



For Immediate Release

MERCER INTERNATIONAL INC. REPORTS FIRST QUARTER 2021 RESULTS AND ANNOUNCES QUARTERLY CASH DIVIDEND OF \$0.065

Selected Highlights

- **Record quarterly wood products segment results**
- **First quarter Operating EBITDA* of \$82.0 million and net income of \$5.9 million**

NEW YORK, NY, April 29, 2021 - Mercer International Inc. (Nasdaq: MERC) today reported first quarter 2021 Operating EBITDA increased to \$82.0 million from \$57.0 million in the first quarter of 2020 and from \$49.5 million in the fourth quarter of 2020.

In the first quarter of 2021, net income was \$5.9 million (or \$0.09 per share) compared to a net loss of \$3.4 million (or \$0.05 per share) in the first quarter of 2020 and a net loss of \$13.0 million (or \$0.20 per share) in the fourth quarter of 2020.

Mr. David Gandossi, the Chief Executive Officer, stated: "In the first quarter, our mills continued to run well and safely due to our extensive COVID-19 protection measures. Our Friesau sawmill's strong operating results allowed us to take full advantage of the strong U.S. lumber market.

Our strong first quarter results reflected improved pulp pricing across all of our markets. First quarter average European NBSK list prices were up \$157 per ADMT, and average net prices in China were up \$246 per ADMT compared to the prior quarter.

Our wood products segment achieved another record quarterly result and continues to benefit from strong demand and robust pricing, particularly in the U.S. market. In the current quarter, approximately 67% of our lumber revenues and 44% of lumber sales volumes were to the U.S. which was our single largest market.

In January 2021, we refinanced (the "Refinancing") a significant portion of our debt by issuing \$875.0 million of 5.125% 2029 Senior Notes and using the proceeds to redeem and/or repurchase all of our 6.5% 2024 and 7.375%

*Operating EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States ("GAAP") and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. See page 6 of the financial tables included in this press release for a reconciliation of net income (loss) to Operating EBITDA.

2025 Senior Notes at a cost including premium of \$824.6 million (the “Redemption”). We recorded a loss on such Redemption of \$30.4 million (being \$0.46 per share). The Refinancing reduced our annual interest expense going forward by approximately \$12 million.

We have significant major maintenance scheduled this quarter, which requires a large number of specialty contractors at our mills. Consequently, we continue to maintain measures and procedures to operate our business safely and efficiently and to protect our people, including regular COVID-19 testing of employees and contractors.

While I am encouraged by the significant ramp up in the administration of vaccines globally, there has also been a widespread increase in infection rates which has led various countries to re-impose restrictions on certain activities.

Looking ahead to the second quarter, we are pleased with the strong pulp market fundamentals, which are being supported by steady demand. As well, lumber demand and pricing are expected to remain robust in all markets. Strong markets combined with our ample liquidity leave us well positioned to accelerate our strategic plan, including pursuing high return opportunities.”

Consolidated Financial Results

| | Q1 2021 | Q4 2020 | Q1 2020 |
|--------------------------------------|--|-------------|------------|
| | (in thousands, except per share amounts) | | |
| Revenues | \$ 412,720 | \$ 398,195 | \$ 350,599 |
| Operating income | \$ 51,029 | \$ 15,616 | \$ 24,062 |
| Operating EBITDA | \$ 81,996 | \$ 49,506 | \$ 57,008 |
| Loss on early extinguishment of debt | \$ (30,368) ⁽¹⁾ | \$ — | \$ — |
| Net income (loss) | \$ 5,933 | \$ (12,977) | \$ (3,392) |
| Net income (loss) per common share | | | |
| Basic and diluted | \$ 0.09 | \$ (0.20) | \$ (0.05) |

(1) Redemption of 6.50% senior notes due 2024 and 7.375% senior notes due 2025.

