Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. Certain information included in this presentation contains statements that are forward-looking, such as statements relating to results of operations and financial conditions and business development activities, as well as capital spending and financing sources. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of Mercer. For more information regarding these risks and uncertainties, review Mercer’s filings with the United States Securities and Exchange Commission. Unless required by law, we do not assume any obligation to update forward-looking statements based on unanticipated events or changed expectations.
Overview of the Company
Company Overview

- Three world-class, large, modern mills that produce 1.5 million tonnes of high-quality northern bleached softwood kraft (“NBSK”) pulp, a premium grade of pulp
  - Strategically located mills in British Columbia and Germany
  - Excellent fiber baskets, with ready access to key global markets
- Significant and growing revenue from sale of excess renewable, carbon-neutral electricity
- Mercer has grown through organic expansion, greenfield development and acquisition and its financial structure offers very high leverage to the pulp cycle
- Company employs approximately 1,500 people and generated over €900 million (US$1.2 billion*) in revenues in fiscal 2010
- U.S. domiciled corporation listed on both the NASDAQ (MERC) and the TSX (MRI.U)

Management believes the supply/demand outlook for NBSK is strong

* At a EUR/USD fx rate of 1.3273
Company Overview
as at June 30/2011

Equity Structure

- **Common shares outstanding**: 45.8 million
- **Diluted shares outstanding**\*: 57.2 million
- **30 day average trading volume**: 343,000 shares / day **

\* The majority of the company’s convertible debt was converted to equity on July 14. The balance of debt that was not converted was redeemed July 15, 2011

\** Source: FactSet

Debt Structure

- The Celgar and Rosenthal mills – the “Restricted Group” - are reported separately from Stendal – the “Unrestricted Group” – as the debt at Stendal is non-recourse to Mercer’s other operations
  - **Unrestricted Group**: €486 million term amortizing loan due September 2017

\* The majority of the company’s convertible debt was converted to equity on July 14. The balance of debt that was not converted was redeemed July 15, 2011

\** Source: FactSet
Mercer conducts operations through three subsidiaries; two in Germany and one in British Columbia, Canada

- Mercer operates the only two NBSK market pulp mills in Germany - Europe’s largest market for NBSK pulp - and one of the largest, most modern pulp mills in North America

**Significant Production Capacity with Access to Key Global Markets**

- **Rosenthal** (Germany)
  - 330,000 ADMT
  - 57 MW Capacity

- **Celgar** (British Columbia)
  - 520,000 ADMT
  - 100 MW Capacity

- **Stendal** (Germany)
  - 645,000 ADMT
  - 102 MW Capacity

Pursuant to the terms of its 2017 Senior Notes, Mercer reports the Stendal mill separately from Rosenthal, Celgar and Mercer International Inc., (together the “Restricted Group”) as the debt at Stendal is non-recourse to Mercer’s other operations.
Modern and Competitive Assets

- Mercer’s operations are some of the largest and most modern in the world
  - Relative age and production capacity provide a competitive advantage
  - Low production costs
  - Low maintenance capital requirements
  - High runability / efficiency
  - Strong record of environmental performance
  - All facilities are net energy producers

Note: Bubble sizes represent market and integrated pulp productions
Source: Jaakko Pöyry, July 2010
Strategic Locations

- Mercer’s strategic locations in Germany and Western Canada position the company well to serve customers in Europe, North America and Asia
  - In particular, China – the world’s biggest pulp importer and fastest growing pulp import market - and Germany – the largest European pulp import market
Growing Electricity Revenues

- Mercer has been a leader among paper and forest products companies in embracing the “carbon economy” and in harnessing significant value from its surplus power generation.

- Mercer recognized the opportunity to secure a new revenue stream from its operations, as the marketplace turned to biomass for its carbon neutral power.

- At the end of September 2010, Celgar’s new 48 MW turbine achieved commercial operating status:
  - It is expected to add between C$20-C$25 million annually to Mercer’s green energy revenue.
  - Project was primarily funded using some of Mercer’s C$57.7 million Green Transformation Program funding.

