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

FORM 10-Q

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

For the quarterly period ended June 30, 2022

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)	*(I.R.S. Employer Identification No.)*

Suite 1120, 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8
(Address of office)

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

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

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 an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "non-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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The Registrant had 66,167,191 shares of common stock outstanding as of July 27, 2022.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues	$ 572,326	$ 401,832	$ 1,165,067	$ 814,552
Costs and expenses				
Cost of sales, excluding depreciation and amortization	403,671	297,826	819,766	608,023
Cost of sales depreciation and amortization	31,004	31,935	63,101	62,881
Selling, general and administrative expenses	23,620	20,235	45,818	40,783
Operating income	114,031	51,836	236,382	102,865
Other income (expenses)				
Interest expense	(17,332)	(17,130)	(34,796)	(36,149)
Loss on early extinguishment of debt	—	—	—	(30,368)
Other income (expenses)	8,799	(2,606)	17,045	4,383
Total other expenses, net	(8,533)	(19,736)	(17,751)	(62,134)
Income before income taxes	105,498	32,100	218,631	40,731
Income tax provision	(34,126)	(10,685)	(58,362)	(13,383)
Net income	$ 71,372	$ 21,415	$ 160,269	$ 27,348
Net income per common share				
Basic	$ 1.08	$ 0.32	$ 2.43	$ 0.41
Diluted	$ 1.07	$ 0.32	$ 2.41	$ 0.41
Dividends declared per common share	$ 0.075	$ 0.065	$ 0.150	$ 0.130

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	$ 71,372	$ 21,415	$ 160,269	$ 27,348
Other comprehensive income (loss)				
Gain (loss) related to defined benefit pension plans	(119)	(58)	(235)	1,003
Income tax recovery (provision)	—	—	62	(681)
Gain (loss) related to defined benefit pension plans, net of tax	(119)	(58)	(173)	322
Foreign currency translation adjustment	(84,020)	18,457	(94,542)	(17,566)
Other comprehensive income (loss), net of taxes	(84,139)	18,399	(94,715)	(17,244)
Total comprehensive income (loss)	$ (12,767)	$ 39,814	$ 65,554	$ 10,104

See accompanying Notes to the Interim Consolidated Financial Statements.

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

	June 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 419,861	$ 345,610
Term deposit	75,000	—
Accounts receivable, net	308,067	345,345
Inventories	348,837	356,731
Prepaid expenses and other	17,349	16,619
Total current assets	1,169,114	1,064,305
Property, plant and equipment, net	1,095,340	1,135,631
Investment in joint ventures	46,584	49,651
Amortizable intangible assets, net	44,901	47,902
Operating lease right-of-use assets	9,958	9,712
Pension asset	3,888	4,136
Other long-term assets	44,672	38,718
Deferred income tax	1,259	1,177
Total assets	$ 2,415,716	$ 2,351,232
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other	$ 273,122	$ 282,307
Pension and other post-retirement benefit obligations	782	817
Total current liabilities	273,904	283,124
Long-term debt	1,245,906	1,237,545
Pension and other post-retirement benefit obligations	19,498	21,252
Operating lease liabilities	7,161	6,574
Other long-term liabilities	13,227	13,590
Deferred income tax	103,898	95,123
Total liabilities	1,663,594	1,657,208
Shareholders' equity		
Common shares $1 par value; 200,000,000 authorized; 66,167,000 issued and outstanding (2021 – 66,037,000)	66,132	65,988
Additional paid-in capital	350,224	347,902
Retained earnings	521,274	370,927
Accumulated other comprehensive loss	(185,508)	(90,793)
Total shareholders' equity	752,122	694,024
Total liabilities and shareholders' equity	$ 2,415,716	$ 2,351,232
Commitments and contingencies (Note 14)		
Subsequent events (Notes 8 and 15)		

See accompanying Notes to the Interim Consolidated Financial Statements.

MERCER INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(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
Three Months Ended June 30:						
Balance as of March 31, 2022	66,132	$ 66,083	$ 348,756	$ 454,864	$ (101,369)	$ 768,334
Shares issued on grants of restricted shares	35	49	(49)	—	—	—
Stock compensation expense	—	—	1,517	—	—	1,517
Net income	—	—	—	71,372	—	71,372
Dividends declared	—	—	—	(4,962)	—	(4,962)
Other comprehensive loss	—	—	—	—	(84,139)	(84,139)
Balance as of June 30, 2022	66,167	$ 66,132	$ 350,224	$ 521,274	$ (185,508)	$ 752,122
Balance as of March 31, 2021	65,988	$ 65,920	$ 346,186	$ 218,750	$ (63,218)	$ 567,638
Shares issued on grants of restricted shares	49	68	(68)	—	—	—
Stock compensation expense	—	—	975	—	—	975
Net income	—	—	—	21,415	—	21,415
Dividends declared	—	—	—	(4,293)	—	(4,293)
Other comprehensive income	—	—	—	—	18,399	18,399
Balance as of June 30, 2021	66,037	$ 65,988	$ 347,093	$ 235,872	$ (44,819)	$ 604,134
Six Months Ended June 30:						
Balance as of December 31, 2021	66,037	$ 65,988	$ 347,902	$ 370,927	$ (90,793)	$ 694,024
Shares issued on grants of restricted shares	35	49	(49)	—	—	—
Shares issued on grants of performance share units	95	95	(95)	—	—	—
Stock compensation expense	—	—	2,466	—	—	2,466
Net income	—	—	—	160,269	—	160,269
Dividends declared	—	—	—	(9,922)	—	(9,922)
Other comprehensive loss	—	—	—	—	(94,715)	(94,715)
Balance as of June 30, 2022	66,167	$ 66,132	$ 350,224	$ 521,274	$ (185,508)	$ 752,122
Balance as of December 31, 2020	65,868	$ 65,800	$ 345,696	$ 217,106	$ (27,575)	$ 601,027
Shares issued on grants of restricted shares	49	68	(68)	—	—	—
Shares issued on grants of performance share units	120	120	(120)	—	—	—
Stock compensation expense	—	—	1,585	—	—	1,585
Net income	—	—	—	27,348	—	27,348
Dividends declared	—	—	—	(8,582)	—	(8,582)
Other comprehensive loss	—	—	—	—	(17,244)	(17,244)
Balance as of June 30, 2021	66,037	$ 65,988	$ 347,093	$ 235,872	$ (44,819)	$ 604,134

See accompanying Notes to the Interim Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cash flows from (used in) operating activities				
Net income	$ 71,372	$ 21,415	$ 160,269	$ 27,348
Adjustments to reconcile net income to cash flows from operating activities				
Depreciation and amortization	31,028	31,955	63,144	62,922
Deferred income tax provision	6,624	1,276	15,007	2,480
Loss on early extinguishment of debt	—	—	—	30,368
Defined benefit pension plans and other post-retirement benefit plan expense	439	856	877	1,775
Stock compensation expense	1,517	975	2,466	1,585
Foreign exchange transaction losses (gains)	(9,591)	1,966	(13,419)	(6,640)
Other	30	356	(771)	(260)
Defined benefit pension plans and other post-retirement benefit plan contributions	(1,200)	(1,202)	(2,394)	(2,125)
Changes in working capital				
Accounts receivable	65,509	16,364	13,382	3,941
Inventories	(13,342)	(21,964)	(15,067)	(42,763)
Accounts payable and accrued expenses	3,813	30,167	3,246	34,603
Other	(1,658)	(1,012)	(3,389)	(1,794)
Net cash from (used in) operating activities	154,541	81,152	223,351	111,440
Cash flows from (used in) investing activities				
Purchase of property, plant and equipment	(47,028)	(62,124)	(80,321)	(87,386)
Insurance proceeds	—	20,048	6,410	20,048
Purchase of term deposit	(75,000)	—	(75,000)	—
Purchase of amortizable intangible assets	(25)	(568)	(85)	(1,209)
Other	499	285	652	(109)
Net cash from (used in) investing activities	(121,554)	(42,359)	(148,344)	(68,656)
Cash flows from (used in) financing activities				
Redemption of senior notes	—	—	—	(824,557)
Proceeds from issuance of senior notes	—	—	—	875,000
Proceeds from (repayment of) revolving credit facilities, net	(13,066)	(42,042)	17,438	(57,112)
Dividend payments	(4,960)	(4,289)	(4,960)	(4,289)
Payment of debt issuance costs	—	—	(1,184)	(14,414)
Proceeds from government grants	—	—	1,067	8,532
Payment of finance lease obligations	(1,671)	(1,833)	(6,606)	(3,536)
Other	277	1	(566)	3,625
Net cash from (used in) financing activities	(19,420)	(48,163)	5,189	(16,751)
Effect of exchange rate changes on cash and cash equivalents	(4,411)	(1,179)	(5,945)	(2,597)
Net increase (decrease) in cash and cash equivalents	9,156	(10,549)	74,251	23,436
Cash and cash equivalents, beginning of period	410,705	395,083	345,610	361,098
Cash and cash equivalents, end of period	$ 419,861	$ 384,534	$ 419,861	$ 384,534
Supplemental cash flow disclosure:				
Cash paid for interest	$ 1,164	$ 1,084	$ 33,237	$ 40,110
Cash paid for income taxes	$ 41,593	$ 3,290	$ 60,493	$ 5,135
Supplemental schedule of non-cash investing and financing activities:				
Leased production and other equipment	$ —	$ 7,210	$ —	$ 23,179

See accompanying Notes to the Interim Consolidated Financial Statements.

