

MERCER INTERNATIONAL INC.  
Form 8-K  
February 06, 2014

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

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): February 6, 2014**

**MERCER INTERNATIONAL INC.**

**(Exact name of Registrant as specified in its charter)**

**Washington**

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

**000-51826** **47-0956945**  
**(Commission File Number)** **(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)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ..  Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ..  Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ..  Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ..  Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01. Regulation FD Disclosure.**

The information furnished under Item 7.01 of this Current Report on Form 8-K (the Current Report ) shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act ), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Effective October 1, 2013, Mercer International Inc. (the Company ) changed its reporting currency from the Euro to the U.S. dollar. The Company s management is of the opinion that a U.S. dollar reporting currency enhances communication and understanding with the Company s shareholders, analysts and other stakeholders and improves comparability of the Company s financial information with its competitors and peer group companies. Consolidated financial statements issued prior to October 1, 2013 were prepared using the Euro as the reporting currency; however, subsequent to October 1, 2013, both current and historical financial information have been translated to U.S. dollars in accordance with the method described below. The Company s functional currency has not changed.

The Company translates foreign assets and liabilities of its subsidiaries, other than those denominated in U.S. dollars, at the rate of exchange at its balance sheet date. Revenues and expenses are translated at the average rate of exchange throughout the year. Transaction gains and losses related to net assets primarily located in Canada and Germany are recognized as unrealized foreign currency translation adjustments within accumulated other comprehensive income in shareholders equity, until all of the investment in the subsidiaries is sold or liquidated. The translation adjustments do not recognize the effect of income tax when the Company expects earnings of the foreign subsidiary to be indefinitely reinvested. The income tax effect on currency translation adjustments related to foreign subsidiaries that are not considered indefinitely reinvested is recorded as a component of deferred taxes in the Company s consolidated balance sheet with an offset to other comprehensive income. Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity s functional currency) are included in costs and expenses in the Company s consolidated statement of operations. Where inter-company loans are of a long-term investment nature, the after-tax effect of exchange rate changes are included as an unrealized foreign currency translation adjustment within accumulated other comprehensive income in shareholders equity.

The indenture governing the Company s 9.5% senior notes due 2017 requires the Company to provide the results of operations and financial condition of the Company and its restricted subsidiaries under the indenture, collectively referred to as the Restrictive Group . Currently, the Restrictive Group is comprised of the Company, the Rosenthal and Celgar mills and certain holding subsidiaries. The Restrictive Group excludes the Company s Stendal mill.

The Company is filing this Current Report to present selected financial information for historical reporting periods prior to October 1, 2013 that have been translated to reflect the U.S. dollar as the Company s reporting currency. This Current Report is being filed in response to requests from certain analysts and securities holders for historical information respecting the effect of the reporting currency change on the Company s historical financial information.

This Current Report is being furnished only for the purposes noted above, and does not modify or update the disclosures of any previous periodic report. This Current Report does not reflect any subsequent information or events other than the change in the Company's reporting currency.

The summary selected financial information presented is unaudited and is not complete. The summary selected financial information presented is qualified in its entirety by and should be read together with the audited consolidated financial statements and accompanying notes included in the Company's annual reports on Form 10-K for the fiscal years ended December 31, 2012 and December 31, 2011 and the interim unaudited consolidated financial statements and accompanying notes included in the Company's quarterly reports on Form 10-Q for the relevant periods.

Certain information included in this Current Report includes forward looking statements which involve known and unknown risks and uncertainties which may cause the Company's actual results in future periods to differ materially from forecasted results. Words such as "expects", "anticipates", "projects", "intends", "designed", "will", "believes", "essentially", "could" and variations of such words and similar expressions are intended to identify such forward-looking statements. Among those factors which could cause actual results to differ materially are the following: the highly cyclical nature of the Company's business, raw material costs, the Company's level of indebtedness, competition, foreign exchange and interest rate fluctuations, the Company's use of derivatives, expenditures for capital projects, environmental regulation and compliance, disruptions to the Company's production, market conditions and other risk factors listed from time to time in the Company's reports filed with the Securities and Exchange Commission.

