



2021
PRESIDENT'S REPORT



MERCER 2021

DEAR FELLOW SHAREHOLDERS:

Looking back on 2021, I can't help but feel a sense of pride for the many successes we achieved despite having to deal with the challenges presented by COVID-19. First and foremost, we kept COVID-19 in check at all our locations. Our many safety protocols were able to keep our people safe and our operations running without interruption.

Operationally, we completed the construction of two new batch digesters at the Stendal mill, which will add about 80,000 tonnes of new NBSK capacity, phase two of the Friesau sawmill expansion, the major repair and rebuild of Peace River's damaged recovery boiler and the addition of an exciting new product line, cross-laminated timber (CLT), with the acquisition of Mercer Mass Timber. We also made progress on our global diversity, equity, and inclusion journey and have taken steps to grow both employee engagement and our Indigenous partnerships. Finally, we continued to refine our Environmental, Social, and Governance (ESG) aspirational goals. The fact that we were able to do all this while working under strict COVID-19 protocols is a credit to our Leadership and speaks volumes about the quality of our people.

Like all businesses, the pandemic did indirectly affect our business in 2021. In fact, 2021 might go down as the year when the terms "logistics" and "supply chain" became household topics. Global supply chain disruptions created by the pandemic and exacerbated by extreme weather made moving our products challenging, especially late in the year; however, our logistical strategies and related investments proved to be resilient and improved our competitiveness in this area.

Overall, the markets for our products were generally strong in 2021 and our record financial results reflect this. Pulp markets peaked in the middle of the year but remained strong with some regional weakness late in the year. Lumber prices in most markets hit record highs during the year then fell sharply in the summer. They have since made steady improvements.

I believe the business adversity created by the pandemic has reinforced the value our strategy creates for our shareholders.

THE FOUR PILLARS OF OUR STRATEGY ARE:

- 1 Operate world-class assets
- 2 Grow and diversify where we have core competencies
- 3 Manage the integrity of our balance sheet and liquidity
- 4 Sustainable operations

Mercer is a values-based company, and our values drive our day-to-day decision-making, while the four pillars of our strategy are foundational in how we plan and position Mercer for the future.





OPERATE WORLD-CLASS ASSETS

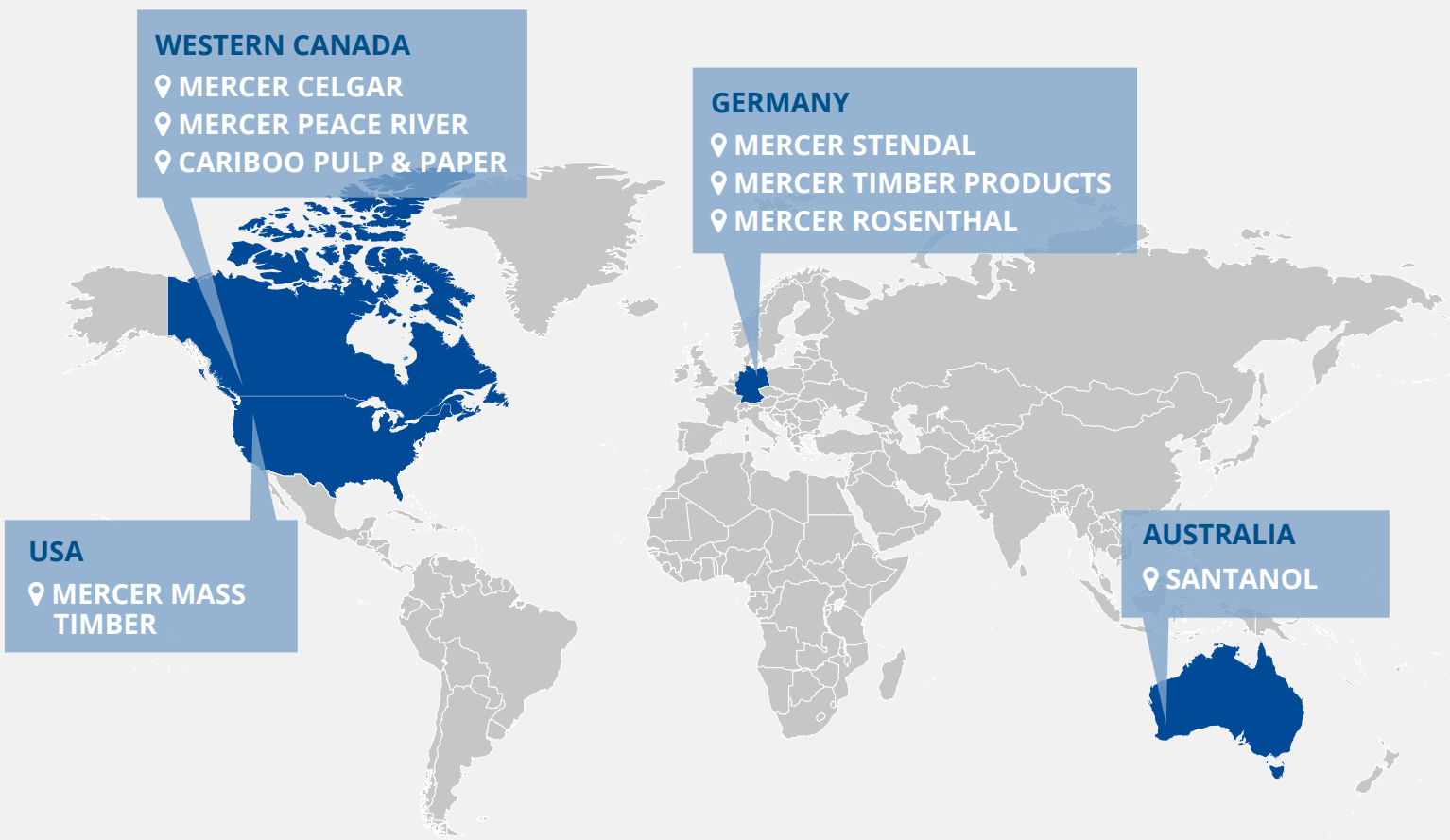
In 2021 we invested almost \$160 million in our operations. The majority of this spending was on capital projects designed to deliver high-returns.

