
**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 **March 31, 2025**

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
*(State or other jurisdiction
of incorporation or organization)*

47-0956945
*(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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 66,870,774 shares of common stock outstanding as of April 29, 2025.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2025

(Unaudited)

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

	Three Months Ended March 31,	
	2025	2024
Revenues	\$ 506,974	\$ 553,430
Costs and expenses		
Cost of sales, excluding depreciation and amortization	430,247	458,182
Cost of sales depreciation and amortization	40,290	40,350
Selling, general and administrative expenses	29,704	31,701
Loss on disposal of investment in joint venture	—	23,645
Operating income (loss)	<u>6,733</u>	<u>(448)</u>
Other income (expenses)		
Interest expense	(28,155)	(27,559)
Other income (expenses)	(185)	4,939
Total other expenses, net	<u>(28,340)</u>	<u>(22,620)</u>
Loss before income taxes	(21,607)	(23,068)
Income tax recovery (provision)	(732)	6,365
Net loss	<u>\$ (22,339)</u>	<u>\$ (16,703)</u>
Net loss per common share		
Basic	\$ (0.33)	\$ (0.25)
Diluted	\$ (0.33)	\$ (0.25)
Dividends declared per common share	\$ 0.075	\$ 0.075

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

	Three Months Ended March 31,	
	2025	2024
Net loss	\$ (22,339)	\$ (16,703)
Other comprehensive income (loss)		
Loss related to defined benefit pension plans	(262)	(83)
Income tax provision	—	(90)
Loss related to defined benefit pension plans, net of tax	(262)	(173)
Foreign currency translation adjustments	34,337	(37,469)
Other comprehensive income (loss), net of tax	<u>34,075</u>	<u>(37,642)</u>
Total comprehensive income (loss)	<u>\$ 11,736</u>	<u>\$ (54,345)</u>

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)

	March 31, 2025	December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 181,473	\$ 184,925
Accounts receivable, net	345,839	327,345
Inventories	379,633	361,682
Prepaid expenses and other	43,157	17,601
Assets classified as held for sale	19,685	18,451
Total current assets	969,787	910,004
Property, plant and equipment, net	1,267,568	1,254,715
Amortizable intangible assets, net	49,868	49,829
Operating lease right-of-use assets	6,761	7,598
Pension asset	8,263	9,378
Deferred income tax assets	19,793	17,778
Other long-term assets	14,127	13,630
Total assets	<u>\$ 2,336,167</u>	<u>\$ 2,262,932</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other	\$ 290,560	\$ 248,661
Pension and other post-retirement benefit obligations	732	732
Liabilities associated with assets held for sale	7,090	7,145
Total current liabilities	298,382	256,538
Long-term debt	1,503,203	1,473,986
Pension and other post-retirement benefit obligations	11,572	11,134
Operating lease liabilities	4,154	4,793
Deferred income tax liabilities	69,477	74,772
Other long-term liabilities	12,028	11,934
Total liabilities	<u>1,898,816</u>	<u>1,833,157</u>
Shareholders' equity		
Common shares \$1 par value; 200,000,000 authorized; 66,871,000 issued and outstanding (2024 – 66,871,000)	66,850	66,850
Additional paid-in capital	363,637	362,782
Retained earnings	203,558	230,912
Accumulated other comprehensive loss	(196,694)	(230,769)
Total shareholders' equity	<u>437,351</u>	<u>429,775</u>
Total liabilities and shareholders' equity	<u>\$ 2,336,167</u>	<u>\$ 2,262,932</u>
Commitments and contingencies (Note 14)		
Subsequent event (Note 8)		

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)

	<u>Common shares</u>			<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Shareholders' Equity</u>
	<u>Number (thousands of shares)</u>	<u>Amount, at Par Value</u>	<u>Additional Paid-in Capital</u>			
Three Months Ended March 31:						
Balance as of December 31, 2024	66,871	\$ 66,850	\$ 362,782	\$ 230,912	\$ (230,769)	\$ 429,775
Stock compensation expense	—	—	855	—	—	855
Net loss	—	—	—	(22,339)	—	(22,339)
Dividends declared	—	—	—	(5,015)	—	(5,015)
Other comprehensive income	—	—	—	—	34,075	34,075
Balance as of March 31, 2025	<u>66,871</u>	<u>\$ 66,850</u>	<u>\$ 363,637</u>	<u>\$ 203,558</u>	<u>\$ (196,694)</u>	<u>\$ 437,351</u>
Balance as of December 31, 2023	66,525	\$ 66,471	\$ 359,497	\$ 336,113	\$ (126,671)	\$ 635,410
Shares issued on grants of performance share units	325	325	(325)	—	—	—
Stock compensation expense	—	—	1,769	—	—	1,769
Net loss	—	—	—	(16,703)	—	(16,703)
Dividends declared	—	—	—	(5,014)	—	(5,014)
Disposal of investment in joint venture	—	—	—	—	(4,181)	(4,181)
Other comprehensive loss	—	—	—	—	(37,642)	(37,642)
Balance as of March 31, 2024	<u>66,850</u>	<u>\$ 66,796</u>	<u>\$ 360,941</u>	<u>\$ 314,396</u>	<u>\$ (168,494)</u>	<u>\$ 573,639</u>

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 March 31,	
	2025	2024
Cash flows from (used in) operating activities		
Net loss	\$ (22,339)	\$ (16,703)
Adjustments to reconcile net loss to cash flows from operating activities		
Depreciation and amortization	40,355	40,404
Deferred income tax recovery	(9,506)	(13,426)
Loss on disposal of investment in joint venture	—	23,645
Defined benefit pension plans and other post-retirement benefit plan expense	169	210
Stock compensation expense	1,006	2,029
Foreign exchange transaction losses (gains)	8,418	(3,449)
Other	1,628	727
Defined benefit pension plans and other post-retirement benefit plan contributions	—	(329)
Changes in working capital		
Accounts receivable	(16,798)	(63,729)
Inventories	(6,891)	89
Accounts payable and accrued expenses	28,432	2,390
Prepaid expenses and other	(27,463)	(1,052)
Net cash from (used in) operating activities	<u>(2,989)</u>	<u>(29,194)</u>
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(20,082)	(18,461)
Other	222	977
Net cash from (used in) investing activities	<u>(19,860)</u>	<u>(17,484)</u>
Cash flows from (used in) financing activities		
Proceeds from revolving credit facilities, net	21,754	9,125
Payment of finance lease obligations	(2,508)	(2,189)
Other	—	(115)
Net cash from (used in) financing activities	<u>19,246</u>	<u>6,821</u>
Effect of exchange rate changes on cash and cash equivalents	151	137
Net decrease in cash and cash equivalents	(3,452)	(39,720)
Cash and cash equivalents, beginning of period	184,925	313,992
Cash and cash equivalents, end of period	<u>\$ 181,473</u>	<u>\$ 274,272</u>
Supplemental cash flow disclosure:		
Cash paid for interest	\$ 25,026	\$ 34,716
Cash paid for income taxes	\$ 16,912	\$ 8,173
Supplemental schedule of non-cash investing and financing activities:		
Leased production and other equipment	\$ 1,388	\$ 4,514

See accompanying Notes to the Interim Consolidated Financial Statements.

