

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)**

| | September 30, 2013 | | | |
|---|-----------------------------|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| ASSETS | | | | |
| 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 |
| LIABILITIES | | | | |
| 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 |
| EQUITY | | | | |

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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)**

| | June 30, 2013 | | | |
|---|-----------------------------|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| ASSETS | | | | |
| 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 |
| LIABILITIES | | | | |
| 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 |
| EQUITY | | | | |

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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)**

| | March 31, 2013 | | | |
|---|-----------------------------|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| ASSETS | | | | |
| 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 |
| LIABILITIES | | | | |
| 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 |
| EQUITY | | | | |

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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)**

| | December 31, 2012 | | | |
|---|-----------------------------|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| ASSETS | | | | |
| 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 |
| LIABILITIES | | | | |
| 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 |
| EQUITY | | | | |

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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)**

| | September 30, 2012 | | | |
|---|-----------------------------|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| ASSETS | | | | |
| 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 |
| LIABILITIES | | | | |
| 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 |
| EQUITY | | | | |

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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 |
| ASSETS | | | | |
| 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 |
| LIABILITIES | | | | |
| 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 |
| ASSETS | | | | |
| 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 |
| LIABILITIES | | | | |
| 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)**

| | December 31, 2011 | | | |
|---|-----------------------------|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| ASSETS | | | | |
| 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 |
| LIABILITIES | | | | |
| 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 | | | |
|--|--|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| Revenues | | | | |
| Pulp | \$ 140,193 | \$ 106,464 | \$ | \$ 246,657 |
| Energy and chemicals | 7,871 | 14,690 | | 22,561 |
| | 148,064 | 121,154 | | 269,218 |
| Operating costs | | | | |
| Operating depreciation and amortization | 120,408 | 99,752 | | 220,160 |
| Selling, general and administrative expenses | 10,777 | 8,617 | | 19,394 |
| Restructuring expenses | 7,433 | 5,072 | | 12,505 |
| | 3,855 | | | 3,855 |
| | 142,473 | 113,441 | | 255,914 |
| Operating income (loss) | 5,591 | 7,713 | | 13,304 |
| Other income (expense) | | | | |
| 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

| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
|-----------------|-----------------------------|--------------------------------------|---------------------|-------------------------------|
| Revenues | | | | |

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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)**

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

| | Three Months Ended December 31, 2012 | | | |
|-----------------|---|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| Revenues | | | | |
| 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)**

| | Three Months Ended September 30, 2012 | | | |
|--|--|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| Revenues | | | | |
| Pulp | \$ 141,388 | \$ 115,819 | \$ | \$ 257,207 |
| Energy and chemicals | 8,707 | 14,013 | | 22,720 |
| | 150,095 | 129,832 | | 279,927 |
| Operating costs | 137,898 | 101,986 | | 239,884 |
| Operating depreciation and amortization | 10,415 | 8,349 | | 18,764 |
| Selling, general and administrative expenses | 8,016 | 4,533 | | 12,549 |
| | 156,329 | 114,868 | | 271,197 |
| Operating income (loss) | (6,234) | 14,964 | | 8,730 |
| Other income (expense) | | | | |
| 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) |

Three Months Ended June 30, 2012

| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
|-----------------|-----------------------------|--------------------------------------|---------------------|-------------------------------|
| Revenues | | | | |
| 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)**

| | Three Months Ended March 31, 2012 | | | |
|--|--|--------------------------------------|---------------------|-------------------------------|
| | Restricted Group | Unrestricted Subsidiaries | Eliminations | Consolidated Group |
| 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