status, December 31, 2019	$ (13,005)	$ (13,252)	$ (26,257)
Components of the net benefit cost recognized			
Service cost	$ 2,868	$ 271	$ 3,139
Interest cost	3,516	548	4,064
Expected return on plan assets	(4,017)	—	(4,017)
Amortization of unrecognized items	941	(678)	263
Net benefit cost	$ 3,308	$ 141	$ 3,449

The components of the net benefit cost other than service cost are recorded in "Other income (expenses)" in the Consolidated Statements of Operations. The amortization of unrecognized items relates to net actuarial losses and prior service costs.

The Company anticipates that it will make contributions to the defined benefit plans of approximately $3,603 in 2021. Estimated future benefit payments under these plans as of December 31, 2020 was as follows:

	Pension	Other Post-Retirement Benefits
2021	$ 4,711	$ 544
2022	$ 4,940	$ 571
2023	$ 5,158	$ 600
2024	$ 5,404	$ 626
2025	$ 5,680	$ 650
2026-2030	$ 31,850	$ 3,633

(In thousands of U.S. dollars, except share and per share data)

Note 11. Pension and Other Post-Retirement Benefit Obligations (continued)

Weighted Average Assumptions

The weighted-average assumptions used to determine the benefit obligations at the measurement dates and the net benefit costs for the years ended December 31, 2020, 2019 and 2018 were as follows for Celgar's defined benefit plan:

	December 31,		
	2020	2019	2018
Benefit obligations			
Discount rate	2.55%	3.00%	3.14%
Rate of compensation increase	2.50%	2.50%	2.50%
Net benefit cost for year ended			
Discount rate	3.00%	3.14%	3.50%
Rate of compensation increase	2.50%	2.50%	2.50%
Expected rate of return on plan assets	4.10%	3.90%	4.40%

The weighted-average assumptions used to determine the benefit obligations at the measurement dates and the net benefit costs for the years ended December 31, 2020, 2019 and 2018 were as follows for MPR's defined benefit plan:

	December 31,		
	2020	2019	2018
Benefit obligations			
Discount rate	2.70%	3.20%	3.90%
Rate of compensation increase	2.75%	2.75%	2.75%
Net benefit cost for year ended			
Discount rate	3.20%	3.90%	3.95%
Rate of compensation increase	2.75%	2.75%	3.25%
Expected rate of return on plan assets	4.68%	5.12%	5.15%

The discount rate assumption is adjusted annually to reflect the rates available on high-quality debt instruments, with a duration that is expected to match the timing of expected pension and other post-retirement benefit obligations. High-quality debt instruments are corporate bonds with a rating of "AA" or better.

The expected rate of return on plan assets is a management estimate based on, among other factors, historical long-term returns, expected asset mix and active management premium.

The expected rate of compensation increase is a management estimate based on, among other factors, historical compensation increases and promotions, while considering current industry conditions, the terms of collective bargaining agreements with employees and the outlook for the industry.

The assumed health care cost trend rates used to determine the other post-retirement benefit obligations as of December 31, 2020 and December 31, 2019 were as follows:

	December 31,	
	2020	2019
Health care cost trend rate assumed for next year	5.00%	5.00%
Rate to which the cost trend is assumed to decline (ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2022	2021

(In thousands of U.S. dollars, except share and per share data)

Note 11. Pension and Other Post-Retirement Benefit Obligations (continued)

The expected health care cost trend rates are based on historical trends for these costs, as well as recently enacted health care legislation. The Company also compares health care cost trend rates to those of the industry.

Investment Objective and Asset Allocation

The investment objective for the defined benefit pension plan is to sufficiently diversify invested plan assets to maintain a reasonable level of risk without imprudently sacrificing the return on the invested funds, and ultimately to achieve a long-term total rate of return, net of fees and expenses, at least equal to the long-term interest rate assumptions used for funding actuarial valuations. To achieve this objective, the Company's overall investment strategy is to maintain an investment allocation mix of long-term growth investments (equities) and fixed income investments (debt securities). Investment allocation targets have been established by asset class after considering the nature of the liabilities, long-term return expectations, the risks associated with key asset classes, funded position, inflation and interest rates and related management fees and expenses. In addition, the defined benefit pension plan's investment strategy seeks to minimize risk beyond legislated requirements by constraining the investment managers' investment options. There are a number of specific constraints based on investment type, but they all have the general purpose of ensuring that the investments are fully diversified and that risk is appropriately managed. For example, there are constraints on the book value of assets that can be invested in any one entity or group, and all equity holdings must be listed on a public exchange. Reviews of the investment objectives, key assumptions and the independent investment managers are performed periodically.

Pension De-Risking Actions

During 2017, the Company initiated a pension de-risking strategy for Celgar's defined benefit plan. The first step of the strategy resulted in changing the target investment mix to 80% debt securities, to more effectively hedge the plan liabilities for inactive members, and 20% equity securities, to consider the inflationary effect of future salary increases for the remaining active members.

In 2018, the Company used the debt security investments in Celgar's defined benefit plan to purchase buy-in annuities for all inactive members. This transaction fully hedges the plan liabilities for inactive members.

Concentrations of Risk in the Defined Benefit Pension Plan's Assets

The Company has reviewed the defined benefit pension plan's equity investments and determined that they are allocated based on the specific investment managers' stated investment strategies with only slight over- or under-weightings within any specific category, and that those investments are within the constraints that have been set by the Company. Those constraints include a limitation on the value that can be invested in any one entity or investment category. The Company has concluded that there are no significant concentrations of risk.

The following table presents the Celgar and MPR defined benefit pension plans' assets fair value measurements as of December 31, 2020 under the fair value hierarchy:

	Fair value measurements as of December 31, 2020 using:			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	$ —	$ 49,485	$ —	$ 49,485
Debt securities	—	34,603	—	34,603
Buy-in annuity	—	—	26,017	26,017
Cash and other short-term assets	—	13	—	13
Other	—	358	—	358
Total assets	$ —	$ 84,459	$ 26,017	$ 110,476

(In thousands of U.S. dollars, except share and per share data)

Note 11. Pension and Other Post-Retirement Benefit Obligations (continued)

The following table presents the Celgar and MPR defined benefit pension plans' assets fair value measurements as of December 31, 2019 under the fair value hierarchy:

	Fair value measurements as of December 31, 2019 using:			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	$ —	$ 43,800	$ —	$ 43,800
Debt securities	—	30,414	—	30,414
Buy-in annuity	—	—	25,343	25,343
Cash and other short-term assets	—	69	—	69
Other	—	365	—	365
Total assets	$ —	$ 74,648	$ 25,343	$ 99,991

Defined Contribution Plan

Effective December 31, 2008, the defined benefit plans at the Celgar mill were closed to new members. In addition, the related defined benefit service accrual ceased on December 31, 2008, and members began to receive pension benefits, at a fixed contractual rate, under a new defined contribution plan effective January 1, 2009. The Company's head office employees also participate in a defined contribution plan. During the year ended December 31, 2020, the Company made contributions of $1,634 to these plans (2019 – $1,400; 2018 – $1,024).

Multiemployer Plan

The Company participates in a multiemployer plan for the hourly-paid employees at the Celgar mill. The contributions to the plan are determined based on a percentage of pensionable earnings pursuant to a collective bargaining agreement. The Company has no current or future contribution obligations in excess of the contractual contributions. During the year ended December 31, 2020, the Company made contributions of $1,933 to this plan (2019 – $2,203; 2018 – $2,218).

Plan details for the years ended December 31, 2020, 2019 and 2018 were as follows:

			Are the Company's Contributions Greater Than 5% of Total Contributions		
Legal name	**Provincially Registered Plan Number**	**Expiration Date of Collective Bargaining Agreement**	**2020**	**2019**	**2018**
The Pulp and Paper Industry Pension Plan	P085324	April 30, 2021	No	Yes	No

(In thousands of U.S. dollars, except share and per share data)

Note 12. Income Taxes

Income (loss) before provision for income taxes by taxing jurisdiction for the years ended December 31, 2020, 2019 and 2018 was as follows:

	Year Ended December 31,		
	2020	2019	2018
U.S.	$ (22,284)	$ (43,408)	$ (69,202)
Foreign	11,145	52,995	246,472
	$ (11,139)	$ 9,587	$ 177,270

Provision for income taxes recognized in the Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018 was comprised of the following:

	Year Ended December 31,		
	2020	2019	2018
U.S. Federal and State current income tax provision	$ 1,782	$ 342	$ —
Foreign current income tax provision	19,563	26,757	32,085
Total current income tax provision	21,345	27,099	32,085
Foreign deferred income tax provision (recovery)	(15,249)	(7,873)	16,596
Total income tax provision	$ 6,096	$ 19,226	$ 48,681

During the year ended December 31, 2020, the foreign current income tax provision is primarily for the German entities.