Note 1. The Company and Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

The Interim Consolidated Financial Statements contained herein include the accounts of Mercer International Inc. ("Mercer Inc.") and all of its subsidiaries (collectively the "Company"). Mercer Inc. owns 100% of its subsidiaries with the exception of the 50% joint venture interest in the Cariboo mill with West Fraser Mills Ltd., which is accounted for using the equity method. The Company's shares of common stock are quoted and listed for trading on the NASDAQ Global Select Market.

The Interim Consolidated Financial Statements have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). The consolidated balance sheet data as of December 31, 2021 was derived from the Company’s audited Consolidated Financial Statements, but does not contain all of the footnote disclosures from the annual Consolidated Financial Statements. The footnote disclosure included herein has been prepared in accordance with accounting principles generally accepted for interim financial statements in the United States ("GAAP"). The unaudited Interim Consolidated Financial Statements should be read together with the audited Consolidated Financial Statements and accompanying notes included in the Company's latest Annual Report on Form 10-K for the fiscal year ended December 31, 2021. In the opinion of the Company, the unaudited Interim Consolidated Financial Statements contained herein have been prepared on a consistent basis with the audited Consolidated Financial Statements and accompanying notes included in the Company's latest Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and contain all adjustments necessary for a fair statement of the results of the interim periods included. The results for the periods included herein may not be indicative of the results for the entire year.

In these Interim Consolidated Financial Statements, unless otherwise indicated, all amounts are expressed in United States dollars ("U.S. dollars" or "$"). The symbol "€" refers to euros and the symbol "C$" refers to Canadian dollars.

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.

Note 2. Term Deposit

On April 4, 2022, the Company purchased a $75,000 term deposit, which has an annual interest rate of 1.38% and matures on October 4, 2022. The term deposit is classified as held to maturity and reported at cost.

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

Note 3. Inventories

Inventories as of June 30, 2022 and December 31, 2021, were comprised of the following:

	June 30, 2022	December 31, 2021
Raw materials	$ 124,420	$ 106,434
Finished goods	111,001	140,829
Spare parts and other	113,416	109,468
	$ 348,837	$ 356,731

Note 4. Accounts Payable and Other

Accounts payable and other as of June 30, 2022 and December 31, 2021, was comprised of the following:

	June 30, 2022	December 31, 2021
Trade payables	$ 67,409	$ 58,451
Accrued expenses	93,421	76,409
Interest payable	26,599	26,506
Income tax payable	32,947	56,241
Payroll-related accruals	22,332	20,707
Wastewater fee (a)	7,365	19,248
Finance lease liability	6,920	8,467
Operating lease liability	2,850	3,192
Government grants (b)	4,131	7,302
Other	9,148	5,784
	$ 273,122	$ 282,307

(a) 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.

(b) The Canadian mills have a liability for unspent government grants which are required to be used to partially finance greenhouse gas emission reduction and innovation capital projects. The grants are recorded in "Cash and cash equivalents" in the Interim Consolidated Balance Sheets, however, they are considered restricted as they are repayable if the mills do not spend the funds on approved projects.

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

Note 5. Debt

Debt as of June 30, 2022 and December 31, 2021, was comprised of the following:

	Maturity	June 30, 2022	December 31, 2021
Senior notes (a)			
5.500% senior notes	2026	$ 300,000	$ 300,000
5.125% senior notes	2029	875,000	875,000
Credit arrangements			
€200 million German joint revolving credit facility (b)	2023	—	—
C$160 million Canadian joint revolving credit facility (c)	2027	39,578	—
C$60 million Peace River revolving credit facility (c)		—	22,874
C$60 million Celgar revolving credit facility (c)		—	—
€2.6 million demand loan (d)		—	—
Finance lease liability		52,863	64,041
		1,267,441	1,261,915
Less: unamortized senior note issuance costs		(14,615)	(15,903)
Less: finance lease liability due within one year		(6,920)	(8,467)
		$ 1,245,906	$ 1,237,545

The maturities of the principal portion of the senior notes and credit arrangements as of June 30, 2022 were as follows:

	Senior Notes and Credit Arrangements
2022	$ —
2023	—
2024	—
2025	—
2026	300,000
Thereafter	914,578
	$ 1,214,578

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 June 30, 2022, 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 “2029 Senior Notes”). The net proceeds from the 2029 Senior Notes issuance was $860,517 after deducting the underwriter’s discount and offering expenses. The net proceeds were used to redeem the outstanding senior notes which were to mature in 2024 and 2025 and for general corporate purposes. In connection with the redemption, the Company recorded a loss on early extinguishment of debt of $30,368 in the Interim Consolidated Statements of Operations.

The 2029 Senior Notes and the senior notes which mature on January 15, 2026 (the “2026 Senior Notes” and collectively with the 2029 Senior Notes, the “Senior Notes”) are general unsecured senior obligations of the Company. The Company may redeem all or a part of the 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.

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

Note 5. Debt (continued)

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

2026 Senior Notes		2029 Senior Notes	
12 Month Period Beginning	**Percentage**	**12 Month Period Beginning**	**Percentage**
January 15, 2022	101.375%	February 1, 2024	102.563%
January 15, 2023 and thereafter	100.000%	February 1, 2025	101.281%
		February 1, 2026 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 June 30, 2022, approximately €14.5 million ($15,094) of this facility was supporting bank guarantees and approximately €185.5 million ($192,646) was available.

(c) A C$160.0 million joint revolving credit facility for the Celgar mill, Peace River mill and certain other Canadian subsidiaries that matures in January 2027. 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 1.20% to 1.45% per annum; (iii) dollar denominated base rate advances at the greater of the federal funds rate plus 0.50%, an Adjusted Term SOFR for a one month tenor plus 1.00% and the bank’s applicable reference rate for U.S. dollar loans; and (iv) dollar SOFR advances, which bear interest at Adjusted Term SOFR plus 1.20% to 1.45% per annum. As of June 30, 2022, approximately C$51.0 million ($39,578) of this facility was drawn and accruing interest at a rate of 3.59%, approximately C$1.3 million ($1,020) was supporting letters of credit and approximately C$107.7 million ($83,568) was available.

The facility replaced the Peace River and Celgar C$60.0 million revolving credit facilities.

(d) A €2.6 million demand loan for Rosenthal 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 June 30, 2022, approximately €2.6 million ($2,651) 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 6. 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. The components of the net benefit costs for the Celgar and Peace River defined benefit plans, in aggregate for the three and six month periods ended June 30, 2022 and 2021 were as follows:

	Three Months Ended June 30,			
	2022		2021	
	Pension	Other Post-Retirement Benefits	Pension	Other Post-Retirement Benefits
Service cost	$ 905	$ 49	$ 956	$ 73
Interest cost	957	105	854	94
Expected return on plan assets	(1,458)	—	(1,095)	—
Amortization of unrecognized items	57	(176)	165	(191)
Net benefit costs	$ 461	$ (22)	$ 880	$ (24)

	Six Months Ended June 30,			
	2022		2021	
	Pension	Other Post-Retirement Benefits	Pension	Other Post-Retirement Benefits
Service cost	$ 1,818	$ 98	$ 1,981	$ 152
Interest cost	1,922	210	1,771	196
Expected return on plan assets	(2,936)	—	(2,269)	—
Amortization of unrecognized items	119	(354)	341	(397)
Net benefit costs	$ 923	$ (46)	$ 1,824	$ (49)

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

Defined Contribution Plan

Effective December 31, 2008, the defined benefit plans at the Celgar mill were closed to new members and the service accrual ceased. Effective January 1, 2009, the members began to receive pension benefits, at a fixed contractual rate, under a new defined contribution plan. During the three and six month periods ended June 30, 2022, the Company made contributions of $395 and $661, respectively to this plan (2021 – $315 and $695).

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 three and six month periods ended June 30, 2022, the Company made contributions of $1,091 and $1,649, respectively to this plan (2021 – $610 and $1,324).

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

Note 7. Income Taxes

Differences between the U.S. Federal statutory and the Company's effective tax rates for the three and six month periods ended June 30, 2022 and 2021, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
U.S. Federal statutory rate	21%	21%	21%	21%
U.S. Federal statutory rate on income before income taxes	$ (22,155)	$ (6,741)	$ (45,915)	$ (8,554)
Tax differential on foreign income	(10,271)	(6,532)	(20,050)	(9,380)
Effect of foreign earnings (a)	(1,107)	(3,508)	(2,103)	(6,620)
Valuation allowance (b)	(5,741)	165	448	(10,952)
Foreign exchange on settlement of debt	(77)	—	3,024	—
Tax benefit of partnership structure	783	673	1,566	1,566
Non-taxable foreign subsidies	663	743	1,361	1,491
True-up of prior year taxes	(68)	(46)	1,594	3,124
Annual effective tax rate adjustment	5,000	4,700	5,000	18,000
Other, net	(1,153)	(139)	(3,287)	(2,058)
Income tax provision	$ (34,126)	$ (10,685)	$ (58,362)	$ (13,383)
Comprised of:				
Current income tax provision	$ (27,502)	$ (9,409)	$ (43,355)	$ (10,903)
Deferred income tax provision	(6,624)	(1,276)	(15,007)	(2,480)
Income tax provision	$ (34,126)	$ (10,685)	$ (58,362)	$ (13,383)

(a) Primarily relates to the impact of the global intangible low-taxed income provision in the Tax Cuts and Jobs Act of 2017.