Consolidated – Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Total revenues for the three months ended March 31, 2021 increased by approximately 18% to \$412.7 million from \$350.6 million in the same quarter of 2020 primarily due to higher pulp and lumber sales realizations partially offset by lower sales volumes.

Costs and expenses in the current quarter increased by approximately 11% to \$361.7 million from \$326.5 million in the first quarter of 2020 primarily due to the negative impact of a weaker dollar on our Canadian dollar and euro denominated costs and expenses and higher maintenance costs partially offset by lower per unit fiber costs.

In the first quarter of 2021, Operating EBITDA increased by approximately 44% to \$82.0 million from \$57.0 million in the same quarter of 2020 primarily due to higher pulp and lumber sales realizations and lower per unit fiber costs partially offset by the negative impact of a weaker dollar on our Canadian dollar and euro denominated costs and higher maintenance costs.

For the first quarter of 2021, our net income was \$5.9 million, or \$0.09 per share after giving effect to the loss on the Redemption of \$30.4 million compared to a net loss of \$3.4 million, or \$0.05 per share, in the same quarter of 2020.

Segment Results

Pulp

| | Three Months Ended March 31, | |
|------------------------------|------------------------------|------------|
| | 2021 | 2020 |
| | (in thousands) | |
| Pulp revenues | \$ 317,582 | \$ 278,948 |
| Energy and chemical revenues | \$ 22,174 | \$ 24,657 |
| Operating income | \$ 25,296 | \$ 21,439 |

Pulp segment operating income increased by approximately 18% to \$25.3 million from \$21.4 million in the same quarter of 2020 as higher pulp sales realizations and lower per unit fiber costs were only partially offset by the negative impact of a weaker dollar and higher maintenance costs.

In the first quarter of 2021, our NBSK pulp sales realizations increased by approximately 19% to \$668 per ADMT from \$561 per ADMT in the same quarter of the prior year. NBSK pulp sales volumes decreased by approximately 4% to 418,645 ADMTs in the current quarter from 438,326 ADMTs in the same quarter of 2020 primarily due to lower production.

NBSK pulp production decreased by approximately 13% to 396,865 ADMTs in the current quarter from 455,192 ADMTs in the same quarter of 2020 primarily due to higher annual maintenance downtime. In the current quarter of 2021, our planned annual maintenance downtime at our Celgar mill of 20 days was extended to 27 days (approximately 37,800 ADMTs) for additional boiler work. In the comparative quarter of 2020, we only had two days of annual maintenance downtime (approximately 2,300 ADMTs). We estimate that such downtime in the first quarter of 2021 adversely impacted our operating income by approximately \$30.3 million, comprised of approximately \$21.8 million in direct out-of-pocket expenses and the balance in reduced production. Many of our competitors that report their results using International Financial Reporting Standards capitalize their direct costs of maintenance downtime.

In the second quarter of 2021, our pulp mills currently have 95 days of planned annual maintenance downtime (approximately 140,400 ADMTs) of which approximately 63 days will be at our Peace River mill and primarily relates to boiler work which was deferred from last year and resulted from an incident in 2017. We expect insurance to cover the estimated remaining costs of about \$27 million for the boiler work and to receive business interruption insurance for the extra downtime relating to such work. Additionally, in the second quarter of 2021, we had 14 days of downtime at our Celgar mill related to its slower than planned restart.

In the current quarter of 2021 compared to the same quarter of 2020, primarily as a result of the weaker dollar on our Canadian dollar and euro denominated costs and expenses, we had a negative impact of approximately \$30.4 million in operating income due to foreign exchange.

In the first quarter of 2021, per unit fiber costs decreased by approximately 10% from the same quarter of 2020 due to lower per unit fiber costs for all of our mills. In Germany, per unit fiber costs benefited from the continued availability of beetle damaged wood. In Canada, per unit fiber costs declined due to improved chip supply as a result of increased sawmill activity.