The Company's effective income tax rate can be affected by many factors, including but not limited to, changes in the mix of earnings in tax jurisdictions with differing statutory rates, changes in corporate structure, changes in the valuation of deferred tax assets and liabilities, the result of audit examinations of previously filed tax returns and changes in tax laws and rates. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

The Company and/or one or more of its subsidiaries file income tax returns in the U.S., Germany, Canada and Australia. Currently, the Company does not anticipate that the expiration of the statute of limitations or the completion of audits in the next fiscal year will result in liabilities for uncertain income tax positions that are materially different than the amounts accrued or disclosed as of December 31, 2020. However, this could change as tax years are examined by taxing authorities, the timing of which are uncertain at this time. The German tax authorities have completed examinations up to and including the 2017 tax year for all but three German entities. For these three entities the German tax authorities have completed examinations up to and including the 2013 tax year. The Company is generally not subject to U.S. or Canadian income tax examinations for tax years before 2017 and 2016, respectively. The Company believes that it has adequately provided for any reasonable foreseeable outcomes related to its tax audits and that any settlement will not have a material adverse effect on its consolidated results.

The liability in the Consolidated Balance Sheets related to unrecognized tax benefits was $nil as of December 31, 2020 (2019 – $nil). The Company recognizes interest and penalties related to unrecognized tax benefits in "Income tax provision" in the Consolidated Statements of Operations. During the years ended December 31, 2020, 2019 and 2018 the Company did not record any interest and penalties related to unrecognized tax benefits.

(In thousands of U.S. dollars, except share and per share data)

Note 12. Income Taxes (continued)

Differences between the U.S. Federal statutory and the Company's effective rates for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,		
	2020	2019	2018
U.S. Federal statutory rate	21%	21%	21%
U.S. Federal statutory rate on income (loss) before provision for income taxes	$ 2,339	$ (2,013)	$ (37,227)
Tax differential on foreign income	(1,982)	(5,368)	(17,511)
Effect of foreign earnings (a)	(3,002)	(13,747)	(51,639)
Valuation allowance	(8,383)	(11,643)	64,573
Tax benefit of partnership structure	3,740	3,841	4,208
Non-taxable foreign subsidies	2,851	3,200	2,908
True-up of prior year taxes	(1,863)	6,031	(9,877)
Foreign exchange on settlement of debt	543	—	879
Other	(339)	473	(4,995)
Income tax provision	$ (6,096)	$ (19,226)	$ (48,681)

(a) Primarily due to the impact of the global intangible low-taxed income provision in the Tax Cuts and Jobs Act of 2017.

Deferred income tax assets and liabilities as of December 31, 2020 and December 31, 2019 were comprised of the following:

	December 31,	
	2020	2019
German tax loss carryforwards	$ 29,378	$ 31,317
U.S. tax loss carryforwards and credits	6,964	4,671
Canadian tax loss carryforwards	44,256	16,392
Australian tax loss carryforwards	3,783	3,336
Basis difference between income tax and financial reporting with respect to operating pulp mills	(145,858)	(132,100)
Amortizable intangible assets	(10,504)	(10,232)
Other long-term assets	(4,926)	(2,908)
Debt	(6,553)	(7,388)
Accounts payable and accrued expenses	1,621	577
Deferred pension liability	16,278	11,270
Finance leases	12,895	10,072
Scientific research and experimental development investment tax credit and expenditure pool	4,433	3,397
Other	3,702	5,754
	(44,531)	(65,842)
Valuation allowance	(31,142)	(22,759)
Net deferred income tax liability	$ (75,673)	$ (88,601)
Comprised of:		
Deferred income tax asset	$ 1,355	$ 1,246
Deferred income tax liability	(77,028)	(89,847)
Net deferred income tax liability	$ (75,673)	$ (88,601)

(In thousands of U.S. dollars, except share and per share data)

Note 12. Income Taxes (continued)

The following table details the scheduled expiration dates of the Company's net operating loss, interest, investment tax credit and other tax attributes carryforwards as of December 31, 2020:

	Amount	Expiration
U.S.		
Interest	$ 32,800	Indefinite
Germany		
Net operating loss	$ 61,300	Indefinite
Interest	$ 79,200	Indefinite
Canada		
Net operating loss	$ 162,100	2036 – 2040
Scientific research and experimental development investment tax credit	$ 5,200	2030 – 2039
Scientific research and experimental development expenditure pool	$ 2,500	Indefinite
Australia		
Net operating loss	$ 12,600	Indefinite

At each reporting period, the Company assesses whether it is more likely than not that the deferred tax assets will be realized, based on the review of all available positive and negative evidence, including future reversals of existing taxable temporary differences, estimates of future taxable income, past operating results and prudent and feasible tax planning strategies. The carrying value of the Company's deferred tax assets reflects its expected ability to generate sufficient future taxable income in certain tax jurisdictions to utilize these deferred income tax benefits. Significant judgment is required when evaluating this positive and negative evidence.

Changes in valuation allowances related to net deferred tax assets for the years ended December 31, 2020 and 2019 were as follows:

	December 31,	
	2020	2019
Balance as of January 1	$ 22,759	$ 11,116
Additions (reversals)		
U.S.	1,734	(4,503)
Canada	6,017	16,188
Australia	—	(398)
The impact of changes in foreign exchange rates	632	356
Balance as of December 31	$ 31,142	$ 22,759

As of December 31, 2020, the Company has recognized the deferred tax assets of its German entities and has a full valuation allowance against the net deferred tax assets of its U.S. and Canadian entities.

The Company has not recognized a tax liability on the undistributed earnings of foreign subsidiaries as of December 31, 2020 because these earnings are expected to be permanently reinvested outside the U.S. or repatriated without incurring a tax liability. As of December 31, 2020, the cumulative amount of undistributed earnings upon which U.S. income taxes have not been provided was approximately $367,138.

(In thousands of U.S. dollars, except share and per share data)

Note 13. Shareholders' Equity

Dividends

The Company's board of directors declared quarterly dividends during the years ended December 31, 2020 and 2019 as follows:

Date Declared	Dividend Per Common Share	Amount
February 13, 2020	$ 0.1375	$ 9,047
April 30, 2020	0.0650	4,282
July 30, 2020	0.0650	4,281
October 29, 2020	0.0650	4,282
	$ 0.3325	$ 21,892

Date Declared	Dividend Per Common Share	Amount
February 14, 2019	$ 0.1250	$ 8,204
May 2, 2019	0.1375	9,025
August 1, 2019	0.1375	9,025
October 31, 2019	0.1375	9,025
	$ 0.5375	$ 35,279

In February 2021, the Company's board of directors declared a quarterly dividend of $0.0650 per common share. Payment of the dividend will be paid on April 7, 2021 to all shareholders of record on March 31, 2021. Future dividends are subject to approval by the board of directors and may be adjusted as business and industry conditions warrant.

Share Capital

Preferred shares

The Company has authorized 50,000,000 preferred shares (2019 – 50,000,000) with $1 par value issuable in series, of which 2,000,000 shares have been designated as Series A. The preferred shares may be issued in one or more series. Designations and preferences for each series shall be stated in the resolutions providing for the designation and issuance of each such series adopted by the Company's board of directors. The board of directors is authorized by the Company's articles of incorporation to determine the voting, dividend, redemption and liquidation preferences pertaining to each such series. As of December 31, 2020, no preferred shares had been issued by the Company.

Share Repurchase Program

In May 2019, the Company's board of directors authorized a common stock repurchase program, under which the Company may repurchase up to $50,000 of its shares, which expired in May 2020.

For the year ended December 31, 2020, prior to the expiration, the Company paid $162 to acquire 23,584 common shares at an average repurchase price of $6.84. For the year ended December 31, 2019 the Company paid $754 to acquire 52,879 common shares at an average repurchase price of $14.25. The shares acquired for the years ended December 31, 2020 and 2019 were retired upon repurchase.

(In thousands of U.S. dollars, except share and per share data)

Note 13. Shareholders' Equity (continued)

Stock Based Compensation

In June 2010, the Company adopted a stock incentive plan which provides for options, restricted stock rights, restricted shares, performance shares, PSUs and stock appreciation rights to be awarded to employees, consultants and non-employee directors. During the year ended December 31, 2020, there were no issued and outstanding options, restricted stock rights, performance shares or stock appreciation rights. As of December 31, 2020, after factoring in all allocated shares, there remain approximately 1.7 million common shares available for grant.

PSUs

PSUs comprise rights to receive common shares at a future date that are contingent on the Company and the grantee achieving certain performance objectives. The performance objective period is generally three years.

For the year ended December 31, 2020, the Company recognized an expense of $420 related to PSUs (2019 – $2,557; 2018 – $3,422).

PSU activity during the year ended December 31, 2020 was as follows:

	Number of PSUs	Weighted Average Grant Date Fair Value Per Unit
Outstanding as of January 1, 2020	1,764,976	$ 13.48
Granted	1,140,834	11.00
Vested and issued	(194,948)	12.00
Forfeited	(346,014)	12.10
Outstanding as of December 31, 2020	2,364,848	$ 12.61

The weighted-average grant date fair value per unit of all PSUs granted in 2019 and 2018 was $15.34 and $12.75, respectively. The total fair value of PSUs vested and issued in 2020, 2019 and 2018 was $2,101, $6,754 and $1,992, respectively.

Restricted Shares

Restricted shares generally vest at the end of one year.

Expense recognized for the year ended December 31, 2020 was $508 (2019 – $479; 2018 – $518). As of December 31, 2020, the total remaining unrecognized compensation cost related to restricted shares amounted to approximately $229 which will be amortized over the remaining vesting periods.

