MERCER INTERNATIONAL INC.
Form 424B3
August 22, 2017
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Registration No. 333-219866

PROSPECTUS

MERCER INTERNATIONAL INC.

OFFER TO EXCHANGE

$250,000,000 principal amount of its 6.500% Senior Notes due 2024 which have been registered under the Securities Act for any and all of its outstanding 6.500% Senior Notes due 2024

The exchange offer expires at 5:00 p.m., New York City time, on September 20, 2017, unless extended.

In this prospectus, we refer to all outstanding $250,000,000 aggregate principal amount of our 6.500% Senior Notes due 2024, $225,000,000 aggregate principal amount of which were issued on February 3, 2017 and $25,000,000 aggregate principal amount of which were issued on March 27, 2017, as the Old Notes . Additionally, in this prospectus, we refer to the registered 6.500% Senior Notes due 2024 as the New Notes . The Old Notes and the New Notes are collectively referred to in this prospectus as the Notes .

We will exchange the New Notes for all outstanding Old Notes that are validly tendered pursuant to the exchange offer and not validly withdrawn prior to the expiration of the exchange offer.

The exchange offer is not subject to any conditions other than that it not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission, which we refer to in this prospectus as the SEC .

You may withdraw tenders of Old Notes at any time before the exchange offer expires.

The exchange of Old Notes for New Notes will not be a taxable event for U.S. federal income tax purposes, but you should refer to the discussion under the heading Summary of Material United States Federal Income Tax Considerations for more information.

We will not receive any cash proceeds from the exchange offer.

The terms of the New Notes are substantially identical in all material respects to those of the Old Notes, except for transfer restrictions, registration rights and rights to additional interest relating to the Old Notes.

You may tender Old Notes only in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Our affiliates may not participate in the exchange offer.

All untendered Old Notes will continue to be subject to any applicable restrictions on transfer set forth in the Old Notes and in the indenture governing the Old Notes. In general, the Old Notes may not be offered or sold, unless registered under the *Securities Act of 1933*, as amended, which we refer to in this prospectus as the Securities Act , except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not currently anticipate that we will register the Old Notes under the Securities Act.

There is no established trading market for the New Notes.

Each broker-dealer that receives New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. Broker-dealers who acquired Old Notes directly from us in the initial offering of the Old Notes must, in the absence of an exemption, comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resales and cannot rely on the position of the staff enunciated in *Exxon Capital Holdings Corp.*, SEC no-action letter (publicly available May 13, 1988).

Please refer to Risk Factors beginning on page 12 of this prospectus for a description of the risks you should consider when evaluating this offer to exchange.

We are not making this exchange offer in any jurisdiction where it is not permitted.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 22, 2017.

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We have not authorized anyone to give any information or to make any representations to you other than the information contained in this prospectus. You must not rely on any information or representations not contained in this prospectus unless we authorize it. This prospectus does not offer to exchange the Old Notes for New Notes in any jurisdiction where it is not permitted.

The information contained in this prospectus is current only as of the date on the cover page of this prospectus, and may change after that date.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge to you upon written or oral request. If you would like a copy of any of this information, please submit your request to Mercer International Inc., Suite 1120, 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8, Attention: Investor Relations, or call (604) 684-1099 and ask to speak to Investor Relations. In addition, to obtain timely delivery of any information you request, you must submit your request no later than September 13, 2017, which is five business days before the date the exchange offer expires.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents we have filed with the SEC that are incorporated by reference herein contain forward-looking statements within the meaning of Section 21E of the *Securities Exchange Act of 1934*, as amended, referred to as the Exchange Act , and Section 27A of the Securities Act. Generally, forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as expects , anticipates , intends , plans , believes , seeks , estimates , or words of similar meaning, or future or verbs, such as will , should , could , or may , although not all forward-looking statements contain these identify words.

There are a number of important factors, many of which are beyond our control that could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. These factors include, but are not limited to, the following:

our business is highly cyclical;

a weakening of the global economy, including capital and credit markets, could adversely affect our business and financial results and have a material adverse effect on our liquidity and capital resources;

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our level of indebtedness could negatively impact our financial condition, results of operations and liquidity;

cyclical fluctuations in the price and supply of our raw materials, particularly fiber, could adversely affect our business;

we face intense competition in our markets;

we are exposed to currency exchange rate fluctuations;

we are subject to extensive environmental regulation and we could incur substantial costs as a result of compliance with, violations of or liabilities under applicable environmental laws and regulations;

our business is subject to risks associated with climate change and social and government responses thereto;

our operations require substantial capital and we may be unable to maintain adequate capital resources to provide for such capital requirements;

our acquisition of a sawmill and bio-mass power plant near Friesau, Germany, and other acquisitions may result in additional risks and uncertainties in our business;

fluctuations in prices and demand for lumber could adversely affect our business;

adverse housing market conditions may increase the credit risk from customers of our Friesau sawmill;

our lumber products produced at the Friesau sawmill are vulnerable to declines in demand due to competing technologies or materials;

changes in credit ratings issued by nationally recognized statistical rating organizations could adversely affect our cost of financing and have an adverse effect on the market price of our securities;

we rely on government grants and participate in German statutory energy programs;

we are subject to risks related to our employees;

we are dependent on key personnel;

we may experience material disruptions to our production (including as a result of, among other things, planned and unplanned maintenance downtime);

if our long-lived assets become impaired, we may be required to record non-cash impairment charges that could have a material impact on our results of operations;

we may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks or natural disasters;

our insurance coverage may not be adequate;

we rely on third parties for transportation services;

our new enterprise resource planning system may cost more than expected, be delayed, fail to perform as planned and interrupt operational transactions during and following the implementation, which could adversely affect our operations and results of operations;

we periodically use derivatives to manage certain risks which has caused significant fluctuations in our operating results;

failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business;

a small number of our shareholders could significantly influence our business;

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our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations; and

we are exposed to interest rate fluctuations.

Given these uncertainties, you should not place undue reliance on our forward-looking statements. You should read this prospectus and the documents incorporated by reference herein with the understanding that our actual future results may be materially different from what we expect. The foregoing review of important factors is not exhaustive or necessarily in order of importance and should be read in conjunction with the other cautionary statements that are included in or incorporated by reference into this prospectus. These factors expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf. New factors emerge from time to time, and it is not possible for us to predict all such factors. Except as required by law, we do not undertake any obligation to update or revise any forward-looking statements contained in or incorporated by reference in this prospectus whether as a result of new information, future events or otherwise.

