
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2025

OR

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

For the transition period from _____ to _____

Commission File No.: 000-51826

MERCER INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

Washington
*(State or other jurisdiction
of incorporation or organization)*

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

Suite 1120, 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8
(Address of office)

(604) 684-1099

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	MERC	NASDAQ Global Select Market

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES ☒ NO ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The Registrant had 66,982,506 shares of common stock outstanding as of November 4, 2025.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

(Unaudited)

MERCER INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands of U.S. dollars, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues	\$ 458,068	\$ 502,141	\$ 1,418,566	\$ 1,554,955
Costs and expenses				
Cost of sales, excluding depreciation and amortization	457,397	422,598	1,331,691	1,320,000
Cost of sales depreciation and amortization	39,439	41,546	117,180	121,773
Selling, general and administrative expenses	28,821	29,156	88,955	90,646
Loss on disposal of investment in joint venture	—	—	—	23,645
Goodwill impairment	—	—	—	34,277
Operating income (loss)	(67,589)	8,841	(119,260)	(35,386)
Other income (expenses)				
Interest expense	(28,506)	(26,429)	(85,072)	(80,831)
Other income (expenses)	539	(91)	(766)	9,147
Total other expenses, net	(27,967)	(26,520)	(85,838)	(71,684)
Loss before income taxes	(95,556)	(17,679)	(205,098)	(107,070)
Income tax recovery	14,777	120	15,909	5,222
Net loss	<u>\$ (80,779)</u>	<u>\$ (17,559)</u>	<u>\$ (189,189)</u>	<u>\$ (101,848)</u>
Net loss per common share				
Basic	\$ (1.21)	\$ (0.26)	\$ (2.83)	\$ (1.53)
Diluted	\$ (1.21)	\$ (0.26)	\$ (2.83)	\$ (1.53)
Dividends declared per common share	\$ —	\$ 0.075	\$ 0.150	\$ 0.225

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net loss	\$ (80,779)	\$ (17,559)	\$ (189,189)	\$ (101,848)
Other comprehensive income (loss)				
Loss related to defined benefit pension plans	(271)	(185)	(802)	(452)
Income tax provision	—	—	—	(90)
Loss related to defined benefit pension plans, net of tax	(271)	(185)	(802)	(542)
Foreign currency translation adjustments	(7,184)	50,358	126,402	(1,722)
Other comprehensive income (loss), net of tax	(7,455)	50,173	125,600	(2,264)
Total comprehensive income (loss)	<u>\$ (88,234)</u>	<u>\$ 32,614</u>	<u>\$ (63,589)</u>	<u>\$ (104,112)</u>

See accompanying Notes to the Interim Consolidated Financial Statements.

MERCER INTERNATIONAL INC.
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands of U.S. dollars, except share and per share data)

	September 30, 2025	December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 98,102	\$ 184,925
Accounts receivable, net	328,432	327,345
Inventories	384,657	361,682
Prepaid expenses and other	53,177	17,601
Assets classified as held for sale	3,451	18,451
Total current assets	867,819	910,004
Property, plant and equipment, net	1,323,133	1,254,715
Amortizable intangible assets, net	53,407	49,829
Operating lease right-of-use assets	10,621	7,598
Pension asset	7,638	9,378
Deferred income tax assets	21,493	17,778
Other long-term assets	6,452	13,630
Total assets	<u>\$ 2,290,563</u>	<u>\$ 2,262,932</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other	\$ 287,395	\$ 248,661
Pension and other post-retirement benefit obligations	756	732
Liabilities associated with assets held for sale	—	7,145
Total current liabilities	288,151	256,538
Long-term debt	1,546,993	1,473,986
Pension and other post-retirement benefit obligations	12,833	11,134
Operating lease liabilities	6,841	4,793
Deferred income tax liabilities	63,162	74,772
Other long-term liabilities	13,051	11,934
Total liabilities	<u>1,931,031</u>	<u>1,833,157</u>
Shareholders' equity		
Common shares \$1 par value; 200,000,000 authorized; 66,983,000 issued and outstanding (2024 – 66,871,000)	66,871	66,850
Additional paid-in capital	366,146	362,782
Retained earnings	31,684	230,912
Accumulated other comprehensive loss	(105,169)	(230,769)
Total shareholders' equity	<u>359,532</u>	<u>429,775</u>
Total liabilities and shareholders' equity	<u>\$ 2,290,563</u>	<u>\$ 2,262,932</u>

Commitments and contingencies (Note 14)

See accompanying Notes to the Interim Consolidated Financial Statements.

MERCER INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands of U.S. dollars)