The capital project at Stendal was designed, among other things, to increase the mill's annual NBSK pulp capacity to 740,000 tonnes will be fully completed in late 2022 with the debottlenecking of the finishing line. However, the digesters are in place and were being ramped up in late 2021. This project should generate higher sales volumes, lower the mill's per-unit fixed costs and increase Stendal's green energy generation.

We also continue to utilize the German government's wastewater fee investment incentives. By investing in projects that lower emissions, we not only lower emissions but are also able to make the mills more cost-efficient and benefit from reduced wastewater fee expenses. These investments are a win for both the environment and our shareholders.

Our Mercer Mass Timber acquisition also fits nicely into our wood products expertise. This mill can produce both CLT and long-length finger-joint lumber, further diversifying our product mix into markets that are not directly correlated to our pulp business.

In the third quarter, we completed the rebuild of our Peace River mill's recovery boiler. This was a major project and required the mill to be down for 88 days. This project effectively rebuilt the lower portion of the boiler, and as a result, we expect lower maintenance costs for this boiler in the coming years. You may recall that the damage to the boiler occurred before we purchased the mill, and insurance proceeds covered all repairs.



2

GROW AND DIVERSIFY WHERE WE HAVE CORE COMPETENCIES

We remain committed to growing Mercer in areas where we have a leadership position or a strong competency, whether it be organic growth or by acquisition. Our future growth will focus on:

1. Pulp
2. Wood Products
3. Wood/bio-extractives
4. Green Energy

In 2021, we added two new batch digesters that will increase Stendal's annual pulp capacity by 80,000 tonnes. The project has the added benefit of being a relatively inexpensive addition of NBSK production capacity due to the batch digester design of the mill. We also completed phase two of our Mercer Timber Products - Friesau sawmill expansion. The many enhancements include a new planer, additional sorting capacity, modern scanning and trimming equipment and continuous kilns. We believe these enhancements will make the mill one of the largest and most flexible in the world. This sawmill can produce lumber for all the world's markets.



This is exclusive of the \$51 million we used to purchase Mercer Mass Timber. The acquisition of Mercer Mass Timber gave us roughly 30% of North America's mass timber capacity. We are excited about this acquisition as mass timber is a more environmentally-friendly construction material than traditional materials like concrete and steel that the North American market is now beginning to embrace.