Restricted share activity during the year ended December 31, 2020 was as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding as of January 1, 2020	31,405	$ 14.33
Granted	68,140	8.07
Vested	(31,405)	14.33
Outstanding as of December 31, 2020	68,140	$ 8.07

(In thousands of U.S. dollars, except share and per share data)

Note 13. Shareholders' Equity (continued)

The weighted-average grant date fair value per share of all restricted shares granted in 2019 and 2018 was $14.33 and $16.70, respectively. The total fair value of restricted shares vested and issued in 2020, 2019 and 2018 was $248, $466 and $703, respectively.

Note 14. Net Income (Loss) Per Common Share

The reconciliation of basic and diluted net income (loss) per common share for the years ended December 31, 2020, 2019 and 2018 was as follows:

	For the Year Ended December 31,		
	2020	2019	2018
Net income (loss)			
Basic and diluted	$ (17,235)	$ (9,639)	$ 128,589
Net income (loss) per common share			
Basic	$ (0.26)	$ (0.15)	$ 1.97
Diluted	$ (0.26)	$ (0.15)	$ 1.96
Weighted average number of common shares outstanding:			
Basic (a)	65,768,485	65,553,196	65,133,467
Effect of dilutive instruments:			
PSUs	—	—	619,411
Restricted shares	—	—	17,962
Diluted	65,768,485	65,553,196	65,770,840

(a) For the year ended December 31, 2020, the basic weighted average number of common shares outstanding excludes 68,140 restricted shares which have been issued, but have not vested as of December 31, 2020 (2019 – 31,405 restricted shares; 2018 – 31,130 restricted shares).

The calculation of diluted net income (loss) per common share does not assume the exercise of any instruments that would have an anti-dilutive effect on net income (loss) per common share. Instruments excluded from the calculation of net income (loss) per common share because they were anti-dilutive for the years ended December 31, 2020, 2019 and 2018 were as follows:

	For the Year Ended December 31,		
	2020	2019	2018
PSUs	2,364,848	1,764,976	—
Restricted shares	68,140	31,405	—

(In thousands of U.S. dollars, except share and per share data)

Note 15. Accumulated Other Comprehensive Loss

The change in accumulated other comprehensive loss by component (net of tax) for the years ended December 31, 2020 and 2019 was as follows:

	Foreign Currency Translation Adjustment	Defined Benefit Pension and Other Post-Retirement Benefit Items	Total
Balance as of December 31, 2018	$ (127,000)	$ (1,170)	$ (128,170)
Other comprehensive income (loss) before reclassifications	12,291	(944)	11,347
Amounts reclassified from accumulated other comprehensive loss	—	263	263
Other comprehensive income (loss), net of taxes	12,291	(681)	11,610
Balance as of December 31, 2019	(114,709)	(1,851)	(116,560)
Other comprehensive income (loss) before reclassifications	95,131	(6,114)	89,017
Amounts reclassified from accumulated other comprehensive loss	—	(32)	(32)
Other comprehensive income (loss), net of taxes	95,131	(6,146)	88,985
Balance as of December 31, 2020	$ (19,578)	$ (7,997)	$ (27,575)

Note 16. Related Party Transactions

The Company enters into related party transactions with its joint ventures. For the year ended December 31, 2020, pulp purchases from the Company’s 50% owned CPP mill, which are transacted at the CPP mill’s cost, were $76,875 (2019 – $96,763; 2018 – $6,044) and as of December 31, 2020 the Company had a receivable balance from the CPP mill of $3,518 (December 31, 2019 – $3,462). For the year ended December 31, 2020, services from the Company’s 50% owned logging and chipping operation, which are transacted at arm’s length negotiated prices, were $15,118 (2019 – $16,681; 2018 – $2,232) and as of December 31, 2020 the Company had a payable balance to the operation of $1,953 (December 31, 2019 – $1,151).

Note 17. Segment Information

The Company is managed based on the primary products it manufactures: pulp and wood products. Accordingly, the Company’s four pulp mills and its 50% interest in the CPP mill are aggregated into the pulp segment, and the Friesau mill is a separate reportable segment, wood products. The Company’s sandalwood business is included in Corporate and Other as it does not meet the criteria to be reported as a separate segment.

None of the income or loss items following operating income in the Company’s Consolidated Statements of Operations are allocated to the segments, as those items are reviewed separately by management.

(In thousands of U.S. dollars, except share and per share data)

Note 17. Segment Information (continued)

Information about certain segment data for the years ended December 31, 2020, 2019 and 2018, was as follows:

December 31, 2020	**Pulp**	**Wood Products**	**Corporate and Other**	**Consolidated**
Revenues from external customers	$ 1,220,644	$ 197,649	$ 4,847	$ 1,423,140
Operating income (loss)	$ 37,952	$ 34,704	$ (8,927)	$ 63,729
Depreciation and amortization	$ 115,945	$ 12,212	$ 764	$ 128,921
Purchase of property, plant and equipment	$ 53,734	$ 23,788	$ 996	$ 78,518
Total assets (a)	$ 1,740,233	$ 112,267	$ 276,626	$ 2,129,126
Revenues by major products				
Pulp	$ 1,130,302	$ —	$ —	$ 1,130,302
Lumber	—	180,769	—	180,769
Energy and chemicals	90,342	10,619	4,847	105,808
Wood residuals	—	6,261	—	6,261
Total revenues	$ 1,220,644	$ 197,649	$ 4,847	$ 1,423,140
Revenues by geographical markets (b)				
U.S.	$ 149,816	$ 93,802	$ 1,734	$ 245,352
Germany	336,346	50,945	—	387,291
China	364,527	3,037	—	367,564
Other countries	369,955	49,865	3,113	422,933
Total revenues	$ 1,220,644	$ 197,649	$ 4,847	$ 1,423,140

(a) Total assets for the pulp segment includes the Company's $46,429 investment in joint ventures, primarily for the CPP mill.
(b) Sales are attributed to countries based on the ship-to location provided by the customer.

December 31, 2019	**Pulp**	**Wood Products**	**Corporate and Other**	**Consolidated**
Revenues from external customers	$ 1,457,123	$ 159,937	$ 7,351	$ 1,624,411
Operating income (loss)	$ 90,583	$ 7,349	$ (13,929)	$ 84,003
Depreciation and amortization	$ 117,108	$ 7,966	$ 1,320	$ 126,394
Purchase of property, plant and equipment	$ 103,066	$ 28,425	$ 543	$ 132,034
Total assets (a)	$ 1,782,105	$ 83,102	$ 200,513	$ 2,065,720
Revenues by major products				
Pulp	$ 1,370,742	$ —	$ —	$ 1,370,742
Lumber	—	142,243	—	142,243
Energy and chemicals	86,381	9,721	7,351	103,453
Wood residuals	—	7,973	—	7,973
Total revenues	$ 1,457,123	$ 159,937	$ 7,351	$ 1,624,411
Revenues by geographical markets (b)				
U.S.	$ 168,197	$ 54,098	$ —	$ 222,295
Germany	419,472	53,734	—	473,206
China	430,508	—	—	430,508
Other countries	438,946	52,105	7,351	498,402
Total revenues	$ 1,457,123	$ 159,937	$ 7,351	$ 1,624,411

(a) Total assets for the pulp segment includes the Company's $53,122 investment in joint ventures, primarily for the CPP mill.
(b) Sales are attributed to countries based on the ship–to location provided by the customer.

(In thousands of U.S. dollars, except share and per share data)

Note 17. Segment Information (continued)

December 31, 2018	**Pulp**	**Wood Products**	**Corporate and Other**	**Consolidated**
Revenues from external customers	$ 1,268,204	$ 189,036	$ 478	$ 1,457,718
Operating income (loss)	$ 274,356	$ 6,203	$ (12,692)	$ 267,867
Depreciation and amortization	$ 87,628	$ 8,485	$ 616	$ 96,729
Purchase of property, plant and equipment	$ 66,207	$ 20,682	$ 123	$ 87,012
Total assets (a)	$ 1,698,071	$ 131,754	$ 145,910	$ 1,975,735
Revenues by major products				
Pulp	$ 1,190,588	$ —	$ —	$ 1,190,588
Lumber	—	168,663	—	168,663
Energy and chemicals	77,616	10,831	478	88,925
Wood residuals	—	9,542	—	9,542
Total revenues	$ 1,268,204	$ 189,036	$ 478	$ 1,457,718
Revenues by geographical markets (b)				
U.S.	$ 55,692	$ 52,770	$ —	$ 108,462
Germany	499,620	73,854	—	573,474
China	291,657	—	—	291,657
Other countries	421,235	62,412	478	484,125
Total revenues	$ 1,268,204	$ 189,036	$ 478	$ 1,457,718

(a) Total assets for the pulp segment includes the Company's $62,574 investment in joint ventures, primarily for the CPP mill.

(b) Sales are attributed to countries based on the ship-to location provided by the customer.

Revenues between segments are accounted for at prices that approximate fair value. These include revenues from the sale of residual fiber from the wood products segment to the pulp segment for use in the pulp production process and from the sale of residual fuel from the pulp segment to the wood products segment for use in energy production. For the year ended December 31, 2020, the pulp segment sold $459 of residual fuel to the wood products segment (2019 – $531; 2018 – $1,343) and the wood products segment sold $12,040 of residual fiber to the pulp segment (2019 – $15,190; 2018 – $18,537).