	<u>Common shares</u>				Accumula ted Other Compre hensive Loss	Total Sharehold ers' Equity
Three Months Ended September 30:	Number (thousands of shares)	Amount, at Par Value	Additional Paid-in Capital	Retained Earnings		
Balance as of June 30, 2025	66,983	\$ 66,871	\$ 364,871	\$ 112,463	\$ (97,714)	\$ 446,491
Stock compensation expense	—	—	1,275	—	—	1,275
Net loss	—	—	—	(80,779)	—	(80,779)
Other comprehensive loss	—	—	—	—	(7,455)	(7,455)
Balance as of September 30, 2025	<u>66,983</u>	<u>\$ 66,871</u>	<u>\$ 366,146</u>	<u>\$ 31,684</u>	<u>\$ (105,169)</u>	<u>\$ 359,532</u>
Balance as of June 30, 2024	66,871	\$ 66,850	\$ 362,313	\$ 241,795	\$ (183,289)	\$ 487,669
Stock compensation expense	—	—	1,500	—	—	1,500
Net loss	—	—	—	(17,559)	—	(17,559)
Dividends declared	—	—	—	(5,015)	—	(5,015)
Other comprehensive income	—	—	—	—	50,173	50,173
Balance as of September 30, 2024	<u>66,871</u>	<u>\$ 66,850</u>	<u>\$ 363,813</u>	<u>\$ 219,221</u>	<u>\$ (133,116)</u>	<u>\$ 516,768</u>
Nine Months Ended September 30:						
Balance as of December 31, 2024	66,871	\$ 66,850	\$ 362,782	\$ 230,912	\$ (230,769)	\$ 429,775
Shares issued on grants of restricted shares	112	21	(21)	—	—	—
Stock compensation expense	—	—	3,385	—	—	3,385
Net loss	—	—	—	(189,189)	—	(189,189)
Dividends declared	—	—	—	(10,039)	—	(10,039)
Other comprehensive income	—	—	—	—	125,600	125,600
Balance as of September 30, 2025	<u>66,983</u>	<u>\$ 66,871</u>	<u>\$ 366,146</u>	<u>\$ 31,684</u>	<u>\$ (105,169)</u>	<u>\$ 359,532</u>
Balance as of December 31, 2023	66,525	\$ 66,471	\$ 359,497	\$ 336,113	\$ (126,671)	\$ 635,410
Shares issued on grants of restricted shares	21	54	(54)	—	—	—
Shares issued on grants of performance share units	325	325	(325)	—	—	—
Stock compensation expense	—	—	4,695	—	—	4,695
Net loss	—	—	—	(101,848)	—	(101,848)
Dividends declared	—	—	—	(15,044)	—	(15,044)
Disposal of investment in joint venture	—	—	—	—	(4,181)	(4,181)
Other comprehensive loss	—	—	—	—	(2,264)	(2,264)
Balance as of September 30, 2024	<u>66,871</u>	<u>\$ 66,850</u>	<u>\$ 363,813</u>	<u>\$ 219,221</u>	<u>\$ (133,116)</u>	<u>\$ 516,768</u>

See accompanying Notes to the Interim Consolidated Financial Statements.

MERCER INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Cash flows from (used in) operating activities				
Net loss	\$ (80,779)	\$ (17,559)	\$ (189,189)	\$ (101,848)
Adjustments to reconcile net loss to cash flows from operating activities				
Depreciation and amortization	39,512	41,614	117,390	121,959
Deferred income tax recovery	(10,989)	(14,403)	(22,127)	(20,507)
Inventory impairment	20,400	4,000	31,400	4,000
Loss on disposal of investment in joint venture	—	—	—	23,645
Goodwill impairment	—	—	—	34,277
Defined benefit pension plans and other post-retirement benefit plan expense	174	317	518	958
Stock compensation expense	1,310	1,420	3,352	4,852
Foreign exchange transaction losses (gains)	(3,480)	6,095	14,299	(736)
Other	2,016	874	6,656	2,990
Defined benefit pension plans and other post-retirement benefit plan contributions	—	(341)	—	(958)
Changes in working capital				
Accounts receivable	10,245	860	25,035	(40,940)
Inventories	20,025	20,639	(4,041)	25,234
Accounts payable and accrued expenses	(3,159)	(43,527)	13,227	(25,419)
Prepaid expenses and other	(25,329)	(13,934)	(34,089)	(8,461)
Net cash from (used in) operating activities	<u>(30,054)</u>	<u>(13,945)</u>	<u>(37,569)</u>	<u>19,046</u>
Cash flows from (used in) investing activities				
Purchase of property, plant and equipment	(30,017)	(27,264)	(74,430)	(63,608)
Proceeds from sale of property, plant and equipment	684	3,665	1,484	5,210
Proceeds from government grants	1,858	—	4,973	787
Other	(138)	696	(2,273)	(2,930)
Net cash used in investing activities	<u>(27,613)</u>	<u>(22,903)</u>	<u>(70,246)</u>	<u>(60,541)</u>
Cash flows from (used in) financing activities				
Proceeds from (repayment of) revolving credit facilities, net	21,275	20,330	46,636	(15,510)
Dividend payments	(5,024)	(5,015)	(10,039)	(10,029)
Payment of finance lease obligations	(4,872)	(2,564)	(9,785)	(7,440)
Other	(425)	(23)	120	(752)
Net cash from (used in) financing activities	<u>10,954</u>	<u>12,728</u>	<u>26,932</u>	<u>(33,731)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,684)</u>	<u>(58)</u>	<u>(5,940)</u>	<u>229</u>
Net decrease in cash and cash equivalents	<u>(48,397)</u>	<u>(24,178)</u>	<u>(86,823)</u>	<u>(74,997)</u>
Cash and cash equivalents, beginning of period	146,499	263,173	184,925	313,992
Cash and cash equivalents, end of period	<u>\$ 98,102</u>	<u>\$ 238,995</u>	<u>\$ 98,102</u>	<u>\$ 238,995</u>
Supplemental cash flow disclosure:				
Cash paid for interest	\$ 25,785	\$ 33,383	\$ 79,200	\$ 84,912
Cash paid for income taxes	\$ 8,288	\$ 4,510	\$ 37,879	\$ 17,205
Supplemental schedule of non-cash investing and financing activities:				
Leased production and other equipment	\$ 4,150	\$ 1,845	\$ 9,610	\$ 10,490

See accompanying Notes to the Interim Consolidated Financial Statements.