(b) Primarily relates to taxable losses and denied interest expense.

Note 8. Shareholders' Equity

Dividends

During the six month period ended June 30, 2022, the Company’s board of directors declared the following quarterly dividends:

Date Declared	Dividend Per Common Share	Amount
February 17, 2022	$ 0.075	$ 4,960
April 28, 2022	0.075	4,962
	$ 0.150	$ 9,922

On July 28, 2022, the Company's board of directors declared a quarterly dividend of $0.075 per common share. Payment of the dividend will be made on October 5, 2022 to all shareholders of record on September 28, 2022. Future dividends are subject to approval by the board of directors and may be adjusted as business and industry conditions warrant.

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

Note 8. Shareholders' Equity (continued)

Stock Based Compensation

In May 2022, the Company adopted an amended and restated stock inventive plan (the “2022 Plan”) which provides for options, restricted stock units (“RSUs” which under the prior plan were called “restricted stock rights”), deferred stock units (“DSUs”), restricted stock, performance shares, performance share units (“PSUs”), and stock appreciation rights to be awarded to employees, consultants and non-employee directors. The 2022 Plan replaced the Company’s 2010 stock incentive plan (the “2010 Plan”). However, the 2010 Plan will govern prior awards until all awards granted under the 2010 Plan have been exercised, forfeited, cancelled, expired, or otherwise terminated in accordance with the terms thereof. The Company may grant up to a maximum of 2.5 million common shares under the 2022 Plan, plus the number of common shares remaining available for grant pursuant to the 2010 Plan.

During the three and six month periods ended June 30, 2022, there were no issued and outstanding options, performance shares or stock appreciation rights. As of June 30, 2022, after factoring in all allocated shares, there remain approximately 2.5 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.

The following table summarizes PSU activity during the period:

	Number of PSUs
Outstanding as of January 1, 2022	2,754,472
Granted	1,644,422
Vested and issued	(94,940)
Forfeited	(591,956)
Outstanding as of June 30, 2022	3,711,998

Restricted Shares, RSUs and DSUs,

Restricted shares, RSUs and DSUs generally vest at the end of one year. The fair value is determined based upon the number of shares or units granted and the quoted price of the Company’s common shares on the date of grant.

The following table summarizes restricted share, RSU and DSU activity during the period:

	Number of Restricted Shares	Number of RSUs	Number of DSUs
Outstanding as of January 1, 2022	49,195	—	—
Granted	34,699	50,000	15,772
Vested	(49,195)	—	—
Outstanding as of June 30, 2022	34,699	50,000	15,772

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

Note 9. Net Income Per Common Share

The reconciliation of basic and diluted net income per common share for the three and six month periods ended June 30, 2022 and 2021 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net income				
Basic and diluted	$ 71,372	$ 21,415	$ 160,269	$ 27,348
Net income per common share				
Basic	$ 1.08	$ 0.32	$ 2.43	$ 0.41
Diluted	$ 1.07	$ 0.32	$ 2.41	$ 0.41
Weighted average number of common shares outstanding:				
Basic (a)	66,098,975	65,941,932	66,067,051	65,899,904
Effect of dilutive instruments:				
PSUs	457,599	352,170	407,656	318,770
Restricted shares	21,149	38,581	26,906	47,342
RSUs	11,209	—	5,605	—
Diluted	66,588,932	66,332,683	66,507,218	66,266,016

(a) For the three and six month periods ended June 30, 2022, the weighted average number of common shares outstanding excludes 34,699 restricted shares which have been granted, but have not vested as of June 30, 2022 (2021 – 49,195 restricted shares).

The calculation of diluted net income per common share does not assume the exercise of any instruments that would have an anti-dilutive effect on net income per common share. For the three and six month periods ended June 30, 2022 and 2021 there were no anti-dilutive instruments.

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

Note 10. Accumulated Other Comprehensive Loss

The change in the accumulated other comprehensive loss by component (net of tax) for the three and six month periods ended June 30, 2022 and 2021 was as follows:

	Foreign Currency Translation Adjustment	Defined Benefit Pension and Other Post-Retirement Benefit Items	Total
Three months Ended June 30:			
Balance as of March 31, 2022	$ (108,039)	$ 6,670	$ (101,369)
Other comprehensive loss before reclassifications	(84,020)	—	(84,020)
Amounts reclassified	—	(119)	(119)
Other comprehensive loss	(84,020)	(119)	(84,139)
Balance as of June 30, 2022	$ (192,059)	$ 6,551	$ (185,508)
Balance as of March 31, 2021	$ (55,601)	$ (7,617)	$ (63,218)
Other comprehensive income (loss) before reclassifications	18,457	(32)	18,425
Amounts reclassified	—	(26)	(26)
Other comprehensive income (loss)	18,457	(58)	18,399
Balance as of June 30, 2021	$ (37,144)	$ (7,675)	$ (44,819)
Six months Ended June 30:			
Balance as of December 31, 2021	$ (97,517)	$ 6,724	$ (90,793)
Other comprehensive income (loss) before reclassifications	(94,542)	62	(94,480)
Amounts reclassified	—	(235)	(235)
Other comprehensive loss	(94,542)	(173)	(94,715)
Balance as of June 30, 2022	$ (192,059)	$ 6,551	$ (185,508)
Balance as of December 31, 2020	$ (19,578)	$ (7,997)	$ (27,575)
Other comprehensive income (loss) before reclassifications	(17,566)	378	(17,188)
Amounts reclassified	—	(56)	(56)
Other comprehensive income (loss)	(17,566)	322	(17,244)
Balance as of June 30, 2021	$ (37,144)	$ (7,675)	$ (44,819)

Note 11. Related Party Transactions

The Company enters into related party transactions with its joint ventures. For the three and six month periods ended June 30, 2022, pulp purchases from the Company's 50% owned Cariboo mill, which are transacted at the Cariboo mill's cost, were $30,616 and $51,267, respectively (2021 – $27,152 and $48,195) and as of June 30, 2022, the Company had a receivable balance from the Cariboo mill of $2,184 (December 31, 2021 – $5,688). For the three and six month periods ended June 30, 2022, services from the Company's 50% owned logging and chipping operation, which are transacted at arm's length negotiated prices, were $2,596 and $7,256, respectively (2021 – $610 and $5,234) and as of June 30, 2022, the Company had a payable balance to the operation of $1,166 (December 31, 2021 – $2,400).

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

Note 12. 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 Cariboo mill are aggregated into the pulp segment, and the Friesau sawmill is a separate reportable segment, wood products. The Company's sandalwood and cross-laminated timber businesses are included in corporate and other as they do not meet the criteria to be reported as separate reportable segments.

None of the income or loss items following operating income in the Company's Interim Consolidated Statements of Operations are allocated to the segments, as those items are reviewed separately by management.

Information about certain segment data for the three and six month periods ended June 30, 2022 and 2021, was as follows:

Three Months Ended June 30, 2022	**Pulp**	**Wood Products**	**Corporate and Other**	**Consolidated**
Revenues from external customers	$ 460,304	$ 104,690	$ 7,332	$ 572,326
Operating income (loss)	$ 75,471	$ 45,853	$ (7,293)	$ 114,031
Depreciation and amortization	$ 27,001	$ 3,234	$ 793	$ 31,028
Revenues by major products				
Pulp	$ 418,579	$ —	$ —	$ 418,579
Lumber	—	96,268	6,295	102,563
Energy and chemicals	41,725	5,055	1,037	47,817
Wood residuals	—	3,367	—	3,367
Total revenues	$ 460,304	$ 104,690	$ 7,332	$ 572,326
Revenues by geographical markets (a)				
U.S.	$ 58,953	$ 56,308	$ 6,513	$ 121,774
Foreign countries				
Germany	146,608	24,711	—	171,319
China	94,357	170	—	94,527
Other countries	160,386	23,501	819	184,706
	401,351	48,382	819	450,552
Total revenues	$ 460,304	$ 104,690	$ 7,332	$ 572,326

(a) 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 12. Segment Information (continued)

Three Months Ended June 30, 2021	Pulp	Wood Products	Corporate and Other	Consolidated
Revenues from external customers	$ 310,249	$ 90,439	$ 1,144	$ 401,832
Operating income (loss)	$ 13,338	$ 42,314	$ (3,816)	$ 51,836
Depreciation and amortization	$ 27,967	$ 3,748	$ 240	$ 31,955
Revenues by major products				
Pulp	$ 297,191	$ —	$ —	$ 297,191
Lumber	—	86,285	—	86,285
Energy and chemicals	13,058	2,692	1,144	16,894
Wood residuals	—	1,462	—	1,462
Total revenues	$ 310,249	$ 90,439	$ 1,144	$ 401,832
Revenues by geographical markets (a)				
U.S.	$ 34,406	$ 53,610	$ 547	$ 88,563
Foreign countries				
Germany	101,095	17,422	—	118,517
China	68,008	469	—	68,477
Other countries	106,740	18,938	597	126,275
	275,843	36,829	597	313,269
Total revenues	$ 310,249	$ 90,439	$ 1,144	$ 401,832

(a) Sales are attributed to countries based on the ship-to location provided by the customer.