Wood Products

| | Three Months Ended March 31, | |
|------------------------|------------------------------|-----------|
| | 2021 | 2020 |
| | (in thousands) | |
| Lumber revenues | \$ 67,311 | \$ 40,986 |
| Energy revenues | \$ 2,114 | \$ 2,631 |
| Wood residual revenues | \$ 1,562 | \$ 2,161 |
| Operating income | \$ 27,977 | \$ 5,555 |

In the first quarter of 2021, our wood products segment had record operating income of \$28.0 million compared to \$5.6 million in the same quarter of 2020 primarily due to a higher lumber realized sales price.

Average lumber sales realizations increased by approximately 79% to \$622 per Mfbm in the first quarter of 2021 from approximately \$348 per Mfbm in the same quarter of 2020 primarily due to higher pricing in the U.S. and European markets. U.S. lumber pricing increased due to strong demand from the housing and renovation markets. European lumber pricing increased due to steady demand with limited supply.

Per unit fiber costs increased by approximately 6% in the first quarter of 2021 from the same quarter of 2020 primarily as a result of the negative impact of a weaker dollar on our euro denominated fiber costs.

Liquidity

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

| | March 31, 2021 | December 31, 2020 |
|----------------------------|-------------------|----------------------|
| | (in thousands) | |
| Cash and cash equivalents | \$ 395,083 | \$ 361,098 |
| Working capital | \$ 704,896 | \$ 663,056 |
| Total assets | \$ 2,178,266 | \$ 2,129,126 |
| Long-term liabilities | \$ 1,380,445 | \$ 1,316,303 |
| Total shareholders' equity | \$ 567,638 | \$ 601,027 |

As of March 31, 2021, we had cash and cash equivalents of approximately \$395.1 million and approximately \$276.7 million available under our revolving credit facilities, providing aggregate liquidity of about \$671.8 million.

Included in our cash and cash equivalents is approximately \$15.8 million in government grants received and committed to partially finance greenhouse gas emission reduction capital projects and innovation at our Canadian mills. These projects include upgrades to the woodrooms at such mills which are also expected to reduce fiber costs.

As a result of such new woodroom projects, our expected 2021 capital expenditures, excluding amounts financed by government grants and expected insurance proceeds, will increase to about \$185 million from about \$150 million.

Current Market Environment

Although there is continued economic uncertainty resulting from the resurgence of the COVID-19 pandemic, we are currently expecting further modest pulp price improvements in the second quarter of 2021 due to stable pulp demand, particularly in China, and reduced supply.

We currently expect continuing strong lumber demand and prices in the U.S. market along with modestly improving sales realizations in the European market in the second quarter of 2021.

Quarterly Dividend

A quarterly dividend of \$0.065 per share will be paid on July 7, 2021 to all shareholders of record on June 30, 2021. Future dividends will be subject to Board approval and may be adjusted as business and industry conditions warrant.

Earnings Release Call

In conjunction with this release, Mercer International Inc. will host a conference call, which will be simultaneously broadcast live over the Internet. Management will host the call, which is scheduled for April 30, 2021.

at 10:00 AM (Eastern Daylight Time). Listeners can access the conference call live and archived for 30 days over the Internet at <https://edge.media-server.com/mmc/p/wt6dyuct> or through a link on the company's home page at <https://www.mercerint.com>. Please allow 15 minutes prior to the call to visit the site and download and install any necessary audio software.

Mercer International Inc. is a global forest products company with operations in Germany and Canada with consolidated annual production capacity of 2.2 million tonnes of pulp and 550 million board feet of lumber. To obtain further information on the company, please visit its web site at <https://www.mercerint.com>.

The preceding includes forward looking statements which involve known and unknown risks and uncertainties which may cause our actual results in future periods to differ materially from forecasted results. Words such as "expects", "anticipates", "projects", "intends", "designed", "will", "believes", "estimates", "may", "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 our business, raw material costs, our level of indebtedness, competition, foreign exchange and interest rate fluctuations, our use of derivatives, expenditures for capital projects, environmental regulation and compliance, disruptions to our production, market conditions and other risk factors listed from time to time in our SEC reports.