MERCER INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands of U.S. dollars, except share and per share data)

Note 1. The Company and Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

The Interim Consolidated Financial Statements contained herein include the accounts of Mercer International Inc. (“Mercer Inc.”) and all of its subsidiaries (collectively the “Company”). Mercer Inc. owns 100% of its subsidiaries. The Company’s shares of common stock are quoted and listed for trading on the NASDAQ Global Select Market.

The Interim Consolidated Financial Statements have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). The consolidated balance sheet information as of December 31, 2024 was derived from the Company’s audited Consolidated Financial Statements, but does not contain all of the footnote disclosures from the annual Consolidated Financial Statements. The footnote disclosure included herein has been prepared in accordance with accounting principles generally accepted for interim financial statements in the United States (“GAAP”). The unaudited Interim Consolidated Financial Statements should be read together with the audited Consolidated Financial Statements and accompanying notes included in the Company’s latest Annual Report on Form 10-K for the fiscal year ended December 31, 2024. In the opinion of the Company, the unaudited Interim Consolidated Financial Statements contained herein have been prepared on a consistent basis with the audited Consolidated Financial Statements and accompanying notes included in the Company’s latest Annual Report on Form 10-K for the fiscal year ended December 31, 2024 and contain all adjustments necessary for a fair statement of the results of the interim periods included. The results for the periods included herein may not be indicative of the results for the entire year.

In these Interim Consolidated Financial Statements, unless otherwise indicated, all amounts are expressed in United States dollars (“U.S. dollars” or “\$”). The symbol “€” refers to euros and the symbol “C\$” refers to Canadian dollars.

Use of Estimates

Preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant management judgment is required in determining the accounting for, among other things, future cash flows associated with impairment testing for goodwill and long-lived assets, depreciation and amortization, pension and other post-retirement benefit obligations, deferred income taxes (valuation allowance and permanent reinvestment), the allocation of the purchase price in a business combination to the assets acquired and liabilities assumed, revenues under long-term contracts, inventory impairment, assets and liabilities classified as held for sale and the fair value of disposal groups, legal liabilities and contingencies. Actual results could differ materially from these estimates and changes in these estimates are recorded when known.

New Accounting Pronouncements

Improvements to Income Tax Disclosures

In December 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-09, which requires additional disaggregation of the reconciliation between the statutory and effective tax rate for an entity and of income taxes paid. The amendments improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. The Company continues to assess the impact of ASU 2023-09.

MERCER INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands of U.S. dollars, except share and per share data)

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03, which expands disclosures about specific expense categories presented on the face of the statement of operations and addresses requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation and amortization) in commonly presented expense captions (such as cost of sales and selling, general and administrative expenses). ASU 2024-03 is effective for fiscal years beginning after December 15, 2026 and interim periods thereafter with early adoption permitted. The Company is currently assessing the impact of ASU 2024-03.

Note 2. Assets and Liabilities Classified as Held for Sale

For the three months ended September 30, 2025, the Company decided to retain the current assets and current liabilities of the sandalwood business. These assets and liabilities were previously designated as held for sale but have now been reclassified as held in use. As of September 30, 2025, the remaining asset classified as held for sale includes a parcel of land, which was sold in the fourth quarter of 2025.

Note 3. Inventories

Inventories as of September 30, 2025 and December 31, 2024, were comprised of the following:

	September 30, 2025	December 31, 2024
Raw materials	\$ 117,634	\$ 131,396
Finished goods	121,298	101,121
Spare parts and other	145,725	129,165
	<u>\$ 384,657</u>	<u>\$ 361,682</u>

For the three and nine months ended September 30, 2025, the Company recorded inventory impairment charges of \$20,400 and \$31,400, respectively. These charges were primarily a result of low pulp prices and are included in “Cost of sales, excluding depreciation and amortization” in the Interim Consolidated Statements of Operations. As of September 30, 2025, \$12,400 of the write-down was recorded against raw materials inventory and \$8,000 was recorded against finished goods inventory.

For the three and nine months ended September 30, 2024, the Company recorded an inventory impairment charge of \$4,000 against raw materials inventory as a result of low hardwood pulp prices.

Note 4. Accounts Payable and Other

Accounts payable and other as of September 30, 2025 and December 31, 2024, was comprised of the following:

	September 30, 2025	December 31, 2024
Trade payables	\$ 62,809	\$ 53,610
Accrued expenses	105,785	73,755
Interest payable	34,569	33,312
Income tax payable	12,498	30,459
Payroll-related accruals	26,632	24,100
Wastewater fee (a)	11,005	6,324
Finance lease liability	12,509	9,415
Operating lease liability	3,746	2,874
Other	17,842	14,812
	<u>\$ 287,395</u>	<u>\$ 248,661</u>

- (a) The Company is required to pay certain fees based on wastewater emissions at its German mills. Accrued fees can be reduced upon the mills’ demonstration of improved wastewater emissions.