Six Months Ended June 30, 2022	Pulp	Wood Products	Corporate and Other	Consolidated
Revenues from external customers	$ 946,235	$ 205,723	$ 13,109	$ 1,165,067
Operating income (loss)	$ 161,707	$ 86,332	$ (11,657)	$ 236,382
Depreciation and amortization	$ 54,685	$ 6,871	$ 1,588	$ 63,144
Total assets (a)	$ 1,801,533	$ 195,871	$ 418,312	$ 2,415,716
Revenues by major products				
Pulp	$ 865,490	$ —	$ —	$ 865,490
Lumber	—	188,634	10,059	198,693
Energy and chemicals	80,745	10,232	3,050	94,027
Wood residuals	—	6,857	—	6,857
Total revenues	$ 946,235	$ 205,723	$ 13,109	$ 1,165,067
Revenues by geographical markets (b)				
U.S.	$ 107,115	$ 110,408	$ 10,505	$ 228,028
Foreign countries				
Germany	286,662	46,419	—	333,081
China	240,355	352	—	240,707
Other countries	312,103	48,544	2,604	363,251
	839,120	95,315	2,604	937,039
Total revenues	$ 946,235	$ 205,723	$ 13,109	$ 1,165,067

(a) Total assets for the pulp segment includes the Company's $46,584 investment in joint ventures, primarily for the Cariboo 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 12. Segment Information (continued)

Six Months Ended June 30, 2021	Pulp	Wood Products	Corporate and Other	Consolidated
Revenues from external customers	$ 650,005	$ 161,426	$ 3,121	$ 814,552
Operating income (loss)	$ 38,634	$ 70,291	$ (6,060)	$ 102,865
Depreciation and amortization	$ 55,013	$ 7,471	$ 438	$ 62,922
Revenues by major products				
Pulp	$ 614,773	$ —	$ —	$ 614,773
Lumber	—	153,596	—	153,596
Energy and chemicals	35,232	4,806	3,121	43,159
Wood residuals	—	3,024	—	3,024
Total revenues	$ 650,005	$ 161,426	$ 3,121	$ 814,552
Revenues by geographical markets (a)				
U.S.	$ 80,278	$ 98,702	$ 1,306	$ 180,286
Foreign countries				
Germany	193,632	29,539	—	223,171
China	163,543	846	—	164,389
Other countries	212,552	32,339	1,815	246,706
	569,727	62,724	1,815	634,266
Total revenues	$ 650,005	$ 161,426	$ 3,121	$ 814,552

(a) Sales are attributed to countries based on the ship-to location provided by the customer.

As of December 31, 2021, the Company had total assets of $1,882,078 in the pulp segment, $258,965 in the wood products segment and $210,189 in corporate and other. Total assets for the pulp segment includes the Company's $49,651 investment in joint ventures, primarily for the Cariboo mill.

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 pulp production and from the sale of residual fuel from the pulp segment to the wood products segment for use in energy production. For the three and six month periods ended June 30, 2022, the pulp segment sold $nil of residual fuel to the wood products segment (2021 – $52 and $151) and the wood products segment sold $6,530 and $13,381, respectively of residual fiber to the pulp segment (2021 – $2,901 and $5,833).

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

Note 13. Financial Instruments and Fair Value Measurement

Due to their short-term maturity, the carrying amounts of cash and cash equivalents, the term deposit, 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 June 30, 2022 and December 31, 2021 were as follows:

	Fair value measurements as of June 30, 2022 using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Revolving credit facilities	$ —	$ 39,578	$ —	$ 39,578
Senior notes	—	1,041,673	—	1,041,673
	$ —	$ 1,081,251	$ —	$ 1,081,251

	Fair value measurements as of December 31, 2021 using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Revolving credit facilities	$ —	$ 22,874	$ —	$ 22,874
Senior notes	—	1,197,449	—	1,197,449
	$ —	$ 1,220,323	$ —	$ 1,220,323

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 in the Interim Consolidated Balance Sheets as of June 30, 2022 or December 31, 2021. However, fair value disclosure is required. The carrying value of the Company's senior notes, net of unamortized note issuance costs, was $1,160,385 as of June 30, 2022 (December 31, 2021 – $1,159,097).

Credit Risk

The Company’s credit risk is primarily attributable to cash held in bank accounts, the term deposit 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 performance. 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 production and other costs are adversely affected by inflation. 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 inflation. As of June 30, 2022, the Company has not had significant credit losses.

The carrying amount of cash and cash equivalents of $419,861, the term deposit of $75,000 and accounts receivable of $308,067 recorded in the Interim Consolidated Balance Sheet, net of any allowances for losses, represents the Company’s maximum exposure to credit risk.

Note 14. Commitments and Contingencies

(a) 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.

(b) 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.

(c) In 2021, the European Commission opened a cartel investigation into the wood pulp sector in Europe to investigate if there was an infringement of European Union competition law. In October 2021, the Commission conducted inspections of major European pulp producers including the Company’s German operations. The Company is cooperating with the investigation. As the matter is currently in the investigation stage, the Company cannot predict the timing of the same and what further actions, if any, the European Commission may pursue or what the outcome of any such actions may be.

Note 15. Subsequent Event

(a) On July 1, 2022, a fire occurred in the woodyard of the Stendal mill. The fire was extinguished and was confined to the wood chip storage bunkers and associated conveying systems. The Company is currently completing a detailed assessment of damage and required repairs and developing a restart plan. Until such assessment and plan, there can be no assurance as to when the mill will recommence operations.

The Company maintains property and business interruption insurance for the Stendal mill and we expect the property damage and business interruption will be covered by such insurance, subject to customary deductibles and limits. As of July 1, 2022, the estimated damaged inventory had a net book value of approximately $1,800 and the damaged conveying systems had a net book value of approximately $1,200.

(b) On July 22, 2022, the Company announced that it has entered into an agreement to acquire all of the outstanding shares of Wood Holdco GmbH the parent company of Holzindustrie Torgau ("HIT") for consideration of €270 million (approximately $275,400), inclusive of net working capital of approximately €43 million (approximately $43,900) (the "Transaction"). HIT owns and operates an integrated timber processing facility with wood pallets, biofuels, lumber and energy production. The Transaction is subject to customary closing conditions, including receipt of requisite regulatory anti-trust approvals, and is expected to close in the third or early fourth quarter of 2022.

The Company intends to satisfy payment of the purchase price using existing cash on hand and/or the revolving credit facilities.

NON-GAAP FINANCIAL MEASURES

This quarterly report on Form 10-Q 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 measure "Operating EBITDA".

Operating EBITDA is defined as operating income plus depreciation and amortization and non-recurring capital asset impairment charges. We use Operating EBITDA as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider it to be a meaningful supplement to operating income as a performance measure primarily because depreciation expense and non-recurring capital asset impairment charges are not 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, including financing costs and the effect of derivative instruments. Operating EBITDA is not a measure of financial performance under GAAP, and should not be considered as an alternative to net income or 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 is an internal measure 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 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this document: (i) unless the context otherwise requires, references to "we", "our", "us", the "Company" or "Mercer" mean Mercer International Inc. and its subsidiaries; (ii) references to "Mercer Inc." mean the Company excluding its subsidiaries; (iii) information is provided as of June 30, 2022, unless otherwise stated; (iv) our reporting currency is dollars and references to "€" mean euros and "C$" mean Canadian dollars; (v) "ADMTs" refers to air-dried metric tonnes; (vi) "NBSK" refers to northern bleached softwood kraft; (vii) "NBHK" refers to northern bleached hardwood kraft; (viii) "MW" refers to megawatts and "MWh" refers to megawatt hours; (ix) "Mfbm" refers to thousand board feet of lumber and "MMfbm" mean million board feet of lumber; and (x) our lumber metrics are converted from cubic meters to Mfbm using a conversion ratio of 1.6 cubic meters to 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 figure.

The following discussion and analysis of our results of operations and financial condition for the three and six months ended June 30, 2022 should be read in conjunction with our Interim Consolidated Financial Statements and related notes included in this quarterly report, as well as our most recent annual report on Form 10-K for the fiscal year ended December 31, 2021 filed with the Securities and Exchange Commission, referred to as the "SEC".

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 sawmill.

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

Current Market Environment

In the second quarter of 2022, we had strong pulp sales realizations and record quarterly lumber and energy revenues. Strong pulp sales realizations were primarily driven by low customer inventory levels. Our lumber revenues benefitted from higher sales realizations in the European market which more than offset lower sales realizations in the U.S. market. Energy revenues continued to benefit from both strong demand and higher prices in Germany and in the second quarter of 2022 prices were double those of the comparable quarter of 2021. Our German mills currently sell their surplus energy at applicable market rates and two of them can also elect to sell their surplus power at stipulated rates if circumstances so warrant.

As we move into the third quarter, we expect stable pulp prices as a result of low customer inventory levels and supply constraints. We expect lumber prices in the United States to be generally stable and prices in Europe to decline from the second quarter but remain at historically attractive levels in both markets. Further, we expect continued strong energy demand and prices in Germany in the third quarter of 2022.

As of June 30, 2022, third party industry quoted NBSK list prices in Europe and North America were approximately $1,485 per ADMT and $1,805 per ADMT, respectively and NBSK net prices in China were approximately $1,008 per ADMT. Prices for China are net of discounts, allowances and rebates.