APPROVED BY:

Jimmy S.H. Lee
Executive Chairman
(604) 684-1099

David M. Gandossi, FCPA, FCA
Chief Executive Officer
(604) 684-1099

-FINANCIAL TABLES FOLLOW-

Summary Financial Highlights

| | Q1 2021 | Q4 2020 | Q1 2020 |
|---|----------------------------|--------------------|-------------------|
| (in thousands, except per share amounts) | | | |
| Pulp segment revenues | \$ 339,756 | \$ 344,077 | \$ 303,605 |
| Wood products segment revenues | 70,987 | 53,091 | 45,778 |
| Corporate and other revenues | 1,977 | 1,027 | 1,216 |
| Total revenues | \$ 412,720 | \$ 398,195 | \$ 350,599 |
| Pulp segment operating income | \$ 25,296 | \$ 4,650 | \$ 21,439 |
| Wood products segment operating income | 27,977 | 12,859 | 5,555 |
| Corporate and other operating loss | (2,244) | (1,893) | (2,932) |
| Total operating income | \$ 51,029 | \$ 15,616 | \$ 24,062 |
| Pulp segment depreciation and amortization | \$ 27,046 | \$ 30,104 | \$ 30,371 |
| Wood products segment depreciation and amortization | 3,723 | 3,585 | 2,377 |
| Corporate and other depreciation and amortization | 198 | 201 | 198 |
| Total depreciation and amortization | \$ 30,967 | \$ 33,890 | \$ 32,946 |
| Operating EBITDA | \$ 81,996 | \$ 49,506 | \$ 57,008 |
| Loss on early extinguishment of debt | \$ (30,368) ⁽¹⁾ | \$ — | \$ — |
| Income tax provision | \$ (2,698) | \$ (1,645) | \$ (5,344) |
| Net income (loss) | \$ 5,933 | \$ (12,977) | \$ (3,392) |
| Net income (loss) per common share | | | |
| Basic and diluted | \$ 0.09 | \$ (0.20) | \$ (0.05) |
| Common shares outstanding at period end | 65,988 | 65,868 | 65,800 |

(1) Redemption of the 2024 and 2025 Senior Notes.

Summary Operating Highlights

| | Q1 2021 | Q4 2020 | Q1 2020 |
|---|------------|------------|------------|
| Pulp Segment | | | |
| Pulp production ('000 ADMTs) | | | |
| NBSK | 396.9 | 436.9 | 455.2 |
| NBHK | 81.6 | 87.4 | 78.9 |
| Annual maintenance downtime ('000 ADMTs) | 37.8 | 21.5 | 2.3 |
| Annual maintenance downtime (days) | 27 | 16 | 2 |
| Pulp sales ('000 ADMTs) | | | |
| NBSK | 418.6 | 469.5 | 438.3 |
| NBHK | 69.0 | 93.6 | 66.0 |
| Average NBSK pulp prices (\$/ADMT) ⁽¹⁾ | | | |
| Europe | 1,037 | 880 | 833 |
| China | 883 | 637 | 573 |
| North America | 1,302 | 1,138 | 1,127 |
| Average NBHK pulp prices (\$/ADMT) ⁽¹⁾ | | | |
| China | 692 | 480 | 460 |
| North America | 1,020 | 868 | 890 |
| Average pulp sales realizations (\$/ADMT) ⁽²⁾ | | | |
| NBSK | 668 | 588 | 561 |
| NBHK | 520 | 454 | 468 |
| Energy production ('000 MWh) ⁽³⁾ | 519.1 | 568.1 | 578.4 |
| Energy sales ('000 MWh) ⁽³⁾ | 201.1 | 225.3 | 231.7 |
| Average energy sales realizations (\$/MWh) ⁽³⁾ | 97 | 96 | 95 |
| Wood Products Segment | | | |
| Lumber production (MMfbm) | 117.8 | 111.4 | 116.4 |
| Lumber sales (MMfbm) | 108.2 | 104.0 | 117.7 |
| Average lumber sales realizations (\$/Mfbm) | 622 | 467 | 348 |
| Energy production and sales ('000 MWh) | 16.4 | 25.7 | 22.8 |
| Average energy sales realizations (\$/MWh) | 129 | 122 | 116 |
| Average Spot Currency Exchange Rates | | | |
| \$ / € ⁽⁴⁾ | 1.2045 | 1.1925 | 1.1022 |
| \$ / C\$ ⁽⁴⁾ | 0.7902 | 0.7675 | 0.7438 |