MERCER INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands of U.S. dollars, except share and per share data)

Note 5. Debt

Debt as of September 30, 2025 and December 31, 2024, was comprised of the following:

	Maturity	September 30, 2025	December 31, 2024
Senior notes (a)			
12.875% senior notes	2028	\$ 400,000	\$ 400,000
5.125% senior notes	2029	875,000	875,000
Credit arrangements			
€370.1 million German joint revolving credit facility (b)	2027	204,881	168,822
C\$160.0 million Canadian joint revolving credit facility (c)	2027	33,400	347
€2.6 million demand loan (d)		—	—
Finance lease liability			
		53,527	48,214
		1,566,808	1,492,383
Less: unamortized senior note issuance costs		(7,306)	(8,982)
Less: finance lease liability due within one year		(12,509)	(9,415)
		<u>\$ 1,546,993</u>	<u>\$ 1,473,986</u>

The maturities of the principal portion of the senior notes and credit arrangements as of September 30, 2025 were as follows:

	Senior Notes and Credit Arrangements
2026	\$ —
2027	238,281
2028	400,000
2029	875,000
	<u>\$ 1,513,281</u>

Certain of the Company's debt instruments were issued under agreements which, among other things, may limit its ability and the ability of its subsidiaries to make certain payments, including dividends. These limitations are subject to specific exceptions. As of September 30, 2025, the Company was in compliance with the terms of its debt agreements.

- (a) The senior notes which mature on October 1, 2028 (the "2028 Senior Notes") and on February 1, 2029 (the "2029 Senior Notes" and collectively with the 2028 Senior Notes, the "Senior Notes") are general unsecured senior obligations of the Company. The Company may redeem all or a part of the Senior Notes upon not less than 10 days' or more than 60 days' notice at the redemption price plus accrued and unpaid interest to (but not including) the applicable redemption date.

The following table presents the redemption prices (expressed as percentages of principal amount) and the redemption periods of the Senior Notes:

2028 Senior Notes		2029 Senior Notes	
12 Month Period Beginning	Percentage	12 Month Period Beginning	Percentage
October 1, 2025	106.438%	February 1, 2025	101.281%
October 1, 2026	103.219%	February 1, 2026 and thereafter	100.000%
October 1, 2027 and thereafter	100.000%		

- (b) A €370.1 million joint revolving credit facility for the German mills that matures in September 2027. Borrowings under the facility are unsecured and bear interest at Euribor plus a variable margin ranging from 1.40% to 2.35% dependent on conditions including but not limited to a prescribed leverage ratio. The facility is

MERCER INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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sustainability linked whereby the interest rate margin is subject to upward or downward adjustments of up to 0.05% per annum if the Company achieves, or fails to achieve, certain specified sustainability targets. As of September 30, 2025, approximately €174.5 million (\$204,881) of this facility was drawn and accruing interest at a rate of 3.312%, approximately €19.1 million (\$22,397) was supporting bank guarantees and approximately €176.5 million (\$207,286) was available.

- (c) A C\$160.0 million joint revolving credit facility for the Celgar mill, Peace River mill and certain other Canadian subsidiaries that matures in January 2027. The facility is available by way of: (i) Canadian dollar denominated advances, which bear interest at a designated prime rate per annum; (ii) Canadian dollar denominated advances, which bear interest at the applicable Adjusted Term Canadian Overnight Repo Rate Average plus 1.20% to 1.45% per annum; (iii) dollar denominated base rate advances at the greater of the federal funds rate plus 0.50%, an Adjusted Term Secured Overnight Financing Rate (“SOFR”) for a one month tenor plus 1.00% and the bank’s applicable reference rate for dollar denominated loans; and (iv) dollar denominated SOFR advances, which bear interest at the applicable Adjusted Term SOFR plus 1.20% to 1.45% per annum. As of September 30, 2025, approximately C\$46.5 million (\$33,400) of this facility was drawn and accruing interest at a rate of 4.255%, approximately C\$0.6 million (\$463) was supporting letters of credit and approximately C\$98.5 million (\$70,703) was available.
- (d) A €2.6 million demand loan for the Rosenthal mill that does not have a maturity date. Borrowings under this facility are unsecured and bear interest at the rate of the three-month Euribor plus 2.50%. As of September 30, 2025, approximately €2.6 million (\$2,996) of this facility was supporting bank guarantees and approximately \$nil was available.

Note 6. Pension and Other Post-Retirement Benefit Obligations

Defined Benefit Plans

Pension benefits are based on employees’ earnings and years of service. The defined benefit plans are funded by contributions from the Company based on actuarial estimates and statutory requirements. The components of the net benefit costs for the Celgar and Peace River defined benefit plans, in aggregate for the three and nine months ended September 30, 2025 and 2024 were as follows:

	Three Months Ended September 30,			
	2025		2024	
	Pension	Other Post-Retirement Benefits	Pension	Other Post-Retirement Benefits
Service cost	\$ 674	\$ 35	\$ 689	\$ 31
Interest cost	1,020	112	970	116
Expected return on plan assets	(1,396)	—	(1,304)	—
Amortization of unrecognized items	(82)	(189)	21	(206)
Net benefit costs (gains)	<u>\$ 216</u>	<u>\$ (42)</u>	<u>\$ 376</u>	<u>\$ (59)</u>

	Nine Months Ended September 30,			
	2025		2024	
	Pension	Other Post-Retirement Benefits	Pension	Other Post-Retirement Benefits
Service cost	\$ 1,992	\$ 105	\$ 2,073	\$ 94
Interest cost	3,015	331	2,916	348
Expected return on plan assets	(4,123)	—	(4,021)	—
Amortization of unrecognized items	(245)	(557)	165	(617)
Net benefit costs (gains)	<u>\$ 639</u>	<u>\$ (121)</u>	<u>\$ 1,133</u>	<u>\$ (175)</u>

MERCER INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands of U.S. dollars, except share and per share data)

The components of the net benefit costs (gains) other than service cost are recorded in “Other income (expenses)” in the Interim Consolidated Statements of Operations. The amortization of unrecognized items relates to actuarial losses (gains) and prior service costs.