CURRENCY

The following table sets out exchange rates, based on the noon buying rates in New York City, for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, referred to as the Noon Buying Rate , for the conversion of dollars to euros and Canadian dollars in effect at the end of the following periods, the average exchange rates during these periods (based on daily Noon Buying Rates) and the range of high and low exchange rates for the periods indicated:

	Six Months Ended June 30,		Years Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
				($/)			
End of period	1.1411	1.1032	1.0552	1.0859	1.2101	1.3779	1.3186
High for period	1.0416	1.0743	1.0375	1.0524	1.2101	1.2774	1.2062
Low for period	1.1420	1.1516	1.1516	1.2015	1.3927	1.3816	1.3463
Average for period	1.0838	1.1167	1.1072	1.1096	1.3297	1.3281	1.2859
				($/C$)			
End of period	0.7703	0.7686	0.7448	0.7226	0.8620	0.9401	1.0042
High for period	0.7275	0.6853	0.6853	0.7148	0.8588	0.9348	0.9600
Low for period	0.7703	0.7972	0.7972	0.8529	0.9423	1.0164	1.0299
Average for period	0.7496	0.7535	0.7558	0.7830	0.9060	0.9712	1.0007

On August 14, 2017, the most recent weekly publication of the daily Noon Buying Rate before the date of this prospectus reported that, as of August 11, 2017, the Noon Buying Rate for the conversion of euros and Canadian dollars to dollars was $1.1811 per euro and $0.7881 per Canadian dollar.

NON-GAAP FINANCIAL MEASURES

This prospectus contains non-GAAP financial measures , that is, financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with the generally accepted accounting principles in the United States, referred to as GAAP . Specifically, we make use of the non-GAAP measures Operating EBITDA and Operating EBITDA margin .

Operating EBITDA is defined as operating income (loss) plus depreciation and amortization and non-recurring capital asset impairment charges. Operating EBITDA margin is Operating EBITDA expressed as a

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percentage of revenues. We use Operating EBITDA and Operating EBITDA margin as benchmark measurements of our own operating results and as benchmarks relative to our competitors. We consider them to be meaningful supplements to operating income as performance measures primarily because depreciation expense and non-recurring capital asset impairment charges are not actual cash costs, and depreciation expense varies widely from company to company in a manner that we consider 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) attributable to common shareholders, 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 income (loss) from operations as a measure of performance, or as an alternative to net cash from operating activities as a measure of liquidity. Operating EBITDA and Operating EBITDA margin are internal measures and therefore may not be comparable to other companies.

Operating EBITDA has significant limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that Operating EBITDA does not reflect: (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (ii) changes in, or cash requirements for, working capital needs; (iii) the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our outstanding debt; (iv) noncontrolling interests in our Stendal northern bleached softwood kraft, or NBSK , pulp mill operations prior to our acquisition of 100% of the economic interest of Stendal in September 2014; (v) the impact of realized or marked to market changes in our derivative positions, which can be substantial; and (vi) the impact of impairment charges against our investments or assets. Because of these limitations, Operating EBITDA should only be considered as a supplemental performance measure and should not be considered as a measure of liquidity or cash available to us to invest in the growth of our business. Because all companies do not calculate Operating EBITDA in the same manner, Operating EBITDA as calculated by us may differ from Operating EBITDA or EBITDA as calculated by other companies. We compensate for these limitations by using Operating EBITDA as a supplemental measure of our performance and by relying primarily on our GAAP financial statements.

INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information and statistics regarding our market share and the markets in which we compete. We have obtained some of this market share information and industry data from internal surveys, market research, publicly available information and industry publications. Such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed. Although we believe this information is reliable, we cannot guarantee the accuracy or completeness of that information, and investors should use caution in placing reliance on such information.

Statements in this prospectus concerning the production capacity of our mills are management estimates based primarily on historically achieved levels of production and assumptions regarding maintenance downtime. Statements concerning electrical generating capacity at our mills are also management estimates based primarily on our expected pulp and lumber production (which largely determines the amount of electricity we can generate) and assumptions regarding maintenance downtime, in each case within manufacturers specifications of capacity.

In this prospectus, please note the following:

references to we , our , us , the Company or Mercer mean Mercer International Inc. and its subsidiaries, the context clearly suggests otherwise, and references to Mercer Inc. mean Mercer International Inc. excluding its subsidiaries;

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- references to ADMTs mean air-dried metric tonnes;
- references to MW mean megawatts and MWh mean megawatt hours;
- references to Mfbm means thousand board feet; and
- references to $ mean dollars, which is our reporting currency, unless otherwise stated; refers to euros; and C$ refers to Canadian dollars.

Due to rounding, numbers presented throughout this prospectus may not add up precisely to totals we provide and percentages may not precisely reflect the absolute figures.

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SUMMARY

This summary highlights certain information contained elsewhere or incorporated by reference in this prospectus. Because it is a summary, it is not complete and does not contain all the information you will need to make your investment decision. You should read this entire prospectus carefully, including the section entitled Risk Factors , our financial statements and the notes thereto and the documents incorporated by reference into this prospectus before deciding to invest. See Where You Can Find More Information .

Mercer International Inc.

Company Overview

We are one of the world s largest producers of market NBSK pulp, which is pulp that is sold on the open market. Since April 12, 2017, when we acquired substantially all of the assets of one of Germany s largest sawmills and a bio-mass power plant, referred to as the Friesau Facility , we have two reportable operating segments:

- Pulp, which consists of the manufacture, sales and distribution of NBSK pulp, electricity and other by-products at our three pulp mills; and

- Wood products, which consists of the manufacture, sales and distribution of lumber, electricity and other wood residuals at the Friesau Facility.

Our size provides us increased presence, better industry information in our markets and close customer relationships with many large pulp consumers. We operate two modern and highly efficient pulp mills in Eastern Germany and one pulp mill in Western Canada and have our headquarters in Vancouver, Canada. We are the sole NBSK pulp producer, and the only significant market pulp producer in Germany, which is the largest pulp import market in Europe. In the second quarter of 2017, we acquired the Friesau Facility, thereby expanding into the German lumber business and further growing our bio-mass energy profile.

We are able to supply the growing pulp demand in China both through our Canadian mill s ready access to the Port of Vancouver and through our Stendal mill s existing logistics arrangements. In addition, as a result of the significant investments we have made in co-generation equipment, all of our mills generate and sell a significant amount of surplus green energy to regional utilities. We also produce and sell tall oil , a by-product of our pulp production process, which is used as both a chemical additive and as a green energy source.

We currently employ over 1,800 people. Our three NBSK pulp mills have consolidated annual production capacity of approximately 1.5 million ADMTs of NBSK pulp and are capable of generating 305 MW of electricity. Our Friesau Facility has an annual production capacity of 465 million board feet of lumber and 13 MW of electricity. Key operating details for each of our operations are as follows:

- ***Rosenthal mill***. Our Rosenthal mill is a modern, efficient ISO 9001, 14001 and 50001 certified NBSK pulp mill that has an annual production capacity of approximately 360,000 ADMTs and 57 MW of electrical generation. The Rosenthal mill is located in the town of Blankenstein, Germany, approximately 300 kilometers south of Berlin.

