MERCER INTERNATIONAL INC.
Form S-4
January 22, 2015
Table of Contents

As filed with the Securities and Exchange Commission on January 22, 2015.

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

MERCER INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Washington	**2611**	**47-0956945**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

Suite 1120, 700 West Pender Street

Vancouver, British Columbia

Canada, V6C 1G8

(604) 684-1099

(Address, including zip code, and telephone number, including area code, of registrant s principal executive office)

David M. Gandossi

Mercer International Inc.

Suite 1120, 700 West Pender Street

Vancouver, British Columbia

Canada, V6C 1G8

(604) 684-1099

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration number for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier, effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Note**	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee**
7.000% Senior Notes due 2019	$250,000,000	100%	$250,000,000	$29,050
7.750% Senior Notes due 2022	$400,000,000	100%	$400,000,000	$46,480
Total	$650,000,000	N/A	N/A	$75,530

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f) promulgated under the *Securities Act of 1933*, as amended (the Securities Act).

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not exchange these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 22, 2015

PROSPECTUS

MERCER INTERNATIONAL INC.

OFFER TO EXCHANGE

$250,000,000 principal amount of its 7.000% Senior Notes due 2019 which have been registered under the Securities Act for any and all of its outstanding 7.000% Senior Notes due 2019

and

$400,000,000 principal amount of its 7.750% Senior Notes due 2022 which have been registered under the Securities Act for any and all of its outstanding 7.750% Senior Notes due 2022

The exchange offer expires at 5:00 p.m., New York City time, on , 2015, unless extended.

In this prospectus, we refer to all outstanding $250,000,000 aggregate principal amount of our 7.000% Senior Notes due 2019 issued on November 26, 2014 as the Old 2019 Notes and all outstanding $400,000,000 aggregate principal amount of our 7.750% Senior Notes due 2022 issued on November 26, 2014 as the Old 2022 Notes and, together with the Old 2019 Notes, the Old Notes . Additionally, in this prospectus, we refer to the registered 7.000% Senior Notes due 2019 as the New 2019 Notes and the registered 7.750% Senior Notes due 2022 as the New 2022 Notes and, together with the New 2019 Notes, 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 applicable 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 10 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 , 2015.

Table of Contents

TABLE OF CONTENTS

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 , 2015, 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 . 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 , beli seeks , estimates , or words of similar meaning, or future or conditional verbs, such as will , should , could , o although not all forward-looking statements contain these identifying 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:

the highly cyclical nature of our business;

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

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

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

Table of Contents

we operate in highly competitive markets;

we are exposed to currency exchange rate and interest rate fluctuations;

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

we are subject to extensive environmental regulation and we could have environmental liabilities at our facilities;

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

our new enterprise resource planning, or ERP , 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;

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

future acquisitions may result in additional risks and uncertainties in our business;

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 are subject to risks related to our employees;

we rely on German federal and state government grants and guarantees and participate in German and European statutory energy programs;

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 shutdowns);

if our long-lived assets become impaired, we may be required to record non-cash impairment 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; and

- we rely on third parties for transportation services.

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.

Table of Contents

CHANGE IN REPORTING CURRENCY

Effective October 1, 2013, we changed our reporting currency from the Euro to the U.S. dollar. Our consolidated financial statements issued prior to October 1, 2013 were prepared using the Euro as the reporting currency; however, subsequent to October 1, 2013, both current and historical financial information has been translated to U.S. dollars in accordance with the method described in Critical Accounting Policies in our annual and quarterly reports incorporated by reference in this prospectus. For more information about our change in reporting currency, see the notes to our financial statements incorporated by reference into this prospectus.

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 U.S. 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:

	Nine Months Ended September 30,		Years Ended December 31,				
	2014	**2013**	**2013**	**2012**	**2011**	**2010**	**2009**
				($/)			
End of period	1.2628	1.3535	1.3779	1.3186	1.2973	1.3269	1.4332
High for period	1.2628	1.2774	1.2774	1.2062	1.2926	1.1959	1.2547
Low for period	1.3927	1.3692	1.3816	1.3463	1.4875	1.4536	1.5100
Average for period	1.3555	1.3171	1.3281	1.2859	1.3931	1.3261	1.3935
				($/C$)			
End of period	0.8923	0.9724	0.9401	1.0042	0.9835	0.9991	0.9559
High for period	0.8888	0.9454	0.9348	0.9600	0.9430	0.9280	0.7695
Low for period	0.9423	1.0164	1.0164	1.0299	1.0584	1.0040	0.9719
Average for period	0.9141	0.9772	0.9712	1.0007	1.0121	0.9714	0.8803

On January 20, 2015, the most recent weekly publication of the daily Noon Buying Rate before the date of this prospectus reported that, as of January 16, 2015, the Noon Buying Rate for the conversion of Euros and Canadian dollars to U.S. dollars was $1.1517 per Euro and $0.8343 per Canadian dollar.

Table of Contents

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 measure Operating EBITDA .

Operating EBITDA is defined as operating income (loss) plus depreciation and amortization and non-recurring capital asset impairment charges. We use Operating EBITDA as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider 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 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, nor as an alternative to net cash from operating activities as a measure of liquidity.