Defined Contribution Plan

Effective December 31, 2008, the defined benefit plans at the Celgar mill were closed to new members and the service accrual ceased. Effective January 1, 2009, the members began to receive pension benefits, at a fixed contractual rate, under a new defined contribution plan. During the three and nine months ended September 30, 2025, the Company made contributions of \$348 and \$961, respectively, to this plan (2024 – \$312 and \$950).

Multiemployer Plan

The Company participates in a multiemployer plan for the hourly-paid employees at the Celgar mill. The contributions to the plan are determined based on a percentage of pensionable earnings pursuant to a collective bargaining agreement. The Company has no current or future contribution obligations in excess of the contractual contributions. During the three and nine months ended September 30, 2025, the Company made contributions of \$582 and \$1,971, respectively, to this plan (2024 – \$624 and \$1,758).

Note 7. Income Taxes

Differences between the U.S. Federal statutory rate and the Company’s effective tax rate for the three and nine months ended September 30, 2025 and 2024 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
U.S. Federal statutory rate	21%	21%	21%	21%
Income tax recovery using U.S. Federal statutory rate on loss before income taxes	\$ 20,067	\$ 3,713	\$ 43,071	\$ 22,485
Tax differential on foreign loss	4,335	36	5,660	2,931
Effect of foreign earnings (a)	—	(324)	—	(8,130)
Valuation allowance	(11,606)	(2,071)	(38,744)	3,088
Tax benefit of partnership structure	—	1,804	—	2,476
Non-taxable foreign subsidies	1,774	594	1,774	1,770
Non-deductible goodwill impairment	—	(55)	—	(10,294)
True-up of prior year taxes	1,914	511	3,027	(2,178)
Annual effective tax rate adjustment	400	(4,700)	4,000	(9,000)
Other, net	(2,107)	612	(2,879)	2,074
Income tax recovery	<u>\$ 14,777</u>	<u>\$ 120</u>	<u>\$ 15,909</u>	<u>\$ 5,222</u>
Comprised of:				
Current income tax recovery (provision)	\$ 3,788	\$ (14,283)	\$ (6,218)	\$ (15,285)
Deferred income tax recovery	10,989	14,403	22,127	20,507
Income tax recovery	<u>\$ 14,777</u>	<u>\$ 120</u>	<u>\$ 15,909</u>	<u>\$ 5,222</u>

- (a) Primarily due to the impact of the global intangible low-taxed income provision in the Tax Cuts and Jobs Act of 2017.

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Note 8. Shareholders' Equity

Dividends

During the nine months ended September 30, 2025, the Company's board of directors declared the following:

Date Declared	Dividend Per Common Share	Amount
February 20, 2025	\$ 0.075	\$ 5,015
May 1, 2025	0.075	5,024
	<u>\$ 0.150</u>	<u>\$ 10,039</u>

Stock Based Compensation

The Company's stock incentive plan consists of stock options, restricted stock units ("RSUs"), deferred stock units ("DSUs"), restricted shares, performance shares, performance share units ("PSUs") and stock appreciation rights. During the three and nine months ended September 30, 2025, there were no issued and outstanding stock options, RSUs, performance shares or stock appreciation rights. In June 2025, the Company registered an additional 2.5 million shares under its stock incentive plan. As of September 30, 2025, after factoring in all allocated shares, there remain approximately 2.6 million common shares available for grant.

The following table summarizes non-vested PSU activity during the period:

	Number of PSUs
Balance as of January 1, 2025	4,379,461
Granted	2,306,324
Forfeited	(1,452,061)
Balance as of September 30, 2025	<u>5,233,724</u>

The following table summarizes non-vested restricted share and DSU activity during the period:

	Equity Based Awards		Liability Based Awards
	Number of Restricted Shares	Number of Equity DSUs	Number of Cash Only DSUs
Balance as of January 1, 2025	21,054	50,397	31,581
Granted	111,732	101,956	55,866
Vested	(21,054)	(50,397)	(31,581)
Balance as of September 30, 2025	<u>111,732</u>	<u>101,956</u>	<u>55,866</u>

There were 93,760 Equity DSUs granted to directors that were vested but not settled as of September 30, 2025.

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Note 9. Net Loss Per Common Share

The reconciliation of basic and diluted net loss per common share for the three and nine months ended September 30, 2025 and 2024 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net loss				
Basic and diluted	\$ (80,779)	\$ (17,559)	\$ (189,189)	\$ (101,848)
Net loss per common share				
Basic	\$ (1.21)	\$ (0.26)	\$ (2.83)	\$ (1.53)
Diluted	\$ (1.21)	\$ (0.26)	\$ (2.83)	\$ (1.53)
Weighted average number of common shares outstanding:				
Basic (a)	66,964,534	66,849,720	66,924,228	66,769,810
Diluted	66,964,534	66,849,720	66,924,228	66,769,810

- (a) For the three and nine months ended September 30, 2025, the weighted average number of common shares outstanding excludes 111,732 restricted shares which have been issued, but have not vested as of September 30, 2025 (2024 – 21,054 restricted shares) and includes vested Equity DSUs.