The sale of electricity is a significant and growing part of Mercer’s operations.
NBSK Supply/Demand Fundamentals are Positive

- Global demand for NBSK remains strong, as global production of tissue and specialty papers grows, emerging markets develop, and standards of living improve
  - Chinese production of fine paper and pulp-based tissue are forecast to grow at double-digit rates over the next several years
  - NBSK’s strength attributes are needed given the trend by tissue and paper producers towards faster production rates, increased recycled content, and lower basis weights
- Global supply of softwood pulp is expected to remain relatively flat
  - New mills are overwhelmingly hardwood pulp and management believes any increases in softwood supply should be more than offset by capacity closures
- Mercer benefits from favourable green energy rates and related government incentives
  - Climate change is making the cost curve of pulp and paper steeper, significantly disadvantaging inefficient and environmentally unsound operations and benefitting world class operations, such as Mercer’s

Management believes that generally flat supply, overall growing demand and positive exposure to the effects of climate change create an excellent operating environment for Mercer
Favourable NBSK Pricing and Global Supply Environment

NBSK prices improved dramatically in 2010 and management believes the market fundamentals will remain tight overall, even after recent restarts.
The Widening Price Gap Between BSK and BHK

Historic BSK vs. BHK Pricing Gap,
Delivered to United States

We believe the substitution of hardwood for softwood is becoming increasingly limited with the passage of time.

Source: RISI
Overview of Operations
Improving Financial Performance

- Operating EBITDA margins improved in 2010 given strong pulp pricing, but margins have compressed in 2011 given a weakening US dollar.
Fiber Costs are Stable

- The downturn in the US housing market and other factors have decreased the level of lumber production and overall forest harvesting activity in all regions where we operate.

- While Celgar’s fiber costs have been stable at satisfactory levels, we are expecting some modest upward pressure as sawmills in BC are expected to take maintenance and market related downtime during the summer.

- Fiber costs in Germany have stabilized at elevated levels and are expected to remain at these levels for the short to medium term.
Segmented Sales

- Mercer has a well-diversified and stable sales mix
  - Sizeable leverage to European markets in particular Germany – Europe’s largest NBSK market
  - Significant exposure to China – the world’s largest importer of pulp and the fastest growing pulp market

- Growing exposure to tissue / hygiene end uses which have a higher growth rate for NBSK than printing and writing papers

**2010 Mercer Sales by Geography**

- Europe, 60%
- Germany, 32.8%
- China, 23.1%
- North America, 11.0%
- Italy, 6.7%
- Other European Union Countries, 20.2%
- Other Asia, 4.4%
- Other Countries, 1.6%

**2010 Mercer Sales by End-Use**

- Tissues & Specialties 55%
- Printing & Writing (incl. coated & uncoated mechanical) 45%
Investment Highlights
Share Repurchase Program

Mercer has authorized a share repurchase program for up to $25 million of the Company’s outstanding stock over the next 12 months

- The program calls for an equivalent reduction in long-term indebtedness over the same period

Delevering Strategy:

- All revolvers are paid to zero
- Stendal delevers automatically – amortizing loan with cash sweep
- Converts are now equity
- Senior Notes ($300 million), 2017 maturity
- Cash on hand June 30, 2011: €151.8 million (US$220 million)
Key Investment Highlights

- Operates world-class, large, modern mills that produce high-quality NBSK pulp which is a premium grade of kraft pulp
- Strategically located mills, with excellent fiber baskets, in close proximity to key global markets
- Strong, long-term forecast supply/demand outlook for NBSK
- Significant and growing revenue from sale of excess renewable, carbon-neutral electricity
- Financial structure offers very high leverage to the pulp cycle
- Experienced, shareholder-focused management team and board of directors
- Improved liquidity performance
Dissolving Pulp Opportunity

Mercer is not committing to a dissolving pulp project at this time, but will continue monitoring the dissolving pulp (DP) market and the related technological developments

- Mercer has completed feasibility and engineering studies that envisioned converting Celgar and Stendal to be swing mills, capable of alternating production between DP and NBSK
  - Concluded that both opportunities are potentially highly accretive for Mercer
- The numerous recent DP capacity increases and conversion announcements create potential risk of over-capacity in the short-term
- We expect technological advancements with respect to the manufacture of DP and the use of paper grade pulp as a substitute for DP
  - These advancements have the potential to make these projects even more accretive

The timing of Mercer’s entry into the dissolving pulp market is critical to the success and profitability of the Stendal and Celgar DP projects
Financial Review
As at June 30, 2011
- US$300 million senior unsecured notes due December 2017
- US$36.2 million convertible notes due January 2012 (1)
- US$4.6 million Rosenthal equipment loan