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

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. 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 information as of December 31, 2024 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, 2024. 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, 2024 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, future cash flows associated with impairment testing for goodwill and long-lived assets, depreciation and amortization, pension and other post-retirement benefit obligations, deferred income taxes (valuation allowance and permanent reinvestment), the allocation of the purchase price in a business combination to the assets acquired and liabilities assumed, revenues under long-term contracts, inventory impairment, assets and liabilities classified as held for sale and the fair value of disposal groups, legal liabilities and contingencies. Actual results could differ materially from these estimates and changes in these estimates are recorded when known.

New Accounting Pronouncements

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, which requires additional disaggregation of the reconciliation between the statutory and effective tax rate for an entity and of income taxes paid. The amendments improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. The Company continues to assess the impact of ASU 2023-09.

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

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03, which expands disclosures about specific expense categories presented on the face of the income statement and addresses requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation and amortization) in commonly presented expense captions (such as cost of sales, selling, general and administrative expenses). ASU 2024-03 is effective for fiscal years beginning after December 15, 2026 and interim periods thereafter with early adoption permitted. The Company is currently assessing the impact of ASU 2024-03.

Note 2. Assets and Liabilities Classified as Held for Sale

The Company continues to actively market the sandalwood business and expects a sale to occur within the next 12 months. Accordingly, the assets and associated liabilities of the business, referred to as the “disposal group”, continues to be classified as held for sale.

The disposal group’s estimated fair value was determined using Level 3 inputs based on preliminary indicative offers from third parties. The following summarizes the major classes of assets and liabilities classified as held for sale as of March 31, 2025.

	March 31, 2025
Cash and cash equivalents	\$ 2,344
Accounts receivable, net	2,194
Inventories	19,878
Property, plant and equipment, net	3,204
Operating lease right-of-use-assets	4,930
Sandalwood tree plantations	24,603
Impairment reserve	(40,215)
Impact of changes in foreign exchange rate	2,747
Assets classified as held for sale	<u>\$ 19,685</u>
Accounts payable and other	\$ 2,281
Operating lease liabilities	4,809
Liabilities associated with assets held for sale	<u>\$ 7,090</u>

Note 3. Inventories

Inventories as of March 31, 2025 and December 31, 2024, were comprised of the following:

	March 31, 2025	December 31, 2024
Raw materials	\$ 152,747	\$ 131,396
Finished goods	93,812	101,121
Spare parts and other	133,074	129,165
	<u>\$ 379,633</u>	<u>\$ 361,682</u>

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

Note 4. Accounts Payable and Other

Accounts payable and other as of March 31, 2025 and December 31, 2024, was comprised of the following:

	March 31, 2025	December 31, 2024
Trade payables	\$ 70,527	\$ 53,610
Accrued expenses	96,893	73,755
Interest payable	34,879	33,312
Income tax payable	24,521	30,459
Payroll-related accruals	25,092	24,100
Wastewater fee (a)	7,115	6,324
Finance lease liability	10,011	9,415
Operating lease liability	2,674	2,874
Other	18,848	14,812
	<u>\$ 290,560</u>	<u>\$ 248,661</u>

(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.

Note 5. Debt

Debt as of March 31, 2025 and December 31, 2024, was comprised of the following:

	Maturity	March 31, 2025	December 31, 2024
Senior notes (a)			
12.875% senior notes	2028	\$ 400,000	\$ 400,000
5.125% senior notes	2029	875,000	875,000
Credit arrangements			
€370.1 million German joint revolving credit facility (b)	2027	186,559	168,822
C\$160.0 million Canadian joint revolving credit facility (c)	2027	11,478	347
€2.6 million demand loan (d)		—	—
Finance lease liability		48,601	48,214
		<u>1,521,638</u>	<u>1,492,383</u>
Less: unamortized senior note issuance costs		(8,424)	(8,982)
Less: finance lease liability due within one year		(10,011)	(9,415)
		<u>\$ 1,503,203</u>	<u>\$ 1,473,986</u>

The maturities of the principal portion of the senior notes and credit arrangements as of March 31, 2025 were as follows:

	Senior Notes and Credit Arrangements
2026	\$ —
2027	198,037
2028	400,000
2029	875,000
	<u>\$ 1,473,037</u>

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

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 March 31, 2025, the Company was in compliance with the terms of its debt agreements.

- (a) The senior notes which mature on October 1, 2028 (the “2028 Senior Notes”) and on February 1, 2029 (the “2029 Senior Notes”) and collectively with the 2028 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.

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

2028 Senior Notes		2029 Senior Notes	
12 Month Period Beginning	Percentage	12 Month Period Beginning	Percentage
October 1, 2025	106.438%	February 1, 2025	101.281%
October 1, 2026	103.219%	February 1, 2026 and thereafter	100.000%
October 1, 2027 and thereafter	100.000%		

- (b) A €370.1 million joint revolving credit facility for the German mills that matures in September 2027. Borrowings under the facility are unsecured and bear interest at Euribor plus a variable margin ranging from 1.40% to 2.35% dependent on conditions including but not limited to a prescribed leverage ratio. The facility is sustainability linked whereby the interest rate margin is subject to upward or downward adjustments of up to 0.05% per annum if the Company achieves, or fails to achieve, certain specified sustainability targets. As of March 31, 2025, approximately €172.5 million (\$186,559) of this facility was drawn and accruing interest at a rate of 4.004%, approximately €14.4 million (\$15,520) was supporting bank guarantees and approximately €183.2 million (\$198,212) 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 dollar denominated advances, which bear interest at a designated prime rate per annum; (ii) Canadian dollar denominated advances, which bear interest at the applicable Adjusted Term Canadian Overnight Repo Rate Average (“CORRA”) 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 Secured Overnight Financing Rate (“SOFR”) for a one month tenor plus 1.00% and the bank’s applicable reference rate for dollar denominated loans; and (iv) dollar denominated SOFR advances, which bear interest at the applicable Adjusted Term SOFR plus 1.20% to 1.45% per annum. As of March 31, 2025, approximately C\$16.5 million (\$11,478) of this facility was drawn and accruing interest at a rate of 4.326%, approximately C\$0.6 million (\$448) was supporting letters of credit and approximately C\$130.9 million (\$91,023) was available.
- (d) A €2.6 million demand loan for the Rosenthal mill that does not have a maturity date. Borrowings under this facility are unsecured and bear interest at the rate of the three-month Euribor plus 2.50%. As of March 31, 2025, approximately €2.6 million (\$2,760) of this facility was supporting bank guarantees and approximately \$nil was available.

MERCER INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(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 months ended March 31, 2025 and 2024 were as follows:

	Three Months Ended March 31,			
	2025		2024	
	Pension	Other Post-Retirement Benefits	Pension	Other Post-Retirement Benefits
Service cost	\$ 647	\$ 34	\$ 697	\$ 32
Interest cost	980	108	980	117
Expected return on plan assets	(1,338)	—	(1,533)	—
Amortization of unrecognized items	(81)	(181)	124	(207)
Net benefit costs (gains)	<u>\$ 208</u>	<u>\$ (39)</u>	<u>\$ 268</u>	<u>\$ (58)</u>

The components of the net benefit costs (gains) 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 months ended March 31, 2025, the Company made contributions of \$211 to this plan (2024 – \$320).

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 months ended March 31, 2025, the Company made contributions of \$706 to this plan (2024 – \$521).