(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. Incorporates the effect of pulp price variations occurring between the order and shipment dates.

(3) Does not include our 50% joint venture interest in the Cariboo mill, which is accounted for using the equity method.

(4) Average Federal Reserve Bank of New York Noon Buying Rates over the reporting period.

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

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2021 | 2020 |
| Revenues | \$ 412,720 | \$ 350,599 |
| Costs and expenses | | |
| Cost of sales, excluding depreciation and amortization | 310,197 | 276,056 |
| Cost of sales depreciation and amortization | 30,946 | 32,911 |
| Selling, general and administrative expenses | 20,548 | 17,570 |
| Operating income | 51,029 | 24,062 |
| Other income (expenses) | | |
| Interest expense | (19,019) | (20,084) |
| Loss on early extinguishment of debt | (30,368) | — |
| Other income (expenses) | 6,989 | (2,026) |
| Total other expenses, net | (42,398) | (22,110) |
| Income before income taxes | 8,631 | 1,952 |
| Income tax provision | (2,698) | (5,344) |
| Net income (loss) | \$ 5,933 | \$ (3,392) |
| Net income (loss) per common share | | |
| Basic and diluted | \$ 0.09 | \$ (0.05) |
| Dividends declared per common share | \$ 0.0650 | \$ 0.1375 |

MERCER INTERNATIONAL INC.
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share data)

| | March 31, 2021 | December 31, 2020 |
|---|---------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 395,083 | \$ 361,098 |
| Accounts receivable, net | 237,318 | 227,055 |
| Inventories | 288,111 | 271,696 |
| Prepaid expenses and other | 14,567 | 15,003 |
| Total current assets | 935,079 | 874,852 |
| Property, plant and equipment, net | 1,099,412 | 1,109,740 |
| Investment in joint ventures | 46,616 | 46,429 |
| Amortizable intangible assets, net | 50,525 | 51,571 |
| Operating lease right-of-use assets | 12,403 | 13,251 |
| Other long-term assets | 32,960 | 31,928 |
| Deferred income tax | 1,271 | 1,355 |
| Total assets | <u>\$ 2,178,266</u> | <u>\$ 2,129,126</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and other | \$ 229,324 | \$ 210,994 |
| Pension and other post-retirement benefit obligations | 859 | 802 |
| Total current liabilities | 230,183 | 211,796 |
| Debt | 1,197,790 | 1,145,294 |
| Pension and other post-retirement benefit obligations | 31,033 | 31,810 |
| Finance lease liabilities | 51,618 | 41,329 |
| Operating lease liabilities | 9,043 | 9,933 |
| Other long-term liabilities | 14,566 | 10,909 |
| Deferred income tax | 76,395 | 77,028 |
| Total liabilities | 1,610,628 | 1,528,099 |
| Shareholders' equity | | |
| Common shares \$1 par value; 200,000,000 authorized; 65,988,000 issued and outstanding (2020 – 65,868,000) | 65,920 | 65,800 |
| Additional paid-in capital | 346,186 | 345,696 |
| Retained earnings | 218,750 | 217,106 |
| Accumulated other comprehensive loss | (63,218) | (27,575) |
| Total shareholders' equity | 567,638 | 601,027 |
| Total liabilities and shareholders' equity | <u>\$ 2,178,266</u> | <u>\$ 2,129,126</u> |