The calculation of diluted net loss per common share does not assume the exercise of any instruments that would have an anti-dilutive effect on net loss per common share. Non-vested instruments excluded from the calculation of net loss per common share because they were anti-dilutive for the three and nine months ended September 30, 2025 and 2024 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
PSUs	5,233,724	4,828,019	5,233,724	4,828,019
Restricted shares	111,732	21,054	111,732	21,054
Equity DSUs	101,956	93,760	101,956	93,760

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Note 10. Accumulated Other Comprehensive Loss

The change in the accumulated other comprehensive loss by component (net of tax) for the three and nine months ended September 30, 2025 and 2024 was as follows:

	Foreign Currency Translation Adjustments	Defined Benefit Pension and Other Post- Retirement Benefit Items	Total
Three Months Ended September 30:			
Balance as of June 30, 2025	\$ (116,411)	\$ 18,697	\$ (97,714)
Other comprehensive loss before reclassifications	(7,184)	—	(7,184)
Amounts reclassified	—	(271)	(271)
Other comprehensive loss	(7,184)	(271)	(7,455)
Balance as of September 30, 2025	<u>\$ (123,595)</u>	<u>\$ 18,426</u>	<u>\$ (105,169)</u>
Balance as of June 30, 2024	\$ (197,685)	\$ 14,396	\$ (183,289)
Other comprehensive income before reclassifications	50,358	—	50,358
Amounts reclassified	—	(185)	(185)
Other comprehensive income (loss)	50,358	(185)	50,173
Balance as of September 30, 2024	<u>\$ (147,327)</u>	<u>\$ 14,211</u>	<u>\$ (133,116)</u>
Nine Months Ended September 30:			
Balance as of December 31, 2024	\$ (249,997)	\$ 19,228	\$ (230,769)
Other comprehensive income before reclassifications	126,402	—	126,402
Amounts reclassified	—	(802)	(802)
Other comprehensive income (loss)	126,402	(802)	125,600
Balance as of September 30, 2025	<u>\$ (123,595)</u>	<u>\$ 18,426</u>	<u>\$ (105,169)</u>
Balance as of December 31, 2023	\$ (145,605)	\$ 18,934	\$ (126,671)
Other comprehensive loss before reclassifications	(1,722)	(90)	(1,812)
Amounts reclassified	—	(452)	(452)
Other comprehensive loss	(1,722)	(542)	(2,264)
Disposal of investment in joint venture	—	(4,181)	(4,181)
Balance as of September 30, 2024	<u>\$ (147,327)</u>	<u>\$ 14,211</u>	<u>\$ (133,116)</u>

Note 11. Related Party Transactions

For the three and nine months ended September 30, 2025, services from the Company's 20% owned logging and chipping operation were \$1,863 and \$5,637, respectively, (2024 – \$904 and \$5,099) and as of September 30, 2025, the Company had a receivable balance from the operation of \$769 (December 31, 2024 – receivable of \$348).

For the three and nine months ended September 30, 2025, services from the Company's 26% owned wood purchasing operation were \$2,750 and \$8,412, respectively, (2024 – \$511 and \$2,826) and as of September 30, 2025, the Company had a payable balance to the operation of \$121 (December 31, 2024 – receivable of \$50).

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Note 12. Segment Information

The Company is managed based on the primary products it manufactures: pulp and solid wood. The Company's four pulp mills are aggregated into the pulp segment. The Friesau sawmill, the Torgau facility and the mass timber facilities are aggregated into the solid wood segment. The operating results for the pulp and solid wood segments are regularly reviewed by the Company's chief operating decision maker (the "CODM") to assess segment performance and to make decisions about resource allocation. The Company's CODM is the Chief Executive Officer.

Revenues between segments are accounted for at prices that approximate fair value. These include revenues from the sale of residual fiber from the solid wood segment to the pulp segment for use in the pulp production process and from the sale of residual fuel from the pulp segment to the solid wood segment for use in energy production.

Change in segment measure of profit or loss

In 2024, the Company changed its segment measure from operating income (loss) to net income (loss) before interest, tax, depreciation and amortization and impairments of long-lived assets ("Segment Operating EBITDA"). The CODM uses Segment Operating EBITDA as the primary measure in assessing the operating performance of each reportable segment through periodic reviews and comparison of segment operating trends and identifying strategies to improve the allocation of resources amongst the reportable segments. Segment Operating EBITDA is different from operating income (loss) as it excludes depreciation and amortization and impairment of long-lived assets, as those items are not considered indicative of ongoing core operations. Comparative periods have been recast to conform with the current period's presentation.

Total assets and the income or loss items following Segment Operating EBITDA, other than depreciation, amortization and impairment of long-lived assets, are not allocated to the segments, as those items are reviewed separately by management.