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Balance Sheets****(Unaudited)****(In thousands of U.S. dollars)**

	<b>September 30, 2013</b>			
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 101,607	\$ 79,976	\$	\$ 181,583
Receivables	71,182	60,508		131,690
Inventories	93,020	72,912		165,932
Prepaid expenses and other	10,796	5,979		16,775
Deferred income tax	3,004	2,728		5,732
Total current assets	279,609	222,103		501,712
Long-term assets				
Property, plant and equipment	431,551	620,602		1,052,153
Deferred note issuance and other	10,184	8,950		19,134
Deferred income tax	11,809	7,444		19,253
Due from unrestricted group	148,061		(148,061)	
Total assets	\$ 881,214	\$ 859,099	\$ (148,061)	\$ 1,592,252
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and other	\$ 70,194	\$ 69,416	\$	\$ 139,610
Pension and other post-retirement benefit obligations	1,038			1,038
Debt	737	58,545		59,282
Total current liabilities	71,969	127,961		199,930
Long-term liabilities				
Debt	343,318	572,185		915,503
Due to restricted group		148,061	(148,061)	
Unrealized interest rate derivative losses		49,750		49,750
Pension and other post-retirement benefit obligations	41,599			41,599
Capital leases and other	8,346	11,285		19,631
Deferred income tax	10,339			10,339
Total liabilities	475,571	909,242	(148,061)	1,236,752
<b>EQUITY</b>				

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Total shareholders equity (deficit)	405,643	(41,140)		364,503
Noncontrolling interest (deficit)		(9,003)		(9,003)
Total liabilities and equity	\$ 881,214	\$ 859,099	\$ (148,061)	\$ 1,592,252

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Balance Sheets****(Unaudited)****(In thousands of U.S. dollars)**

	<b>June 30, 2013</b>			
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 90,376	\$ 84,521	\$	\$ 174,897
Receivables	64,625	61,608		126,233
Inventories	83,523	57,232		140,755
Prepaid expenses and other	10,256	6,436		16,692
Deferred income tax	2,833	2,126		4,959
Total current assets	251,613	211,923		463,536
Long-term assets				
Property, plant and equipment	425,566	600,686		1,026,252
Deferred note issuance and other	8,889	7,543		16,432
Deferred income tax	11,548	7,652		19,200
Due from unrestricted group	139,348		(139,348)	
Total assets	\$ 836,964	\$ 827,804	\$ (139,348)	\$ 1,525,420
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and other	\$ 64,405	\$ 60,494	\$	\$ 124,899
Pension and other post-retirement benefit obligations	1,015			1,015
Debt	1,415	56,279		57,694
Total current liabilities	66,835	116,773		183,608
Long-term liabilities				
Debt	306,884	577,909		884,793
Due to restricted group		139,348	(139,348)	
Unrealized interest rate derivative losses		51,777		51,777
Pension and other post-retirement benefit obligations	40,537			40,537
Capital leases and other	7,617	10,075		17,692
Deferred income tax	8,966			8,966
Total liabilities	430,839	895,882	(139,348)	1,187,373
<b>EQUITY</b>				

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Total shareholders equity (deficit)	406,125	(48,460)		357,665
Noncontrolling interest (deficit)		(19,618)		(19,618)
Total liabilities and equity	\$ 836,964	\$ 827,804	\$ (139,348)	\$ 1,525,420

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Balance Sheets****(Unaudited)****(In thousands of U.S. dollars)**

	<b>March 31, 2013</b>			
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 66,820	\$ 75,295	\$	\$ 142,115
Receivables	89,822	64,518		154,340
Inventories	92,556	52,440		144,996
Prepaid expenses and other	6,207	4,445		10,652
Deferred income tax	2,813	2,098		4,911
Total current assets	258,218	198,796		457,014
Long-term assets				
Property, plant and equipment	437,217	593,943		1,031,160
Deferred note issuance and other	8,119	6,806		14,925
Deferred income tax	11,843	7,554		19,397
Due from unrestricted group	134,303		(134,303)	
Total assets	\$ 849,700	\$ 807,099	\$ (134,303)	\$ 1,522,496
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and other	\$ 67,662	\$ 57,734	\$	\$ 125,396
Pension and other post-retirement benefit obligations	1,050			1,050
Debt	15,183	55,552		70,735
Total current liabilities	83,895	113,286		197,181
Long-term liabilities				
Debt	284,361	560,856		845,217
Due to restricted group		134,303	(134,303)	
Unrealized interest rate derivative losses		58,448		58,448
Pension and other post-retirement benefit obligations	41,674			41,674
Capital leases and other	7,828	10,006		17,834
Deferred income tax	7,930			7,930
Total liabilities	425,688	876,899	(134,303)	1,168,284
<b>EQUITY</b>				