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

Note 7. Income Taxes

Differences between the U.S. Federal statutory rate and the Company's effective tax rate for the three months ended March 31, 2025 and 2024 were as follows:

	Three Months Ended	
	March 31,	
	2025	2024
U.S. Federal statutory rate	21%	21%
Income tax recovery using U.S. Federal statutory rate on loss before income taxes	\$ 4,537	\$ 4,844
Tax differential on foreign income	(927)	(587)
Effect of foreign earnings (a)	(3,413)	—
Valuation allowance	(7,242)	(2,608)
True-up of prior year taxes	751	1,236
Annual effective tax rate adjustment	6,200	1,700
Change in tax rate	(403)	1,460
Other, net	(235)	320
Income tax recovery (provision)	<u>\$ (732)</u>	<u>\$ 6,365</u>
Comprised of:		
Current income tax provision	\$ (10,238)	\$ (7,061)
Deferred income tax recovery	9,506	13,426
Income tax recovery (provision)	<u>\$ (732)</u>	<u>\$ 6,365</u>

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

Note 8. Shareholders' Equity

Dividends

During the three months ended March 31, 2025, the Company's board of directors declared the following quarterly dividend:

Date Declared	Dividend Per	Amount
	Common Share	
February 20, 2025	\$ 0.075	\$ 5,015

On May 1, 2025, the Company's board of directors declared a quarterly dividend of \$0.075 per common share. Payment of the dividend will be made on July 3, 2025 to all shareholders of record on June 26, 2025. Future dividends are subject to approval by the board of directors and may be adjusted as business and industry conditions warrant.

Stock Based Compensation

The Company's stock incentive plan consists of stock options, restricted stock units ("RSUs"), deferred stock units ("DSUs"), restricted shares, performance shares, performance share units ("PSUs") and stock appreciation rights. During the three months ended March 31, 2025, there were no issued and outstanding stock options, RSUs, performance shares or stock appreciation rights. As of March 31, 2025, after factoring in all allocated shares, there remain approximately 347 thousand common shares available for grant.

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

The following table summarizes PSU activity during the period:

	Number of PSUs
Outstanding as of January 1, 2025	4,379,461
Granted	2,241,640
Forfeited	(1,452,061)
Outstanding as of March 31, 2025	<u>5,169,040</u>

Note 9. Net loss Per Common Share

The reconciliation of basic and diluted net loss per common share for the three months ended March 31, 2025 and 2024 was as follows:

	Three Months Ended March 31,	
	2025	2024
Net loss		
Basic and diluted	\$ (22,339)	\$ (16,703)
Net loss per common share		
Basic	\$ (0.33)	\$ (0.25)
Diluted	\$ (0.33)	\$ (0.25)
Weighted average number of common shares outstanding:		
Basic (a)	66,893,083	66,641,990
Diluted	66,893,083	66,641,990

- (a) For the three months ended March 31, 2025, the weighted average number of common shares outstanding excludes 21,054 restricted shares which have been issued, but have not vested as of March 31, 2025 (2024 – 54,227 restricted shares) and includes vested Equity DSUs.

The calculation of diluted net loss per common share does not assume the exercise of any instruments that would have an anti-dilutive effect on net loss per common share. Instruments excluded from the calculation of net loss per common share because they were anti-dilutive for the three months ended March 31, 2025 and 2024 were as follows:

	Three Months Ended March 31,	
	2025	2024
PSUs	5,169,040	4,851,497
Restricted shares	21,054	54,227
Unvested Equity DSUs	50,397	44,914

MERCER INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(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 months ended March 31, 2025 and 2024 was as follows:

	Foreign Currency Translation Adjustments	Defined Benefit Pension and Other Post- Retirement Benefit Items	Total
Three Months Ended March 31:			
Balance as of December 31, 2024	\$ (249,997)	\$ 19,228	\$ (230,769)
Other comprehensive income before reclassifications	34,337	—	34,337
Amounts reclassified	—	(262)	(262)
Other comprehensive income (loss)	34,337	(262)	34,075
Balance as of March 31, 2025	<u>\$ (215,660)</u>	<u>\$ 18,966</u>	<u>\$ (196,694)</u>
Balance as of December 31, 2023	\$ (145,605)	\$ 18,934	\$ (126,671)
Other comprehensive loss before reclassifications	(37,469)	(90)	(37,559)
Amounts reclassified	—	(83)	(83)
Other comprehensive loss	(37,469)	(173)	(37,642)
Disposal of investment in joint venture	—	(4,181)	(4,181)
Balance as of March 31, 2024	<u>\$ (183,074)</u>	<u>\$ 14,580</u>	<u>\$ (168,494)</u>

Note 11. Related Party Transactions

For the three months ended March 31, 2025, services from the Company's 50% owned logging and chipping operation were \$2,969 (2024 – \$3,124) and as of March 31, 2025, the Company had a payable balance to the operation of \$404 (December 31, 2024 – receivable of \$348).

For the three months ended March 31, 2025, services from the Company's 26% owned wood purchasing operation were \$2,229 (2024 – \$948) and as of March 31, 2025, the Company had a receivable balance from the operation of \$111 (December 31, 2024 – \$50).

Note 12. Segment Information

The Company is managed based on the primary products it manufactures: pulp and solid wood. The Company's four pulp mills are aggregated into the pulp segment. The Friesau sawmill, the Torgau facility and the mass timber facilities are aggregated into the solid wood segment. The operating results for the pulp and solid wood segments are regularly reviewed by the Company's CODM to assess segment performance and to make decisions about resource allocation. The Company's CODM is the Chief Executive Officer.

Revenues between segments are accounted for at prices that approximate fair value. These include revenues from the sale of residual fiber from the solid wood segment to the pulp segment for use in the pulp production process and from the sale of residual fuel from the pulp segment to the solid wood segment for use in energy production.

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Change in segment measure of profit or loss

In 2024, the Company changed its segment measure from operating income (loss) to net income (loss) before interest, tax, depreciation and amortization and impairments of long-lived assets (“Segment Operating EBITDA”). The CODM uses Segment Operating EBITDA as the primary measure in assessing the operating performance of each reportable segment through periodic reviews and comparison of segment operating trends and identifying strategies to improve the allocation of resources amongst the reportable segments. Segment Operating EBITDA is different from operating income (loss) as it excludes depreciation and amortization and impairment of long-lived assets, as those items are not considered indicative of ongoing core operations. Comparative periods have been recast to conform with the current period’s presentation.

Total assets and the income or loss items following Segment Operating EBITDA, other than depreciation, amortization and impairment of long-lived assets, are not allocated to the segments, as those items are reviewed separately by management.

Information about certain segment data for the three months ended March 31, 2025 and 2024 was as follows:

Three Months Ended March 31, 2025	Pulp	Solid Wood	Total of Segments (a)
Revenues from external customers	\$ 381,080	\$ 122,720	\$ 503,800
Intersegment revenues	344	10,021	10,365
	<u>381,424</u>	<u>132,741</u>	<u>514,165</u>
Less segment expenses:			
Fiber	138,284	66,368	
Maintenance (b)	41,966	9,193	
Freight	35,432	13,324	
Labor (c)	24,193	14,647	
Chemicals	28,061	—	
Energy	14,407	8,424	
Other (d)	49,209	21,077	
Segment Operating EBITDA	<u>\$ 49,872</u>	<u>\$ (292)</u>	<u>\$ 49,580</u>
Purchase of property, plant and equipment	\$ 13,760	\$ 6,281	\$ 20,041

(a) The total of segments’ Segment Operating EBITDA is reconciled to consolidated loss before income taxes in the Interim Consolidated Statements of Operations as follows:

Three Months Ended March 31, 2025	Pulp	Solid Wood	Total
Reconciliation to loss before income taxes			
Total of segments’ Segment Operating EBITDA			\$ 49,580
Segment depreciation and amortization	(28,222)	(11,960)	(40,182)
Interest expense			(28,155)
Other expenses			(185)
Corporate expenses and eliminations			(2,665)
Consolidated loss before income taxes			<u>\$ (21,607)</u>

(b) Maintenance expense for the pulp segment includes expenditures for planned annual maintenance downtime at our pulp mills.