Stendal mill. Our Stendal mill is a state-of-the-art, single-line, ISO 9001, 14001 and 50001 certified NBSK pulp mill that has an annual production capacity of approximately 660,000 ADMTs and 148 MW of electrical generation. The Stendal mill is one of the largest NBSK mills in Europe. The Stendal mill is located near the town of Stendal, Germany, approximately 130 kilometers west of Berlin.

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Celgar mill. Our Celgar mill is a modern, efficient ISO 9001 and 14001 certified NBSK pulp mill with an annual production capacity of approximately 520,000 ADMTs and 100 MW of electrical generation. The Celgar mill is located near the city of Castlegar, British Columbia, Canada, approximately 600 kilometers east of Vancouver.

***Friesau* Facility**. Our Friesau Facility has an annual production capacity of approximately 465 million board feet of lumber and 13 MW of electricity. The Friesau Facility is located near Friesau, Germany, approximately 16 kilometers west of our Rosenthal mill.

Corporate Information

Mercer International Inc. is a Washington corporation and our common stock is listed for trading on the NASDAQ Global Select Market (MERC) and the Toronto Stock Exchange (MERC.U). Our principal office is located at Suite 1120, 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8. Our main telephone number is (604) 684-1099 and our website address is www.mercerint.com. Information on our website is not incorporated by reference in this prospectus and should not be considered in connection with any investment in the New Notes offered hereby.

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The Exchange Offer

The Exchange Offer	We are offering to exchange up to $250,000,000 aggregate principal amount of New Notes for up to $250,000,000 aggregate principal amount of Old Notes that are properly tendered and accepted. You may tender Old Notes only in denominations of $2,000 and integral multiples of $1,000 in excess thereof. We will issue New Notes on or promptly after this exchange offer expires. As of the date of this prospectus, $250,000,000 aggregate principal amount of Old Notes are outstanding.
	The terms of the New Notes are substantially identical in all material respects to the terms of the Old Notes, except that the New Notes will not contain terms with respect to transfer restrictions, registration rights and rights to additional interest that relate to the Old Notes. The New Notes and the Old Notes will be governed by the same indenture dated as of February 3, 2017, which we refer to as the Indenture . No accrued interest will be paid at the time of the exchange.
Expiration Date	This exchange offer will expire at 5:00 p.m., New York City time, on September 20, 2017, unless extended or earlier terminated by the Company (such time, as the same may be extended, is referred to in this prospectus as the Expiration Date).
Conditions to the Exchange Offer	This exchange offer is not subject to any condition other than that it not violate applicable law or any applicable interpretation of the staff of the SEC. This exchange offer is not conditioned upon any minimum principal amount of Old Notes being tendered for exchange.
Procedures for Tendering Old Notes	If you wish to tender your Old Notes for New Notes pursuant to the exchange offer:
	you must comply with the Automated Tender Offer Program, or ATOP , procedures of The Depository Trust Company, referred to as DTC ; and
	Wells Fargo Bank, National Association, the exchange agent, must receive timely confirmation of a book-entry transfer of the Old Notes into its account at DTC through DTC s ATOP pursuant to the procedure for book-entry transfer described herein, along with a properly transmitted agent s message, before the Expiration Date.

	By tendering Old Notes pursuant to this exchange offer, you will make the representations to us described under The Exchange Offer Procedures for Tendering and those contained in the related letter of transmittal.
Special Procedures for Beneficial Owners	If you are a beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other

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	nominee and wish to tender such Old Notes in the exchange offer, please contact the registered holder as soon as possible and instruct them to tender on your behalf and comply with our instructions set forth elsewhere in this prospectus.
Acceptance of the Old Notes and Delivery of the New Notes	Subject to the satisfaction or waiver of the conditions to the exchange offer, we will accept for exchange any and all Old Notes which are validly tendered in this exchange offer and not withdrawn before 5:00 p.m., New York City time, on the Expiration Date.
Withdrawal Rights	You may withdraw the tender of your Old Notes at any time before 5:00 p.m., New York City time, on the Expiration Date, by complying with the procedures for withdrawal described in this prospectus under the heading The Exchange Offer Withdrawal of Tenders .
Ranking	The New Notes are our senior unsecured obligations and are not guaranteed by any of our operating subsidiaries, all of which are located outside the United States. Accordingly, the New Notes will rank: effectively junior in right of payment to all our existing and future secured indebtedness, to the extent of the assets securing such indebtedness, and all indebtedness and liabilities of our subsidiaries; equal in right of payment with all of our existing and future unsecured senior indebtedness; and senior in right of payment to any of our future subordinated indebtedness.
Optional Redemption	The New Notes will be redeemable on and after February 1, 2020, at any time in whole or in part, at our option on not less than 30 and not more than 60 days prior notice at the applicable redemption prices described under Description of New Notes Optional Redemption plus accrued and unpaid interest, if any, to (but not including) the date of redemption. Prior to February 1, 2020, we may redeem the New Notes, in whole or in part at the applicable premium described under Description of New Notes Optional Redemption . In certain circumstances, prior to February 1, 2020, we may redeem, at our option, up to 35% of the New Notes with the net proceeds of certain equity offerings at a redemption price of 106.500% of the principal amount of New Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption

	date.
Certain Covenants	The New Notes will be issued under the Indenture governing our Old Notes which restrict our ability and the ability of our restricted subsidiaries to, among other things:

- incur additional indebtedness or issue preferred stock;
- pay dividends or make other distributions to our shareholders;

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	purchase or redeem capital stock or subordinated indebtedness;
	make investments;
	create liens;
	incur restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
	sell assets;
	consolidate or merge with or into other companies or transfer all or substantially all of our assets; and
	engage in transactions with affiliates.
	These limitations will be subject to a number of important qualifications and exceptions. See Description of New Notes Certain Covenants .
Suspension of Covenants	If, on any date following the date of the Indenture, the New Notes are rated investment grade by Moody s Investors Service, Inc. and Standard & Poor s Rating Services and no default or event of default has occurred and is continuing under the Indenture, most of the restrictive covenants as well as our obligation to offer to repurchase the New Notes following certain asset sale events, will be suspended with respect to the New Notes. See Description of New Notes Changes in Covenants When New Notes Rated Investment Grade .
Change in Control	Upon certain changes in control, each holder of New Notes may require us to repurchase some or all of its New Notes at a purchase price equal to 101% of the principal amount of the New Notes plus accrued and unpaid interest, if any, to the date of purchase. See Description of New Notes Purchase of New Notes at the Option of Holders Upon a Change in Control .
Form of the New Notes	The New Notes will be issued in book-entry form and will be represented by one or more global securities deposited with a custodian for and registered in the name of a nominee of DTC.