MERCER INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------------|
| | 2021 | 2020 |
| Cash flows from (used in) operating activities | | |
| Net income (loss) | \$ 5,933 | \$ (3,392) |
| Adjustments to reconcile net income (loss) to cash flows from operating activities | | |
| Depreciation and amortization | 30,967 | 32,946 |
| Deferred income tax provision (recovery) | 1,204 | (1,331) |
| Inventory impairment | — | 5,734 |
| Loss on early extinguishment of debt | 30,368 | — |
| Defined benefit pension plans and other post-retirement benefit plan expense | 919 | 762 |
| Stock compensation expense (reversal) | 610 | (46) |
| Foreign exchange transaction gains | (8,606) | (6,144) |
| Other | (616) | (497) |
| Defined benefit pension plans and other post-retirement benefit plan contributions | (923) | (915) |
| Changes in working capital | | |
| Accounts receivable | (12,423) | (20,926) |
| Inventories | (20,799) | (18,120) |
| Accounts payable and accrued expenses | 4,436 | (57,660) |
| Other | (782) | (253) |
| Net cash from (used in) operating activities | 30,288 | (69,842) |
| Cash flows from (used in) investing activities | | |
| Purchase of property, plant and equipment | (25,262) | (23,018) |
| Purchase of amortizable intangible assets | (641) | (438) |
| Other | (394) | 51 |
| Net cash from (used in) investing activities | (26,297) | (23,405) |
| Cash flows from (used in) financing activities | | |
| Redemption of senior notes | (824,557) | — |
| Proceeds from issuance of senior notes | 875,000 | — |
| Proceeds from (repayment of) revolving credit facilities, net | (15,070) | 51,260 |
| Dividend payments | — | (9,047) |
| Repurchase of common shares | — | (162) |
| Payment of debt issuance costs | (14,414) | — |
| Proceeds from government grants | 8,532 | — |
| Other | 1,921 | (9,801) |
| Net cash from (used in) financing activities | 31,412 | 32,250 |
| Effect of exchange rate changes on cash and cash equivalents | (1,418) | (3,562) |
| Net increase (decrease) in cash and cash equivalents | 33,985 | (64,559) |
| Cash and cash equivalents, beginning of period | 361,098 | 351,085 |
| Cash and cash equivalents, end of period | <u>\$ 395,083</u> | <u>\$ 286,526</u> |

MERCER INTERNATIONAL INC.
COMPUTATION OF OPERATING EBITDA
(Unaudited)
(In thousands)

Operating EBITDA is defined as operating income plus depreciation and amortization and non-recurring capital asset impairment charges. Management uses Operating EBITDA as a benchmark measurement of its own operating results, and as a benchmark relative to its competitors. Management considers it to be a meaningful supplement to operating income as a performance measure primarily because depreciation expense and non-recurring capital asset impairment charges are not an actual cash cost, and depreciation expense varies widely from company to company in a manner that management considers 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 income (loss), including financing costs 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 income (loss) or operating income as a measure of performance, nor as an alternative to net cash from (used in) operating activities as a measure of liquidity. The following tables set forth the net income (loss) to Operating EBITDA:

| | Q1 2021 | Q4 2020 | Q1 2020 |
|--------------------------------------|------------------|------------------|------------------|
| Net income (loss) | \$ 5,933 | \$ (12,977) | \$ (3,392) |
| Income tax provision | 2,698 | 1,645 | 5,344 |
| Interest expense | 19,019 | 20,690 | 20,084 |
| Loss on early extinguishment of debt | 30,368 | — | — |
| Other expenses (income) | (6,989) | 6,258 | 2,026 |
| Operating income | 51,029 | 15,616 | 24,062 |
| Add: Depreciation and amortization | 30,967 | 33,890 | 32,946 |
| Operating EBITDA | <u>\$ 81,996</u> | <u>\$ 49,506</u> | <u>\$ 57,008</u> |