(c) Labor expense excludes maintenance and indirect labor costs.

(d) Other expenses primarily includes selling, general and administrative expenses and the net change in finished goods inventories.

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Three Months Ended March 31, 2025	Pulp	Solid Wood	Corporate and Other	Consolidated
Revenues from external customers by major products				
Pulp	\$ 356,964	\$ —	\$ —	\$ 356,964
Lumber	—	65,386	—	65,386
Energy and chemicals	24,116	4,866	3,174	32,156
Manufactured products (a)	—	18,824	—	18,824
Pallets	—	23,177	—	23,177
Biofuels (b)	—	9,224	—	9,224
Wood residuals	—	1,243	—	1,243
Total revenues from external customers	<u>\$ 381,080</u>	<u>\$ 122,720</u>	<u>\$ 3,174</u>	<u>\$ 506,974</u>
Revenues from external customers by geography (c)				
U.S.	\$ 38,848	\$ 47,310	\$ 642	\$ 86,800
Foreign countries				
Germany	77,058	46,629	161	123,848
China	137,570	393	—	137,963
Other countries	127,604	28,388	2,371	158,363
	<u>342,232</u>	<u>75,410</u>	<u>2,532</u>	<u>420,174</u>
Total revenues from external customers	<u>\$ 381,080</u>	<u>\$ 122,720</u>	<u>\$ 3,174</u>	<u>\$ 506,974</u>

(a) Manufactured products primarily includes cross-laminated timber and glue-laminated timber.

(b) Biofuels includes pellets and briquettes.

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

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Three Months Ended March 31, 2024	Pulp	Solid Wood	Total of Segments (a)
Revenues from external customers	\$ 432,404	\$ 119,023	\$ 551,427
Intersegment revenues	160	9,722	9,882
	<u>432,564</u>	<u>128,745</u>	<u>561,309</u>
Less segment expenses:			
Fiber	150,786	63,603	
Maintenance (b)	22,718	11,036	
Freight	43,684	13,381	
Labor (c)	22,720	14,122	
Chemicals	33,398	—	
Energy	20,464	6,792	
Purchase of pulp from CPP (d)	19,707	—	
Other (e)	50,622	20,706	
Segment Operating EBITDA	<u>\$ 68,465</u>	<u>\$ (895)</u>	<u>\$ 67,570</u>
Purchase of property, plant and equipment	\$ 9,421	\$ 9,005	\$ 18,426

(a) The total of segments' Segment Operating EBITDA is reconciled to consolidated loss before income taxes in the Interim Consolidated Statements of Operations as follows:

Three Months Ended March 31, 2024	Pulp	Solid Wood	Total
Reconciliation to loss before income taxes			
Total of segments' Segment Operating EBITDA			\$ 67,570
Segment depreciation and amortization	(27,373)	(12,811)	(40,184)
Loss on disposal of investment in joint venture	(23,645)	—	(23,645)
Interest expense			(27,559)
Other income			4,939
Corporate expenses and eliminations			(4,189)
Consolidated loss before income taxes			<u>\$ (23,068)</u>

- (b) Maintenance expense for the pulp segment includes expenditures for planned annual maintenance downtime at our pulp mills.
- (c) Labor expense excludes maintenance and indirect labor costs.
- (d) Purchases of pulp inventory from the Cariboo Pulp & Paper Company mill ("CPP") prior to the disposition of the Company's equity interest in 2024.
- (e) Other expenses primarily includes selling, general and administrative expenses and the net change in finished goods inventories.

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

Three Months Ended March 31, 2024	Pulp	Solid Wood	Corporate and Other	Consolidated
Revenues from external customers by major products				
Pulp	\$ 408,295	\$ —	\$ —	\$ 408,295
Lumber	—	55,882	—	55,882
Energy and chemicals	24,109	4,838	2,003	30,950
Manufactured products (a)	—	16,713	—	16,713
Pallets	—	28,020	—	28,020
Biofuels (b)	—	11,254	—	11,254
Wood residuals	—	2,316	—	2,316
Total revenues from external customers	<u>\$ 432,404</u>	<u>\$ 119,023</u>	<u>\$ 2,003</u>	<u>\$ 553,430</u>

Revenues from external customers by geography (c)				
U.S.	\$ 37,589	\$ 44,195	\$ 908	\$ 82,692
Foreign countries				
Germany	79,524	54,076	141	133,741
China	182,799	809	—	183,608
Other countries	132,492	19,943	954	153,389
	<u>394,815</u>	<u>74,828</u>	<u>1,095</u>	<u>470,738</u>
Total revenues from external customers	<u>\$ 432,404</u>	<u>\$ 119,023</u>	<u>\$ 2,003</u>	<u>\$ 553,430</u>

(a) Manufactured products primarily includes cross-laminated timber and glue-laminated timber.

(b) Biofuels includes pellets and briquettes.

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

Note 13. Financial Instruments and Fair Value Measurement

Due to their short-term maturity, the carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and other approximates their fair value. The estimated fair values of the Company's outstanding debt under the fair value hierarchy as of March 31, 2025 and December 31, 2024 were as follows:

Description	Fair value measurements as of March 31, 2025 using:			
	Level 1	Level 2	Level 3	Total
Revolving credit facilities	\$ —	\$ 198,037	\$ —	\$ 198,037
Senior notes	—	1,173,106	—	1,173,106
	<u>\$ —</u>	<u>\$ 1,371,143</u>	<u>\$ —</u>	<u>\$ 1,371,143</u>

Description	Fair value measurements as of December 31, 2024 using:			
	Level 1	Level 2	Level 3	Total
Revolving credit facilities	\$ —	\$ 169,169	\$ —	\$ 169,169
Senior notes	—	1,186,921	—	1,186,921
	<u>\$ —</u>	<u>\$ 1,356,090</u>	<u>\$ —</u>	<u>\$ 1,356,090</u>

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 March 31, 2025 or December 31, 2024. However, fair value disclosure is required. The carrying value of the Company's senior notes, net of unamortized note issuance costs, was \$1,266,576 as of March 31, 2025 (December 31, 2024 – \$1,266,018).

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Credit Risk

The Company's exposure to credit losses may increase if its customers' production and other costs are adversely affected by inflation, interest rate levels and tariffs. 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, interest rate levels and tariffs. As of March 31, 2025, the Company has not had significant credit losses.

As of March 31, 2025, the carrying amount of cash and cash equivalents of \$181,473 and accounts receivable of \$345,839 recorded in the Interim Consolidated Balance Sheet, net of any allowances for losses, represent 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.

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 financial measure “Operating EBITDA”.