Summary of Material United States Federal Income Tax Considerations	The exchange of Old Notes for New Notes pursuant to this exchange offer will not be a taxable event for U.S. federal income tax purposes. For a discussion of the material U.S. federal income tax consequences of an exchange pursuant to this exchange offer, see Summary of Material United States Federal Income Tax Considerations .
Exchange Agent	Wells Fargo Bank, National Association, the trustee under the Indenture, is serving as the exchange agent, referred to herein as the Exchange Agent .
Resale of New Notes	We believe that the New Notes that will be issued in this exchange offer may be resold by most investors without compliance with the registration and prospectus delivery provisions of the Securities Act, subject to certain conditions.

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Consequences of Failure to Exchange	If you do not exchange your Old Notes for New Notes, you will continue to be subject to the restrictions on transfer provided in the Old Notes and in the Indenture governing the Old Notes. In general, the Old Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently plan to register the resale of any Old Notes under the Securities Act.
Registration Rights Agreement	You are entitled to exchange your Old Notes for New Notes with substantially identical terms. This exchange offer satisfies this right. After the exchange offer is completed, you will no longer be entitled to any exchange or registration rights with respect to your Old Notes and we will not be required to pay additional interest on any New Notes pursuant to the registration rights agreement.

We explain this exchange offer in greater detail beginning on page 25.

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The New Notes

The summary below describes the principal terms of the New Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus contains a more detailed description of the terms and conditions of the New Notes.

The form and terms of the New Notes are the same as the form and terms of the Old Notes, except that the New Notes will be registered under the Securities Act and, therefore, the New Notes will not be subject to the transfer restrictions and registration rights applicable to the Old Notes. The New Notes will evidence the same debt as the Old Notes and are governed by the same Indenture as the Old Notes.

Issuer	Mercer International Inc.
Securities Offered	$250,000,000 aggregate principal amount of 6.500% Senior Notes due 2024.
Maturity	February 1, 2024.
Interest Rate	6.500% per year (calculated using a 360-day year).
Interest Payment Dates	The interest on the New Notes will be paid on February 1 and August 1 of each year (or if any of those days is not a business day, the next succeeding business day without accrual of additional interest as a result of the delay in payment). The New Notes will bear interest from the most recent payment date on which interest has been paid on the Old Notes.
Use of Proceeds	We will not receive any cash proceeds from this exchange offer.

Risk Factors

You should carefully consider all of the information in this prospectus. In particular, for a discussion of some specific factors that you should consider in evaluating an investment in the New Notes, see Risk Factors beginning on page 10 of this prospectus and Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2016.

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Summary of Consolidated Financial and Operating Information

The following tables sets forth a summary of consolidated financial and operating information as at and for the periods indicated. The following selected data are qualified in their entirety by, and should be read in conjunction with, Selected Historical Consolidated Financial Information , Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited and unaudited consolidated financial statements and the accompanying notes in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017, each of which is incorporated by reference in this prospectus. Balance sheet data as of December 31, 2014 is derived from our audited consolidated financial statements for the fiscal year ended December 31, 2014, which is not included or incorporated by reference in this prospectus. For financial and other data for the three and six months ended June 30, 2017 and the comparative three and six months of the prior year, please refer to the quarterly financial information included in our Form 10-Q for the period ended June 30, 2017 incorporated by reference in this prospectus.

Historical results are not necessarily indicative of the results to be expected for any future periods.

	Year Ended December 31,		
	2016	**2015**	**2014**
	(in thousands of dollars, other than as otherwise indicated)		
Statement of Operations Data			
Pulp revenues	847,328	946,237	1,073,632
Energy and chemical revenues	84,295	86,967	101,480
Total revenues	931,623	1,033,204	1,175,112
Costs and expenses	817,880	867,520	1,013,314
Operating income	113,743	165,684	161,798
Interest expense	51,575	53,891	67,516
Foreign exchange gain (loss) on intercompany debt	(1,140)	(5,306)	(4,777)
Gain (loss) on derivative instruments	(241)	(935)	11,501
Other income (expenses)	(1,323)	(601)	3,186
Income tax benefit (provision)			
Current	(7,712)	(11,934)	(5,242)
Deferred	(16,809)	(17,515)	22,016
Net income attributable to common shareholders(1)	34,943	75,502	113,154
Balance Sheet Data(2)			
Cash and cash equivalents	136,569	99,629	53,172
Current assets	401,851	388,811	357,867
Current liabilities	93,170	104,421	115,503
Total assets(1)	1,158,708	1,182,817	1,306,229
Long-term liabilities	686,410	695,420	751,846
Total equity	379,128	382,976	438,880
Other Data			
Operating EBITDA(3)	185,727	234,017	239,810
Pulp production (000 ADMTs)	1,428.4	1,458.0	1,485.0

Pulp sales (000 ADMTs)	1,428.7	1,463.1	1,486.4
Average pulp sales realizations ($/ADMT)[4]	586	640	715
Energy production (000 MWh)	1,812.6	1,846.8	1,853.5
Energy sales (000 MWh)	785.8	815.0	807.8
Average energy sales realizations ($/MWh)	91	92	110
Net cash from operating activities	140,782	159,220	144,588
Capital expenditures	42,526	46,536	34,612

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(1) We do not report the effect of government grants relating to our assets in our income. These grants reduce the cost basis of the assets purchased.

(2) Certain balance sheet amounts for December 31, 2014 have been adjusted as a result of our adoption of Accounting Standards Update 2015-17, *Balance Sheet Classification of Deferred Taxes* and Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*.

(3) See Non-GAAP Financial Measures for a description of Operating EBITDA, its limitations and why we consider it to be a useful measure. The following table provides a reconciliation of net income (loss) to operating income (loss) and Operating EBITDA on a consolidated basis for the periods indicated:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Net income attributable to common shareholders	34,943	75,502	113,154
Net income attributable to noncontrolling interest			7,812
Income tax provision (benefit)	24,521	29,449	(16,774)
Interest expense	51,575	53,891	67,516
Foreign exchange loss on intercompany debt	1,140	5,306	4,777
(Gain) loss on derivative instruments	241	935	(11,501)
Other expenses (income)	1,323	601	(3,186)
Operating income	113,743	165,684	161,798
Add: Depreciation and amortization	71,984	68,333	78,012
Operating EBITDA	185,727	234,017	239,810

(4) Sales realizations after customer discounts, rebates and other selling concessions. Incorporates the effect of pulp price variations occurring between the order and shipment dates.