The Company's long-lived assets by geographic area based on location of the asset as of December 31, 2020 and December 31, 2019 were as follows:

	December 31,	
	2020	**2019**
Germany	$ 699,408	$ 646,101
Canada	390,542	410,468
Australia	19,790	17,673
	$ 1,109,740	$ 1,074,242

In 2020, no single customer accounted for greater than 10% of the Company's total revenues (2019 – no customer; 2018 – one customer for the pulp segment through several of their operations accounted for 13%).

(In thousands of U.S. dollars, except share and per share data)

Note 18. Financial Instruments and Fair Value Measurement

Due to their short-term maturity, the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and other, approximates their fair value.

The estimated fair values of the Company's outstanding debt under the fair value hierarchy as of December 31, 2020 and December 31, 2019 were as follows:

	Fair value measurements as of December 31, 2020 using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Revolving credit facilities	$ —	$ 54,980	$ —	$ 54,980
Senior notes	—	1,131,229	—	1,131,229
	$ —	$ 1,186,209	$ —	$ 1,186,209

	Fair value measurements as of December 31, 2019 using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Senior notes	$ —	$ 1,156,673	$ —	$ 1,156,673

The carrying value of the revolving credit facilities classified as Level 2 approximates the fair value as the variable interest rates reflect current interest rates for financial instruments with similar characteristics and maturities.

The fair value of the senior notes classified as Level 2 was determined using quoted prices in a dealer market, or using recent market transactions. The Company's senior notes are not carried at fair value on the Consolidated Balance Sheets as of December 31, 2020 and December 31, 2019. However, fair value disclosure is required. The carrying value of the Company's senior notes, net of note issuance costs is $1,090,314 as of December 31, 2020 (December 31, 2019 – $1,087,932).

Credit Risk

The Company's credit risk is primarily attributable to cash held in bank accounts and accounts receivable. The Company maintains cash balances in foreign financial institutions in excess of insured limits. The Company limits its credit exposure on cash held in bank accounts by periodically investing cash in excess of short-term operating requirements and debt obligations in low risk government bonds, or similar debt instruments. The Company's credit risk associated with the sale of pulp, lumber and other wood residuals is managed through setting credit limits, the purchase of credit insurance and for certain customers a letter of credit is received prior to shipping the product. The Company reviews new customers' credit history before granting credit and conducts regular reviews of existing customers' credit. Concentrations of credit risk on the sale of pulp, lumber and other wood residuals are with customers and agents based primarily in Germany, China and the U.S.

The Company's exposure to credit losses may increase if its customers are adversely affected by the COVID-19 pandemic. Although the Company has historically not experienced significant credit losses, it is possible that there could be a material adverse impact from potential adjustments of the carrying amount of trade receivables if the cash flows of the Company's customers are adversely impacted by the COVID-19 pandemic. As of December 31, 2020 the Company has not had significant credit losses due to the COVID-19 pandemic.

The carrying amount of cash and cash equivalents of $361,098 and accounts receivable of $227,055 recorded in the Consolidated Balance Sheet, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

(In thousands of U.S. dollars, except share and per share data)

Note 19. Lease Commitments

The Company has finance leases primarily for rail cars and production equipment. The rail cars primarily have a remaining lease term of eight to 11 years with annual renewal options thereafter. The production equipment has a weighted average remaining lease term of eight years. The Company has operating leases primarily for land to support the sandalwood tree plantations and for offices. The land leases have remaining terms of four to 11 years with options to renew for up to six years. The office leases have remaining terms of three to seven years with options to renew primarily for an additional five years. A majority of the operating leases are subject to annual changes to the Consumer Price Index ("CPI"). Changes to the CPI are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. A 100-basis-point increase in CPI would not have a material impact on lease costs.

The components of lease expense for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,		
	2020	2019	2018
Lease cost:			
Operating lease cost	$ 3,712	$ 3,322	$ 2,655
Finance lease cost:			
Amortization of right-of-use assets	4,963	3,768	3,595
Interest on lease liabilities	1,460	1,370	1,299
Total lease cost	$ 10,135	$ 8,460	$ 7,549

Supplemental cash flow information related to leases for the years ended December 31, 2020, 2019 and 2018 was as follows:

	Year Ended December 31,		
	2020	2019	2018
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flow payments for operating leases	$ 3,712	$ 3,322	$ 2,655
Operating cash flow payments for finance leases	$ 1,460	$ 1,370	$ 1,299
Financing cash flow payments for finance leases	$ 4,636	$ 3,344	$ 3,462

Other information related to leases for the years ended December 31, 2020, 2019 and 2018 was as follows:

	Year Ended December 31,		
	2020	2019	2018
Weighted average remaining lease term:			
Operating leases	6 years	7 years	7 years
Finance leases	9 years	10 years	9 years
Weighted average discount rate:			
Operating leases	6%	7%	
Finance leases	3%	4%	6%

The discount rate used to calculate the present value of the minimum lease payments is the incremental borrowing rate that the subsidiary entering into the lease would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

(In thousands of U.S. dollars, except share and per share data)

Note 19. Lease Commitments (continued)

Supplemental balance sheet information related to leases as of December 31, 2020 and December 31, 2019 was as follows:

	December 31, 2020	December 31, 2019
Operating Leases		
Operating lease right-of-use assets	$ 13,251	$ 13,004
Other current liabilities	$ 3,318	$ 2,484
Operating lease liabilities	9,933	10,520
Total operating lease liabilities	$ 13,251	$ 13,004
Finance Leases		
Property and equipment, gross	$ 65,418	$ 49,393
Accumulated depreciation	(19,353)	(16,571)
Property and equipment, net	$ 46,065	$ 32,822
Other current liabilities	$ 5,364	$ 3,382
Finance lease liabilities	41,329	31,103
Total finance lease liabilities	$ 46,693	$ 34,485

As of December 31, 2020, maturities of lease liabilities were as follows:

	Finance Leases	Operating Leases
2021	$ 6,826	$ 4,140
2022	6,577	3,785
2023	6,569	2,674
2024	6,027	1,593
2025	5,672	906
Thereafter	21,622	2,809
Total lease payments	53,293	15,907
Less: imputed interest	(6,600)	(2,656)
Total lease liability	$ 46,693	$ 13,251

As of December 31, 2019, maturities of lease liabilities were as follows:

	Finance Leases	Operating Leases
2020	$ 4,472	$ 3,218
2021	4,343	3,071
2022	4,169	2,809
2023	4,288	2,087
2024	4,184	1,378
Thereafter	19,142	3,410
Total lease payments	40,598	15,973
Less: imputed interest	(6,113)	(2,969)
Total lease liability	$ 34,485	$ 13,004

Note 19. Lease Commitments (continued)

As of December 31, 2020, the Company has additional finance leases for rail cars that have not yet commenced. The leases have a term of 12 years with annual renewal options thereafter. The total payments over the term of the leases will be approximately $27,000. The leases will commence in 2021.

Note 20. Commitments and Contingencies

(a) The Company has purchase obligations relating to take-or-pay contracts, primarily for purchases of fiber, made in the ordinary course of business. As of December 31, 2020, commitments under these contracts was approximately $361,797.

(b) The Company is involved in legal actions and claims arising in the ordinary course of business. While the outcome of any legal actions and claims cannot be predicted with certainty, it is the opinion of management that the outcome of any such claims which are pending or threatened, either individually or on a combined basis, will not have a material adverse effect on the consolidated financial condition, results of operations or liquidity of the Company.

(c) The Company is subject to regulations that require the handling and disposal of asbestos in a prescribed manner if a property undergoes a major renovation or demolition. Otherwise, the Company is not required to remove asbestos from its facilities. Generally asbestos is found on steam and condensate piping systems as well as certain cladding on buildings and in building insulation throughout older facilities. The Company's obligation for the proper removal and disposal of asbestos products from the Company's mills is a conditional asset retirement obligation. As a result of the longevity of the Company's mills, due in part to the maintenance procedures and the fact that the Company does not have plans for major changes that require the removal of asbestos, the timing of the asbestos removal is indeterminate. As a result, the Company is currently unable to reasonably estimate the fair value of its asbestos removal and disposal obligation. The Company will recognize a liability in the period in which sufficient information is available to reasonably estimate its fair value.