We believe CLT construction in North America is poised for dramatic growth as the number of projects currently being designed far exceeds previous years. Even at these growing levels, North American project numbers are still small relative to Europe, where mass timber construction is more mainstream. Nevertheless, we believe the North American market is quickly realizing the value mass timber construction brings. We also believe the use of mass timber in North American construction lags behind Europe's adoption of this material.

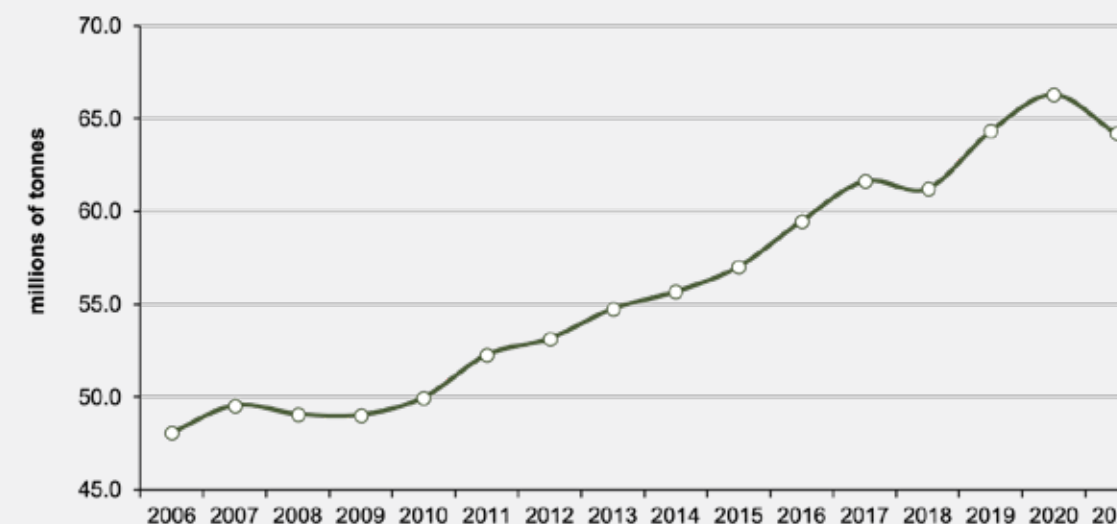
We also continued to invest in technology in 2021. For example, in Germany, we have leveraged our ERP system and implemented an RFID inventory system. This technology gives us real-time inventory data, which in turn will reduce our logistics costs and allow us to better serve our customers' needs. We recognize the value of using best-in-class technology, and we will continue to make strategic technology investments where they will add value, such as the harmonization of our distributed control systems across the Company. We have also invested in our cyber defence capabilities using the ISO 27000 standards as a guide to design our cyber defences.

I am proud of our ability to safely complete major projects in 2021 while dealing with pandemic-related restrictions.

We have more high-return projects planned for 2022 as part of our organic growth strategy. We will continue to take a disciplined approach to all our growth aspirations to ensure we maximize additional shareholder value.



ESTIMATED GLOBAL CHEMICAL MARKET PULP DEMAND



Source: Pulp and Paper Products Council World Demand Report

MANAGE THE INTEGRITY OF OUR BALANCE SHEET AND LIQUIDITY

Throughout the pandemic and the uncertainty it created, we have taken a conservative approach to our financial position to ensure we had enough “dry powder” if the pandemic were to create an unforeseen negative economic impact.

This approach has served us well as we begin 2022 in a strong financial position and leaves us with enormous financial flexibility for future growth.

Operationally, 2021 was a record year for Mercer. We achieved record revenues from our pulp, lumber, and green energy businesses that drove both record EBITDA and record net income.

In 2021, our total revenues were a record \$1.8 billion, up \$0.4 billion from 2020. The increase was primarily due to higher prices for all our products in 2021.

Operating EBITDA¹ totaled a record \$479 million, up \$286 million from 2020. The increase in operating EBITDA¹ was also primarily due to higher product prices. A reconciliation of operating EBITDA¹ to net income is provided below.