We define Operating EBITDA as operating income (loss) plus depreciation and amortization and long-lived 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 (loss) as a performance measure primarily because depreciation expense and long-lived 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 loss, including financing costs, income taxes 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 loss or operating income (loss) 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 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.

Operating EBITDA is a non-GAAP financial measure at the consolidated level and is considered different from Operating EBITDA at the segment level, referred to as “Segment Operating EBITDA”, which is our single measure of segment profit or loss presented in our financial statements under GAAP. For more information on Segment Operating EBITDA, refer to the segment information note within our consolidated 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 March 31, 2025, unless otherwise stated; (iv) our reporting currency is dollars and references to “€” mean euros and “C\$” mean Canadian dollars; (v) “ADMTs” mean air-dried metric tonnes; (vi) “CLT” mean cross-laminated timber; (vii) “glulam” mean glue-laminated timber; (viii) “m³” mean cubic meters; (ix) “NBSK” mean northern bleached softwood kraft; (x) “NBHK” mean northern bleached hardwood kraft; (xi) “MW” mean megawatts and “MWh” mean megawatt hours; (xii) “Mfbm” mean thousand board feet of lumber and “MMfbm” mean million board feet of lumber; and (xiii) our lumber metrics are converted from m³ to Mfbm using a conversion ratio of 1.6 m³ of lumber equaling one Mfbm, which is the ratio commonly used in the industry.

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

The following discussion and analysis of our results of operations and financial condition for the three months ended March 31, 2025 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, 2024 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 chemicals at our pulp mills.
- **Solid Wood** – consists of the manufacture, sale and distribution of lumber, manufactured products (including CLT, glulam and finger joint lumber), wood pallets, electricity, biofuels and wood residuals at our sawmills and other facilities in Germany and our mass timber facilities in North America.

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

Current Market Environment

In the first quarter of 2025, our NBSK pulp sales realizations remained strong in all of our key markets, driven by continued stable demand and ongoing supply constraints, compared to the fourth quarter of 2024. In the first quarter of 2025, our lumber sales realizations increased in both the U.S. and European markets compared to the fourth quarter of 2024 as a result of reduced supply and steady demand.

As of March 31, 2025, the third-party industry quoted NBSK pulp list price in Europe and North America were approximately \$1,595 per ADMT and \$1,805 per ADMT, respectively, and the third-party industry quoted NBSK pulp net price in China was approximately \$798 per ADMT. Prices for China are net of discounts, allowances and rebates.

We currently expect pulp prices in Europe and North America to modestly increase in the second quarter of 2025 due to continued stable demand and ongoing supply constraints. In China, we currently expect lower pulp prices, particularly for NBHK pulp, in the second quarter of 2025 as a result of the weakened economic environment.

In the second quarter of 2025, we currently expect lumber prices to modestly decrease in the U.S. as a result of the impact of the current economic environment on customer demand. In Europe, we currently expect lumber prices to

slightly increase in the second quarter of 2025 due to higher per unit fiber costs. In the second quarter of 2025, we currently expect pallet prices to remain flat due to continued weak economic conditions in Europe and mass timber prices to remain relatively stable.

Per unit fiber costs for the pulp segment were relatively steady in the first quarter of 2025 compared to the fourth quarter of 2024. For the second quarter of 2025, we currently expect per unit fiber costs for our German pulp mills to be higher due to strong demand and reduced supply and for our Canadian pulp mills to be relatively stable.

Per unit fiber costs for the solid wood segment increased in the first quarter of 2025 compared to the fourth quarter of 2024 due to strong demand in Germany. For the second quarter of 2025, we currently expect higher per unit fiber costs for our solid wood segment due to continued strong demand.

Demand and pricing for our products may be further impacted by ongoing developments in international trade policies, including tariffs proposed or imposed by the United States on goods originating from Canada, the European Union and other countries, and related countermeasures. During the first quarter of 2025, there was no material impact from tariffs on our costs and revenues. See Item 1A. Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2024 for further information.

Summary Financial Highlights

	Three Months Ended March 31,	
	2025	2024
(in thousands, other than per share amounts)		
Statement of Operations Data		
Revenues from external customers		
Pulp segment	\$ 381,080	\$ 432,404
Solid wood segment	122,720	119,023
Corporate and other	3,174	2,003
Total revenues	<u>\$ 506,974</u>	<u>\$ 553,430</u>
Pulp Segment Operating EBITDA ⁽¹⁾	\$ 49,872	\$ 68,465
Solid wood Segment Operating EBITDA ⁽¹⁾	(292)	(895)
Corporate and other	(2,492)	(3,969)
Operating EBITDA ⁽²⁾	<u>\$ 47,088</u>	<u>\$ 63,601</u>
Net loss	\$ (22,339)	\$ (16,703)
Net loss per common share		
Basic	\$ (0.33)	\$ (0.25)
Diluted	\$ (0.33)	\$ (0.25)
Common shares outstanding at period end	66,871	66,850

(1) Segment Operating EBITDA is a measure of segment profit or loss presented in our financial statements under GAAP. Refer to the segment information note in our consolidated financial statements for more information.

(2) Operating EBITDA is a non-GAAP measure. See “Non-GAAP Financial Measures” for its description, limitation and why we consider it to be a useful measure. The following table provides a reconciliation of net loss to operating income (loss) and Operating EBITDA for the periods indicated:

	Three Months Ended March 31,	
	2025	2024
(in thousands)		
Net loss	\$ (22,339)	\$ (16,703)
Income tax provision (recovery)	732	(6,365)
Interest expense	28,155	27,559
Other expenses (income)	185	(4,939)
Operating income (loss)	6,733	(448)
Add: Depreciation and amortization	40,355	40,404
Add: Loss on disposal of investment in joint venture	—	23,645
Operating EBITDA	<u>\$ 47,088</u>	<u>\$ 63,601</u>

Selected Production, Sales and Other Data

	Three Months Ended March 31,	
	2025	2024
Pulp Segment		
Pulp production ('000 ADMTs)		
NBSK	370.4	453.2
NBHK	88.5	85.7
Annual maintenance downtime ('000 ADMTs)	29.7	—
Annual maintenance downtime (days)	22	—
Pulp sales ('000 ADMTs)		
NBSK	388.1	488.2
NBHK	89.8	77.5
Average NBSK pulp prices (\$/ADMT) ⁽¹⁾		
Europe	1,550	1,400
China	793	745
North America	1,753	1,440
Average NBHK pulp prices (\$/ADMT) ⁽¹⁾		
China	578	662
North America	1,268	1,223
Average pulp sales realizations (\$/ADMT) ⁽²⁾		
NBSK	783	732
NBHK	570	631
Energy production ('000 MWh) ⁽³⁾	527.1	576.4
Energy sales ('000 MWh) ⁽³⁾	198.7	220.6
Average energy sales realizations (\$/MWh) ⁽³⁾	108	88
Solid Wood Segment		
Lumber		
Production (MMfbm)	128.0	127.0
Sales (MMfbm)	130.9	121.4
Average sales realizations (\$/Mfbm)	499	460
Energy		
Production and sales ('000 MWh)	36.0	38.7
Average sales realizations (\$/MWh)	135	125
Manufactured products⁽⁴⁾		
Production ('000 m ³)	7.1	7.2
Sales ('000 m ³)	5.9	4.0
Average sales realizations (\$/m ³)	2,832	3,644
Pallets		
Production ('000 units)	2,096.4	3,056.3
Sales ('000 units)	2,128.8	2,916.3
Average sales realizations (\$/unit)	11	10
Biofuels⁽⁵⁾		
Production ('000 tonnes)	44.5	37.9
Sales ('000 tonnes)	40.3	48.2
Average sales realizations (\$/tonne)	229	234
Average Spot Currency Exchange Rates		
\$ / € ⁽⁶⁾	1.0531	1.0855
\$ / C\$ ⁽⁶⁾	0.6969	0.7415

- (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.
- (3) Does not include our 50% joint venture interest in the Cariboo Pulp & Paper Company mill ("CPP"), which was accounted for using the equity method. In the first quarter of 2024, we disposed of this interest.
- (4) Manufactured products primarily includes CLT and glulam.
- (5) Biofuels includes pellets and briquettes.
- (6) Average Federal Reserve Bank of New York Noon Buying Rates over the reporting period.