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Total shareholders equity (deficit)	424,012	(49,392)		374,620
Noncontrolling interest (deficit)		(20,408)		(20,408)
Total liabilities and equity	\$ 849,700	\$ 807,099	\$ (134,303)	\$ 1,522,496

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Balance Sheets****(Unaudited)****(In thousands of U.S. dollars)**

	<b>December 31, 2012</b>			
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 48,407	\$ 89,032	\$	\$ 137,439
Receivables	80,708	64,442		145,150
Inventories	98,606	57,373		155,979
Prepaid expenses and other	7,661	2,764		10,425
Deferred income tax	2,885	3,002		5,887
Total current assets	238,267	216,613		454,880
Long-term assets				
Property, plant and equipment	455,293	611,213		1,066,506
Deferred note issuance and other	8,712	7,324		16,036
Deferred income tax	12,102	11,057		23,159
Due from unrestricted group	134,897		(134,897)	
Total assets	\$ 849,271	\$ 846,207	\$ (134,897)	\$ 1,560,581
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and other	\$ 55,517	\$ 63,082	\$	\$ 118,599
Pension and other post-retirement benefit obligations	1,072			1,072
Debt	7,465	52,740		60,205
Total current liabilities	64,054	115,822		179,876
Long-term liabilities				
Debt	285,079	592,701		877,780
Due to restricted group		134,897	(134,897)	
Unrealized interest rate derivative losses		66,819		66,819
Pension and other post-retirement benefit obligations	42,378			42,378
Capital leases and other	8,008	10,367		18,375
Deferred income tax	7,591			7,591
Total liabilities	407,110	920,606	(134,897)	1,192,819
<b>EQUITY</b>				

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Total shareholders equity (deficit)	442,161	(53,057)		389,104
Noncontrolling interest (deficit)		(21,342)		(21,342)
Total liabilities and equity	\$ 849,271	\$ 846,207	\$ (134,897)	\$ 1,560,581

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Balance Sheets****(Unaudited)****(In thousands of U.S. dollars)**

	<b>September 30, 2012</b>			
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 70,738	\$ 91,465	\$	\$ 162,203
Receivables	80,110	72,402		152,512
Inventories	89,784	55,945		145,729
Prepaid expenses and other	9,938	3,179		13,117
Deferred income tax	6,815	4,802		11,617
Total current assets	257,385	227,793		485,178
Long-term assets				
Property, plant and equipment	458,062	590,552		1,048,614
Deferred note issuance and other	7,812	7,517		15,329
Deferred income tax	11,407	8,854		20,261
Due from unrestricted group	128,548		(128,548)	
Total assets	\$ 863,214	\$ 834,716	\$ (128,548)	\$ 1,569,382
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and other	\$ 80,574	\$ 67,318	\$	\$ 147,892
Pension and other post-retirement benefit obligations	1,014			1,014
Debt	1,399	51,424		52,823
Total current liabilities	82,987	118,742		201,729
Long-term liabilities				
Debt	285,060	577,310		862,370
Due to restricted group		128,548	(128,548)	
Unrealized interest rate derivative losses		68,172		68,172
Pension and other post-retirement benefit obligations	41,638			41,638
Capital leases and other	8,186	9,040		17,226
Deferred income tax	6,987			6,987
Total liabilities	424,858	901,812	(128,548)	1,198,122
<b>EQUITY</b>				

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Total shareholders equity (deficit)	438,356	(47,249)	391,107
Noncontrolling interest (deficit)		(19,847)	(19,847)
Total liabilities and equity	\$ 863,214	\$ 834,716	\$ (128,548) \$ 1,569,382

## MERCER INTERNATIONAL INC.

## RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE

## Combined Condensed Balance Sheets

(Unaudited)

(In thousands of U.S. dollars)

	June 30, 2012			
	Restricted Group	Unrestricted Subsidiaries	Eliminations	Consolidated Group
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 63,462	\$ 102,346	\$	\$ 165,808
Marketable securities	12,923			12,923
Receivables	70,219	61,431		131,650
Inventories	89,388	60,373		149,761
Prepaid expenses and other	7,282	3,602		10,884
Deferred income tax	6,232	4,246		10,478
Total current assets	249,506	231,998		481,504
Long-term assets				
Property, plant and equipment	450,516	584,323		1,034,839
Deferred note issuance and other	8,087	7,825		15,912
Deferred income tax	11,246	9,210		20,456
Due from unrestricted group	123,856		(123,856)	
Total assets	\$ 843,211	\$ 833,356	\$ (123,856)	\$ 1,552,711
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and other	\$ 67,369	\$ 64,225	\$	\$ 131,594
Pension and other post-retirement benefit obligations	979			979
Debt	1,378	44,338		45,716
Total current liabilities	69,726	108,563		178,289
Long-term liabilities				
Debt	285,739	593,610		879,349
Due to restricted group		123,856	(123,856)	
Unrealized interest rate derivative losses		65,609		65,609
Pension and other post-retirement benefit obligations	40,282			40,282
Capital leases and other	8,183	8,859		17,042
Deferred income tax	4,934			4,934
Total liabilities	408,864	900,497	(123,856)	1,185,505