SUPPLEMENTARY FINANCIAL INFORMATION
(UNAUDITED)

Selected Quarterly Financial Data
(In thousands of U.S. dollars, except per share data)

	Quarters Ended			
	March 31	June 30	September 30	December 31
2020				
Revenues	$ 350,599	$ 341,195	$ 333,151	$ 398,195
Cost of sales, excluding depreciation and amortization	276,056	284,333	272,165	331,173
Cost of sales depreciation and amortization	32,911	30,179	31,862	33,865
Gross profit	41,632	26,683	29,124	33,157
Selling, general and administrative expenses	17,570	16,368	15,388	17,541
Operating income	24,062	10,315	13,736	15,616
Net income (loss)	(3,392)	(8,411)	7,545	(12,977)
Diluted net income (loss) per common share	$ (0.05)	$ (0.13)	$ 0.11	$ (0.20)
2019				
Revenues	$ 483,950	$ 425,753	$ 383,536	$ 331,172
Cost of sales, excluding depreciation and amortization	343,033	336,433	314,894	346,020
Cost of sales depreciation and amortization	30,136	32,038	31,934	31,693
Gross profit (loss)	110,781	57,282	36,708	(46,541)
Selling, general and administrative expenses	17,229	19,472	17,961	19,565
Operating income (loss)	93,552	37,810	18,747	(66,106)
Net income (loss)	51,616	10,259	1,207	(72,721)
Diluted net income (loss) per common share	$ 0.78	$ 0.16	$ 0.02	$ (1.11)

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
3.1	Articles of Incorporation of Mercer International Inc., as amended. Incorporated by reference from Form 8-A filed March 2, 2006.
3.2*	Bylaws of Mercer International Inc.
4.1	Indenture dated December 20, 2017 between Mercer International Inc. and Wells Fargo Bank, National Association, as trustee, relating to the 2026 Senior Notes. Incorporated by reference from Form 8-K filed December 20, 2017.
4.2	Description of Securities. Incorporated by reference from Form 10-K filed February 13, 2020.
4.3	Indenture dated January 26, 2021 between Mercer International Inc. and Wells Fargo Bank, National Association, as trustee, relating to the 2029 Senior Notes. Incorporated by reference from Form 8-K filed January 26, 2021.
10.1	Revolving Credit Facility Agreement dated December 19, 2018 among Zellstoff-und Papierfabrik Rosenthal GmbH, Mercer Timber Products GmbH, Zellstoff Stendal GmbH, Mercer Holz GmbH, Stendal Pulp Holding GmbH, D&Z Holding GmbH, Zellstoff Stendal Transport GmbH, Mercer Pulp Sales GmbH, UniCredit Bank AG, Commerzbank AG, Luxembourg Branch, Credit Suisse AG, London Branch, Landesbank Baden-Württemberg and Royal Bank of Canada. Incorporated by reference from Form 10-K filed February 14, 2019.
10.2	Form of Trustee's Indemnity Agreement between Mercer International Inc. and its Trustees. Incorporated by reference from Form 10-K filed March 31, 2003.
10.3†	Mercer International Inc. 2010 Stock Incentive Plan, as amended. Incorporated by reference from Appendix A to Mercer International Inc.'s definitive proxy statement on Schedule 14A filed April 13, 2017.
10.4†	Employment Agreement dated October 2, 2006 between Stendal Pulp Holding GmbH and Wolfram Ridder. Incorporated by reference from Form 8-K filed October 3, 2006.
10.5	Share Purchase Agreement by and among Marubeni Corporation, Nippon Paper Industries Co., Ltd. and Daishowa North America Corporation and Mercer International Inc. dated as of October 3, 2018. Incorporated by reference from Form 8-K filed October 9, 2018.
10.6†	Employment Agreement between Mercer International Inc. and David Ure dated August 12, 2013. Incorporated by reference from Form 8-K filed on July 20, 2015.
10.7†	Amendment to Employment Agreement between Mercer International Inc. and David Ure, dated July 17, 2015. Incorporated by reference from Form 8-K filed July 20, 2015.
10.8†	Second Amended and Restated Employment Agreement between Mercer International Inc. and Jimmy S.H. Lee, dated for reference September 29, 2015. Incorporated by reference from Form 8-K filed September 29, 2015.
10.9†	Amended and Restated Employment Agreement between Mercer International Inc. and David M. Gandossi, dated for reference September 29, 2015. Incorporated by reference from Form 8-K filed September 29, 2015.
10.10†	Chief Operating Officer and Managing Director Service Agreement, as amended, dated June 1, 2019 between Stendal Pulp Holding GmbH and Adolf Koppensteiner. Incorporated by reference from Form 10-K filed February 13, 2020.
10.11	Registration Rights Agreement dated January 26, 2021 between Mercer International Inc. and Credit Suisse Securities (USA) LLC, related to the 2029 Senior Notes. Incorporated by reference from Form 8-K filed on January 26, 2021.
21.1	List of Subsidiaries of Registrant. Incorporated by reference from Form 10-K filed February 13, 2020.

23.1*	Consent of PricewaterhouseCoopers LLP.
31.1*	Section 302 Certificate of Chief Executive Officer.
31.2*	Section 302 Certificate of Chief Financial Officer.
32.1*	Section 906 Certificate of Chief Executive Officer.
32.2*	Section 906 Certificate of Chief Financial Officer.
101*	The following financial statements from the Company's annual report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 16, 2021, formatted in inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Statements of Operations; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Balance Sheets; (iv) Consolidated Statements of Changes in Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to the Consolidated Financial Statements.
104*	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, has been formatted in Inline XBRL.

* Filed herewith.

† Denotes management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MERCER INTERNATIONAL INC.

Dated: February 16, 2021

By: /s/ JIMMY S.H. LEE
Jimmy S.H. Lee
Executive Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ JIMMY S.H. LEE
Jimmy S.H. Lee
Executive Chairman and Director
Date: February 16, 2021

/s/ DAVID M. GANDOSSI
David M. Gandossi
Chief Executive Officer, Principal Executive Officer and Director
Date: February 16, 2021

/s/ DAVID K. URE
David K. Ure
Executive Vice President,
Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer
Date: February 16, 2021

/s/ WILLIAM D. MCCARTNEY
William D. McCartney
Director
Date: February 16, 2021

/s/ JAMES SHEPHERD
James Shepherd
Director
Date: February 16, 2021

/s/ KEITH PURCHASE
Keith Purchase
Director
Date: February 16, 2021

/s/ ALAN WALLACE
Alan Wallace
Director
Date: February 16, 2021

/s/ LINDA WELTY
Linda Welty
Director
Date: February 16, 2021

/s/ RAINER RETTIG
Rainer Rettig
Director
Date: February 16, 2021

EXHIBIT 3.2

BYLAWS OF

MERCER INTERNATIONAL INC.

(as Amended thru May 15, 2020)

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BYLAWS OF
MERCER INTERNATIONAL INC.

These Bylaws (the <u>"Bylaws"</u>) are promulgated pursuant to the Washington Business Corporation Act, as set forth in Title 23B of the Revised Code of Washington.

ARTICLE 1.
OFFICES

1.1 Principal Office. The principal office of the Corporation shall be located at the principal place of business or such other place as the Board of Directors may designate.

1.2 Registered Office and Registered Agent. The registered office of the Corporation shall be located in the State of Washington at such place as may be fixed from time to time by the Board of Directors upon filing of such notices as may be required by law, and the registered agent shall have a business office identical with such registered office. Any change in the registered agent or registered office shall be effective upon filing such change with the office of the Secretary of State of the State of Washington.

1.3 Other Offices. The Corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Washington, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE 2.
SHAREHOLDERS

2.1 Annual Meeting

(a) The annual meeting of the shareholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each year on a date and at a time and place to be set by the Board of Directors.

(b) Only persons who are nominated in accordance with the procedures set forth in this Section 2.1(b) shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.1(b). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the secretary of the Corporation. Stockholders may bring other business before the annual meeting, provided that timely notice is provided to the secretary of the Corporation in accordance with this section, and provided further that such business is a proper matter for stockholder action under the Washington Business Corporation Act. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the prior year's meeting; provided, however, that in the event that (i) the date of the annual meeting is more than thirty (30) days prior to or more than sixty (60) days after such anniversary date, and (ii) less than sixty (60) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10^{th}) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a directors, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including, without limitation, such person's written consent to being name in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (i) the name and address of the stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned of record by such stockholder and beneficially by such beneficial owner. At the request of the Board of Directors any person nominated by the Board of Directors for election as a director shall furnish to the secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.1(b). The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the Bylaws, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Notwithstanding the foregoing provisions of this Section 2.1(b), a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder with respect to matters set forth in this Section 2.1(b).

2.2 Special Meetings. Special meetings of the shareholders for any purpose or purposes may be called at any time by a majority of the Board of Directors or by the Chairperson of the Board (if one be elected) or by the Chief Executive Officer or by one or more shareholders holding shares in the aggregate entitled to cast not less than 20% of the votes at that meeting. The Board of Directors may designate any place as the place of any special meeting called by the Chairperson, the Chief Executive Officer, the Board or by shareholders as provided in this Section 2.2.

If a special meeting is called by any shareholder or group of shareholders, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or delivered by first-class mail to the Secretary of the Corporation. No business shall be transacted at such special meeting other than as specified in such notice. Upon receiving such notice, the Secretary shall cause notice to be given to the shareholders, in accordance with Section 2.3, that a meeting will be held at the time requested by the shareholder or shareholders calling the special meeting. Such notice shall be sent not less than 35 nor more than 60 days after the receipt of the request. Nothing contained in this paragraph of this Section 2.2 shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the Board of Directors, Chairperson of the Board or by the Chief Executive Officer may be held.

2.3 Notice of Meetings. Except as otherwise provided in Subsections 2.3(b) and 2.3(c) below, the Secretary, Assistant Secretary, or any transfer agent of the Corporation shall deliver, either personally or by mail, private carrier, telegraph or teletype, or telephone, wire or wireless equipment which transmits a facsimile of the notice, not less than ten (10) nor more than sixty (60) days before the date of any meeting of shareholders, written notice stating the place, day, and time of the meeting to each shareholder of record entitled to vote at such meeting. If mailed in the United States, such notice shall be deemed to be delivered when deposited in the United States mail, with first-class postage thereon prepaid, addressed to the shareholder at his address as it appears on the Corporation's record of shareholders. If mailed outside the United States, such notice shall be deemed to be delivered five (5) days after being deposited in the mail, with first-class airmail postage thereon, return receipt requested, addressed to the shareholder at the shareholder's address as it appears on the Corporation's record of shareholders.

