

MERCER INTERNATIONAL INC.
Form 10-Q
November 02, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 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

47-0956945
(I.R.S. Employer

incorporation or organization)

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)

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 November 1, 2012.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

(Unaudited)

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MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands of Euros)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	126,169	105,072
Marketable securities		12,216
Receivables	118,631	120,487
Inventories (Note 2)	113,355	120,539
Prepaid expenses and other	10,203	8,162
Deferred income tax	9,036	6,750
Total current assets	377,394	373,226
Long-term assets		
Property, plant and equipment	815,661	820,974
Deferred note issuance and other	11,924	10,763
Deferred income tax	15,760	12,287
	843,345	844,024
Total assets	1,220,739	1,217,250
LIABILITIES		
Current liabilities		
Accounts payable and other	115,037	99,640
Pension and other post-retirement benefit obligations (Note 4)	789	756
Debt (Note 3)	41,088	25,671
Total current liabilities	156,914	126,067
Long-term liabilities		
Debt (Note 3)	670,792	708,415
Unrealized interest rate derivative losses (Note 8)	53,027	52,391
Pension and other post-retirement benefit obligations (Note 4)	32,388	31,197
Capital leases and other	13,399	13,053
Deferred income tax	5,435	2,585
	775,041	807,641
Total liabilities	931,955	933,708
EQUITY		
Shareholders' equity		
Share capital (Note 5)	248,371	247,642
Paid-in capital	(3,954)	(4,857)
Retained earnings	30,961	37,985
Accumulated other comprehensive income	29,115	21,346

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Total shareholders' equity	304,493	302,116
Noncontrolling deficit	(15,709)	(18,574)
Total equity	288,784	283,542
Total liabilities and equity	1,220,739	1,217,250

Commitments and contingencies (Note 10)

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

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MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands of Euros, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues				
Pulp	205,122	190,426	590,597	618,158
Energy and chemicals	18,153	16,639	55,098	49,732
	223,275	207,065	645,695	667,890
Costs and expenses				
Operating costs	191,083	149,172	531,470	490,537
Operating depreciation and amortization	14,972	13,832	43,784	41,777
	17,220	44,061	70,441	135,576
Selling, general and administrative expenses	10,006	8,754	28,688	27,414
Operating income	7,214	35,307	41,753	108,162
Other income (expense)				
Interest expense	(14,084)	(14,117)	(42,080)	(44,906)
Gain (loss) on derivative instruments (Note 8)	(883)	(10,484)	1,336	(580)
Foreign exchange gain (loss) on debt		(181)		1,272
Other income (expense)	517	201	(261)	664
Total other income (expense)	(14,450)	(24,581)	(41,005)	(43,550)
Income (loss) before income taxes	(7,236)	10,726	748	64,612
Income tax benefit (provision)				
Current	(870)	(1,557)	(7,207)	(3,854)
Deferred	(1,040)	(1,567)	2,300	(3,707)
Net income (loss)	(9,146)	7,602	(4,159)	57,051
Less: net loss (income) attributable to noncontrolling interest	(566)	838	(2,865)	(5,175)
Net income (loss) attributable to common shareholders	(9,712)	8,440	(7,024)	51,876
Net income (loss) per share attributable to common shareholders (Note 7)				
Basic	(0.17)	0.15	(0.13)	1.07
Diluted	(0.17)	0.15	(0.13)	0.92

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

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MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)

(In thousands of Euros)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss) attributable to common shareholders	(9,712)	8,440	(7,024)	51,876
Retained earnings (deficit), beginning of period	40,673	32,480	37,985	(10,956)
	30,961	40,920	30,961	40,920
Retirement of treasury shares		(1,134)		(1,134)
Retained earnings, end of period	30,961	39,786	30,961	39,786

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In thousands of Euros)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss)	(9,146)	7,602	(4,159)	57,051
Other comprehensive income (loss), net of taxes				
Foreign currency translation adjustment during the three and nine month periods, net of tax provision of 328 and tax benefit of 197, respectively (2011 benefit of 1,559 and provision of 90)	7,582	(12,913)	8,395	(10,313)
Pension income (expense)	(327)	(20)	(663)	383
Unrealized gains (losses) on securities arising during the period	35	(20)	37	(20)
Other comprehensive income (loss), net of taxes	7,290	(12,953)	7,769	(9,950)