- €486 million term loan due September 2017
  - Principal amount of the loan is 80% guaranteed by the German government
  - Interest rate of 5.28% until maturity

The debt at Stendal is non-recourse to Mercer and its other operations

(1) Strike price of US$3.30, fully converted into common shares as of July 15, 2011
### Selected Historical Financial Data – Consolidated

(€ 000s unless otherwise indicated)

#### Revenues

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp</td>
<td>623,977</td>
<td>704,391</td>
<td>689,320</td>
<td>577,298</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Energy</td>
<td>20,922</td>
<td>22,904</td>
<td>30,971</td>
<td>42,501</td>
<td>Q3 *</td>
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<tr>
<td>Total</td>
<td>644,899</td>
<td>727,295</td>
<td>720,291</td>
<td>619,799</td>
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<td>2011</td>
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</table>

#### Operating Income (Loss)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp</td>
<td>92,504</td>
<td>69,586</td>
<td>13,329</td>
<td>(12,799)</td>
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<td>Q2</td>
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<tr>
<td>Energy</td>
<td>91,931</td>
<td>71,400</td>
<td>65,756</td>
<td>64,770</td>
<td>Q3 *</td>
<td>Q4</td>
</tr>
<tr>
<td>Total</td>
<td>121,093</td>
<td>31,315</td>
<td>29,462</td>
<td>26,069</td>
<td>10,412</td>
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</tr>
</tbody>
</table>

#### Interest Expense

<table>
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<tr>
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#### Gain (Loss) on Financial Instruments **

<table>
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#### Net Income (Loss)

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#### Operating EBITDA (€ 000's)

<table>
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</thead>
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<tr>
<td>Pulp</td>
<td>148,338</td>
<td>126,244</td>
<td>69,091</td>
<td>41,371</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Energy</td>
<td>186,307</td>
<td>173,079</td>
<td>101,604</td>
<td>57,652</td>
<td>Q3 *</td>
<td>Q4</td>
</tr>
<tr>
<td>Total</td>
<td>234,642</td>
<td>240,224</td>
<td>170,791</td>
<td>99,023</td>
<td>233,974</td>
<td>223,974</td>
</tr>
</tbody>
</table>

#### Operating EBITDA (US$ 000's)

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<td>170,791</td>
<td>99,023</td>
<td>233,974</td>
<td>223,974</td>
</tr>
</tbody>
</table>

#### EPS (Basic)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp</td>
<td>€ 2.08</td>
<td>€ 0.62</td>
<td>€ (2.00)</td>
<td>€ (1.71)</td>
<td>€ (0.21)</td>
<td>€ 0.34</td>
</tr>
<tr>
<td>Energy</td>
<td>€ 2.08</td>
<td>€ 0.62</td>
<td>€ (2.00)</td>
<td>€ (1.71)</td>
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<td>€ (1.71)</td>
<td>€ (0.21)</td>
<td>€ 0.34</td>
</tr>
</tbody>
</table>

* Reflects Rosenthal’s turbine shut of approximately 60 days for maintenance. Celgar’s Green Energy Project became operational Sept. 28, 2010

** Includes gains (losses) on Stendal’s interest rate swaps and foreign exchange gains (losses) on Mercer’s US denominated intercompany debt, which are non-cash mark-to-market valuation adjustments occurring every quarter.
## Balance Sheet