Consolidated – Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

Total revenues for the first quarter of 2025 decreased by approximately 8% to \$507.0 million from \$553.4 million in the same quarter of 2024 primarily due to lower pulp sales volumes partially offset by higher pulp and lumber sales realizations.

Costs and expenses in the first quarter of 2025 decreased by approximately 10% to \$500.2 million from \$553.9 million in the same quarter of 2024 primarily as a result of lower pulp sales volumes and the positive impact of a stronger dollar on our Canadian dollar and euro denominated costs and expenses partially offset by higher planned maintenance downtime at our Celgar mill and higher per unit fiber costs. In the first quarter of 2024, costs and expenses included a non-cash loss of \$23.6 million recognized in connection with the dissolution of the CPP joint venture.

In the first quarter of 2025, cost of sales depreciation and amortization was relatively flat at \$40.3 million compared to \$40.4 million in the same quarter of 2024.

Selling, general and administrative expenses decreased by approximately 6% to \$29.7 million in the first quarter of 2025 from \$31.7 million in the same quarter of 2024 primarily as a result of decreased selling costs due to lower pulp sales volumes.

In the first quarter of 2025, we had a positive foreign exchange impact of approximately \$9.7 million on operating income compared to the same quarter of 2024 primarily as a result of the effect of a stronger dollar on our Canadian dollar and euro denominated costs and expenses.

In the first quarter of 2025, our operating income was \$6.7 million compared to an operating loss of \$0.4 million in the same quarter of 2024. The increase was primarily due to higher pulp and lumber sales realizations and the positive impact of a stronger dollar on our Canadian dollar and euro denominated costs and expenses partially offset by higher planned maintenance downtime and higher per unit fiber costs. In the first quarter of 2024, costs and expenses included a non-cash loss of \$23.6 million recognized in connection with the dissolution of the CPP joint venture.

Interest expense in the first quarter of 2025 was relatively flat at \$28.2 million compared to \$27.6 million in the same quarter of 2024.

In the first quarter of 2025, other expenses was \$0.2 million compared to other income of \$4.9 million in the same quarter of 2024. Other expenses in the first quarter of 2025 primarily consisted of foreign exchange losses on dollar denominated cash held at our operations as the dollar weakened against the euro at the end of the period mostly offset by interest earned on cash in the quarter. In the same quarter of 2024, other income primarily consisted of interest earned on cash and foreign exchange gains on dollar denominated cash held at our operations.

During the first quarter of 2025, we had an income tax provision of \$0.7 million on a loss before income tax of \$21.6 million as we do not recognize a tax recovery for certain entities which we do not expect to realize a tax benefit. In the same quarter of 2024, we had an income tax recovery of \$6.4 million, or an effective tax rate of 28%.

In the first quarter of 2025, our net loss was \$22.3 million, or \$0.33 per share, compared to \$16.7 million, or \$0.25 per share in the same quarter of 2024. The net loss in the first quarter of 2024 included the non-cash loss of \$23.6 million, or \$0.35 per share, recognized in connection with the dissolution of the CPP joint venture.

In the first quarter of 2025, Operating EBITDA decreased by approximately 26% to \$47.1 million from \$63.6 million in the same quarter of 2024 primarily as a result of higher planned maintenance downtime and higher per unit fiber costs partially offset by higher pulp and lumber sales realizations and the positive impact of a stronger dollar on our Canadian dollar and euro denominated costs and expenses.

Pulp Segment – Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

Selected Financial Information

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Pulp revenues	\$ 356,964	\$ 408,295
Energy and chemical revenues	\$ 24,116	\$ 24,109
Segment Operating EBITDA ⁽¹⁾	\$ 49,872	\$ 68,465

(1) Segment Operating EBITDA is a measure of segment profit or loss presented in our financial statements under GAAP. Refer to the segment information note in our consolidated financial statements for more information.

Pulp segment revenues, comprised of pulp, energy and chemical revenues, in the first quarter of 2025 decreased by approximately 12% to \$381.1 million from \$432.4 million in the same quarter of 2024 primarily due to lower pulp revenues.

Pulp revenues in the first quarter of 2025 decreased by approximately 13% to \$357.0 million from \$408.3 million in the same quarter of 2024 as a result of lower sales volumes partially offset by higher sales realizations.

Energy and chemical revenues in the first quarter of 2025 and 2024 were flat at \$24.1 million.

Total pulp production in the first quarter of 2025 decreased by approximately 15% to 458,909 ADMTs from 538,907 ADMTs in the same quarter of 2024 primarily as a result of the dissolution of the CPP joint venture in the first quarter of 2024 and the 22 days of planned annual maintenance downtime (approximately 29,700 ADMTs) at our Celgar mill in the first quarter of 2025. In the first quarter of 2024, we had no planned annual maintenance downtime.

We estimate that annual maintenance downtime in the first quarter of 2025 adversely impacted our Segment Operating EBITDA by approximately \$29.5 million, comprised of approximately \$21.5 million in direct out-of-pocket expenses and the balance in reduced production.

In the second quarter of 2025, we currently expect a total of 21 days of annual maintenance downtime (approximately 30,100 ADMTs) at our pulp mills.

Total pulp sales volumes in the first quarter of 2025 decreased by approximately 16% to 477,879 ADMTs from 565,664 ADMTs in the same quarter of 2024 primarily due to lower production.

In the first quarter of 2025, third-party industry quoted average list prices for NBSK pulp in Europe and North America and third-party industry quoted average net prices for NBSK pulp in China increased from the same quarter of 2024 primarily due to stable demand and supply constraints. Average list prices for NBSK pulp in Europe and North America were approximately \$1,550 per ADMT and \$1,753 per ADMT, respectively, in the first quarter of 2025 compared to approximately \$1,400 per ADMT and \$1,440 per ADMT, respectively, in the same quarter of 2024. Average NBSK net prices in China were approximately \$793 per ADMT in the first quarter of 2025 compared to approximately \$745 per ADMT in the same quarter of 2024. 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.

In the first quarter of 2025, third-party industry quoted average list prices for NBHK pulp increased in North America from the same quarter of 2024 due to stronger demand. Third-party industry quoted average net prices for NBHK pulp decreased in China in the first quarter of 2025 from the same quarter of 2024 as the market absorbed increased hardwood capacity. Third-party industry quoted average list prices for NBHK pulp in North America were approximately \$1,268 per ADMT in the first quarter of 2025 compared to approximately \$1,223 per ADMT in the same quarter of 2024. Third-party industry quoted average net prices for NBHK pulp in China were approximately \$578 per ADMT in the first quarter of 2025 compared to approximately \$662 per ADMT in the same quarter of 2024.

