

MERCER INTERNATIONAL INC
Form DEFA14A
July 08, 2003

Mercer International Inc.

Safe Harbor Statement

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this presentation contains statements that are forward-looking, such as statements relating to results of operations and financial condition and business development activities, as well as capital spending and financing sources. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of Mercer. For more information regarding these risks and uncertainties, review Mercer's filings with the Securities and Exchange Commission.

July 8, 2003

2

The Issues

What is the Motive Behind the Dissident Proxy?

Independent Directors Should Not Receive Third Party Remuneration

Mercer is at a Critical Stage of Corporate Development

Mercer has High Quality Assets

Extensive Misleading Statements by Greenlight

Corporate Governance Initiatives

Mercer Nominees

What Is The Motive?

Greenlight Have Refused Two New Independent Directors Unless They Have SOLE Veto Powers

Greenlight's Nominees Have No:

Corporate experience

Pulp & paper experience

International or European experience

Board-level experience at a company as complex as Mercer

Greenlight's Nominees are Well Compensated in Cash and Stock Options by Greenlight

What Is The Motive? (Continued)

One of the Greenlight Nominees Violated U.S. Federal Securities Laws Relating to Proxy Solicitation

Greenlight Has Not Presented an Alternative Refinancing Plan

Is there a plan to impose onerous financing by Greenlight?

Third Party Remuneration of Independent Directors

Raises the Question of Ultimate Loyalty

Mercer or Greenlight

Amount of Remuneration is Substantial

Guy Adams \$75,000 cash, 325,000 options

Saul Diamond \$100,000 cash, 50,000 options

Both Receive 100% Indemnification from Greenlight

6

Mercer: A Critical Time in Development

Refinancing of Bridge Loans

€53 million maturing in October 2003

Refinancing put on hold due to Greenlight actions

Stendal Pulp Mill Project is in Mid-Construction

Any default on Bridge loans will trigger cross-defaults on Stendal and other debt

7

Quality of Mercer Assets

The High Quality of Mercer's Assets are Obvious and Acknowledged by Greenlight

Quality will be further enhanced at completion of Stendal Project

To be Discussed in "Mercer's Current Status and Corporate Achievements"

8

Extensive Misleading Statements By Greenlight

Greenlight: Mercer reshuffled Board terms.

Fact: Only Class III Trustees being elected.

Greenlight: Babington Ltd. solely controlled by Mr. Lee.

Fact: Babington Ltd. is a wholly owned subsidiary of Mercer.

Greenlight: Mr. Lee is conflicted through his MFC Merchant Bank Directorship.

Fact: Mr. Lee is a non-executive director with no participation in operations.

Greenlight: Management is responsible for poor financial results and stock performance.

Fact: The Company has had solid financial results and stock performance relative to its peers.

9

Corporate Governance Initiatives

Appointment of Deloitte & Touche, LLP

Voluntary Adoption of Code of Business Conduct & Ethics Prior to SEC mandate

Adoption of New Audit Committee Charter

Listing on Toronto Stock Exchange

Engagement of Leading North American Investment Bank for Refinancing

Expansion of Board of Trustees by Two Independent Qualified Trustees

10

Mercer's Slate: Provides Added Value

Per Gundersby

30+ Years' Experience in European Pulp and Paper

Extensive Career at Jaako Poyry

Stendal project director

Michel Arnulphy

Trustee since 1995

Extensive knowledge of Mercer International

Proven experience with Rosenthal conversion

Our nominees contribute relevant experience that will benefit all shareholders.

11

Where We Are

Mercer's Current Status and Corporate Achievements

12

Commitment To Building Shareholder Value

Key features of our corporate strategy include:

		<u>Overview</u>		<u>Example</u>
Creating Value	X	Focus operations in grades of products where we can effectively compete	-->	NBSK Pulp Specialty Papers
Stakeholder Approach	X	Leverage synergistic relationships with: management & employees; customers & suppliers; communities & the environment; and government bodies	-->	Government guarantees and grants Environmental compliance
Pursuing Growth	X	Acquire under-performing assets and implement turn-arounds / restructurings to create shareholder value	-->	Dresden Papier 23% CAGR in production capacity post Stendal

13

Rosenthal: An Unparalleled Success

In 1999, conversion of Rosenthal Mill to kraft pulp production created unique asset

approximately €361 million invested (€101 million from grants)

fastest ever start-up of an NBSK facility

capacity increased from 160,000 tonnes to 300,000 tonnes

Strong cost position (€312/tonne*)

lowest quartile from a global delivered cost perspective

Rosenthal Mill

*2002 cash production costs

14

Commitment to Building Shareholder Value

Greenlight Does Not Challenge Our Strategic Plan

They Note That We Have Valuable Assets

These Assets Exist Because of Current Management and The Board of Trustees

15

The Stendal Project

€1 billion "greenfield" project is the largest industrial project investment in Eastern Germany

capacity of 552,000 t/a

production of saleable pulp scheduled for Q3, 2004

Makes Mercer one of the world's leading NBSK pulp producers

Strong cost position (approx. €293/tonne*)

Proximity to Rosenthal allows for operating synergies

Triple total current NBSK pulp production

*Forecast 2005 cash production cost

Stendal Mill

Sources of Funding:	(MM)
Equity	€100
Grants	€274
Project debt	€637
Other	€26
Total	€1,037

16

Stendal Project: A Critical Time

Stendal Project Key to continued strategic development

Massive, complex and time consuming project that requires in-depth experience and cohesive teamwork

Rosenthal Conversion Proves expertise of Management and current Board of Trustees

Refinancing Key to Stendal Project

Completion is critical

Potential default on Bridge Loans if not completed

Other refinancing alternatives less attractive

Stendal Project: A Critical Time

Now Is Not The Time To Experiment

Election of Two Unqualified Nominees Could Negatively Impact Stendal Project and Refinancing

Lack of valid experience

No knowledge of pulp and paper industry

No experience in European marketplace

Potential dissention within the Board of Trustees

Proven Performance vs. Peers

EBITDA per Tonne

Share Price Performance of Comparable Pulp Companies

20

Our Position

A Vote For Mercer's Slate of Trustees is a Vote For:

Qualified, Seasoned Industry Veterans That Will Provide Value

An Efficient, Cohesive Board

The Continued Evolution of Our Company

Corporate Governance

Enhanced Value For ALL Shareholders

VOTE THE WHITE CARD

21

Mercer International Inc.