Partially offsetting the higher sales realizations was the negative impact of inflationary pressures that increased our key production costs like fiber, energy and chemicals in the second quarter of 2022. We anticipate that the inflationary pressures we experienced in the first half of 2022 will continue to impact our business in the third quarter of 2022.

In July 2022 our Stendal mill had a fire in its woodyard which did not damage the mill's operations. We have now restarted the mill and are ramping up its production. We have implemented a work around chip in-feed process which is designed to let the mill operate at about 80% of capacity. We expect the planning and installation of replacement equipment will take several months.

We maintain property and business interruption insurance for the Stendal pulp mill and we expect the property damage and business interruption will be covered by such insurance, subject to customary deductibles and limits.

While many countries globally have eased pandemic restrictions as a result of the global roll-out of vaccines, health risks from COVID-19 variants are ongoing. Consequently, we will maintain the necessary measures and procedures put in place to protect our people and allow us to operate our business safely and efficiently.

Summary Financial Highlights

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands, other than per share amounts)			
Statement of Operations Data				
Pulp segment revenues	$ 460,304	$ 310,249	$ 946,235	$ 650,005
Wood products segment revenues	104,690	90,439	205,723	161,426
Corporate and other revenues	7,332	1,144	13,109	3,121
Total revenues	$ 572,326	$ 401,832	$ 1,165,067	$ 814,552
Pulp segment operating income	$ 75,471	$ 13,338	$ 161,707	$ 38,634
Wood products segment operating income	45,853	42,314	86,332	70,291
Corporate and other operating loss	(7,293)	(3,816)	(11,657)	(6,060)
Total operating income	$ 114,031	$ 51,836	$ 236,382	$ 102,865
Pulp segment depreciation and amortization	$ 27,001	$ 27,967	$ 54,685	$ 55,013
Wood products segment depreciation and amortization	3,234	3,748	6,871	7,471
Corporate and other depreciation and amortization	793	240	1,588	438
Total depreciation and amortization	$ 31,028	$ 31,955	$ 63,144	$ 62,922
Operating EBITDA(1)	$ 145,059	$ 83,791	$ 299,526	$ 165,787
Loss on early extinguishment of debt	$ —	$ —	$ —	$ (30,368) (2)
Income tax provision	$ (34,126)	$ (10,685)	$ (58,362)	$ (13,383)
Net income	$ 71,372	$ 21,415	$ 160,269	$ 27,348
Net income per common share				
Basic	$ 1.08	$ 0.32	$ 2.43	$ 0.41
Diluted	$ 1.07	$ 0.32	$ 2.41	$ 0.41
Common shares outstanding at period end	66,167	66,037	66,167	66,037

(1) The following table provides a reconciliation of net income to operating income and Operating EBITDA for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Net income	$ 71,372	$ 21,415	$ 160,269	$ 27,348
Income tax provision	34,126	10,685	58,362	13,383
Interest expense	17,332	17,130	34,796	36,149
Loss on early extinguishment of debt	—	—	—	30,368
Other expense (income)	(8,799)	2,606	(17,045)	(4,383)
Operating income	114,031	51,836	236,382	102,865
Add: Depreciation and amortization	31,028	31,955	63,144	62,922
Operating EBITDA	$ 145,059	$ 83,791	$ 299,526	$ 165,787

(2) Redemption of 6.5% senior notes due 2024 (the “2024 Senior Notes”) and 7.375% senior notes due 2025 (the “2025 Senior Notes”).

Selected Production, Sales and Other Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Pulp Segment				
Pulp production ('000 ADMTs)				
NBSK	418.3	355.1	853.8	752.0
NBHK	51.6	4.5	108.4	86.1
Annual maintenance downtime ('000 ADMTs)	54.2	173.1	54.2	210.9
Annual maintenance downtime (days)	43	117	43	144
Pulp sales ('000 ADMTs)				
NBSK	405.7	330.4	910.8	749.1
NBHK	65.8	30.3	115.8	99.4
Average NBSK pulp prices ($/ADMT)(1)				
Europe	1,437	1,288	1,383	1,163
China	1,008	962	954	922
North America	1,743	1,598	1,635	1,450
Average NBHK pulp prices ($/ADMT)(1)				
China	815	767	742	729
North America	1,517	1,297	1,414	1,158
Average pulp sales realizations ($/ADMT)(2)				
NBSK	890	830	847	739
NBHK	843	672	780	566
Energy production ('000 MWh)(3)	496.6	362.0	1,028.1	881.1
Energy sales ('000 MWh)(3)	199.3	130.9	394.0	332.0
Average energy sales realizations ($/MWh)(3)	186	90	186	94
Wood Products Segment				
Lumber production (MMfbm)	112.2	116.7	227.8	234.5
Lumber sales (MMfbm)	111.0	109.3	220.9	217.5
Average lumber sales realizations ($/Mfbm)	867	789	854	706
Energy production and sales ('000 MWh)	25.5	21.0	50.0	37.3
Average energy sales realizations ($/MWh)	198	128	205	129
Average Spot Currency Exchange Rates				
$ / €(4)	1.0646	1.2050	1.0929	1.2048
$ / C$(4)	0.7836	0.8142	0.7866	0.8026

(1) Source: RISI pricing report. Europe and North America are list prices. China are net prices which include discounts, allowances and rebates.
(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.

Consolidated – Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

Total revenues in the second quarter of 2022 increased by approximately 42% to $572.3 million from $401.8 million in the same quarter of 2021 primarily due to higher pulp sales volumes and higher pulp, energy and lumber sales realizations.

In the second quarter of 2022, our energy and chemical revenues increased to $47.8 million from $16.9 million in the same quarter of 2021 primarily as a result of higher energy prices in Germany, which were double those in the same quarter of 2021.

Costs and expenses in the second quarter of 2022 increased by approximately 31% to $458.3 million from $350.0 million in the second quarter of 2021 primarily due to higher pulp sales volumes and driven by inflationary pressure on our key production costs such as fiber, energy and chemicals and also freight costs. Such cost increases were partially offset by the positive impact of a stronger dollar on our euro and Canadian dollar denominated costs and expenses.

In the second quarter of 2022, cost of sales depreciation and amortization decreased to $31.0 million from $31.9 million in the same quarter of 2021 due to the positive impact of a stronger dollar.

Selling, general and administrative expenses increased to $23.6 million in the second quarter of 2022 from $20.2 million in the same quarter of 2021 primarily due to higher employee compensation.

In the second quarter of 2022, our operating income increased to $114.0 million from $51.8 million in the same quarter of 2021 primarily due to higher sales realizations, the positive impact of a stronger dollar and higher pulp sales volumes partially offset by higher per unit fiber and other production costs.

Interest expense in the second quarter of 2022 modestly increased to $17.3 million from $17.1 million in the same quarter of 2021.

In the second quarter of 2022, other income was $8.8 million compared to an expense of $2.6 million in the same quarter of 2021. Other income in the second quarter of 2022 is primarily due to foreign exchange gains, caused by a stronger dollar, on dollar denominated cash balances held at our operations. Other expense in the same quarter of the prior year is primarily due to foreign exchange losses, caused by a weaker dollar, on dollar denominated cash balances held at our operations.

During the second quarter of 2022, we had an income tax provision of $34.1 million or an effective tax rate of 32% and in the comparative quarter of 2021, we had an income tax provision of $10.7 million or an effective tax rate of 33%.

For the second quarter of 2022, our net income was $71.4 million, or $1.08 per basic share and $1.07 per diluted share, compared to net income of $21.4 million, or $0.32 per share in the same quarter of the prior year.

In the second quarter of 2022, Operating EBITDA increased by approximately 73% to $145.1 million from $83.8 million in the same quarter of 2021 primarily due to higher sales realizations and pulp sales volumes and the positive impact of a stronger dollar partially offset by higher per unit fiber costs and other production costs.

Operating Results by Business Segment

None of the income or loss items following operating income in our Interim Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by management.

Pulp Segment – Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

Selected Financial Information

	Three Months Ended June 30,	
	2022	2021
	(in thousands)	
Pulp revenues	$ 418,579	$ 297,191
Energy and chemical revenues	$ 41,725	$ 13,058
Depreciation and amortization	$ 27,001	$ 27,967
Operating income	$ 75,471	$ 13,338

Pulp revenues in the second quarter of 2022 increased by approximately 41% to $418.6 million from $297.2 million in the same quarter of 2021 due to both higher sales volumes and sales realizations.

Energy and chemical revenues increased to a record $41.7 million in the second quarter of 2022 from $13.1 million in the same quarter of 2021 primarily due to higher sales realizations. During the second quarter of 2022, we benefitted from strong energy demand and higher energy prices in Germany.

Total pulp production increased by approximately 31% to 469,845 ADMTs in the second quarter of 2022 from 359,553 ADMTs in the same quarter of 2021 primarily due to lower annual maintenance downtime. In the second quarter of 2022, our pulp mills had 43 days of annual maintenance downtime (approximately 54,200 ADMTs) and an additional six days (approximately 8,400 ADMTs) at our Celgar mill due to a slower than planned start up. In the comparative quarter of 2021, we had 117 days of maintenance downtime (approximately 173,100 ADMTs). In the third quarter of 2022, our pulp mills currently have scheduled 14 days of planned annual maintenance downtime (approximately 14,300 ADMTs).