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The following table sets forth a summary of consolidated financial and operating information as at and for the six months ended June 30, 2017. Since April 12, 2017, when we acquired the Friesau Facility, we have two reportable segments being pulp and wood products.

	Six Months Ended June 30,	
	2017	2016
	(in thousands of dollars, other than as otherwise indicated)	
Statement of Operations Data		
Pulp segment revenues	508,670	471,988
Wood products segment revenues	17,291	
Total revenues	525,961	471,988
Costs and expenses	466,488	427,111
Operating income	59,473	44,877
Interest expense	27,199	25,927
Loss on settlement of debt	10,696	454
Other income	1,309	104
Income tax provision		
Current	(6,860)	(5,125)
Deferred	(8,405)	(8,947)
Net income attributable to common shareholders[1]	7,622	4,528
Balance Sheet Data		
Cash and cash equivalents	142,589	112,651
Current assets	474,478	385,764
Current liabilities	142,679	104,528
Total assets[1]	1,328,382	1,180,269
Long-term liabilities	740,454	675,521
Total equity	445,249	400,220
Other Data		
Operating EBITDA[2]	99,319	80,058
Net cash from operating activities	69,470	74,743
Capital expenditures	27,907	20,415
Pulp Segment		
Pulp production (000 ADMTs)	736.4	716.3
Pulp sales (000 ADMTs)	763.9	723.8
Average pulp sales realizations ($/ADMT)[3]	604	586
Energy production (000 MWh)	920.9	907.1
Energy sales (000 MWh)	396.1	397.6
Average energy sales realizations ($/MWh)	90	90

	Six Months Ended June 30, 2017	2016
	(in thousands of dollars, other than as otherwise indicated)	
Wood Products Segment		
Production lumber (million board feet)	67.5	
Shipments lumber (million board feet)	41.5	
Average lumber sales realization ($/Mfbm)	328	
Energy sales (000 MWh)	24.0	
Average energy sales realizations ($/MWh)	110	

(1) We do not report the effect of government grants relating to our assets in our income. These grants reduce the cost basis of the assets purchased.

(2) See Non-GAAP Financial Measures for a description of Operating EBITDA, its limitations and why we consider it to be a useful measure. The following table provides a reconciliation of net income (loss) to operating income (loss) and Operating EBITDA on a consolidated basis for the periods indicated:

	Six Months Ended June 30, 2017	2016
	(in thousands)	
Net income (loss) attributable to common shareholders	$ 7,622	$ 4,528
Income tax provision	15,265	14,072
Interest expense	27,199	25,927
Loss on settlement of debt	10,696	454
Other (income) expenses	(1,309)	(104)
Operating income	59,473	44,877
Add: Depreciation and amortization	39,846	35,181
Operating EBITDA	$ 99,319	$ 80,058

(3) Sales realizations after customer discounts, rebates and other selling concessions. Incorporates the effects of pulp price variations occurring before the order and shipment dates.

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RISK FACTORS

You should carefully consider the risks described below and the other information in this prospectus or incorporated by reference into this prospectus before deciding whether to tender your Old Notes in this exchange offer. The risks described below are generally applicable to the Old Notes as well as the New Notes. The risks described below are not the only ones facing our Company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Our business, financial condition, results of operations and cash flow, could be materially adversely affected by any of these risks.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus or incorporated by reference herein.

Risks Related to the Exchange Offer

If you do not exchange your Old Notes pursuant to this exchange offer, you may not be able to sell your Old Notes.

It may be difficult for you to sell Old Notes that are not exchanged in the exchange offer. Those Old Notes may not be offered or sold unless they are registered or there are exemptions from the registration requirements under the Securities Act and applicable state securities laws.

We will only issue New Notes in exchange for Old Notes that are timely received by the Exchange Agent, together with all required documents, including a properly completed and signed letter of transmittal or properly transferred via back entry in accordance with the procedures described in this prospectus. Therefore, you should allow sufficient time to ensure timely delivery of the Old Notes and you should carefully follow the instructions on how to tender your Old Notes. Neither we nor the Exchange Agent are required to tell you of any defects or irregularities with respect to your tender of the Old Notes. If you do not tender your Old Notes or if we do not accept some of your Old Notes, those Old Notes will continue to be subject to the transfer and exchange restrictions in:

- the Indenture;
- the legend on the Old Notes; and
- the offering memorandum relating to the Old Notes.

The restrictions on transfer of your Old Notes arise because we issued the Old Notes pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the Old Notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold pursuant to an exemption from such requirements. We do not intend to register the Old Notes under the Securities Act. After the exchange offer is consummated, if you continue to hold any Old Notes, you may have difficulty selling them because there will be fewer Old Notes remaining and the market for such Old Notes, if any, will be much more limited than it is currently. In particular, the trading market for unexchanged Old Notes could become more limited than the existing trading market for the Old Notes and could cease to exist altogether due to the reduction in the amount of the Old Notes remaining upon consummation of the exchange offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of such untendered Old Notes.

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Risks Related to the Notes

We are a holding company and we are substantially dependent on cash provided by our subsidiaries to meet our debt service obligations under the Notes.

We are a holding company that conducts substantially all of our operations through our subsidiaries. Because we are a holding company and because the Notes are not guaranteed by any of our subsidiaries, the Notes are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. As of June 30, 2017, the aggregate outstanding liabilities of all our subsidiaries was $226.6 million, excluding intercompany amounts and including a total of approximately $51.3 million of indebtedness for borrowed money.

Our subsidiaries are separate and distinct legal entities. Our subsidiaries have not guaranteed the Notes and have no obligation to pay any amounts due on the Notes. With limited exceptions, our subsidiaries are not required to provide us with funds for our payment obligations, whether by dividends, distributions or loans. In addition, payments of dividends, distributions, loans or advances by our subsidiaries to Mercer Inc. are subject to certain contractual restrictions. Our revolving credit facilities at our operating subsidiaries, in some cases, require such subsidiaries to comply with certain financial ratios or other conditions before they are permitted to make distributions to us, as described further under Description of Other Indebtedness . The loan facilities of our subsidiaries do not contain any express provisions to permit distributions for debt servicing by Mercer Inc. Payments to Mercer Inc. by our subsidiaries will also be contingent upon our subsidiaries earnings and other business considerations and by limits on dividends under applicable law.

The Notes are effectively subordinated to all liabilities of our subsidiaries and are unsecured. We may not have sufficient funds to pay our obligations under the Notes if we encounter financial difficulties.