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Information about certain segment data for the three and nine months ended September 30, 2025 and 2024 was as follows:

Three Months Ended September 30, 2025	Pulp	Solid Wood	Total of Segments (a)
Revenues from external customers	\$ 339,038	\$ 117,234	\$ 456,272
Intersegment revenues	331	12,875	13,206
	<u>339,369</u>	<u>130,109</u>	<u>469,478</u>
Less segment expenses:			
Fiber	163,745	68,964	
Maintenance (b)	41,765	13,262	
Freight	33,832	13,062	
Labor (c)	22,472	15,249	
Chemicals	32,478	—	
Energy	16,185	6,683	
Other (d)	41,578	22,157	
Segment Operating EBITDA	<u>\$ (12,686)</u>	<u>\$ (9,268)</u>	<u>\$ (21,954)</u>
Purchase of property, plant and equipment	\$ 21,264	\$ 8,736	\$ 30,000

(a) The total of segments' Segment Operating EBITDA is reconciled to consolidated loss before income taxes in the Interim Consolidated Statements of Operations as follows:

Three Months Ended September 30, 2025	Pulp	Solid Wood	Total
Reconciliation to loss before income taxes			
Total of segments' Segment Operating EBITDA			\$ (21,954)
Segment depreciation and amortization	(25,725)	(13,640)	(39,365)
Interest expense			(28,506)
Other income			539
Corporate expenses and eliminations			(6,270)
Consolidated loss before income taxes			<u>\$ (95,556)</u>

(b) Maintenance expense for the pulp segment includes expenditures for planned annual maintenance downtime at our pulp mills.

(c) Labor expense excludes maintenance and indirect labor costs.

(d) Other expenses primarily include selling, general and administrative expenses, the net change in finished goods inventories and foreign exchange gains or losses on the revaluation of dollar denominated receivable balances.

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Three Months Ended September 30, 2025	Pulp	Solid Wood	Corporate and Other	Consolidate d
Revenues from external customers by major products				
Pulp	\$ 318,622	\$ —	\$ —	\$ 318,622
Lumber	—	60,971	—	60,971
Energy and chemicals	20,416	4,894	836	26,146
Manufactured products (a)	—	12,171	—	12,171
Pallets	—	26,650	—	26,650
Biofuels (b)	—	10,183	—	10,183
Wood residuals	—	2,365	960	3,325
Total revenues from external customers	<u>\$ 339,038</u>	<u>\$ 117,234</u>	<u>\$ 1,796</u>	<u>\$ 458,068</u>
Revenues from external customers by geography (c)				
U.S.	\$ 32,095	\$ 35,107	\$ 304	\$ 67,506
Foreign countries				
Germany	69,143	51,672	109	120,924
China	137,506	410	—	137,916
Other countries	100,294	30,045	1,383	131,722
	<u>306,943</u>	<u>82,127</u>	<u>1,492</u>	<u>390,562</u>
Total revenues from external customers	<u>\$ 339,038</u>	<u>\$ 117,234</u>	<u>\$ 1,796</u>	<u>\$ 458,068</u>

(a) Manufactured products primarily include cross-laminated timber and glue-laminated timber.

(b) Biofuels include pellets and briquettes.

(c) Sales are attributed to countries based on the ship-to location provided by the customer.

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Three Months Ended September 30, 2024	Pulp	Solid Wood	Total of Segments (a)
Revenues from external customers	\$ 373,268	\$ 125,093	\$ 498,361
Intersegment revenues	323	7,689	8,012
	373,591	132,782	506,373
Less segment expenses:			
Fiber	132,609	54,529	
Maintenance (b)	32,308	13,471	
Freight	36,549	12,615	
Labor (c)	21,597	14,351	
Chemicals	28,280	—	
Energy	14,190	6,413	
Other (d)	53,413	33,336	
Segment Operating EBITDA	<u>\$ 54,645</u>	<u>\$ (1,933)</u>	<u>\$ 52,712</u>
Purchase of property, plant and equipment	\$ 13,688	\$ 13,571	\$ 27,259

(a) The total of segments' Segment Operating EBITDA is reconciled to consolidated loss before income taxes in the Interim Consolidated Statements of Operations as follows:

Three Months Ended September 30, 2024	Pulp	Solid Wood	Total
Reconciliation to loss before income taxes			
Total of segments' Segment Operating EBITDA			\$ 52,712
Segment depreciation and amortization	(28,651)	(12,741)	(41,392)
Interest expense			(26,429)
Other expenses			(91)
Corporate expenses and eliminations			(2,479)
Consolidated loss before income taxes			<u>\$ (17,679)</u>

- (b) Maintenance expense for the pulp segment includes expenditures for planned annual maintenance downtime at our pulp mills.
- (c) Labor expense excludes maintenance and indirect labor costs.
- (d) Other expenses primarily include selling, general and administrative expenses, the net change in finished goods inventories and foreign exchange gains or losses on the revaluation of dollar denominated receivable balances.