Our average NBSK pulp sales realizations in the first quarter of 2025 increased by approximately 7% to \$783 per ADMT from \$732 per ADMT in the same quarter of 2024 due to higher list prices in all of our key markets. In the first quarter of 2025, average NBHK pulp sales realizations decreased by approximately 10% to \$570 per ADMT from \$631 per ADMT in the same quarter of 2024 due to lower net prices in China.

In the first quarter of 2025, we had a positive foreign exchange impact of approximately \$7.3 million on Segment Operating EBITDA compared to the same quarter of 2024 primarily as a result of the effect of a stronger dollar on our Canadian dollar and euro denominated costs and expenses compared to the same quarter of 2024.

Costs and expenses in the first quarter of 2025 decreased by approximately 13% to \$360.9 million from \$416.5 million in the same quarter of 2024 primarily as a result of lower pulp sales volumes and the positive impact of a stronger dollar on our Canadian dollar and euro denominated costs and expenses partially offset by higher planned maintenance downtime. In the first quarter of 2024, costs and expenses included a non-cash loss of \$23.6 million recognized in connection with the dissolution of the CPP joint venture.

Overall average per unit fiber costs in the first quarter of 2025 were relatively steady compared to the same quarter of 2024. We completed a wood room upgrade at our Celgar mill during the first quarter of 2025. The project was designed to reduce our dependence on sawmill residuals and lower our per unit fiber costs. For the second quarter of 2025, we currently expect per unit fiber costs for our German pulp mills to be higher due to strong demand and reduced supply and for our Canadian pulp mills to be relatively stable.

Transportation costs for our pulp segment in the first quarter of 2025 decreased by approximately 19% to \$35.4 million from \$43.7 million in the same quarter of 2024 driven by lower pulp sales volumes partially offset by higher freight rates.

In the first quarter of 2025, Segment Operating EBITDA for the pulp segment decreased by approximately 27% to \$49.9 million from \$68.5 million in the same quarter of 2024 primarily as a result of higher planned maintenance downtime partially offset by higher pulp sales realizations and the positive impact of a stronger dollar on our Canadian dollar and euro denominated costs and expenses.

Solid Wood Segment – Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

Selected Financial Information

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Lumber revenues	\$ 65,386	\$ 55,882
Energy revenues	\$ 4,866	\$ 4,838
Manufactured products revenues ⁽¹⁾	\$ 18,824	\$ 16,713
Pallet revenues	\$ 23,177	\$ 28,020
Biofuels revenues ⁽²⁾	\$ 9,224	\$ 11,254
Wood residuals revenues	\$ 1,243	\$ 2,316
Segment Operating EBITDA ⁽³⁾	\$ (292)	\$ (895)

(1) Manufactured products primarily includes CLT and glulam.

(2) Biofuels includes pellets and briquettes.

(3) Segment Operating EBITDA is a measure of segment profit or loss presented in our financial statements under GAAP. Refer to the segment information note in our consolidated financial statements for more information.

Solid wood segment revenues in the first quarter of 2025 modestly increased to \$122.7 million from \$119.0 million in the same quarter of 2024 as a result of higher lumber and manufactured products revenues partially offset by lower revenues from our other products.

Lumber revenues in the first quarter of 2025 increased by approximately 17% to \$65.4 million from \$55.9 million in the same quarter of 2024 primarily due to higher sales realizations and sales volumes.

Energy, biofuels and wood residuals revenues in the first quarter of 2025 decreased by approximately 17% to \$15.3 million from \$18.4 million in the same quarter of 2024 primarily as a result of lower sales volumes.

In the first quarter of 2025, manufactured products revenues increased by approximately 13% to \$18.8 million from \$16.7 million in the same quarter of 2024 primarily due to timing of mass timber projects in progress.

Pallet revenues in the first quarter of 2025 decreased by approximately 17% to \$23.2 million from \$28.0 million in the same quarter of 2024 primarily due to lower sales volumes as weak economic conditions in Europe continue to negatively impact demand.

Lumber production in the first quarter of 2025 was relatively flat at 128.0 MMfbm compared to 127.0 MMfbm in the same quarter of 2024.

Lumber sales volumes in the first quarter of 2025 increased by approximately 8% to 130.9 MMfbm from 121.4 MMfbm in the same quarter of 2024 primarily due to timing of sales.

Average lumber sales realizations in the first quarter of 2025 increased by approximately 8% to \$499 per Mfbm from \$460 per Mfbm in the same quarter of 2024 driven by lower supply and stronger demand in both the U.S. and European markets. The U.S. market accounted for approximately 47% of our lumber revenues and approximately 39% of our lumber sales volumes in the first quarter of 2025. The majority of the balance of our lumber sales were to Europe.

Manufactured products sales realizations decreased by approximately 22% to \$2,832 per m³ in the first quarter of 2025 from \$3,644 per m³ in the same quarter of 2024 as the high-interest rate environment negatively impacted demand.

Fiber costs were approximately 80% of our lumber cash production costs in the first quarter of 2025. In the first quarter of 2025, per unit fiber costs for lumber production increased by approximately 12% compared to the same quarter of 2024 driven by strong demand. For the second quarter of 2025, we currently expect higher per unit fiber costs due to continued strong demand.

Transportation costs for our solid wood segment in the first quarter of 2025 were flat at \$13.3 million compared to \$13.4 million in the same quarter of 2024.

In the first quarter of 2025, Segment Operating EBITDA for the solid wood segment was negative \$0.3 million compared to negative \$0.9 million in the same quarter of 2024 primarily due to higher lumber sales realizations partially offset by higher per unit fiber costs.

Liquidity and Capital Resources

Summary of Cash Flows

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Net cash used in operating activities	\$ (2,989)	\$ (29,194)
Net cash used in investing activities	(19,860)	(17,484)
Net cash from financing activities	19,246	6,821
Effect of exchange rate changes on cash and cash equivalents	151	137
Net decrease in cash and cash equivalents	<u>\$ (3,452)</u>	<u>\$ (39,720)</u>

We operate in a cyclical industry and our operating cash flows vary accordingly. Our principal operating cash expenditures are for production costs, such as fiber, chemicals and energy costs, and other material operating costs for maintenance, freight and labor. 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 (used in) Operating Activities. In the three months ended March 31, 2025, cash used in operating activities was \$3.0 million compared to \$29.2 million in the same quarter of 2024. An increase in accounts receivable used cash of \$16.8 million in the three months ended March 31, 2025 and \$63.7 million in the same quarter of 2024. An increase in inventories used cash of \$6.9 million in the three months ended March 31, 2025 and a decrease in inventories provided cash of \$0.1 million in the same quarter of 2024. An increase in accounts payable and accrued expenses provided cash of \$28.4 million in the three months ended March 31, 2025 and \$2.4 million in the same quarter of 2024. An increase in prepaid expenses and other used cash of \$27.5 million in the three months ended March 31, 2025, primarily related to prepaid interest payments on our senior notes due 2028, and \$1.1 million in the same quarter of 2024.