The Notes are not guaranteed and our subsidiaries have no obligations in respect of the Notes. As a result, the Notes are effectively subordinated to all liabilities of our subsidiaries. In the event of a bankruptcy, liquidation or reorganization involving us or any of our subsidiaries and in certain other events, our assets will be available to pay obligations on the Notes only after all liabilities of our subsidiaries (including trade creditors) have been paid in full. After satisfying these obligations, we may not have sufficient assets remaining to pay amounts due on any or all of the Notes then outstanding. In addition, our obligations under the Notes will be effectively subordinated to our secured creditors, to the extent of the value of the assets securing their claims. Our incurrence of additional debt and other liabilities could adversely affect our ability to pay our obligations under the Notes.

Despite our and our subsidiaries current levels of indebtedness, we may incur substantially more debt, which could further increase the risks associated with our substantial indebtedness.

Although the Indenture that governs our Notes, the indenture that governs our 7.7500% senior notes due 2022, referred to in this prospectus as the 2022 Senior Notes , and our existing credit facilities already contain restrictions on the incurrence of additional indebtedness by us and our restricted subsidiaries, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. In addition to amounts that may be borrowed under our existing credit facilities, the Indenture governing the Notes also allows us and our restricted subsidiaries to borrow significant amounts of money from other sources and will place no restrictions on borrowings by our unrestricted subsidiaries. Also, these restrictions do not prevent us from incurring obligations that do not constitute indebtedness as defined in the relevant agreement. If new debt is added to the current debt levels, the related risks that we now face could intensify.

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The agreements governing our indebtedness contain significant restrictions that limit our operating and financial flexibility.

The Indenture that governs the Notes, the indenture governing our 2022 Senior Notes and the agreements governing our credit facilities contain covenants that, among other things, limit our ability to:

- incur additional indebtedness and issue preferred stock;
- pay dividends and make distributions;
- repurchase stock or repay subordinated indebtedness;
- make certain investments;
- transfer, sell or make certain dispositions of assets;
- incur liens;
- enter into transactions with affiliates;
- create dividend or other payment restrictions affecting restricted subsidiaries; and
- merge, consolidate, amalgamate or sell substantially all of our assets to another person.

In addition, our credit facilities require us to maintain specified financial ratios, and we may be unable to meet such ratios. All of these restrictions may limit our ability to execute our business strategy. Moreover, if operating results fall below current levels, we may be unable to comply with these covenants. If that occurs, our lenders could accelerate our indebtedness, in which case we may not be able to repay all of our indebtedness, and your Notes may not be repaid fully, if at all.

We may not have sufficient funds or may be restricted in our ability to repurchase the Notes upon a change in control.

The Indenture that governs the Notes contains provisions that apply to a change in our control. You may require us to repurchase all or any portion of your Notes upon a change in control. We may not have sufficient funds to repurchase the Notes upon a change in control. Our credit facilities limit our subsidiaries ability to make cash disbursements to us and future debt agreements may prohibit us from paying the repurchase price. If we are prohibited from repurchasing the Notes, we could seek consent from our lenders to make distributions to repurchase the Notes. If we are unable to obtain consent, we could attempt to refinance the Notes. If we are unable to obtain a consent or refinance, we would be prohibited from repurchasing the Notes. If we are unable to repurchase the Notes upon a change in control, it would result in an event of default under the Indenture. An event of default under the Indenture could result in a further event of default under our other then-existing debt. In addition, the occurrence of the change in control may be an event of default under our other debt. Our ability to repurchase the Notes in such event may be limited by law, the Indenture, the indenture governing the 2022 Senior Notes or the terms of other agreements relating to our senior indebtedness.

An active or liquid trading market may not develop for the New Notes.

The New Notes will constitute a new issue of securities for which there is no established trading market. We do not intend to apply for listing or quotation of the New Notes on any securities exchange or automated quotation system. We cannot predict whether an active trading market for the New Notes will develop or, if such market develops, how liquid it will be. If an active market for the New Notes fails to develop or to be sustained, the trading price of the New Notes could fall. Even if an active trading market were to develop, the holders could experience difficulty or an inability to resell the New Notes.

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The market price of the New Notes may be volatile.

You may not be able to sell your New Notes at a particular time or at a price favorable to you. Future trading prices of the New Notes will depend on many factors, many of which are out of our control. These factors include:

- the number of holders of the New Notes;
- our operating performance and financial condition;
- the interest of securities dealers in making a market;
- prevailing interest rates and the markets for similar securities; and
- general economic conditions.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in prices. The market for the New Notes, if any, may be subject to similar disruptions. A disruption may have a negative effect on you as a holder of the New Notes, regardless of our prospects or performance.

An adverse rating of the New Notes may cause their trading price to fall.

If a rating agency rates the New Notes, it may assign a rating that is lower than the rating expected by you. Ratings agencies also may lower ratings on the New Notes or any of our other debt in the future. If rating agencies assign a lower-than-expected rating or reduce, or indicate that they may reduce, their ratings of our debt in the future, the trading price of the New Notes could significantly decline.

Certain restrictive covenants in the Indenture governing the Notes will be suspended if such Notes achieve investment grade ratings.

Most of the restrictive covenants in the Indenture governing the Notes, as well as our obligation to repurchase the Notes following certain asset sale events, will be suspended for so long as such Notes achieve and maintain investment grade ratings from Moody s Investors Service, Inc. and Standard & Poor s Rating Services, and no default or event of default has occurred and is continuing. If these restrictive covenants cease to apply, we may take actions, such as incurring additional debt or making certain dividends or distributions that would otherwise be prohibited under the Indenture. To the extent the covenants are subsequently reinstated, any such action taken while the covenants were suspended would not result in an event of default under the Indenture. Ratings are given by these rating agencies based upon analyses that include many subjective factors. We cannot assure you that the Notes will achieve investment grade ratings, nor can we assure you that investment grade ratings, if granted, will reflect all of the factors that would be important to holders of the Notes.

If you are a broker-dealer or participating in a distribution of the New Notes, you may be required to deliver prospectuses and comply with other requirements.

If you tender your Old Notes for the purpose of participating in a distribution of the New Notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the New Notes. If you are a broker-dealer that receives New Notes for your own account in exchange for Old Notes that you acquired as a result of market-making activities or any other trading activities, you will be required to acknowledge that you will deliver a prospectus in connection with any resale of such New Notes.

Risks Related to the Company

Our business is highly cyclical in nature.

The pulp and lumber businesses are highly cyclical in nature and markets are characterized by periods of supply and demand imbalance, which in turn can materially affect prices. Pulp and lumber markets are sensitive to cyclical changes in the global economy, industry capacity and foreign exchange rates, all of which can have a significant influence on selling prices and our operating results. The length and magnitude of industry cycles have varied over time but generally reflect changes in macro-economic conditions and levels of industry capacity. Pulp and lumber are commodities that are generally available from other producers. Because commodity products have few distinguishing qualities from producer to producer, competition is generally based upon price, which is generally determined by supply relative to demand.