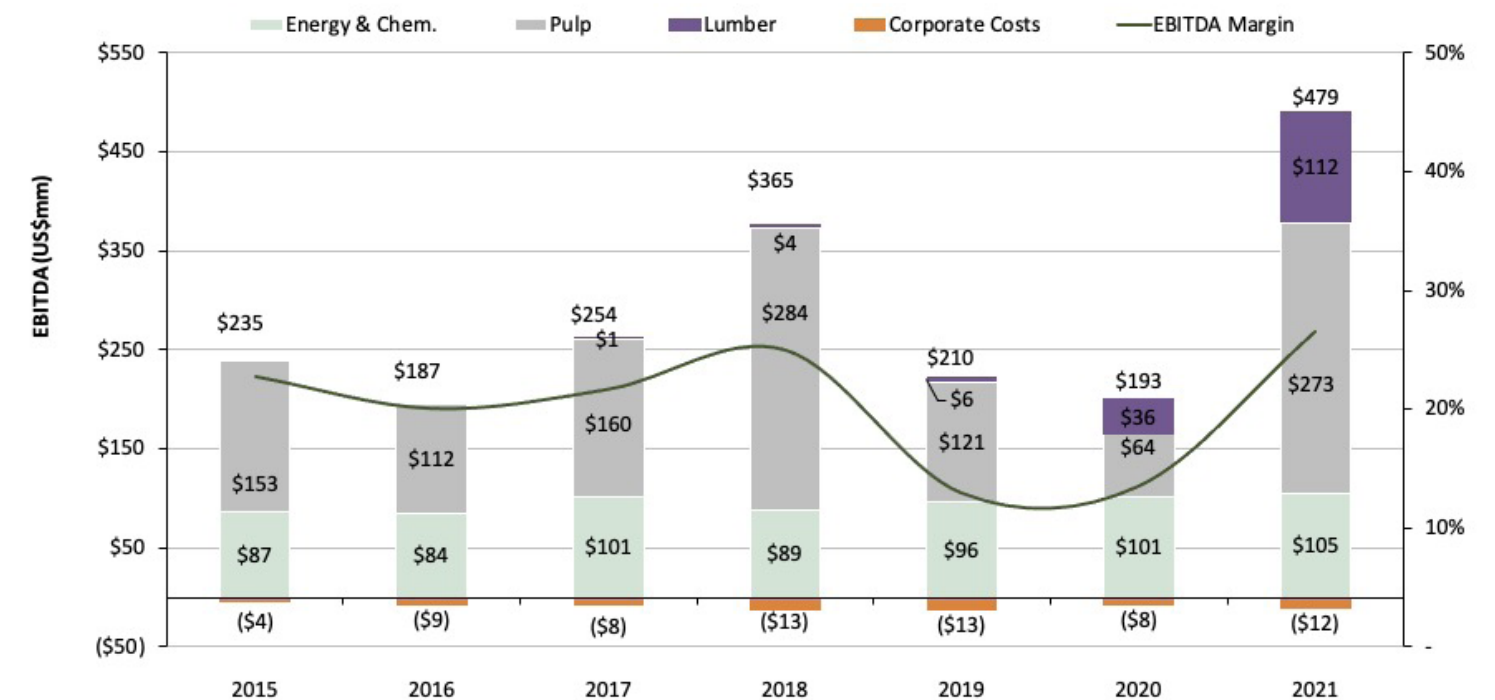
	YEAR ENDED DECEMBER 31		
	2021	2020	2019
	(in thousands)		
Net Income (loss)	\$170,988	(\$17,235)	(9,639)
Provision for income taxes	89,579	6,096	19,226
Interest expense	70,047	80,746	75,750
Loss on settlement of debt.....	—	—	4,750
Loss on early extinguishment of debt	30,368	—	—
Other expenses (income)	(14,399)	(5,878)	(6,084)
Operating income	346,583	63,729	84,003
Add: Depreciation and amortization	132,199	128,921	126,394
Operating EBITDA ¹	\$478,782	\$192,650	\$210,397



Our record net income in 2021 was \$171 million, or \$2.59 per basic share, compared to a net loss of \$17 million, or \$0.26 per share in 2020.

¹ Operating EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States ("GAAP") and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

ANNUAL CONSOLIDATED OPERATING EBITDA



SUSTAINABLE OPERATIONS

Mercer is a values-based organization. We recognize the importance of integrating sustainability into our values system and business strategy to improve both our competitiveness and our social responsibility. We are committed to reducing our carbon footprint by 35% by 2030 with an eye on further reductions. We have published our 2030 aspirational sustainability objectives and targets on our website and in our upcoming Sustainability Report. I encourage you to have a look at our website. There is a wealth of information about how we think about sustainability, and we are proud of the work we have done in this area and our plans for the future. Indeed, we are researching decarbonization pathways to achieve Mercer's net-zero ambition.