**EQUITY**

Total shareholders equity (deficit)	434,347	(46,603)		387,744
Noncontrolling interest (deficit)		(20,538)		(20,538)
Total liabilities and equity	\$ 843,211	\$ 833,356	\$ (123,856)	\$ 1,552,711

## MERCER INTERNATIONAL INC.

## RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE

## Combined Condensed Balance Sheets

(Unaudited)

(In thousands of U.S. dollars)

	March 31, 2012			
	Restricted Group	Unrestricted Subsidiaries	Eliminations	Consolidated Group
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 71,464	\$ 94,139	\$	\$ 165,603
Marketable securities	16,279			16,279
Receivables	85,064	70,673		155,737
Inventories	89,674	54,839		144,513
Prepaid expenses and other	6,185	3,615		9,800
Deferred income tax	6,808	2,095		8,903
Total current assets	275,474	225,361		500,835
Long-term assets				
Property, plant and equipment	464,981	619,256		1,084,237
Deferred note issuance and other	7,492	8,202		15,694
Deferred income tax	11,853	5,060		16,913
Due from unrestricted group	127,524		(127,524)	
Total assets	\$ 887,324	\$ 857,879	\$ (127,524)	\$ 1,617,679
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and other	\$ 73,495	\$ 60,812	\$	\$ 134,307
Pension and other post-retirement benefit obligations	999			999
Debt	1,451	46,669		48,120
Total current liabilities	75,945	107,481		183,426
Long-term liabilities				
Debt	292,816	624,194		917,010
Due to restricted group		127,524	(127,524)	
Unrealized interest rate derivative losses		68,690		68,690
Pension and other post-retirement benefit obligations	41,147			41,147
Capital leases and other	8,586	8,276		16,862
Deferred income tax	5,694			5,694
Total liabilities	424,188	936,165	(127,524)	1,232,829

**EQUITY**

Total shareholders equity (deficit)	463,136	(55,645)		407,491
Noncontrolling interest (deficit)		(22,641)		(22,641)
Total liabilities and equity	\$ 887,324	\$ 857,879	\$ (127,524)	\$ 1,617,679

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Balance Sheets****(Unaudited)****(In thousands of U.S. dollars)**

	<b>December 31, 2011</b>			
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 58,152	\$ 78,147	\$	\$ 136,299
Marketable securities	15,847			15,847
Receivables	81,331	74,965		156,296
Inventories	92,999	63,364		156,363
Prepaid expenses and other	6,511	4,077		10,588
Deferred income tax	6,718	2,038		8,756
Total current assets	261,558	222,591		484,149
Long-term assets				
Property, plant and equipment	459,111	605,856		1,064,967
Deferred note issuance and other	7,746	6,216		13,962
Deferred income tax	11,016	4,923		15,939
Due from unrestricted group	115,222		(115,222)	
Total assets	\$ 854,653	\$ 839,586	\$ (115,222)	\$ 1,579,017
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and other	\$ 64,620	\$ 64,633	\$	\$ 129,253
Pension and other post-retirement benefit obligations	981			981
Debt	1,411	31,889		33,300
Total current liabilities	67,012	96,522		163,534
Long-term liabilities				
Debt	288,477	630,479		918,956
Due to restricted group		115,222	(115,222)	
Unrealized interest rate derivative losses		67,962		67,962
Pension and other post-retirement benefit obligations	40,469			40,469
Capital leases and other	8,566	8,366		16,932
Deferred income tax	3,353			3,353
Total liabilities	407,877	918,551	(115,222)	1,211,206

**EQUITY**

Total shareholders equity (deficit)	446,776	(55,444)		391,332
Noncontrolling interest (deficit)		(23,521)		(23,521)
Total liabilities and equity	\$ 854,653	\$ 839,586	\$ (115,222)	\$ 1,579,017

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Statements of Operations****(Unaudited)****(In thousands of U.S. dollars)****Three Months Ended September 30, 2013**