**As at June 30, 2011 (in € 000s)**

<table>
<thead>
<tr>
<th></th>
<th>Restricted Group</th>
<th>Unrestricted Subsidiaries</th>
<th>Eliminations</th>
<th>Consolidated Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>86,941</td>
<td>64,854</td>
<td></td>
<td>151,795</td>
</tr>
<tr>
<td>Receivables</td>
<td>51,854</td>
<td>52,381</td>
<td></td>
<td>104,235</td>
</tr>
<tr>
<td>Note Receivable, current portion</td>
<td>1,997</td>
<td>-</td>
<td></td>
<td>1,997</td>
</tr>
<tr>
<td>Inventories</td>
<td>56,556</td>
<td>47,760</td>
<td></td>
<td>104,316</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>4,748</td>
<td>3,944</td>
<td></td>
<td>8,692</td>
</tr>
<tr>
<td>Deferred tax asset, current</td>
<td>24,928</td>
<td>-</td>
<td></td>
<td>24,928</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>227,024</td>
<td>168,939</td>
<td>-</td>
<td>395,963</td>
</tr>
<tr>
<td><strong>Long-Term Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>348,193</td>
<td>475,867</td>
<td></td>
<td>824,060</td>
</tr>
<tr>
<td>Other</td>
<td>6,064</td>
<td>3,869</td>
<td></td>
<td>9,933</td>
</tr>
<tr>
<td>Due from unrestricted group</td>
<td>84,674</td>
<td>(84,674)</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>665,955</td>
<td>648,675</td>
<td>(84,674)</td>
<td>1,229,956</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued exp.</td>
<td>60,071</td>
<td>52,527</td>
<td></td>
<td>112,598</td>
</tr>
<tr>
<td>Pension (current portion)</td>
<td>692</td>
<td>-</td>
<td></td>
<td>692</td>
</tr>
<tr>
<td>Debt, current portion</td>
<td>25,985</td>
<td>18,167</td>
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<td>44,152</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>86,748</td>
<td>70,694</td>
<td>-</td>
<td>157,442</td>
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<tr>
<td><strong>Long-Term Liabilities</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt, less current portion</td>
<td>208,744</td>
<td>467,907</td>
<td></td>
<td>676,651</td>
</tr>
<tr>
<td>Loan, minority shareholders</td>
<td>-</td>
<td>32,244</td>
<td></td>
<td>32,244</td>
</tr>
<tr>
<td>Due to restricted group</td>
<td>-</td>
<td>84,674</td>
<td>(84,674)</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized derivative loss</td>
<td>-</td>
<td>41,069</td>
<td></td>
<td>41,069</td>
</tr>
<tr>
<td>Pension (long term)</td>
<td>23,048</td>
<td>-</td>
<td></td>
<td>23,048</td>
</tr>
<tr>
<td>Capital leases and other</td>
<td>6,766</td>
<td>4,476</td>
<td></td>
<td>11,242</td>
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<tr>
<td>Deferred tax payable</td>
<td>14,404</td>
<td>-</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>339,710</td>
<td>701,064</td>
<td>(84,674)</td>
<td>956,100</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total shareholders' equity (deficit)</td>
<td>326,245</td>
<td>(35,897)</td>
<td></td>
<td>290,348</td>
</tr>
<tr>
<td>Noncontrolling interest (deficit)</td>
<td>(16,492)</td>
<td>(16,492)</td>
<td></td>
<td>(16,492)</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td>665,955</td>
<td>648,675</td>
<td>(84,674)</td>
<td>1,229,956</td>
</tr>
</tbody>
</table>
Capital Structure

“Restricted Group” structure was used to protect Mercer from the high leverage of the Stendal project

- The Restricted Group - created at the time of issuing US$310 million Notes - is supported by the Celgar and Rosenthal operations (recently replaced by a US$300 million issue due December 2017)
  - Together, the mills provide approximately 850,000 tonnes of pulp production capacity
  - Now that Celgar’s Green Energy Project is online, the Restricted Group is expected to generate approximately US$40 million in annual electricity revenues
    - Since energy production is a by-product of our pulp production, there are minimal incremental costs and our energy sales are highly profitable
- Mercer’s operations have benefitted from the heavy involvement of governments in the form of non-repayable grants for the construction of its mills in Germany
  - Mercer has received €423 million in government grants for the construction of the Rosenthal, Stendal, and Celgar’s Green Transformation Projects
    - These grants reduce the cost basis of the assets purchased and are not reported in our income
- The Stendal debt of €486 million is guaranteed to 80% by the German government and is non-recourse to the rest of Mercer
  - Stendal’s debt is amortizing and has a sinking fund account to support debt amortization and interest payments during weaker periods
- Stendal’s balance sheet is complicated by its deeply subordinated shareholder loans and a quarterly mark-to-market, non-cash valuation adjustment relating to its fixed interest rate swaps
Appendix A
Current Industry Environment
NBSK is Needed for Strength

Management believes demand for NBSK will remain strong over the long term

- Reinforcing properties needed by modern production technology make NBSK an essential component in a wide range of paper, tissue and hygiene products
  - Producers have generally substituted as much lower cost hardwood and recycled pulp into their products as possible, so any demand growth in their products should translate directly into demand growth for NBSK

