

MERCER INTERNATIONAL INC.
Form 10-Q
August 03, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No.: 000-51826

MERCER INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

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Washington
(State or other jurisdiction of
incorporation or organization)
Suite 1120, 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8

47-0956945
(I.R.S. Employer
Identification No.)

(Address of office)

(604) 684-1099

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The Registrant had 55,815,704 shares of common stock outstanding as at August 2, 2012.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012

(Unaudited)

FORM 10-Q

QUARTERLY REPORT - PAGE 2

MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands of Euros)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	130,887	105,072
Marketable securities	10,201	12,216
Receivables	103,923	120,487
Inventories (Note 2)	118,220	120,539
Prepaid expenses and other	8,592	8,162
Deferred income tax	8,271	6,750
Total current assets	380,094	373,226
Long-term assets		
Property, plant and equipment	816,892	820,974
Deferred note issuance and other	12,561	10,763
Deferred income tax	16,148	12,287
	845,601	844,024
Total assets	1,225,695	1,217,250
LIABILITIES		
Current liabilities		
Accounts payable and other	103,879	99,640
Pension and other post-retirement benefit obligations (Note 4)	773	756
Debt (Note 3)	36,088	25,671
Total current liabilities	140,740	126,067
Long-term liabilities		
Debt (Note 3)	694,150	708,415
Unrealized interest rate derivative losses (Note 8)	51,791	52,391
Pension and other post-retirement benefit obligations (Note 4)	31,798	31,197
Capital leases and other	13,453	13,053
Deferred income tax	3,895	2,585
	795,087	807,641
Total liabilities	935,827	933,708
EQUITY		
Shareholders' equity		
Share capital (Note 5)	248,371	247,642
Paid-in capital	(4,726)	(4,857)
Retained earnings	40,673	37,985
Accumulated other comprehensive income	21,825	21,346

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Total shareholders' equity	306,143	302,116
Noncontrolling deficit	(16,275)	(18,574)
Total equity	289,868	283,542
Total liabilities and equity	1,225,695	1,217,250

Commitments and contingencies (Note 10)

The accompanying notes are an integral part of these interim consolidated financial statements.

FORM 10-Q

QUARTERLY REPORT - PAGE 3

MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands of Euros, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues				
Pulp	186,036	217,274	385,475	427,732
Energy and chemicals	18,026	17,221	36,945	33,093
	204,062	234,495	422,420	460,825
Costs and expenses				
Operating costs	162,617	175,815	340,387	341,365
Operating depreciation and amortization	14,525	13,869	28,812	27,945
	26,920	44,811	53,221	91,515
Selling, general and administrative expenses	8,624	8,600	18,682	18,660
Operating income	18,296	36,211	34,539	72,855
Other income (expense)				
Interest expense	(13,863)	(14,883)	(27,996)	(30,789)
Gain (loss) on derivative instruments (Note 8)	1,343	(2,339)	2,219	9,904
Foreign exchange gain on debt		342		1,453
Other income (expense)	(368)	136	(778)	463
Total other income (expense)	(12,888)	(16,744)	(26,555)	(18,969)
Income before income taxes	5,408	19,467	7,984	53,886
Income tax benefit (provision) current	(6,281)	(1,478)	(6,337)	(2,297)
deferred	4,016	(2,140)	3,340	(2,140)
Net income	3,143	15,849	4,987	49,449
Less: net income attributable to noncontrolling interest	(1,628)	(1,466)	(2,299)	(6,013)
Net income attributable to common shareholders	1,515	14,383	2,688	43,436
Net income per share attributable to common shareholders (Note 7)				
Basic	0.03	0.32	0.05	0.97
Diluted	0.03	0.26	0.05	0.77

The accompanying notes are an integral part of these interim consolidated financial statements.

FORM 10-Q

QUARTERLY REPORT - PAGE 4

MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)

(In thousands of Euros)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income attributable to common shareholders	1,515	14,383	2,688	43,436
Retained earnings (deficit), beginning of period	39,158	18,097	37,985	(10,956)
Retained earnings, end of period	40,673	32,480	40,673	32,480

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands of Euros)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	3,143	15,849	4,987	49,449
Other comprehensive income (loss), net of taxes				
Foreign currency translation adjustment during the three and six month periods, net of tax benefit of 1,118 and 1,208, respectively (2011 nil and nil, respectively)	(1,334)	(864)	813	2,600
Pension income (expense)	(485)	127	(336)	403
Unrealized gains (losses) on securities arising during the period	(66)	(6)	2	
Other comprehensive income (loss), net of taxes	(1,885)	(743)	479	3,003
Total comprehensive income	1,258	15,106	5,466	52,452
Comprehensive income attributable to noncontrolling interest	(1,628)	(1,466)	(2,299)	(6,013)