(a) **Notice of Special Meeting.** In the case of a special meeting, the written notice shall also state with reasonable clarity the purpose or purposes for which the meeting is called and the actions sought to be approved at the meeting. No business other than that specified in the notice may be transacted at a special meeting.

(b) **Proposed Articles of Amendment or Dissolution.** If the business to be conducted at any meeting includes any proposed amendment to the Articles of Incorporation or the proposed voluntary dissolution of the Corporation, then the written notice shall be given not less than twenty (20) nor more than sixty (60) days before the meeting date and shall state that the purpose or one of the purposes is to consider the advisability thereof, and, in the case of a proposed amendment, shall be accompanied by a copy of the amendment.

(c) **Proposed Merger, Consolidation, Exchange, Sale, Lease or Disposition.** If the business to be conducted at any meeting includes any proposed plan of merger or share exchange, or any sale, lease, exchange, or other disposition of all or substantially all of the Corporation's property otherwise than in the usual or regular course of its business, then the written notice shall state that the purpose or one of the purposes is to consider the proposed plan of merger or share exchange, sale, lease, or disposition, as the case may be, shall describe the proposed action with reasonable clarity, and, if required by law, shall be accompanied by a copy or a detailed summary thereof; and written notice shall be given to each shareholder of record, whether or not entitled to vote at such meeting, not less than twenty (20) nor more than sixty (60) days before such meeting, in the manner provided in Section 2.3 above.

(d) **Declaration of Mailing.** A declaration of the mailing or other means of giving any notice of any shareholders' meeting, executed by the Secretary, Assistant Secretary, or any transfer agent of the Corporation giving the notice, shall be prima facie evidence of the giving of such notice.

(e) **Waiver of Notice.** Notice of any shareholders' meeting may be waived in writing by any shareholder at any time, either before or after the meeting. Except as provided below, the waiver must be signed by the shareholder entitled to the notice, and be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. A shareholder's attendance at a meeting waives objection to lack of notice, or defective notice, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.

2.4 Quorum. A quorum shall exist at any meeting of shareholders if one-third of the shares entitled to vote is represented in person or by proxy. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. The shareholders present at a duly organized meeting may continue to transact business at such meeting and at any adjournment of such meeting (unless a new record date is or must be set for the adjourned meeting), notwithstanding the withdrawal of enough shareholders from either meeting to leave less than a quorum. Once a share is represented for any purpose at a meeting other than solely to object to holding the meeting or transacting business at the meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the adjourned meeting.

2.5 Voting of Shares. Except as otherwise provided in the Articles of Incorporation or these Bylaws, every shareholder of record shall have the right at every shareholders' meeting to one vote for every share standing in his name on the books of the Corporation. If a quorum exists, action on a matter, other than the election of directors, is approved by a voting group if the votes cast within the voting group favoring the action exceed the votes cast within the voting group opposing the action, unless a greater number is required by the Articles of Incorporation or the Washington Business Corporation Act.

2.6 Adjourned Meetings. One-half of the shares represented at a meeting, even if less than a quorum, may adjourn the meeting from time to time without further notice. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. However, if a new record date for the adjourned meeting is or must be fixed in accordance with the Washington Business Corporation Act, notice of the adjourned meeting must be given to persons who are shareholders as of the new record date. At any adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

2.7 Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or entitled to receive payment of any dividend, the Board of Directors may fix in advance a record date for any such determination of shareholders, such date to be not more than seventy (70) days and, in the case of a meeting of shareholders, not less than ten (10) days prior to the meeting or action requiring such determination of shareholders. If no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the day before the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned more than one hundred twenty (120) days after the date is fixed for the original meeting.

2.8 Record of Shareholders Entitled to Vote. After fixing a record date for a shareholders' meeting, the Corporation shall prepare an alphabetical list of the names of all shareholders on the record date who are entitled to notice of the shareholders' meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and show the address of and number of shares held by each shareholder. A shareholder, shareholder's agent, or a shareholder's attorney may inspect the shareholders list, beginning ten days prior to the shareholders' meeting and continuing through the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held during regular business hours and at the shareholder's expense. The shareholders list shall be kept open for inspection during such meeting or any adjournment. Failure to comply with the requirements of this Section shall not affect the validity of any action taken at such meeting.

2.9 Virtual Meetings. Shareholders may participate in a meeting by means of a conference telephone or other electronic means or remote communication, including, without limitation, the internet, by which all shareholders or proxy holders participating in the meeting has a reasonable opportunity to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with those proceedings, and participation by such means shall constitute presence in person at a meeting.

2.10 Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

2.11 Organization

(a) At every meeting of shareholders, the Chairperson of the Board of Directors, or, if a Chairperson has not been appointed or is absent, the Chief Executive Officer, or, if the Chief Executive Officer is absent, a chairman of the meeting chosen by a majority in interest of the shareholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the Chief Executive Officer, shall act as secretary of the meeting.

(b) The Board of Directors of the Corporation shall be entitled to make such rules or regulations for the conduct of meetings of shareholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to shareholders of record of the Corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of shareholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE 3.
BOARD OF DIRECTORS

3.1 Management Responsibility. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors, except as may be otherwise provided in the Articles of Incorporation or the Washington Business Corporation Act.

3.2 Number of Directors, Qualification. The authorized number of directors of the Corporation shall be not less than three (3) nor more than thirteen (13), the specific number to be set by resolution of the Board of Directors. Directors need not be shareholders. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 Election.

(a) Except as provided in this Section 3.3(b), Section 3.4 and 3.5, and unless provided in the Articles of Incorporation, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. If, for any reason, the directors shall not have been elected at an annual meeting, they may be elected at a special meeting of shareholders called for that purpose in accordance with these Bylaws. Subject to Section 3.3(b), despite the expiration of a director's term, the director shall continue to serve until the director's successor shall have been elected and qualified or until there is a decrease in the number of directors.

(b) Except as provided in this Section 3.3(b), a nominee for director shall be elected if the votes cast for such nominee's election exceed the votes cast against such nominee's election. The following shall not be votes cast: (i) a share whose ballot is marked as abstain; (ii) a share otherwise present at the meeting but for which there is an abstention; and (iii) a share otherwise present at the meeting as to which a shareholder gives no authority or direction. Notwithstanding the foregoing, the directors shall be elected by a plurality of the votes cast in a "contested election" at any meeting of shareholders. A nominee for director in an election, other than a contested election, who does not receive the requisite votes for election, but who was a director at the time of the election, shall continue to serve as a director for a term that shall terminate on the date that is the earliest of: (A) ninety (90) days from the date on which the voting results of the election are certified, (B) the date on which an individual is selected by the Board of Directors to fill the office held by such director (which selection shall be deemed to constitute the filling of a vacancy by the Board of Directors), or (C) the date the director resigns. A "contested election" is one in which (i) on the last day for delivery of a notice under Section 2.1(b), a stockholder that has provided notice in accordance with Section 2.1(b) to nominate a person to stand for election as a director and has complied with the requirements of Section 2.1(b) with respect to one or more nominees; and (ii) there is a bona fide election contest, as evidenced by an affirmative determination of the Board of Directors to that effect (the failure by the Board of Directors to make any determination to the contrary being deemed an affirmative determination). This bylaw is intended to implement RCW 23B.10.205 of the Washington Business Corporation Act. For purposes of clarity and to resolve any ambiguity under RCW 23B.10.205, it is assumed that for purposes of determining the number of director nominees, on the last day for delivery of a notice under Section 2.1(b), there is a candidate nominated by the Board of Directors for each of the director positions to be voted on at the meeting. Nothing in this bylaws is intended to limit the authority of the Board of Directors to determine that a bona fide election contest does not exist, in which event it shall disclose the applicable voting regime in the notice of meeting or, if such determination occurs after such notice has been sent, send a new notice which shall include disclosure of the applicable voting regime.

3.4 Vacancies. Any vacancy occurring in the Board of Directors (whether caused by resignation, death, an increase in the number of directors, or otherwise) may be filled the Board of Directors or the shareholders if not filled by the Board. If the directors in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all the directors in office. A director elected to fill any vacancy shall hold office until the next shareholders meeting at which directors are elected.

3.5 Resignation. Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

3.6 Removal. One or more members of the Board of Directors (including the entire Board) may be removed, with cause, at a meeting of shareholders called expressly for that purpose. A director may be removed only if the number of votes cast to remove the director exceeds the number of votes cast not to remove the director. Neither the Board of Directors nor any individual director may be removed without cause.

3.7 Annual Meeting. The first meeting of each newly elected Board of Directors shall be known as the annual meeting thereof and shall be held without notice immediately after the annual shareholders' meeting or any special shareholders' meeting at which a Board is elected. Said meeting shall be held at the same place as such shareholders' meeting unless some other place shall be specified by resolution of the Board of Directors.

3.8 Regular Meetings. Regular meetings of the Board of Directors or of any committee designated by the Board may be held at such place and such day and hour as shall from time to time be fixed by resolution of the Board or committee, without other notice than the delivery of such resolution as provided in Section 3.10 below.