From an operational perspective, we have begun two woodroom projects: one at our Peace River mill and the other at our Celgar mill. These projects are designed, among other things, to reduce our carbon emissions associated with fiber collection at these facilities and will lower our fiber costs. The environmental benefits are so compelling that local governments have provided financial incentives to support these projects. These resource efficiency improvement projects will be completed in 2022.

“Be safe” is a common phrase used among colleagues at Mercer. This is because safety is our most important value. Accordingly, we have put enormous effort into keeping our employees and their families safe from COVID-19. We have added personal protection requirements, enforced social distancing, modified shift structures, and have had onsite vaccination clinics at our locations, among other steps. So far, we have been successful.

Despite our successes around COVID-19, our safety record slipped in 2021. My leadership team will be reflecting on this as we plan for 2022. Our goal remains zero injuries, and we are committed to ensuring we improve on this record in 2022.

Similarly, we remain committed to our employee engagement, diversity, equity, and inclusion initiatives, as well as the continued engagement and development of our people. We continue to partner with regional First Nations communities to foster mutually-beneficial economic and social priorities and advance additional joint venture opportunities, including a joint transportation business.

I am delighted that Guy Arguin has joined us as our Chief Human Resources Officer to support and lead our human resource strategies.



MARKET CONDITIONS

In 2021, industry quoted average list prices for NBSK pulp increased by approximately 46% in Europe and 30% in North America compared to 2020. In 2021, average net prices for NBSK pulp in China increased by approximately 45% compared to 2020. The increases reflected steady demand and low customer inventory levels, principally from the pandemic and other factors creating logistics issues which reduced shipments to China and Europe and storms and winter conditions in Western Canada which reduced supply.

Average lumber sales realizations increased by approximately 74% to \$699 per Mfbm in 2021 from \$402 per Mfbm in 2020 primarily due to higher pricing in the U.S. and European markets. U.S. lumber pricing increased due to strong housing and home renovation demand. European lumber pricing increased due to steady demand and reduced supply as producers shifted product to the U.S. market.





LOOKING FORWARD TO 2022

I am excited about what 2022 will bring Mercer. We believe we have the right strategy and the financial flexibility to execute that strategy. We will continue to run the business guided by our values and remain focused on continuous improvement in all aspects of our operations, including our sustainability. We will also continue to invest in our people to ensure we remain fit for the future.

As previously announced, I am transitioning to retirement after serving for over seven years as CEO and over 18 years in total in executive leadership for the Company. Juan Carlos Bueno, a seasoned, global leader in our space, has been appointed CEO effective May 1, 2022 and is well qualified to take our Company through its next stage of growth.

I would like to thank our Board of Directors for their thoughtful leadership and support. I also want to thank our dedicated employees for the commitment they bring to Mercer every day.

Be safe!

Mercer International Inc.

David M. Gandossi, FCPA, FCA
Chief Executive Officer and President

A MESSAGE FROM THE CHAIRMAN OF THE BOARD

Dear Fellow Shareholders,

We are pleased with the record year Mercer achieved in 2021. As we continued to navigate the pandemic and climate change effects in our operating areas, we stayed focused on running our assets safely while making meaningful progress on our carbon reduction initiatives.

Going forward, global climate change mitigation efforts have brought on paradigm shifts in various sectors which are benefiting our markets. We've already seen this effect with energy markets in Europe which has significantly increased our green electricity revenue in recent periods. We believe this trend is likely to occur in our pulp, wood products and other bio-product markets, as well.

In March 2022, the UN Environment Assembly of 175 nations endorsed a historic resolution to end plastic pollution and establish a binding global agreement by 2024. Today, plastic production has reached 348 million tonnes, which includes growing products like synthetic textile fibres (polyester) and single-use packaging. By 2050, plastic is expected to account for 15% of global carbon emissions. We believe renewable fibres, such as pulp, are the logical sustainable replacement. A 5% displacement could create about 17 million tonnes of new pulp demand, which is equivalent to the total supply of NBSK market pulp today. Capturing even a portion of the sector's annual growth could see tremendous shifts in demand for our products.