	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>Revenues</b>				
Pulp	\$ 140,193	\$ 106,464	\$	\$ 246,657
Energy and chemicals	7,871	14,690		22,561
	148,064	121,154		269,218
<b>Operating costs</b>	120,408	99,752		220,160
Operating depreciation and amortization	10,777	8,617		19,394
Selling, general and administrative expenses	7,433	5,072		12,505
Restructuring expenses	3,855			3,855
	142,473	113,441		255,914
Operating income (loss)	5,591	7,713		13,304
<b>Other income (expense)</b>				
Interest expense	(8,204)	(11,232)	2,182	(17,254)
Gain (loss) on derivative instruments	(1,400)	4,045		2,645
Other income (expense)	2,371	37	(2,182)	226
Total other income (expense)	(7,233)	(7,150)		(14,383)
Income (loss) before income taxes	(1,642)	563		(1,079)
Income tax benefit (provision)	(1,439)	192		(1,247)
Net income (loss)	(3,081)	755		(2,326)
Less: net income attributable to noncontrolling interest		(640)		(640)
Net income (loss) attributable to common shareholders	\$ (3,081)	\$ 115	\$	\$ (2,966)

**Three Months Ended June 30, 2013**

	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>Revenues</b>				

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Pulp	\$ 137,957	\$ 115,209	\$	\$ 253,166
Energy and chemicals	7,886	13,648		21,534
	145,843	128,857		274,700
Operating costs	135,425	108,938		244,363
Operating depreciation and amortization	10,791	8,476		19,267
Selling, general and administrative expenses	7,375	4,864		12,239
	153,591	122,278		275,869
Operating income (loss)	(7,748)	6,579		(1,169)
Other income (expense)				
Interest expense	(7,685)	(11,639)	2,154	(17,170)
Gain (loss) on derivative instruments	(551)	7,472		6,921
Other income (expense)	2,118	44	(2,154)	8
Total other income (expense)	(6,118)	(4,123)		(10,241)
Income (loss) before income taxes	(13,866)	2,456		(11,410)
Income tax benefit (provision)	(795)	(20)		(815)
Net income (loss)	(14,661)	2,436		(12,225)
Less: net income attributable to noncontrolling interest		(790)		(790)
Net income (loss) attributable to common shareholders	\$ (14,661)	\$ 1,646	\$	\$ (13,015)

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Statements of Operations****(Unaudited)****(In thousands of U.S. dollars)**

	<b>Three Months Ended March 31, 2013</b>			<b>Consolidated Group</b>
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	
<b>Revenues</b>				
Pulp	\$ 132,350	\$ 105,468	\$	\$ 237,818
Energy and chemicals	9,361	14,606		23,967
	141,711	120,074		261,785
<b>Operating costs</b>	118,200	99,784		217,984
Operating depreciation and amortization	10,815	8,635		19,450
Selling, general and administrative expenses	7,547	4,197		11,744
	136,562	112,616		249,178
<b>Operating income (loss)</b>	5,149	7,458		12,607
<b>Other income (expense)</b>				
Interest expense	(7,745)	(11,791)	2,176	(17,360)
Gain (loss) on derivative instruments	(456)	6,820		6,364
Other income (expense)	2,027	57	(2,176)	(92)
<b>Total other income (expense)</b>	(6,174)	(4,914)		(11,088)
<b>Income (loss) before income taxes</b>	(1,025)	2,544		1,519
Income tax benefit (provision)	(1,342)	197		(1,145)
<b>Net income (loss)</b>	(2,367)	2,741		374
Less: net income attributable to noncontrolling interest		(935)		(935)
<b>Net income (loss) attributable to common shareholders</b>	\$ (2,367)	\$ 1,806	\$	\$ (561)

	<b>Three Months Ended December 31, 2012</b>			<b>Consolidated Group</b>
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	
<b>Revenues</b>				
Pulp	\$ 126,666	\$ 95,814	\$	\$ 222,480

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Energy and chemicals	9,184	13,133		22,317
	135,850	108,947		244,797
Operating costs	111,815	92,855		204,670
Operating depreciation and amortization	9,664	8,496		18,160
Selling, general and administrative expenses	8,199	4,284		12,483
	129,678	105,635		235,313
Operating income (loss)	6,172	3,312		9,484
Other income (expense)				
Interest expense	(7,360)	(12,455)	2,005	(17,810)
Gain (loss) on derivative instruments	80	3,019		3,099
Other income (expense)	2,099	62	(2,005)	156
Total other income (expense)	(5,181)	(9,374)		(14,555)
Income (loss) before income taxes	991	(6,062)		(5,071)
Income tax benefit (provision)	(2,812)	(275)		(3,087)
Net income (loss)	(1,821)	(6,337)		(8,158)
Less: net loss attributable to noncontrolling interest		1,495		1,495
Net income (loss) attributable to common shareholders	\$ (1,821)	\$ (4,842)	\$	\$ (6,663)