- Demand for most paper grades in which NBSK is used, such as tissue, is forecasted to continue growing
  - Improving global standards of living in countries such as China, aging populations, and growing interest in health and cleanliness are increasing demand for tissue and hygiene products
    - For example, in China, tissue consumption increased by approximately 2.5 million tonnes between 2000 and 2009\(^1\), and demand of fine paper and woodpulp based tissue are forecasted to grow at respective average annual rates of 10.4% and 12.7% from 2009 to 2014 \(^2\)

Supply of NBSK is forecasted to remain flat or decrease

- The vast majority of the new pulp capacity that is coming online is hardwood
- There have been significant permanent softwood closures in recent years and global pulp inventories remain at near record lows

The long term supply / demand fundamentals for NBSK pulp currently remain strong

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\(^1\) Tissue PPI Annual Review, Income - McKinsey Institute, TerraChoice MSI;  
\(^2\) Hawkins Wright – Defining the China Market (December 2010)
Tissue is the Highest Growth Segment

Since 2000, global tissue output has grown at an average annual rate of 3.9%

- As populations age, global standards of living improve, and health and hygiene become larger concerns, demand for tissue – and thus NBSK – should continue to grow.

Annual World Tissue Output
(millions of tonnes)

Source: TerraChoice Market Services Inc., FAO, PPI Annual Review
Growth in Demand Could Accelerate

The better off the developing world’s populations are financially, the greater their demand for tissue and hygiene products should be.

If living standards improve as forecasted in markets such as China, management believes demand growth for NBSK in these markets should also accelerate.

Source: TerraChoice Market Services Inc.
Permanently Shut NBSK Capacity

Permanent & Indefinite Closures (Annualized Capacity, 000s tonnes)

<table>
<thead>
<tr>
<th>Company</th>
<th>Mill</th>
<th>Grade</th>
<th>Annualized Capacity (Timing)</th>
<th>Restart Timing</th>
<th>Potential Restart</th>
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</thead>
<tbody>
<tr>
<td>Sappi</td>
<td>Usutu, Swaziland, Africa</td>
<td>BSK, UKP</td>
<td>Q3-2009</td>
<td></td>
<td>230</td>
</tr>
<tr>
<td>Boise</td>
<td>St. Helens, USA</td>
<td>NBSK, BHK</td>
<td>Q1-2009</td>
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<td>Marathon Pulp</td>
<td>Marathon, ON, Canada</td>
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<tr>
<td>Botnia</td>
<td>Kaskinen, Finland</td>
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<td>Q1-2009</td>
<td></td>
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<tr>
<td>Lee &amp; Man (EverGreen Pulp)</td>
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<td>Q4-2008</td>
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<tr>
<td>UPM</td>
<td>Tervasaari, Finland</td>
<td>NBSK, UKP</td>
<td>Q4-2008</td>
<td></td>
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<td>Stora Enso</td>
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<td>Q4-2008</td>
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<tr>
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<td>Bowater</td>
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<td>Korsnas</td>
<td>Gavle, Sweden</td>
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<td>Weyerhaeuser</td>
<td>Prince Albert, SK, Canada</td>
<td>NBSK</td>
<td>Q2-2006</td>
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<td>Western Forest Products</td>
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<td>Q1-2006</td>
<td></td>
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<tr>
<td>Catalyst</td>
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<td>Q1-2009</td>
<td>Q4-2009</td>
<td>375 375</td>
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<td>Stora Enso</td>
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<td>NBSK, BHK</td>
<td>Q1-2009</td>
<td>Q4-2009</td>
<td>450 450</td>
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<tr>
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<td>Q4-2008</td>
<td>Q2-2009</td>
<td>360 360</td>
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<tr>
<td>Sinar Mas</td>
<td>Mackenzie, Canada</td>
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<td>Q2-2008</td>
<td>Q3-2010</td>
<td>235 235</td>
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<td>Buchanan Forest Products</td>
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<td>Q4-2008</td>
<td>Q3-2010</td>
<td>350 350</td>
</tr>
</tbody>
</table>

Source: TerraChoice Markets Services Inc., company press releases

Despite recent restarts caused by record high pulp pricing, softwood pulp markets remain tight due to steady demand growth and the permanent closure of high cost capacity. Global softwood inventories at the end of June total 28 days of supply.  

1 PPC Flash Report – June 2011
Most of the announced new pulp capacity that is coming online is hardwood pulp capacity. Total global softwood pulp capacity is currently expected to remain flat as only one new softwood mill is expected in the next few years.