The climate-related focus on embodied carbon is also materially influencing the building products space. Today, steel and concrete are still dominant and the construction industry accounts for about 11% of global Greenhouse gas emissions. Wood building solutions, from lumber frame to mass timber structures, offer a more climate-friendly alternative not just reducing emissions but storing carbon. Innovation in wood products is making their performance and cost comparatively more competitive, as well. We believe the displacement of just 1% of the global structural steel market with wood-based solutions represents a ~\$10 billion market opportunity, which would be a ten-fold increase over the 2020 mass timber market. These changes often start slow, but we believe we're at the tipping point and could start to see mass timber demand take off.

Lignin and other extractives are about 40% of the wood we consume and today this material is used to make bio-energy. As industries move to alternatives to petrochemicals, we believe these materials will become important carbon neutral chemical building blocks.

I have no doubt that increased use of renewable products will be part of the climate answer. The shifts we've seen to date in paper-based, sustainable packaging and products are just the beginning. We believe these potential addressable markets for our products are massive. As a shareholder, I am excited by the future prospect of significant growth as the world shifts to more sustainable solutions.

Sincerely,



Jimmy Lee
Executive Chairman of the Board



SHAREHOLDER INFORMATION

MARKET INFORMATION

Our shares are listed and quoted for trading on the NASDAQ Global Market under the symbol "MERC". The following table sets forth the high and low sale prices of our shares on the NASDAQ Global Market for each quarter in the two-year period ended December 31, 2021, and for the period ended March 31, 2022.

FISCAL QUARTER ENDED		
2019		
	High	Low
March 31	\$15.78	\$10.12
June 30.....	\$17.74.....	\$13.58
September 30.....	\$15.84.....	\$10.58
December 31	\$13.21	\$10.57

2020		
	High	Low
March 31	\$13.44.....	\$6.42
June 30.....	\$10.43.....	\$6.76
September 30.....	\$8.76.....	\$6.06
December 31	\$10.76.....	\$5.77

2021		
	High	Low
March 31	\$16.70.....	\$10.04
June 30.....	\$18.14.....	\$12.26
September 30.....	\$12.85.....	\$10.58
December 31	\$12.16.....	\$9.51

2022		
	High	Low
March 31	\$14.94.....	\$10.83

ANNUAL MEETING

The Annual Shareholders' Meeting will be held on May 31, 2022.

FORM 10-K

Our Annual Report on Form 10-K for the year ended December 31, 2021 was filed with the Securities and Exchange Commission and is posted in the "Investors" section on the Company's website (<https://mercerint.com/investors/reports-filings/>). The Form 10-K provides important information about the Company, including business, financial and other information and should be read in conjunction with this report.

SHAREHOLDER INFORMATION

As of March 31, 2022, there were a total of 66,131,298 shares outstanding.

FORWARD-LOOKING STATEMENTS

The preceding includes forward-looking statements which involve known and unknown risks and uncertainties which may cause the Company's actual results in future periods to differ materially from forecasted results. Among those factors which could cause actual results to differ materially are the following: market conditions, competition and other risk factors listed from time to time in the Company's SEC reports.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Jimmy S.H. Lee****

Executive Chairman of the Board

Alan C. Wallace****

CEO of Peloton Advisors Inc.

Alice Laberge****

Director, Nutrien Ltd. and Russel Metals Inc.

William D. McCartney**

Pemcorp Management Corp.

Linda J. Welty*****

Director, GCP Applied Technologies and Huber Engineered Materials; President and CEO of Welty Strategic Consulting, LLC

Janine North**

Director, Conifex Timber Inc., Imperial Metals Corporation, BC Ferry Services Corp. and Fraser Basin Council