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Statements of Operations****(Unaudited)****(In thousands of U.S. dollars)**

	<b>Three Months Ended September 30, 2012</b>			
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>Revenues</b>				
Pulp	\$ 141,388	\$ 115,819	\$	\$ 257,207
Energy and chemicals	8,707	14,013		22,720
	150,095	129,832		279,927
<b>Operating costs</b>				
Operating depreciation and amortization	137,898	101,986		239,884
Selling, general and administrative expenses	10,415	8,349		18,764
	8,016	4,533		12,549
	156,329	114,868		271,197
Operating income (loss)	(6,234)	14,964		8,730
<b>Other income (expense)</b>				
Interest expense	(7,529)	(11,861)	1,753	(17,637)
Gain (loss) on derivative instruments	428	(1,594)		(1,166)
Other income (expense)	2,108	319	(1,753)	674
Total other income (expense)	(4,993)	(13,136)		(18,129)
Income (loss) before income taxes	(11,227)	1,828		(9,399)
Income tax benefit (provision)	(1,497)	(907)		(2,404)
Net income (loss)	(12,724)	921		(11,803)
Less: net income attributable to noncontrolling interest		(691)		(691)
Net income (loss) attributable to common shareholders	\$ (12,724)	\$ 230	\$	\$ (12,494)

	<b>Three Months Ended June 30, 2012</b>			
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>Revenues</b>				
Pulp	\$ 133,039	\$ 105,493	\$	\$ 238,532

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Energy and chemicals	8,267	14,851		23,118
	141,306	120,344		261,650
Operating costs	121,548	86,908		208,456
Operating depreciation and amortization	10,020	8,622		18,642
Selling, general and administrative expenses	6,922	4,124		11,046
	138,490	99,654		238,144
Operating income (loss)	2,816	20,690		23,506
Other income (expense)				
Interest expense	(7,617)	(11,944)	1,775	(17,786)
Gain (loss) on derivative instruments	2,101	(371)		1,730
Other income (expense)	1,176	128	(1,775)	(471)
Total other income (expense)	(4,340)	(12,187)		(16,527)
Income (loss) before income taxes	(1,524)	8,503		6,979
Income tax benefit (provision)	(1,803)	(1,125)		(2,928)
Net income (loss)	(3,327)	7,378		4,051
Less: net income attributable to noncontrolling interest		(2,103)		(2,103)
Net income (loss) attributable to common shareholders	\$ (3,327)	\$ 5,275	\$	\$ 1,948

**MERCER INTERNATIONAL INC.****RESTRICTED GROUP SUPPLEMENTAL DISCLOSURE****Combined Condensed Statements of Operations****(Unaudited)****(In thousands of U.S. dollars)**

	<b>Three Months Ended March 31, 2012</b>			
	<b>Restricted Group</b>	<b>Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
Revenues				
Pulp	\$ 144,112	\$ 117,439	\$	\$ 261,551
Energy and chemicals	10,480	14,331		24,811
	154,592	131,770		286,362
Operating costs	128,962	104,172		233,134
Operating depreciation and amortization	10,019	8,717		18,736
Selling, general and administrative expenses	8,551	4,639		13,190
	147,532	117,528		265,060
Operating income (loss)	7,060	14,242		21,302
Other income (expense)				
Interest expense	(7,619)	(12,674)	1,759	(18,534)
Gain (loss) on derivative instruments		1,149		1,149
Other income (expense)	1,082	139	(1,759)	(538)
Total other income (expense)	(6,537)	(11,386)		(17,923)
Income (loss) before income taxes	523	2,856		3,379
Income tax benefit (provision)	(938)	(22)		(960)
Net income (loss)	(415)	2,834		2,419
Less: net income attributable to noncontrolling interest		(880)		(880)
Net income (loss) attributable to common shareholders	\$ (415)	\$ 1,954	\$	\$ 1,539

**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.**

/s/ David M. Gandossi  
David M. Gandossi  
Chief Financial Officer

Date: February 6, 2014