Source: TerraChoice Markets Services Inc.
Climate Change Presents Mercer with Opportunities

Climate change has emerged as a very significant issue and Mercer is well positioned to benefit from the changes that are expected to result:

- Both Canadian and German governments provide support and incentives for green initiatives and energy production.
  - Our German operations receive superior energy rates for selling their generation under the green tariff structure of the German Renewable Energy Act (EEG).
  - In 2009, Celgar was awarded C$57.7 million under the Canadian government’s Green Transformation Program.
  - Celgar signed a long term energy purchase agreement with the local utility, delivering 238,000 MWh of bioenergy annually to the grid at higher green rates.
    - Became operational on Sept. 28th, 2010.

Changes we see coming from climate change include:

- Full utilization of forests.
- Increased silviculture / thinning.
- Increased cogeneration.
- Technologies for bioproducts and the markets for these bioproducts will develop.

Mercer has already garnered significant benefits in the emerging carbon economy and we remain actively engaged with policy makers to maximize these benefits going forward.
Climate Change Presents Mercer with Opportunities

Management believes the scale and technical age of our mills will be a significant advantage as the carbon economy and associated legislation develops and matures

- As the cost of emitting carbon continues to rise, carbon costs should have a large negative impact for producers with high green house gas (GHG) intensity
- GHG intensity should structurally steepen our industry’s cost curve, with high GHG intensity producers moving higher up the cost curve

Source: CIBC World Markets – Carbon and The Forest Sector (December 2008)

* Canadian Average according to FPAC  ** Now known as Fibrek

Mercer has positive exposure to the impacts of the carbon economy

Management believes its low conversion costs, small carbon footprint, and growing production of bio-products will allow Mercer investors to derive tangible economic benefits from climate change over the long term
Operations
Restricted Group - Rosenthal Mill

- **Location:** Blankenstein, Germany, approximately 300 km south of Berlin
- **Pulp Production Capacity:** 330,000 ADMT / year
- **Electricity Generating Capacity:** 57 MW
- **Key Features:**
  - Built in 1999, the mill is modern, efficient, and ISO 9001 and ISO 14001 certified
  - Strategically located in central Europe, offers a superior value proposition to customers
    - Allows customers to operate on just in time inventory, lowering their costs and making Rosenthal the preferred supplier
  - Close proximity to stable fiber supply and nearby sawmills
  - One of the largest biomass power plants in Germany
    - In 2010, generated €11.0 million (US$14.6 million) in revenue from electricity sales*
  - A “world class” operation which has continuously increased pulp and electricity production

* 2010 average EUR:USD fx of 1.3273
Restricted Group - Celgar Mill

- Location: Castlegar, BC, Canada, approximately 600 km east of Vancouver
- Pulp Production Capacity: 520,000 ADMT / year
- Electricity Generating Capacity: 100 MW
- Key Features:
  - A modern and efficient mill that is ISO 9001 and ISO 14001 certified
  - Fiber costs are expected to continue to improve through further optimization
    - Significant potential of upside incremental improvements if sawmill activity improves
  - Green Energy Project was completed in September 2010 and has a targeted EBITDA improvement of C$20-$25 million
    - 10 year power supply contract with BC Hydro
  - Secured C$57.7 million in non-repayable capital funding from Government of Canada for green capital investments
    - Majority used to fund Green Energy Project
  - Celgar continues to demonstrate significant upside potential
    - Total pulp production exceeded 500,000 Admt for the first time in 2010
Unrestricted Group – Stendal Mill

- Location: Stendal, Germany, approximately 130 km west of Berlin
- Pulp Production Capacity: 645,000 ADMT / year
- Electricity Generating Capacity: 102 MW
- Key Features:
  - Completed in 2004, it’s one of the newest and largest pulp mills in the world
    - ISO 9001 and ISO 14001 certified
  - ~75% Mercer owned
    - Debt is 80% government guaranteed, low interest and non-recourse to Mercer
  - Located in a strong forest base and is well positioned to serve both European and off-shore customers
  - One of the largest biomass power plants in Germany
    - In 2010, exported 300,286MWh and generated €29.1 million (US$38.6 million) in revenue from electricity sales*
  - Due to Stendal’s excellent production capacity, the mill has further potential to add generating capacity

* 2010 average EUR:USD fx of 1.3273