We estimate that annual maintenance downtime in the current quarter of 2022 adversely impacted our operating income by approximately $47.7 million, comprised of approximately $35.4 million in direct out-of-pocket expenses and the balance in reduced production.

Total pulp sales volumes increased by approximately 31% to 471,537 ADMTs in the second quarter of 2022 from 360,768 ADMTs in the same quarter of 2021 primarily due to higher production.

In the second quarter of 2022, third party industry quoted average list prices for NBSK pulp increased from the same quarter of 2021 primarily as a result of low customer inventory levels. Average third party industry quoted list prices for NBSK pulp in Europe and North America were approximately $1,437 per ADMT and $1,743 per ADMT, respectively, in the second quarter of 2022 compared to approximately $1,288 per ADMT and $1,598 per ADMT, respectively, in the same quarter of 2021. Average third party industry quoted NBSK net prices in China were approximately $1,008 per ADMT in the second quarter of 2022 compared to approximately $962 per ADMT in the same quarter of 2021.

Prices quoted for China are net of discounts, allowances and rebates whereas quoted prices for Europe and North America are before applicable discounts, allowances and rebates.

Our average NBSK pulp sales realizations increased by approximately 7% to $890 per ADMT in the second quarter of 2022 from approximately $830 per ADMT in the same quarter of 2021.

In the second quarter of 2022 compared to the same quarter of 2021, primarily as a result of the effect of the stronger dollar on our euro and Canadian dollar denominated costs and expenses, we had a positive impact of approximately $34.9 million in operating income due to foreign exchange.

Costs and expenses in the second quarter of 2022 increased by approximately 30% to $384.8 million from $297.0 million in the second quarter of 2021 primarily due to higher pulp sales volumes, per unit fiber costs and energy, chemical and freight costs. The higher costs were partially offset by the positive impact of a stronger dollar and in the second quarter of 2022, we received German regulatory approval to reverse a wastewater fee accrual of $13.3 million as a result of completing certain capital projects.

In the second quarter of 2022 per unit fiber costs increased by approximately 32% from the same quarter of 2021 primarily due to higher per unit fiber costs for our German mills as a result of higher demand from other wood consumers such as heating pellet manufacturers. For our Canadian mills, per unit fiber costs were flat as demand remained strong in the mills' fiber baskets. We currently expect per unit fiber costs to be flat in the third quarter of 2022 with a modest increase in Germany and a modest decrease in Canada.

Transportation costs increased by approximately 73% to $43.2 million in the second quarter of 2022 from $24.9 million in the same quarter of 2021 primarily as a result of higher freight rates and pulp sales volumes.

In the second quarter of 2022, depreciation and amortization decreased to $27.0 million from $28.0 million in the same quarter of 2021 due to the positive impact of a stronger dollar.

In the second quarter of 2022, pulp segment operating income increased to $75.5 million from $13.3 million in the same quarter of 2021 primarily due to higher sales realizations and sales volumes and the positive impact of a stronger dollar, partially offset by higher per unit fiber costs and other production costs.

Wood Products Segment – Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

Selected Financial Information

	Three Months Ended June 30,	
	2022	2021
	(in thousands)	
Lumber revenues	$ 96,268	$ 86,285
Energy revenues	$ 5,055	$ 2,692
Wood residual revenues	$ 3,367	$ 1,462
Depreciation and amortization	$ 3,234	$ 3,748
Operating income	$ 45,853	$ 42,314

In the second quarter of 2022, lumber revenues increased by approximately 12% to a record $96.3 million from $86.3 million in the same quarter of 2021 primarily due to higher sales realizations. In the second quarter of 2022, both European and U.S. demand was strong. The U.S. market accounted for approximately 58% of our lumber revenues and approximately 46% of our lumber sales volumes. The majority of the balance of our lumber sales were to Europe.

Energy and wood residual revenues in the second quarter of 2022 increased to $8.4 million from $4.2 million in the same quarter of 2021 primarily due to higher sales realizations. In the second quarter of 2022, increased wood residual revenues were due to higher per unit fiber prices and increased energy sales were driven by strong demand and higher energy prices in Germany.

Lumber production decreased marginally to 112.2 MMfbm in the second quarter of 2022 from 116.7 MMfbm in the same quarter of 2021.

Lumber sales volumes were generally flat at 111.0 MMfbm in the second quarter of 2022 compared to 109.3 MMfbm in the same quarter of 2021.

Average lumber sales realizations increased by approximately 10% to $867 per Mfbm in the second quarter of 2022 from approximately $789 per Mfbm in the same quarter of 2021 as we benefitted from strong sales to the U.S. market and its high prices in the first part of the quarter. Although U.S. lumber pricing decreased in the later part of the current quarter due to concerns of rising interest rates and inflationary pressures, prices were still at historically attractive levels. European lumber pricing increased in the current quarter due to steady demand with limited supply.

Fiber costs were approximately 80% of our lumber cash production costs in the second quarter of 2022. In the second quarter of 2022 per unit fiber costs increased by approximately 37% from the same quarter of 2021 as a result of both strong demand for sawlogs and the use of more green logs as producers have largely worked through the availability of lower cost beetle damaged timber. We currently expect per unit fiber costs to increase in the third quarter of 2022 due to continued strong demand.

In the second quarter of 2022, depreciation and amortization decreased to $3.2 million compared to $3.7 million in the same quarter of 2021 due to the positive impact of a stronger dollar.

Transportation costs in the second quarter of 2022 increased by approximately 45% to $12.0 million from $8.3 million in the same quarter of 2021 primarily due to higher freight rates and a higher proportion of sales to the U.S. market.

In the second quarter of 2022, our wood products segment operating income increased approximately 9% to a record $45.9 million from $42.3 million in the same quarter of 2021 primarily due to higher sales realizations partially offset by higher per unit fiber costs.

Consolidated - Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Total revenues for the first half of 2022 increased by approximately 43% to $1,165.1 million from $814.6 million in the first half of 2021 primarily due to higher sales realizations and higher pulp sales volumes.

Costs and expenses in the first half of 2022 increased by approximately 30% to $928.7 million from $711.7 million in the first half of 2021 primarily due to higher pulp sales volumes, per unit fiber costs and energy, freight and chemical costs partially offset by the positive impact of a stronger dollar on our euro and Canadian dollar denominated costs and expenses.

In the first half of 2022, cost of sales depreciation and amortization modestly increased to $63.1 million from $62.9 million in the same period of 2021.

Selling, general and administrative expenses increased by approximately 12% to $45.8 million in the first half of 2022 from $40.8 million in the first half of 2021 primarily due to higher employee compensation.

In the first half of 2022, our operating income increased to $236.4 million from $102.9 million in the same period of 2021 primarily due to higher sales realizations and pulp sales volumes and the positive impact of a stronger dollar partially offset by higher per unit fiber costs and other production costs.

In January 2021, we refinanced (the "Refinancing") a significant portion of our debt by issuing $875.0 million of 5.125% senior notes due 2029 (the "2029 Senior Notes") and using the proceeds to redeem and/or repurchase all of our 6.5% 2024 Senior Notes and our 7.375% 2025 Senior Notes at a cost including premium of $824.6 million (the "Redemption"). We recorded a loss on such Redemption of $30.4 million (being $0.46 per share).

Interest expense in the first half of 2022 decreased to $34.8 million from $36.1 million in the same period of 2021 primarily as a result of a lower interest rate for our 2029 Senior Notes.

In the first half of 2022, other income increased to $17.0 million from $4.4 million in the same period of 2021. Other income in both periods is primarily due to foreign exchange gains, caused by a stronger dollar, on dollar denominated cash balances held at our operations.

During the first half of 2022, the provision for income taxes was $58.4 million or an effective tax rate of 27%. In the same period of 2021, the provision for income taxes was $13.4 million or an effective tax rate of 33%.

For the first half of 2022, our net income was $160.3 million, or $2.43 per basic share and $2.41 per diluted share compared to $27.3 million, or $0.41 per share, in the same period of 2021.

In the first half of 2022, Operating EBITDA increased by approximately 81% to $299.5 million from $165.8 million in the same period of 2021 primarily due to higher sales realizations and pulp sales volumes and the positive impact of a stronger dollar partially offset by higher per unit fiber costs and other production costs.

Operating Results by Business Segment

None of the income or loss items following operating income in our Interim Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by management.

Pulp Segment - Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Selected Financial Information

	Six Months Ended June 30,	
	2022	**2021**
	(in thousands)	
Pulp revenues	$ 865,490	$ 614,773
Energy and chemical revenues	$ 80,745	$ 35,232
Depreciation and amortization	$ 54,685	$ 55,013
Operating income	$ 161,707	$ 38,634

Pulp revenues in the first half of 2022 increased by approximately 41% to $865.5 million from $614.8 million in the same period of 2021 due to a higher sales volume and higher sales realizations.

Energy and chemical revenues increased to $80.7 million in the first half of 2022 from $35.2 million in the same period of 2021 primarily due to higher sales realizations and sales volumes.

Pulp production increased by approximately 15% to 962,133 ADMTs in the first half of 2022 from 838,052 ADMTs in the same period of 2021 primarily due to lower annual maintenance downtime at our pulp mills. In the first half of 2022, our pulp mills had 43 days of annual maintenance downtime (approximately 54,200 ADMTs) and an additional six days (approximately 8,400 ADMTs) at our Celgar mill due to a slower than planned start up. In the first half of 2021, our pulp mills had 144 days of annual maintenance downtime (approximately 210,900 ADMTs).