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 have not independently verified nor can we guarantee the accuracy or completeness of that information, and investors should use caution in placing reliance on such information.

Statements in this prospectus and the documents incorporated by reference herein concerning the production capacity of our pulp 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 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;

Table of Contents

- references to ADMTs mean air-dried metric tonnes;

- references to MW mean megawatts and MWh mean megawatt hours; and

- all references to $ mean U.S. 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.

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 pure-play producers of market NBSK pulp. We operate two modern and highly efficient mills in Eastern Germany and one mill in Western Canada and have our headquarters in Vancouver, Canada. We are the sole NBSK producer, and the only significant producer of pulp for resale, known as market pulp , in Germany, which is the largest pulp import market in Europe. 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 production process, which is used as both a chemical additive and as a green energy source. We had revenues and Operating EBITDA of $892.5 million and $168.5 million, respectively, for the nine-month period ended September 30, 2014. See Summary of Consolidated Financial and Operating Information for a reconciliation of net income to Operating EBITDA.

We currently employ approximately 1,440 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. Key operating details for each of our mills are as follows:

- ***Stendal mill***. Stendal owns and operates the Stendal mill, a state-of-the-art, single-line, ISO 9001 and 14001 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 located near the town of Stendal, Germany, approximately 130 kilometers west of Berlin. We previously owned 83% of Stendal. Following a further investment of $20 million into Stendal in September 2014 and the acquisition of substantially all of the minority shareholder s interest and certain other rights, we now own 100% of the economic interest of Stendal.

- ***Celgar mill***. Our wholly-owned subsidiary, Celgar, owns and operates the Celgar mill, 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.

- ***Rosenthal mill***. Our wholly-owned subsidiary, Rosenthal, owns and operates the Rosenthal mill, 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.

Our Competitive Strengths

Our competitive strengths include the following:

Leading Market Position. We are one of the largest pure-play NBSK market pulp producers in the world, which leads to increased presence and better industry information in the markets in which we operate and provides for close customer relationships with many large pulp consumers. Our key competitors include Canfor Pulp, Metsä Fibre, Södra Cell and Asia Pulp and Paper.

Stable Income Source from the Sale of Surplus Renewable Energy and Chemicals. Our modern mills generate electricity and steam in their boilers, which is surplus to their operating requirements, providing our mills with a stable revenue source unrelated to pulp prices. Additionally, our Stendal mill generates tall oil from black liquor, which is sold to third parties for use in numerous applications including bio-fuels, and our Rosenthal mill implemented a capital project to produce and sell tall oil in the fourth quarter of 2014. Since our energy and chemical production are by-products of our pulp production process, there are minimal incremental costs and our surplus energy and chemical sales are highly profitable. All of our mills generate and sell surplus energy to regional utilities. Our German mills benefit from special tariffs under Germany s *Renewable Energy Sources Act*, referred to as the Renewable Energy Act , which provides for premium pricing on green energy. Our Celgar mill is party to a fixed electricity purchase agreement, referred to as the Electricity Purchase Agreement , with the regional public utility provider for the sale of surplus power through 2020. During the nine months ended September 30, 2014, our mills produced and sold approximately 605,975 MWh of surplus renewable energy and generated approximately $77.5 million in revenues from energy and chemical sales. In December 2013, we completed the Blue Mill Project at our Stendal mill, which permits the mill to produce an annual incremental 109,000 MWh of surplus energy and is fully operational.

Modern and Globally Cost Competitive Mills. We believe the relative age, production capacity and electrical generation capacity of our mills provide us with certain manufacturing cost and other advantages over many of our competitors. We believe competitors older mills do not have the equipment or capacity to produce or sell surplus power or chemicals in a meaningful amount. In addition, since our mills are relatively new they benefit from lower maintenance capital requirements and high efficiency relative to many of our competitors mills.

Strategic Locations Providing Cost and Service Advantages. Our strategic mill locations position us well to serve customers in Europe, Asia, and North America. We are the only significant producer of market pulp in Germany, which is the largest pulp import market in Europe. Due to the proximity of our German mills to most of our European customers, we benefit from lower transportation costs relative to most of our major competitors. Our Celgar mill, located in Western Canada, is well situated to serve Asian and North American customers, specifically in China, which is the world s largest and fastest-growing pulp import market. Our Stendal mill also supplies customers in China through its existing logistics arrangements. We primarily work directly with customers to capitalize on our geographic diversity, coordinate sales and enhance customer relationships. We believe our ability to deliver high quality pulp on a timely basis and our customer service make us a preferred supplier for many customers.

Proximity of Abundant Fiber Supply. Although fiber is cyclical in both price and supply, there is a significant amount of high-quality fiber within a close radius of each of our mills. This fiber supply, combined with our purchasing power and our ability to switch between whole logs chipped at our mills and sawmill residual chips, enables us to enter into contracts and arrangements which have generally provided us with sufficient fiber supply.

Experienced Management Team. Our directors and senior managers have extensive experience in the pulp and forestry industries. We also have experienced managers at all of our mills. Our management has a proven track record of implementing new initiatives and capital projects in order to reduce costs throughout our operations as well as identifying and harnessing new revenue opportunities.