3.9 Special Meetings. Special meetings of the Board of Directors or any committee designated by the Board may be called by the Chief Executive Officer or the Chairperson of the Board (if one be elected) or any director or committee member, to be held at such place and such day and hour as specified by the person or persons calling the meeting.

3.10 Notice of Meeting. Notice of the date, time, and place of all special meetings of the Board of Directors or any committee designated by the Board shall be given by the Secretary, or by the person calling the meeting, by mail, private carrier, telegram, facsimile transmission, or personal communication over the telephone or otherwise, provided such notice is received at least one (1) day prior to the day upon which the meeting is to be held.

No notice of any regular meeting need be given if the time and place thereof shall have been fixed by resolution of the Board of Directors or any committee designated by the Board and a copy of such resolution has been delivered by mail, private carrier, telegram or facsimile transmission to every director or committee member and is received at least one (1) day before the first meeting held in pursuance thereof.

Notice of any meeting of the Board of Directors or any committee designated by the Board need not be given to any director or committee member if it is waived in a writing signed by the director entitled to the notice, whether before or after such meeting is held.

A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors or any committee designated by the Board need be specified in the notice or waiver of notice of such meeting unless required by the Articles of Incorporation or these Bylaws.

Any meeting of the Board of Directors or any committee designated by the Board shall be a legal meeting without any notice thereof having been given if all of the directors or committee members have received valid notice thereof, are present without objecting, or waive notice thereof in a writing signed by the director and delivered to the Corporation for inclusion in the minutes or filing with the corporate records, or any combination thereof.

3.11 Quorum of Directors. A majority of the number of directors fixed by or in the manner provided by these Bylaws shall constitute a quorum for the transaction of business. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors unless the Articles of Incorporation or these Bylaws require the vote of a greater number of director's.

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than forty-eight (48) hours, then notice of the time and place of the adjourned meeting shall be given before the adjourned meeting takes place, in the manner specified in Section 3.10 of these Bylaws, to the directors who were not present at the time of the adjournment.

3.12 Presumption of Assent. Any director who is present at any meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless (a) the director objects at the beginning of the meeting, or promptly upon the director's arrival, to holding the meeting or transacting business at the meeting; (b) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (c) the director delivers written notice of dissent or abstention to the presiding officer of the meeting before the adjournment thereof or to the Corporation within a reasonable time after adjournment of the meeting. Such right to dissent or abstain shall not be available to any director who voted in favor of such action.

3.13 Action by Directors Without a Meeting. Any action required by law to be taken or which may be taken at a meeting of the Board of Directors or of a committee thereof may be taken without a meeting if one or more written consents, setting forth the action so taken, shall be signed by all of the directors or all of the members of the committee, as the case may be, either before or after the action taken and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. Such consent shall have the same effect as a unanimous vote at a meeting duly held upon proper notice on the date of the last signature thereto, unless the consent specifies a later effective date.

3.14 Telephonic Meetings. Members of the Board of Directors or any committee designated by the Board may participate in a meeting of the Board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

3.15 Compensation. By resolution of the Board of Directors, the directors and committee members may be paid their expenses, if any, or a fixed sum or a stated salary as a director or committee member for attendance at each meeting of the Board or of such committee as the case may be. No such payment shall preclude any director or committee member from serving the Corporation in any other capacity and receiving compensation therefor.

3.16 Committees. The Board of Directors, by resolution adopted by a majority of the full Board, may from time to time designate from among its members one or more committees, each of which must have two (2) or more members and, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Directors, except that no such committee shall have the authority to:

(a) authorize or approve a distribution except according to a general formula or method prescribed by the Board of Directors;

(b) approve or propose to shareholders action that the Washington Business Corporation Act requires to be approved by shareholders;

(c) fill vacancies on the Board of Directors or on any of its committees;

(d) adopt any amendment to the Articles of Incorporation;

(e) adopt, amend or repeal these Bylaws;

(f) approve a plan of merger; or

(g) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee, or a senior executive officer of the Corporation, to do so within limits specifically prescribed by the Board of Directors.

Meetings of such committees shall be governed by the same procedures as govern the meetings of the Board of Directors. All committees so appointed shall keep regular minutes of their meetings and shall cause them to be recorded in books kept for that purpose at the office of the Corporation.

ARTICLE 4.
OFFICERS

4.1 Appointment. The officers of the Corporation shall be appointed annually by the Board of Directors at its annual meeting held after the annual meeting of the shareholders. If the appointment of officers is not held at such meeting, such appointment shall be held as soon thereafter as a Board meeting conveniently may be held. Except in the case of death, resignation or removal, each officer shall hold office at the pleasure of the Board of Directors until the next annual meeting of the Board and until his successor is appointed and qualified.

4.2 Qualification. None of the officers of the Corporation need be a director, except as specified below.

Any two or more of the corporate offices may be held by the same person.

4.3 Officers Designated. The officers of the Corporation shall include, if and when designated by the Board of Directors, a Chief Executive Officer, a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, a Chief Financial Officer and a Treasurer. The Board of Directors may also appoint such other officers and assistant officers as it may deem necessary.

The Board of Directors may, in its discretion, appoint a Chairperson of the Board of Directors; and, if a Chairperson has been appointed, the Chairperson shall, when present, preside at all meetings of the Board of Directors and the shareholders and shall have such other powers commonly incident to his office and as the Board may prescribe.

(a) **Chief Executive Officer.** The Chief Executive Officer shall be the chief executive officer of the corporation and, subject to the direction and control of the Board, shall supervise and control all of the assets, business, and affairs of the corporation. The Chief Executive Officer shall vote the shares owned by the corporation in other corporations, domestic or foreign, unless otherwise prescribed by resolution of the Board. In general, the Chief Executive Officer shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed by the Board from time to time.

The Chief Executive Officer shall, unless a Chairperson of the Board of Directors has been appointed and is present, preside at all meetings of the shareholders and the Board of Directors.

(b) **President.** The President shall report to the Chief Executive Officer. In the absence of the Chief Executive Officer or his inability to act, the President, if any, shall perform all the duties of the Chief Executive Officer and when so acting shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer; provided that no such President shall assume the authority to preside as Chairperson of meetings of the Board unless such President is a member of the Board. In general, the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

(c) **Vice Presidents.** In the absence of the President or his inability to act, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked a Vice President designated by the Board shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President; provided that no such Vice President shall assume the authority to preside as Chairperson of meetings of the Board unless such Vice President is a member of the Board. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be respectively prescribed for them by the Board, these Bylaws or the President.

(d) **Secretary.** The Secretary shall attend all meetings of the shareholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the Corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the shareholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) **Chief Financial Officer.** The Chief Financial Officer shall keep or cause to be kept the books of account of the Corporation in a thorough and proper manner and shall render statements of the financial affairs of the Corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the Corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) **Treasurer.** Subject to the direction and control of the Board of Directors, the Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation; and, at the expiration of his term of office, he shall turn over to his successor all property of the Corporation in his possession.

In the absence of the Treasurer, an Assistant Treasurer may perform the duties of the Treasurer.

4.4 Delegation, In case of the absence or inability to act of any officer of the Corporation and of any person herein authorized to act in his place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer or director or other person whom it may select.

4.5 Resignation. Any officer may resign at any time by delivering written notice to the Corporation. Any such resignation shall take effect when the notice is delivered unless the notice specifies a later date. Unless otherwise specified in the notice, acceptance of such resignation by the Corporation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

4.6 Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board at any time with or without cause. Election or appointment of an officer or agent shall not of itself create contract rights.

4.7 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, creation of a new office, or any other cause may be filled by the Board of Directors for the unexpired portion of the term or for a new term established by the Board.

4.8 Compensation. Compensation, if any, for officers and other agents and employees of the Corporation shall be determined by the Board of Directors, or by the Chief Executive Officer to the extent such authority may be delegated to him by the Board. No officer shall be prevented from receiving compensation in such capacity by reason of the fact that he is also a director of the Corporation.

ARTICLE 5.
EXECUTION OF CORPORATION INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

5.1 Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the Corporation any corporate instrument or document, or to sign on behalf of the Corporation the corporate name without limitation, or to enter into contracts on behalf of the Corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the Corporation.

All checks and drafts drawn on banks or other depositaries on funds to the credit of the Corporation or in special accounts of the Corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

5.2 Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the Corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairperson of the Board of Directors, the Chief Executive Officer, the President or any Vice President.

ARTICLE 6.
STOCK

6.1 Form and Execution of Certificates. Certificates for the shares of stock of the Corporation shall be in such form as is consistent with the Articles of Incorporation and applicable law. Every holder of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairperson of the Board of Directors, the Chief Executive Officer, the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the Corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the powers, designations, preferences, and rights, and the limitations or restrictions of the shares authorized to be issued or shall, except as otherwise required by law, set forth on the face or back a statement that the Corporation will furnish without charge to each shareholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this Section or otherwise required by law or with respect to this Section a statement that the Corporation will furnish without charge to each shareholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

6.2 Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to agree to indemnify the Corporation in such manner as it shall require or to give the Corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

6.3 Transfers

(a) Transfers of record of shares of stock of the Corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of shareholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such shareholders in any manner not prohibited by the Act.

6.4 Registered Shareholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Washington.

6.5 Execution of Other Securities. All bonds, debentures and other corporate securities of the Corporation, other than stock certificates (covered in Section 6.1), may be signed by the Chairperson of the Board of Directors, the Chief Executive Officer, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the Corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the Corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the Corporation.