We estimate that annual maintenance downtime in the first half of 2022 adversely impacted our operating income by approximately $47.7 million, comprised of approximately $35.4 million in direct out-of-pocket expenses and the balance in reduced production.

Pulp sales volumes increased by approximately 21% to 1,026,572 ADMTs in the first half of 2022 from 848,446 ADMTs in the same period of 2021 primarily due to higher production.

In the first half of 2022, prices for NBSK pulp increased from the same period of 2021, largely as a result of low customer inventory levels. Average list prices for NBSK pulp in Europe and North America were approximately $1,383 per ADMT and $1,635 per ADMT, respectively in the first half of 2022 compared to approximately $1,163 per ADMT and $1,450 per ADMT, respectively, in the same period of 2021. Average NBSK net prices in China were approximately $954 per ADMT in the first half of 2022 compared to approximately $922 per ADMT in the first half of 2021.

Average NBSK pulp sales realizations increased by approximately 15% to $847 per ADMT in the first half of 2022 from approximately $739 per ADMT in the same period of 2021.

In the first half of 2022, primarily as a result of the effect of the strengthening dollar on our euro and Canadian dollar denominated costs and expenses, we recorded a positive impact of approximately $44.5 million in operating income due to foreign exchange compared to the same period of 2021.

Costs and expenses in the first half of 2022 increased by approximately 28% to $784.5 million from $611.5 million in the first half of 2021 primarily due to higher pulp sales volumes, per unit fiber costs and energy, chemical and freight costs. The higher costs were partially offset by the positive impact of a stronger dollar and in the first half of 2022, we received German regulatory approval to reverse a wastewater fee accrual of $13.3 million as a result of completing certain capital projects.

On average, in the first half of 2022 overall per unit fiber costs increased by approximately 28% from the same period of 2021 due to strong demand in our mills' fiber baskets.

Transportation costs for our pulp segment increased by approximately 49% to $91.1 million in the first half of 2022 from $61.1 million in the same period of 2021 primarily as a result of the increased use of higher cost trucking, higher freight rates and higher sales volumes.

In the first half of 2022, depreciation and amortization modestly decreased to $54.7 million from $55.0 million in the same period of 2021.

In the first half of 2022, pulp segment operating income increased to $161.7 million from $38.6 million in the same period of 2021 as higher sales realizations, higher sales volumes and the positive impact of a stronger dollar were partially offset by higher per unit fiber costs and other production costs.

Wood Products Segment - Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Selected Financial Information

	Six Months Ended June 30,	
	2022	**2021**
	(in thousands)	
Lumber revenues	$ 188,634	$ 153,596
Energy revenues	$ 10,232	$ 4,806
Wood residual revenues	$ 6,857	$ 3,024
Depreciation and amortization	$ 6,871	$ 7,471
Operating income	$ 86,332	$ 70,291

In the first half of 2022, lumber revenues increased to $188.6 million from $153.6 million in the same period of 2021 primarily due to higher sales realizations. In the first half of 2022, both the U.S. and European markets were strong. The U.S. market accounted for approximately 59% of our lumber revenues and approximately 44% of our lumber sales volumes, while the majority of remaining sales were to Europe.

Energy and wood residual revenues increased to $17.1 million in the first half of 2022 from $7.8 million in the same period of 2021 primarily due to higher sales realizations.

Lumber production modestly decreased by approximately 3% to 227.8 MMfbm in the first half of 2022 from 234.5 MMfbm in the same period of 2021.

Average lumber sales realizations increased to $854 per Mfbm in the first half of 2022 from approximately $706 per Mfbm in the same period of 2021 primarily due to overall higher average pricing in both the European and U.S. markets. European lumber pricing increased due to steady demand with limited supply. U.S. lumber pricing increased due to strong demand at the start of the year from the housing and renovation markets before declining in the later part of the second quarter of 2022.

Fiber costs were approximately 80% of our lumber cash production costs in the first half of 2022. In the comparative period of 2021, per unit fiber costs were lower as a result of a large supply of beetle damaged wood. As producers have worked through such wood, more green wood is being harvested. In the first half of 2022 per unit fiber costs increased by approximately 46% from the same period of 2021 as a result of using more green wood and strong demand for sawlogs.

In the first half of 2022, depreciation and amortization decreased to $6.9 million from $7.5 million in the same period of 2021 primarily due to the positive impact of a stronger dollar on our euro denominated depreciation expense.

Transportation costs for our wood products segment in the first half of 2022 increased by approximately 42% to $22.9 million from $16.1 million in the same period of 2021 primarily due to higher freight rates and a higher proportion of sales to the U.S. market.

In the first half of 2022, our wood products segment operating income increased approximately 23% to $86.3 million compared to $70.3 million in the same period of 2021 primarily due to higher sales realizations partially offset by higher per unit fiber costs and higher transportation costs.

Liquidity and Capital Resources

Summary of Cash Flows

	Six Months Ended June 30,	
	2022	2021
	(in thousands)	
Net cash from operating activities	$ 223,351	$ 111,440
Net cash used in investing activities	(148,344)	(68,656)
Net cash from (used in) financing activities	5,189	(16,751)
Effect of exchange rate changes on cash and cash equivalents	(5,945)	(2,597)
Net increase in cash and cash equivalents	$ 74,251	$ 23,436

We operate in a cyclical industry and our operating cash flows vary accordingly. Our principal operating cash expenditures are for fiber, labor and chemicals. Working capital levels fluctuate throughout the year and are affected by maintenance downtime, changing sales patterns, seasonality and the timing of receivables and sales and the payment of payables and expenses.

Cash Flows from Operating Activities. Cash provided by operating activities was $223.4 million in the six months ended June 30, 2022 compared to $111.4 million in the comparative period of 2021. A decrease in accounts receivable provided cash of $13.4 million in the first half of 2022 and $3.9 million in the same period of 2021. An increase in inventories used cash of $15.1 million in the six months ended June 30, 2022 and $42.8 million in the same period of 2021. An increase in accounts payable and accrued expenses provided cash of $3.2 million in the first half of 2022 compared to $34.6 million in the same period of 2021.

Cash Flows from Investing Activities. Investing activities in the six months ended June 30, 2022 used cash of $148.3 million primarily related to capital expenditures of $80.3 million and our transferring $75.0 million into a six month term deposit. In the first half of 2022, capital expenditures primarily related to upgrades to the woodrooms at our Canadian mills and optimization projects at our German mills. In the first half of 2022, we received the final payment of $6.4 million of insurance proceeds for our property damage claim related to the Peace River recovery boiler. Investing activities in the six months ended June 30, 2021 used cash of $68.7 million. In the first half of 2021, capital expenditures were $87.4 million and included work on the Peace River recovery boiler, which was financed with insurance proceeds of which $20.0 million was received in the first half of 2021.

Cash Flows from Financing Activities. In the six months ended June 30, 2022, financing activities provided cash of $5.2 million. In the first half of 2022, we borrowed $17.4 million under our revolving credit facilities and received $1.1 million in government grants to partially finance innovation and greenhouse gas emission reduction capital projects at our Canadian mills. In the six months ended June 30, 2022, we paid dividends of $5.0 million. In the first half of 2021, financing activities used cash of $16.8 million. In the first half of 2021, we repaid $57.1 million of our credit facilities, received net proceeds from the Refinancing after giving effect to the Redemption of $50.4 million, paid note issuance costs of $14.4 million related to the issuance of the 2029 Senior Notes and paid $4.3 million of dividends. In the six months ended June 30, 2021, we received $8.5 million in government grants to partially finance innovation and greenhouse gas emission reduction capital projects at our Canadian mills.

Balance Sheet Data

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

	June 30, 2022	December 31, 2021
	(in thousands)	
Cash and cash equivalents	$ 419,861	$ 345,610
Term deposit	$ 75,000 [(1)]	$ —
Working capital	$ 895,210	$ 781,181
Total assets	$ 2,415,716	$ 2,351,232
Long-term liabilities	$ 1,389,690	$ 1,374,084
Total shareholders' equity	$ 752,122	$ 694,024

(1) On April 4, 2022, we purchased a $75.0 million term deposit, which has an interest rate of 1.38% and matures on October 4, 2022.

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:

	Six Months Ended June 30,	
	2022	2021
	(in thousands)	
Capital expenditures	$ 80,321	$ 87,386 [(1)]
Cash paid for interest expense[(2)]	$ 33,237	$ 40,110
Interest expense[(3)]	$ 34,796	$ 36,149

(1) Includes expenditures for the recovery boiler rebuild at the Peace River mill which were financed with insurance proceeds, of which $20.0 million was received in the first half of 2021.

(2) Amounts differ from interest expense, which includes non-cash items. See supplemental disclosure of cash flow information from our Interim Consolidated Statements of Cash Flows included in this report.

(3) Interest on our senior notes due 2026 is paid semi-annually in January and July of each year. Interest on our 2029 Senior Notes is paid semi-annually in February and August of each year, commencing August 2021.

As of June 30, 2022, we had cash, cash equivalents and a term deposit aggregating $494.9 million and approximately $276.2 million available under our revolving credit facilities and as a result aggregate liquidity of about $771.1 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.