R. Keith Purchase****

Retired Businessperson

Rainer Rettig*****

Retired Businessperson

David M. Gandossi****

President and CEO

* Member of Audit Committee

** Member of Governance and Nominating Committee

*** Member of Compensation Committee

**** Member of Environmental, Health and Safety Committee

EXECUTIVE OFFICERS, SENIOR MANAGEMENT

David M. Gandossi

President, CEO and Director

Christian Sörgel

Managing Director, Rosenthal

Wolfram Ridder

Vice President, Business Development and Managing Director Stendal Pulp Holding

David K. Ure

Senior Vice President, Finance, CFO and Secretary

André Listemann

Managing Director, Stendal

Brian Merwin

Vice President, Corporate Development

Adolf Koppensteiner

Chief Operating Officer

Kenneth William MacPherson

Managing Director, Celgar

Roger Ashfield

Managing Director, Peace River

Richard Short

Vice President, Controller

Guy Arguin

Chief Human Resources Officer

Carsten Merforth

Managing Director, Friesau

Genevieve Stannus

Vice President, Treasurer

Christoph Grewe-Franze

Chief Information Officer

Wolfgang Beck

Managing Director, Mercer Holz

William Adams

Vice President, Sustainability and Innovation

Leonhard Nossol

Controller, European Operations and Managing Director, Rosenthal

Jason Herman

Managing Director, Mercer Mass Timber

SALES AND MARKETING LEADERSHIP

Pulp Products

Eric Heine

VP Sales, Marketing and Logistics, North America & Asia

Nils Hegerding

Managing Director Mercer Pulp Sales and VP Sales and Marketing, Europe

Uwe Bentlage

Managing Director Mercer Pulp Sales and VP Sales and Marketing, Europe

Wood Products

Frank Turnbull

Director of U.S. Sales

Johannes Mörth

Sales Director

Bob Iwami

Director of Asia Sales

OFFICES

Corporate Office

1120 - 700 West Pender Street
Vancouver, BC Canada V6C 1G8
Telephone: (1) 604 684 1099
Facsimile: (1) 604 684 1094
e-mail: info@mercerint.com

Registered Office

14900 Interurban Avenue South
Suite 282
Seattle, Washington
USA 98168

German Office

c/o Stendal Pulp Holdings
Charlottenstraße 59 10117
Berlin Germany
Telephone: (49) 30 30 64 710
Facsimile: (49) 30 30 64 7199

OPERATIONS

Zellstoff-und Papierfabrik Rosenthal GmbH

Hauptstraße 16 D 07366
Blankenstein (Saale) Germany
T: (49) 36642 82166
F: (49) 36642 82000
info@zpr.de

Mercer Mass Timber LLC

19202 E Garland Avenue
Spokane Valley, WA
99027 United States

Zellstoff Stendal GmbH

Goldbecker Straße 1 D 39596
Arneburg Germany
T: (49) 39321 550
F: (49) 39321 55108
info@zellstoff-stendal.de

Mercer Celgar Limited Partnership

PO Box 1000 Castlegar, BC
Canada, V1N 3H9
T: (1) 250 365 7211
F: (1) 250 365 4211
info@celgar.com

Mercer Peace River Pulp Ltd.

#1 Pulp Mill Road, P.O. Bag 4400
Peace River, Alberta T8S 1V7
Canada
T: (1) 780 624 7000
info.mpr@mercerint.com

Mercer Timber Products GmbH

Am Bahnhof 123
07929 Saalburg-Ebersdorf
Germany
T: (49) 36651 80110
F: +49 (0)36651 80109
info@mercertimber.com

Cariboo Pulp & Paper Co.

50 North Star Rd Quesnel, BC
Canada V2J 3J6
T: (1) 250 992 0200
F: (1) 250 992 2164

INVESTOR RELATIONS AND MEDIA CONTACTS

David M. Gandossi

President, CEO and Director

David K. Ure

Senior Vice President, Finance, CFO and Secretary

Mercer International Inc.

Suite 1120 - 700 West Pender Street
Vancouver, BC Canada V6C 1G8
Telephone: (1) 604 684 1099
Facsimile: (1) 604 684 1094
e-mail: info@mercerint.com

LEGAL

Sangra Moller LLP Barristers and Solicitors

1000 Cathedral Place
925 West Georgia Street
Vancouver, BC Canada V6C 3L2

TRANSFER AGENTS

Computershare Investor Services

P.O. BOX 505000
Louisville, KY 40233-5000

OR

Computershare Investor Services

462 South 4th Street, Suite 1600
Louisville, KY 40202
Toll Free# 800-522-6645
Foreign Shareholders: 201-680-6578

SHAREHOLDER WEBSITE

www.computershare.com/investor

STOCK LISTINGS

NASDAQ Global Market

Trading Symbol: MERC

INCORPORATION

Washington State, USA

WEBSITE

mercerint.com