Cash Flows from (used in) Investing Activities. In the three months ended March 31, 2025, investing activities used cash of \$19.9 million. In the three months ended March 31, 2025, we incurred \$20.1 million of capital expenditures primarily related to completion of the wood room project at our Celgar mill, log yard upgrades and other strategic projects at our Torgau facility and maintenance projects across all mills and facilities.

In the three months ended March 31, 2024, investing activities used cash of \$17.5 million. In the three months ended March 31, 2024 we incurred \$18.5 million of capital expenditures primarily related to optimization projects at our Mercer Spokane facility and maintenance projects across all mills and facilities.

Cash Flows from (used in) Financing Activities. In the three months ended March 31, 2025, financing activities provided cash of \$19.2 million. In the three months ended March 31, 2025, we borrowed approximately \$21.8 million under our revolving credit facilities.

In the three months ended March 31, 2024, financing activities provided cash of \$6.8 million. In the three months ended March 31, 2025 we borrowed approximately \$9.1 million under our revolving credit facilities.

Balance Sheet Data

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

	March 31, 2025	December 31, 2024
	(in thousands)	
Cash and cash equivalents	\$ 181,473	\$ 184,925
Working capital	\$ 671,405	\$ 653,466
Total assets	\$ 2,336,167	\$ 2,262,932
Long-term liabilities	\$ 1,600,434	\$ 1,576,619
Total shareholders' equity	\$ 437,351	\$ 429,775

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:

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Capital expenditures	\$ 20,082	\$ 18,461
Cash paid for interest expense ⁽¹⁾	\$ 25,026	\$ 34,716
Interest expense ⁽²⁾	\$ 28,155	\$ 27,559

(1) 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.

(2) Interest on our senior notes due 2028 is paid semi-annually in April and October of each year. Interest on our senior notes due 2029 is paid semi-annually in February and August of each year. Prior to their redemption in October 2024, interest on our senior notes due 2026 was paid semi-annually in January and July of each year.

As of March 31, 2025, we had cash and cash equivalents of \$181.5 million, approximately \$289.2 million available under our revolving credit facilities and aggregate liquidity of about \$470.7 million.

We have reduced our planned capital expenditures for fiscal 2025 and currently expect them to be between \$90.0 million to \$100.0 million.

We currently consider the majority of undistributed earnings of our foreign subsidiaries to be indefinitely reinvested and, accordingly, no U.S. income tax has been provided on such earnings. However, if we were required to repatriate funds to the U.S., 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 U.S. Substantially all of our undistributed earnings are held by our foreign subsidiaries outside of the U.S.

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, 2024.

As of March 31, 2025, we were in full compliance with all of the covenants of our indebtedness.

Contractual Obligations and Commitments

There were no material changes outside the ordinary course to any of our material contractual obligations during the three months ended March 31, 2025.

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 a weaker dollar versus the euro as of March 31, 2025, we recorded a non-cash increase of \$34.3 million in the carrying value of our net assets denominated in euros, consisting primarily of our property, plant and equipment. This non-cash increase does not affect our net loss, Operating EBITDA or cash but is reflected in our other comprehensive income (loss) and as an increase to our total equity. As a result, our accumulated other comprehensive loss decreased to \$196.7 million.

Based upon the exchange rate as of March 31, 2025, the dollar was relatively flat against the Canadian dollar and weakened by approximately 4% against the euro since December 31, 2024. 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, 2024. 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, future cash flows associated with impairment testing for goodwill and long-lived assets, depreciation and amortization, pension and other post-retirement benefit obligations, deferred income taxes (valuation allowance and permanent reinvestment), the allocation of the purchase price in a business combination to the assets acquired and liabilities assumed, revenues under long-term contracts, inventory impairment, assets and liabilities classified as held for sale and the fair value of disposal groups, legal liabilities and contingencies. Actual results could differ materially from these estimates and changes in these estimates are recorded when known.

For information about our significant and critical accounting policies, see our annual report on Form 10-K for the fiscal year ended December 31, 2024.

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:

Risks Related to our Business

- 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;

- inflation or a sustained increase in our key production and other costs would lead to higher manufacturing costs which could reduce our margins;
- our business, financial condition and results of operations could be adversely affected by disruptions in the global and European economies caused by geopolitical conflicts, including Russia's invasion of Ukraine and conflicts in the Middle East;
- the impacts of changes in international trade policies, including tariffs or other trade barriers by the United States, or other nations, may adversely impact our business, financial condition and results of operations;
- 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;
- fluctuations in prices and demand for lumber and mass timber products could adversely affect our business;
- our solid wood segment lumber products are vulnerable to declines in demand due to competing technologies or materials;
- we may experience material disruptions to our production;
- acquisitions may result in additional risks and uncertainties in our business;
- 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;
- 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;
- if we are unable to offer products certified to globally recognized forestry management and chain of custody standards or meet customers' product or project specifications, it could adversely affect our ability to compete;
- failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business;
- evolving sustainability reporting and environmental, social and governance preferences of customers, investors and other stakeholders may impact our business.

Risks Related to our Debt

- 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;

Risks Related to Macroeconomic Conditions

- a weakening of the global economy, including capital and credit markets, could adversely affect our business and financial results and have a material adverse effect on our liquidity and capital resources;
- political uncertainty, an increase in trade protectionism or geopolitical conflict could have a material adverse effect on global macroeconomic activities and trade and adversely affect our business, results of operations and financial condition;
- we are exposed to currency exchange rate fluctuations;
- globally, various central banks raised interest rates in 2022 and 2023 in response to high inflation rates, leading to a relatively high-interest rate environment, which could dampen macroeconomic conditions and business activity and reduce demand for our products;
- health epidemics or pandemics could adversely affect our business and financial results;
- we may incur losses as a result of unforeseen or catastrophic events, including 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 sell surplus green energy in Germany and are subject to changing energy legislation in response to high prices and energy shortages;
- 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 operations;
- product liability claims could adversely affect our operating results;

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 “Item 1A. Risk Factors” in our annual report on Form 10-K for the fiscal year ended December 31, 2024 and in the other reports and documents we have filed with or furnished to the SEC. 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 macroeconomic 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 primarily 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 macroeconomic conditions and has been closely tied to overall business activity. Pulp and lumber 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 2016 and 2025 have fluctuated between a low of \$790 per ADMT in 2016 to a high of \$1,635 per ADMT in 2024. In the same period, third-party industry quoted average North American list prices for NBHK pulp have fluctuated between a low of \$820 per ADMT in 2016 to a high of \$1,620 per ADMT in 2022.

As a key construction material, the pricing and demand for lumber is also significantly influenced by the number of housing starts, especially in the U.S. In the U.S., third-party industry quoted monthly average western spruce/pine/fir (WSPF) 2 x 4 #2&Btr prices between 2016 and 2025 have fluctuated between a low of \$259 per Mfbm in 2016 to a high of \$1,604 per Mfbm in 2021. Similarly, the demand for CLT and glulam is primarily driven by the wood construction market and increased government policies focused on a low-carbon economy.

Our mills and operations voluntarily subject themselves to third-party certifications in 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, sawlogs and lumber. 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, Canada and the U.S. 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 "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" in our annual report on Form 10-K for the fiscal year ended December 31, 2024.

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, 2024. 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

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, 2024.

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 quarter ended March 31, 2025 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 March 31, 2025 has been formatted in iXBRL.

* 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, hereunto duly authorized.

MERCER INTERNATIONAL INC.

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

Date: May 1, 2025