Debt Covenants

Certain of our long-term obligations contain various financial tests and covenants customary to these types of arrangements. See our annual report on Form 10-K for the fiscal year ended December 31, 2021.

As of June 30, 2022, we were in full compliance with all of the covenants of our indebtedness.

Off-Balance Sheet Arrangements

As of June 30, 2022, we did not have any off-balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S-K).

Contractual Obligations and Commitments

There were no material changes outside the ordinary course to any of our material contractual obligations during the six months ended June 30, 2022. Subsequently on July 22, 2022, we entered into an agreement to acquire all of the outstanding shares of Wood Holdco GmbH the parent company of Holzindustrie Torgau ("HIT") for consideration of €270 million (approximately $275,400), inclusive of net working capital of approximately €43 million (approximately $43,900). See Note 15 of the Consolidated Financial Statements and Notes included in this quarterly report.

Foreign Currency

As a majority of our assets, liabilities and expenditures are held or denominated in euros or Canadian dollars, 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 other comprehensive income (loss) and do not affect our net earnings.

As a result of the strengthening of the dollar versus the euro and Canadian dollar as of June 30, 2022, we recorded a net non-cash decrease of $94.5 million in the carrying value of our net assets, consisting primarily of our fixed assets denominated in euros and Canadian dollars. This non-cash decrease does not affect our net income, Operating EBITDA or cash but is reflected in our other comprehensive income (loss) and as a decrease to our total equity. As a result, our accumulated other comprehensive loss increased to $185.5 million.

Based upon the exchange rate as of June 30, 2022, the dollar has strengthened by approximately 8% against the euro and 2% against the Canadian dollar since December 31, 2021. See "Quantitative and Qualitative Disclosures about Market Risk".

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 the 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 increases, these judgments become even more subjective and complex.

Our significant accounting policies are disclosed in Note 1 to our audited annual financial statements included in our annual report on Form 10-K for the fiscal year ended December 31, 2021. 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.

We have identified certain accounting policies that are the most important to the portrayal of our current financial condition and results of operations.

For information about both our significant and critical accounting policies, see our annual report on Form 10-K for the fiscal year ended December 31, 2021.

Cautionary Statement Regarding Forward-Looking Information

The statements in this report that are not reported financial results or other historical information are "forward-looking statements" within the meaning of the *Private Securities Litigation Reform Act of 1995*, as amended.

Generally, 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 "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", or words of similar meaning, or future or conditional verbs, such as "will", "should", "could", or "may", although not all forward-looking statements contain these identifying words. Forward-looking statements are based on expectations, forecasts and assumptions by our management and involve a number of risks, uncertainties and other factors, many of which are beyond our control, that could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. These factors include, but are not limited to, the following:

<u>Risks Related to our Business</u>

- Our business, financial condition and results of operations could be adversely affected by disruptions in the global and European economies caused by Russia's invasion of Ukraine;
- the ongoing COVID-19 pandemic could materially adversely affect our business, financial position and results of operations;
- our business is highly cyclical in nature;
- cyclical fluctuations in the price and supply of our raw materials, particularly fiber, could adversely affect our business;
- we face intense competition in the forest products industry;
- our business is subject to risks associated with climate change and social and government responses thereto;
- if we are unable to offer products certified to globally recognized forestry management and chain of custody standards or meet customers’ product specifications, it could adversely affect our ability to compete;
- our operations require substantial capital and we may be unable to maintain adequate capital resources to provide for such capital requirements;

- trends in non-print media and changes in consumer habits regarding the use of paper have and are expected to continue to adversely affect the demand for market pulp;

- fluctuations in prices and demand for lumber could adversely affect our business;

- our wood products segment lumber products are vulnerable to declines in demand due to competing technologies or materials;

- we have limited control over the operations of the Cariboo mill;

- we may experience material disruptions to our production;

- future acquisitions may result in additional risks and uncertainties in our business;

- we are subject to risks related to our employees;

- we are dependent on key personnel;

- 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;

- our insurance coverage may not be adequate;

- we rely on third parties for transportation services;

- failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business;

<u>Risks Related to our Debt</u>

- our level of indebtedness could negatively impact our financial condition, results of operations and liquidity;

- 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;

- we are exposed to interest rate fluctuations;

<u>Risks Related to Macro-economic Conditions</u>

- 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;

- we are exposed to currency exchange rate fluctuations;

- political uncertainty, an increase in trade protectionism or geo-political conflict could have a material adverse effect on global macro-economic activities and trade and adversely affect 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 new pandemic, terrorist attacks or natural disasters;

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;

- we participate in German statutory energy programs;

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

Risks Related to Ownership of our Shares

- the price of our common stock may be volatile; and

- a small number of our shareholders could significantly influence our business.

Given these uncertainties, you should not place undue reliance on our forward-looking statements. The foregoing review of important factors is not exhaustive or necessarily in order of importance and should be read in conjunction with the risks and assumptions including those set forth under "Part II. Other Information – Item 1A. Risk Factors" and in reports and other documents we have filed with or furnished to the SEC, including in our annual report on Form 10-K for the fiscal year ended December 31, 2021. We advise you that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to us or persons acting on our behalf. Unless required by law, we do not assume any obligation to update forward-looking statements based on unanticipated events or changed expectations. However, you should carefully review the reports and other documents we file from time to time with the SEC.

Cyclical Nature of Business

Revenues

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.

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. The third party industry quoted average European list prices for NBSK pulp between 2012 and 2022 have fluctuated between a low of $760 per ADMT in 2012 to a high of $1,485 per ADMT in 2022. In the same period, third party industry quoted average North American list prices for NBHK pulp have fluctuated between a low of $700 per ADMT in 2012 to a high of $1,590 per ADMT in 2022.

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.

A pulp producer's actual sales price realizations are net of customer discounts, rebates and other selling concessions.

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.

Costs

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 prices could affect producer profit margins if they are unable to pass along price increases to pulp and lumber customers or purchasers of surplus energy.

Currency

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks from changes in interest rates and foreign currency exchange rates, particularly the exchange rates between the dollar and the euro and Canadian dollar. Changes in these rates may affect our results of operations and financial condition and, consequently, our fair value. We seek to manage these risks through internal risk management policies as well as the periodic use of derivatives.

For additional information, please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our annual report on Form 10-K for the fiscal year ended December 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

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 Securities Exchange Act of 1934, as amended, referred to as the "Exchange Act"), as of the end of the period covered by this report. 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.

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 covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to routine litigation incidental to our business, including that which is described in our latest annual report on Form 10-K for the fiscal year ended December 31, 2021. We do not believe that the outcome of such litigation will have a material adverse effect on our business or financial condition.

ITEM 1A. RISK FACTORS

Other than as set out below, there have been no material changes to the factors disclosed in Item 1A. Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2021 and our quarterly report on Form 10-Q for the quarter ended March 31, 2022:

Inflation or a sustained increase in our key production and other costs would lead to higher manufacturing costs which could reduce our margins.

Our key production input costs are for fiber, chemicals and energy. Other material costs in our business include labor and transportation. The prices for fiber and energy can be volatile, affected by inflation and can change rapidly. Additionally, our costs for chemicals and transportation are also subject to inflationary pressure. Also, our costs for service providers, contractors and labor may increase due to inflation and workplace shortages.

Continued inflationary pressures would increase our manufacturing costs. If we are unable to pass along such operating costs increases to our customers, it could reduce our margins, contribute to earnings volatility and adversely affect our results of operations.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
101	The following financial information from the Quarterly Report on Form 10-Q for the fiscal period ended June 30, 2022 of Mercer International Inc., formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Interim Consolidated Statements of Operations; (ii) Interim Consolidated Statements of Comprehensive Income (Loss); (iii) Interim Consolidated Balance Sheets; (iv) Interim Consolidated Statements of Changes in Shareholders' Equity; (v) Interim Consolidated Statements of Cash Flows; and (vi) Notes to the Interim Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 has been formatted in Inline XBRL.

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* In accordance with Release No. 33-8212 of the SEC, these Certifications: (i) are "furnished" to the SEC and are not "filed" for the purposes of liability under the Securities Exchange Act of 1934, as amended; and (ii) are not to be subject to automatic incorporation by reference into any of the Company's registration statements filed under the Securities Act of 1933, as amended, for the purposes of liability thereunder or any offering memorandum, unless the Company specifically incorporates them by reference therein.

SIGNATURES

Pursuant to the requirements 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.

By: /s/ Juan Carlos Bueno
Juan Carlos Bueno
Chief Executive Officer

Date: July 28, 2022

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT

I, Juan Carlos Bueno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mercer International Inc. (the "Registrant");

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The Registrant's other certifying officer(s) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this 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 an 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.

Dated: July 28, 2022

/s/ Juan Carlos Bueno
Juan Carlos Bueno
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT

I, David K. Ure, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mercer International Inc. (the "Registrant");

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The Registrant's other certifying officer(s) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this 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 an 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.

Dated: July 28, 2022

/s/ David K. Ure
David K. Ure
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PERIODIC REPORT

I, Juan Carlos Bueno, 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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2022 (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: July 28, 2022

/s/ Juan Carlos Bueno
Juan Carlos Bueno
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 2002*, 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

I, David K. Ure, Chief Financial 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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2022 (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: July 28, 2022

/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.