Industry capacity can fluctuate as changing industry conditions can influence producers to idle production capacity or permanently close mills. In addition, to avoid substantial cash costs in idling or closing a mill, some producers will choose to operate at a loss, sometimes even a cash loss, which can prolong weak pricing environments due to oversupply. Oversupply of our products can also result from producers introducing new capacity in response to favorable pricing trends. Certain integrated pulp and paper producers have the ability to discontinue paper production by idling their paper machines and selling their NBSK pulp production on the market, if market conditions, prices and trends warrant such actions.

Currently, there have been publicly announced significant increases to expand chemical pulp capacity worldwide. Producers have announced projects to increase hardwood kraft pulp capacity by an aggregate of about 3.2 million ADMTs in 2017 and 2018, primarily in South America and Asia. Further capacity increases of about 0.7 million ADMTs have been announced for 2019. This increase in bleached hardwood kraft pulp is largely targeted at the growing demand for pulp in developing markets, particularly in China, by producers of tissues, specialty papers and packaging. If such additional bleached hardwood kraft pulp supply is not absorbed by such demand growth, as a result of generally lower prices for bleached hardwood kraft pulp, this supply increase could put downward pressure on NBSK pulp prices.

Producers have also announced increases to NBSK pulp capacity in 2017 and 2018 of an estimated 1.9 million ADMTs, along with another 0.6 million ADMTs of southern softwood and fluff pulp capacity. Further net capacity increases of NBSK and southern and fluff pulp capacity of about 0.3 million ADMTs have been announced for 2019. At this time, we cannot predict how much of the publicly announced capacity will come on line and when. If such new capacity, particularly for NBSK pulp, is not absorbed in the market or offset by curtailments or closures of older, high-cost NBSK pulp mills, the increase could put downward pressure on NBSK pulp prices and materially adversely affect our results of operations, margin, and profitability.

Demand for each of pulp and lumber has historically been determined primarily by general global macro-economic conditions and has been closely tied to overall business activity. NBSK pulp prices have been and are likely to continue to be volatile and can fluctuate widely over time. Between 2007 and 2016, European list prices for NBSK pulp have fluctuated between a low of approximately $575 per ADMT in 2009 to a high of $1,030 per ADMT in 2011.

Our mills and operations voluntarily subject themselves to third-party certification as to compliance with internationally recognized, sustainable management standards because end use paper and lumber customers have shown an increased interest in understanding the origin of products they purchase. Demand for our products could be adversely affected if we, or our suppliers, are unable to achieve compliance, or are perceived by the public as failing to comply, with these standards or if our customers require compliance with alternate standards for which our operations are not certified.

A producer s actual sales price realizations are list prices net of customer discounts, rebates and other selling concessions. Over the last three years, these have increased as producers compete for customers and sales. Our pulp sales price realizations may also be affected by NBSK price movements between the order and shipment dates.

Accordingly, prices for pulp and lumber are driven by many factors outside our control, and we have little influence over the timing and extent of price changes, which are often volatile. Because market conditions

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beyond our control determine the prices for pulp and lumber, prices may fall below our cash production costs, requiring us to either incur short-term losses on product sales or cease production at one or more of our mills. Therefore, our profitability depends on managing our cost structure, particularly raw materials which represent a significant component of our operating costs and can fluctuate based upon factors beyond our control. If the prices of our products decline, or if prices for our raw materials increase, or both, our results of operations and cash flows could be materially adversely affected.

A weakening of the global economy, including capital and credit markets, could adversely affect our business and financial results and have a material adverse effect on our liquidity and capital resources.

As demand for our products has principally historically been determined by general global macro-economic activities, demand and prices for our products have historically decreased substantially during economic slowdowns. A significant economic downturn may affect our sales and profitability. Further, our suppliers and customers may also be adversely affected by an economic downturn. Additionally, restricted credit and capital availability restrains our customers ability or willingness to purchase our products resulting in lower revenues. Depending on their severity and duration, the effects and consequences of a global economic downturn could have a material adverse effect on our liquidity and capital resources, including our ability to raise capital, if needed, and otherwise negatively impact our business and financial results.

Our level of indebtedness could negatively impact our financial condition, results of operations and liquidity.

As of June 30, 2017, we had an aggregate principal amount of approximately $678.5 million of indebtedness outstanding. We may also incur additional indebtedness in the future. Our high debt levels may have important consequences for us, including, but not limited to the following:

- our ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes or to fund future operations may not be available on terms favorable to us or at all;

- a significant amount of our operating cash flow is dedicated to the payment of interest and principal on our indebtedness, thereby diminishing funds that would otherwise be available for our operations and for other purposes;

- increasing our vulnerability to current and future adverse economic and industry conditions;

- a substantial decrease in net operating cash flows or increase in our expenses could make it more difficult for us to meet our debt service requirements, which could force us to modify our operations;

- our leveraged capital structure may place us at a competitive disadvantage by hindering our ability to adjust rapidly to changing market conditions or by making us vulnerable to a downturn in our business or the economy in general;

- causing us to offer debt or equity securities on terms that may not be favorable to us or our shareholders;

- limiting our flexibility in planning for, or reacting to, changes and opportunities in our business and our industry; and

- our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay the principal or interest due in respect of our indebtedness.

The Indenture that governs our Notes, the indenture that governs our 2022 Senior Notes and our bank credit facilities contain restrictive covenants which impose operating and other restrictions on us and our subsidiaries. These restrictions will affect, and in many respects will limit or prohibit, our ability to, among other things, incur or guarantee additional indebtedness, pay dividends or make distributions on capital stock or redeem or repurchase capital stock, make investments or acquisitions, create liens and enter into mergers, consolidations or transactions with affiliates. The terms of our indebtedness also restrict our ability to sell certain assets, apply the proceeds of such sales and reinvest in our business.

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Certain of the agreements governing our indebtedness have covenants that require us to maintain prescribed financial ratios and tests. Failure to comply with such covenants could result in events of default and could have a material adverse effect on our liquidity, results of operations and financial condition.

Our ability to repay or refinance our indebtedness will depend on our future financial and operating performance. Our performance, in turn, will be subject to prevailing economic and competitive conditions, as well as financial, business, legislative, regulatory, industry and other factors, many of which are beyond our control. Our ability to meet our future debt service and other obligations may depend in significant part on the extent to which we can successfully implement our business strategy. We cannot assure you that we will be able to implement our strategy fully or that the anticipated results of our strategy will be realized. Over the next several years, we will require financing to refinance maturing debt obligations (unless extended), and such refinancing may not be available on favorable terms or at all.

Cyclical fluctuations in the price and supply of our raw materials, particularly fiber, could adversely affect our business.