- 2 -

Table of Contents

Corporate Strategy

Our corporate strategy is to expand our asset and earnings base through organic growth and acquisitions, primarily in Europe and North America. We pursue organic growth through active management and targeted capital expenditures to generate a high return by increasing pulp, energy and chemical production, reducing costs and improving efficiency. We are also developing innovative new products based on other derivatives of the kraft pulping process. We seek to acquire interests in companies and assets in the pulp industry and related businesses where we can leverage our experience and expertise in adding value through a focused management approach. Key elements of our strategy include:

Focus on Premium Grade NBSK Market Pulp. We produce NBSK pulp because it is a premium grade kraft pulp and generally obtains the highest price relative to other kraft pulps. Although demand is cyclical, between 2004 and 2013 overall worldwide demand for bleached softwood kraft market pulp grew at an average of approximately 2% per annum. We focus on customers that produce tissue, specialty papers and high-quality printing and writing paper grades. We believe the growth in demand from tissue and specialty paper customers, which utilize a significant proportion of NBSK pulp, has more than offset the secular decline in demand from printing and writing paper customers. This allows us to benefit from our long-term relationships with tissue and paper manufacturers in Europe and participate in higher growth markets in emerging countries such as China where there has been strong growth in tissue demand.

Increasing Stable Revenues from Renewable Energy and Chemical Sales. We focus on the generation and sales of surplus renewable energy and chemicals and, because there are minimal associated incremental costs, such sales are highly profitable. These sales provide us with a stable income source unrelated to cyclical changes in pulp prices. During the nine months ended September 30, 2014, our mills sold 605,975 MWh of surplus electricity and generated approximately $77.5 million in revenues from energy and chemical sales, compared with 526,585 MWh and $68.1 million during the nine months ended September 30, 2013. In December 2013, our Stendal mill completed Project Blue Mill to increase production and efficiency through debottlenecking initiatives and the installation of a 46 MW steam turbine at the mill. The new turbine permits the mill to produce an additional 109,000 MWh of surplus electricity annually and is fully operational. Our Rosenthal mill implemented a capital project to produce and sell tall oil, which was completed in the fourth quarter of 2014. We continually explore and pursue initiatives to enhance our energy and chemical generation and sales in order to reduce volatility and increase our revenues from a stable source, while favorably impacting our profitability.

Targeted Capital Expenditures to Enhance Production Capacity and Efficiency. We operate three large modern pulp mills which provide us with a platform to be an efficient and competitive producer of high-quality NBSK pulp without the need for significant sustaining capital. We seek to make targeted capital expenditures that increase the production and operational efficiency of the mills, reduce costs and improve product quality and electricity generation. Over the last five years, we have invested approximately $200.0 million (including $73.0 million in associated government grants) in growth capital expenditures for capacity expansions, operational efficiencies and renewable energy and chemical production.

Achieving Operational Excellence. Operating our mills reliably and at a competitive cost is important for our financial performance. In addition to our capital expenditure program, we continuously strive to develop maintenance systems and procedures that will improve the throughput of our products by increasing the reliability of our manufacturing processes. We also seek to reduce operating costs by better managing certain operating activities such as fiber procurement, sales, marketing and logistics activities. We believe that our continued focus on operational excellence should allow us to achieve improved profitability and cash flows.

Strategic Opportunities. We believe there will be continuing change and consolidation in the pulp and paper industry as industry participants continually seek to lower costs, refocus their product lines and react to ever changing global market conditions. We take an opportunistic approach to potential investments or acquisitions that can grow our business and expand our earnings.

Table of Contents

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 (MRI.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.

Table of Contents

The Exchange Offer

The Exchange Offer	We are offering to exchange up to $250,000,000 aggregate principal amount of New 2019 Notes for up to $250,000,000 aggregate principal amount of Old 2019 Notes and up to $400,000,000 aggregate principal amount of New 2022 Notes for up to $400,000,000 aggregate principal amount of Old 2022 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 2019 Notes and $400,000,000 aggregate principal amount of Old 2022 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 indentures, as applicable, each dated November 26, 2014. 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 , 2015, unless extended or earlier terminated by the Company (such time, as the same may be extended, 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 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 U.S. 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 2019 Notes will be redeemable on and after December 1, 2016 and the New 2022 Notes will be redeemable on and after December 1, 2017, in each case 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 December 1, 2016, in the case of the New 2019 Notes, and prior to December 1, 2017, in the case of the New 2022 Notes, 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 December 1, 2016, in the case of the New 2019 Notes, and prior to December 1, 2017, in the case of the New 2022 Notes, we may redeem, at our option, up to 35% of the New 2019 Notes and up to 35% of the New 2022 Notes with the net proceeds of certain equity offerings at a redemption price of 107.000% of the principal amount of New 2019 Notes or 107.750% of the principal amount of New 2022 Notes redeemed, as the case may be, plus accrued and unpaid interest, if any, to (but not including) the redemption date.
Certain Covenants	The New Notes will be issued under the indentures 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;

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 o