Except as otherwise specifically provided in these Bylaws, no shares of stock shall be transferred on the books of the Corporation until the outstanding certificate therefor has been surrendered to the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled, and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed, or mutilated certificate a new one may be issued therefor upon such terms (including indemnity to the Corporation) as the Board of Directors may prescribe.

ARTICLE 7.
BOOKS AND RECORDS

7.1 Books of Accounts, Minutes and Share Register. The corporation shall keep as permanent records minutes of all meetings of its shareholders and Board of Directors, a record of all actions taken by the shareholders or Board of Directors without a meeting, and a record of all actions taken by a committee of the Board of Directors exercising the authority of the Board of Directors on behalf of the Corporation. The corporation shall maintain appropriate accounting records. The corporation or its agent shall maintain a record of its shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order by class of shares showing the number and class of shares held by each. The corporation shall keep a copy of the following records at its principal office: the Articles or Restated Articles of Incorporation and all amendments to them currently in effect; the Bylaws or Restated Bylaws and all amendments to them currently in effect; the minutes of all shareholders' meetings, and records of all actions taken by shareholders without a meeting, for the past three years; its financial statements for the past three years, including balance sheets showing in reasonable detail the financial condition of the Corporation as of the close of each fiscal year, and an income statement showing the results of its operations during each fiscal year prepared on the basis of generally accepted accounting principles or, if not, prepared on a basis explained therein; all written communications to shareholders generally within the past three years; a list of the names and business addresses of its current directors and officers; and its most recent annual report delivered to the Secretary of State of Washington.

7.2 Copies of Resolutions. Any person dealing with the Corporation may rely upon a copy of any of the records of the proceedings, resolutions, or votes of the Board of Directors or shareholders, when certified by the Chief Executive Officer, the President or Secretary.

ARTICLE 8.
FISCAL YEAR

The fiscal year of the Corporation shall be set by resolution of the Board of Directors.

ARTICLE 9.
CORPORATE SEAL

The Board of Directors may adopt a corporate seal for the Corporation which shall have inscribed thereon the name of the Corporation, the year and state of incorporation and the words "corporate seal".

ARTICLE 10.
INDEMNIFICATION

10.1 Right to Indemnification. Each individual (hereinafter an "indemnitee") who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or that, while serving as a director or officer of the Corporation, he or she is or was also serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation or of a foreign or domestic partnership, joint venture, trust, employee benefit plan or other enterprise, whether the basis of the proceeding is alleged action in an official capacity as such a director, officer, employee, partner, trustee, or agent or in any other capacity while serving as such director, officer, employee, partner, trustee, or agent, shall be indemnified and held harmless by the Corporation to the full extent permitted by applicable law as then in effect, against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, employee, partner, trustee, or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that no indemnification shall be provided to any such indemnitee if the Corporation is prohibited by the Washington Business Corporation Act or other applicable law as then in effect from paying such indemnification; and provided, further, that except as provided in Section 10.2 of this Article with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized or ratified by the Board of Directors. The right to indemnification conferred in this Section 10.1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition (hereinafter an "advancement of expenses"). Any advancement of expenses shall be made only upon delivery to the Corporation of a written undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 10.1 and upon delivery to the Corporation of a written affirmation (hereinafter an "affirmation") by the indemnitee of his or her good faith belief that such indemnitee has met the standard of conduct necessary for indemnification by the Corporation pursuant to this Article.

10.2 Right of Indemnitee to Bring Suit. If a written claim for indemnification under Section 10.1 of this Article is not paid in full by the Corporation within ninety (90) days after the Corporation's receipt thereof, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful, in whole or in part, in any such suit or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expenses of prosecuting or defending such suit. The indemnitee shall be presumed to be entitled to indemnification under this Article upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses, where the required undertaking and affirmation have been tendered to the Corporation) and thereafter the Corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled. Neither the failure of the Corporation (including the Board of Directors, independent legal counsel or the shareholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances nor an actual determination by the Corporation (including the Board of Directors, independent legal counsel or the shareholders) that the indemnitee is not entitled to indemnification shall be a defense to the suit or create a presumption that the indemnitee is not so entitled.

10.3 Nonexclusivity of Rights. The right to indemnification and the advancement of expenses conferred in this Article X shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation or Bylaws of the Corporation, general or specific action of the Board of Directors, contract or otherwise.

10.4 Insurance, Contracts and Funding. The corporation may maintain insurance, at its expense, to protect itself and any individual who is or was a director, officer, employee or agent of the Corporation or who, while a director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any expense, liability or loss asserted against or incurred by the individual in that capacity or arising from the individual's status as a director, officer, employee or agent, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Washington Business Corporation Act. The corporation may enter into contracts with any director, officer, employee or agent of the Corporation in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

10.5 Indemnification of Employees and Agents of the Corporation. The corporation may, by action of the Board of Directors, grant rights to indemnification and advancement of expenses to employees and agents of the Corporation with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation or pursuant to rights granted pursuant to, or provided by, the Washington Business Corporation Act or otherwise.

10.6 Persons Serving Other Entities. Any individual who is or was a director, officer or employee of the Corporation who, while a director, officer or employee of the Corporation, is or was serving (a) as a director or officer of another foreign or domestic corporation of which a majority of the shares entitled to vote in the election of its directors is held by the Corporation, (b) as a trustee of an employee benefit plan and the duties of the director or officer to the Corporation also impose duties on, or otherwise involve services by, the director or officer to the plan or to participants in or beneficiaries of the plan or (c) in an executive or management capacity in a foreign or domestic partnership, joint venture, trust or other enterprise of which the Corporation or a wholly owned subsidiary of the Corporation is a general partner or has a majority ownership or interest shall be deemed to be so serving at the request of the Corporation and entitled to indemnification and advancement of expenses under this Article.

ARTICLE 11.
AMENDMENT OF BYLAWS

11.1 These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board, except that the Board may not repeal or amend any Bylaw that the shareholders have expressly provided, in amending or repealing such Bylaw, may not be amended or repealed by the Board. The shareholders may also alter, amend and repeal these Bylaws or adopt new Bylaws. All Bylaws made by the Board may be amended, repealed, altered or modified by the shareholders.

ADOPTION AND AMENDMENTS

Date of Adoption / Amendment	Section(s)	Effect of Amendment	Date of Shareholder Approval (if applicable)
Adoption by Board on July 14, 2005	—	—	January 25, 2006
Amendment adopted by Board on January 25, 2006	2.2	Amended Section 2.2 to permit shareholders to call a special meeting	January 25, 2006
Amendment adopted by Board on December 14, 2005		Amended name of Corporation to Mercer International Inc. (effective upon merger of the Corporation and Mercer Delaware Inc. on March 1, 2006)	February 17, 2006
Amendment adopted by Board on April 16, 2019	3.3	Amended Election of Directors to the Board	—
Amendment adopted by Board on May 15, 2020	2.9	Amended to permit virtual shareholder meetings	—

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-234039), S-8 (No. 333-219333), S-8 (No. 333-198365) and S-8 (No. 333-167478) of Mercer International Inc. of our report dated February 16, 2021 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in Mercer International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, Canada
February 16, 2021

Exhibit 31.1

CERTIFICATION OF PERIODIC REPORT

I, David M. Gandossi, certify that:

1. I have reviewed this annual report on Form 10-K of Mercer International Inc. (the “Registrant”);

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   d) Disclosed in this annual report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: February 16, 2021

/s/ DAVID M. GANDOSSI
David M. Gandossi
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT

I, David K. Ure, certify that:

1. I have reviewed this annual report on Form 10-K of Mercer International Inc. (the “Registrant”);
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
    d) Disclosed in this annual report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: February 16, 2021

/s/ DAVID K. URE

David K. Ure

Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC REPORT PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE *SARBANES-OXLEY ACT OF 2002*

I, David M. Gandossi, Chief Executive Officer of Mercer International Inc. (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* , that, to my knowledge:

(1) the annual report on Form 10-K of the Company for the year ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934* ; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 16, 2021

/s/ DAVID M. GANDOSSI
David M. Gandossi
Chief Executive Officer

A signed original of this written statement required by Section 906 of the *Sarbanes-Oxley Act of 2002* has been provided to Mercer International Inc. and will be retained by Mercer International Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* and shall not, except to the extent required by the *Sarbanes-Oxley Act of 200* 2, be deemed filed by the Company for purposes of Section 18 of the *Securities Exchange Act of 1934*, as amended.

Exhibit 32.2

**CERTIFICATION OF PERIODIC REPORT PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE *SARBANES-OXLEY ACT OF 2002***

I, David K. Ure, Chief Financial Officer of Mercer International Inc. (the “Company”), certify pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* , that, to my knowledge:

(1) the annual report on Form 10-K of the Company for the year ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934* ; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 16, 2021

/s/ DAVID K. URE
David K. Ure
Chief Financial Officer

A signed original of this written statement required by Section 906 of the *Sarbanes-Oxley Act of 2002* has been provided to Mercer International Inc. and will be retained by Mercer International Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* and shall not, except to the extent required by the *Sarbanes-Oxley Act of 2002* , be deemed filed by the Company for purposes of Section 18 of the *Securities Exchange Act of 1934* , as amended.