Our main raw material is fiber in the form of wood chips, pulp logs and sawlogs which represented approximately 60% of our cash production costs in 2016. Fiber is a commodity and both prices and supply are cyclical. Fiber pricing is subject to regional market influences and our costs of fiber may increase in a region as a result of local market shifts. The cost of wood chips, pulp logs and sawlogs is primarily affected by the supply and demand for lumber. Demand for these raw materials is generally determined by the volume of pulp and paper products and wood products produced globally and regionally. Governmental regulations related to the environment, forest stewardship and green or renewable energy can also affect the supply of fiber. In Germany, governmental initiatives to increase the supply of renewable energy have led to more renewable energy projects in Europe, including Germany. Demand for wood residuals from such energy producers, combined with lower harvesting rates, has generally put upward pressure on prices for wood residuals, such as wood chips, in Germany and its neighboring countries. This has resulted in higher fiber costs for our German pulp mills and such trend could continue to put further upward pressure on wood chip prices. Wood chip supply in Germany was stable during the course of 2015 and 2016 due to stable sawmill production and lower demand from pellet producers and board manufacturers; however, there is no assurance that wood chip supply will continue to be stable or that supply will not be reduced or that fiber costs will not increase in the future.

Similarly, North American sawmill activity declined significantly during the recession, reducing the supply of chips and availability of pulp logs to our Celgar mill. Additionally, North American energy producers are exploring the viability of renewable energy initiatives and governmental initiatives in this field are increasing, all of which could lead to higher demand for sawmill residual fiber, including chips. A recovery in U.S. housing starts, which commenced in the latter part of 2012 and has continued through the first half of 2017, resulted in increased sawmill activity. This increased the supply of wood chips for the Celgar mill and reduced its need for pulp logs, which are generally a higher cost for the mill than wood chips. Sawmill activity was stable in Canada during 2016 and the first half of 2017; however, there is no assurance that sawmill activity will continue to remain stable or that fiber prices will not increase in the future.

The 2006 Softwood Lumber Agreement which governed softwood lumber exports from Canada to the United States expired in 2015 and a one-year post-expiration period during which the United States agreed not to impose trade sanctions expired in October 2016. In December 2016, the U.S. Department of Commerce initiated investigations and subsequently announced preliminary countervailing duties in April 2017 and preliminary anti-dumping duty rates in June 2017, respectively. Final rates are expected to be announced as early as September 6, 2017 or towards the end of 2017. It is uncertain when or if the United States and Canada may settle a new agreement and what terms or restrictions it may contain. Any duties or other restrictions imposed on Canadian softwood lumber exports by the United States could negatively impact Canadian sawmill production in our Celgar mill s supply area and result in reduced availability and increased costs for wood chips for the mill. While we believe this may be partially offset by increased wood chip supply from U.S. sawmills and pulp log availability, we cannot currently predict the overall effect on our Celgar mill s overall fiber costs.

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Availability of fiber may be further limited by adverse responses to and prevention of wildfires, weather, insect infestation, disease, ice storms, wind storms, flooding and other natural causes. In addition, the quantity, quality and price of fiber we receive could be affected by man-made causes such as those resulting from industrial disputes, material curtailments or shut-down of operations by suppliers, government orders and legislation (including new taxes or tariffs). Any or a combination of these can affect fiber prices in a region.

The cyclical nature of pricing for fiber represents a potential risk to our profit margins if pulp producers are unable to pass along price increases to their customers or we cannot offset such costs through higher prices for our surplus energy.

We do not own any timberlands or have any material long-term governmental timber concessions and we currently have few long-term fiber contracts at our German operations. Fiber is available from a number of suppliers and we have not historically experienced material supply interruptions or substantial sustained price increases. However, our requirements have increased and may continue to do so as we expand capacity through capital projects or other efficiency measures at our mills. As a result, we may not be able to purchase sufficient quantities of these raw materials to meet our production requirements at prices acceptable to us during times of tight supply. An insufficient supply of fiber or reduction in the quality of fiber we receive would materially adversely affect our business, financial condition, results of operations and cash flow.

In addition to the supply of fiber, we are, to a lesser extent, dependent on the supply of certain chemicals and other inputs used in our production facilities. Any disruption in the supply of these chemicals or other inputs could affect our ability to meet customer demand in a timely manner and could harm our reputation. Any material increase in the cost of these chemicals or other inputs could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We face intense competition in our markets.

We sell our pulp and wood products globally, with a large percentage sold in Europe, Asia and North America. The markets for pulp and wood products are highly competitive. A number of other global companies compete in each of these markets and no company holds a dominant position. Our pulp and lumber are considered commodities because many companies produce similar and largely standardized products. As a result, the primary basis for competition in our markets has been price. Many of our competitors have greater resources and lower leverage than we do and may be able to adapt more quickly to industry or market changes or devote greater resources to the sale of products than we can. There can be no assurance that we will continue to be competitive in the future. Prices for our products are affected by many factors outside of our control and we have no influence over the timing and extent of price changes, which are often volatile. Our ability to maintain satisfactory margins depends, in large part, on managing our costs, particularly raw material and energy costs which represent significant components of our operating costs and can fluctuate based upon factors beyond our control.

The global pulp and lumber markets have historically been characterized by considerable swings in prices which have and will result in variability in our earnings.

We are exposed to currency exchange rate fluctuations.

We have manufacturing operations in Germany and Canada. Most of the operating costs and expenses of our German mills are incurred in euros and those of our Celgar mill in Canadian dollars. However, the majority of our sales are in products quoted in dollars. Our results of operations and financial condition are reported in dollars. As a result, our costs generally benefit from a strengthening dollar but are adversely affected by a decrease in the value of the dollar relative to the euro and to the Canadian dollar. Such declines in the dollar relative to the euro and the Canadian dollar reduce our operating margins and the cash flow available to fund our operations and to service our debt. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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Further, while a strengthening dollar generally lowers our costs and expenses, it increases the cost of NBSK pulp to our customers and generally puts downward pressure on pulp prices and reduces our energy and chemical sales revenues as they are sold in euros and Canadian dollars.

Although we report in dollars, we hold certain assets and liabilities, including our mills, in euros and Canadian dollars. We translate foreign denominated assets and liabilities into dollars at the rate of exchange on the balance sheet date. Equity accounts are translated using historical exchange rates. Unrealized gains or losses from these translations are recorded in our other comprehensive income (loss) and do not affect our net earnings, operating income or Operating EBITDA.

Certain intercompany dollar advances between Mercer Inc. and its foreign subsidiaries are held in euros and Canadian dollars and certain foreign subsidiaries hold some cash and other balances in dollars. When such advances are translated by these subsidiaries into dollars and such balances are translated into the applicable local currency at the end of each reporting period, the gains or losses thereon are reflected in net earnings.

We are subject to extensive environmental regulation and we could incur substantial costs