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Three Months Ended September 30, 2024	Pulp	Solid Wood	Corporate and Other	Consolidate d
Revenues from external customers by major products				
Pulp	\$ 354,176	\$ —	\$ —	\$ 354,176
Lumber	—	49,093	—	49,093
Energy and chemicals	19,092	2,593	3,780	25,465
Manufactured products (a)	—	35,798	—	35,798
Pallets	—	26,525	—	26,525
Biofuels (b)	—	9,262	—	9,262
Wood residuals	—	1,822	—	1,822
Total revenues from external customers	<u>\$ 373,268</u>	<u>\$ 125,093</u>	<u>\$ 3,780</u>	<u>\$ 502,141</u>
Revenues from external customers by geography (c)				
U.S.	\$ 38,706	\$ 56,766	\$ 776	\$ 96,248
Foreign countries				
Germany	83,035	46,610	241	129,886
China	143,711	511	—	144,222
Other countries	107,816	21,206	2,763	131,785
	<u>334,562</u>	<u>68,327</u>	<u>3,004</u>	<u>405,893</u>
Total revenues from external customers	<u>\$ 373,268</u>	<u>\$ 125,093</u>	<u>\$ 3,780</u>	<u>\$ 502,141</u>

(a) Manufactured products primarily include cross-laminated timber and glue-laminated timber.

(b) Biofuels include pellets and briquettes.

(c) Sales are attributed to countries based on the ship-to location provided by the customer.

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Nine Months Ended September 30, 2025	Pulp	Solid Wood	Total of Segments (a)
Revenues from external customers	\$ 1,052,426	\$ 357,222	\$ 1,409,648
Intersegment revenues	840	34,444	35,284
	<u>1,053,266</u>	<u>391,666</u>	<u>1,444,932</u>
Less segment expenses:			
Fiber	469,029	205,307	
Maintenance (b)	130,828	34,595	
Freight	102,171	39,750	
Labor (c)	71,612	44,934	
Chemicals	92,583	—	
Energy	42,420	19,878	
Other (d)	117,699	61,623	
Segment Operating EBITDA	<u>\$ 26,924</u>	<u>\$ (14,421)</u>	<u>\$ 12,503</u>
Purchase of property, plant and equipment	\$ 50,826	\$ 23,566	\$ 74,392

(a) The total of segments' Segment Operating EBITDA is reconciled to consolidated loss before income taxes in the Interim Consolidated Statements of Operations as follows:

Nine Months Ended September 30, 2025	Pulp	Solid Wood	Total
Reconciliation to loss before income taxes			
Total of segments' Segment Operating EBITDA			\$ 12,503
Segment depreciation and amortization	(78,636)	(38,264)	(116,900)
Interest expense			(85,072)
Other expenses			(766)
Corporate expenses and eliminations			(14,863)
Consolidated loss before income taxes			<u>\$ (205,098)</u>

- (b) Maintenance expense for the pulp segment includes expenditures for planned annual maintenance downtime at our pulp mills.
- (c) Labor expense excludes maintenance and indirect labor costs.
- (d) Other expenses primarily include selling, general and administrative expenses, the net change in finished goods inventories and foreign exchange gains or losses on the revaluation of dollar denominated receivable balances.

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Nine Months Ended September 30, 2025	Pulp	Solid Wood	Corporate and Other	Consolidated
Revenues from external customers by major products				
Pulp	\$ 989,291	\$ —	\$ —	\$ 989,291
Lumber	—	192,689	—	192,689
Energy and chemicals	63,135	14,002	5,833	82,970
Manufactured products (a)	—	43,413	—	43,413
Pallets	—	76,413	—	76,413
Biofuels (b)	—	24,502	—	24,502
Wood residuals	—	6,203	3,085	9,288
Total revenues from external customers	<u>\$ 1,052,426</u>	<u>\$ 357,222</u>	<u>\$ 8,918</u>	<u>\$ 1,418,566</u>
Revenues from external customers by geography (c)				
U.S.	\$ 103,122	\$ 122,692	\$ 1,553	\$ 227,367
Foreign countries				
Germany	213,732	145,329	490	359,551
China	405,487	916	—	406,403
Other countries	330,085	88,285	6,875	425,245
	<u>949,304</u>	<u>234,530</u>	<u>7,365</u>	<u>1,191,199</u>
Total revenues from external customers	<u>\$ 1,052,426</u>	<u>\$ 357,222</u>	<u>\$ 8,918</u>	<u>\$ 1,418,566</u>

- (a) Manufactured products primarily include cross-laminated timber and glue-laminated timber.
- (b) Biofuels include pellets and briquettes.
- (c) Sales are attributed to countries based on the ship-to location provided by the customer.

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Nine Months Ended September 30, 2024	Pulp	Solid Wood	Total of Segments (a)
Revenues from external customers	\$ 1,173,043	\$ 374,354	\$ 1,547,397
Intersegment revenues	594	26,560	27,154
	<u>1,173,637</u>	<u>400,914</u>	<u>1,574,551</u>
Less segment expenses:			
Fiber	412,731	181,726	
Maintenance (b)	123,859	35,314	
Freight	113,932	40,487	
Labor (c)	67,078	42,793	
Chemicals	89,714	—	
Energy	45,289	20,517	
Purchase of pulp from CPP (d)	19,707	—	
Other (e)	146,543	79,781	
Segment Operating EBITDA	<u>\$ 154,784</u>	<u>\$ 296</u>	<u>\$ 155,080</u>
Purchase of property, plant and equipment	\$ 36,470	\$ 27,035	\$ 63,505

(a) The total of segments' Segment Operating EBITDA is reconciled to consolidated loss before income taxes in the Interim Consolidated Statements of Operations as follows:

Nine Months Ended September 30, 2024	Pulp	Solid Wood	Total
Reconciliation to loss before income taxes			
Total of segments' Segment Operating EBITDA			\$ 155,080
Segment depreciation and amortization	(83,217)	(38,078)	(121,295)
Loss on disposal of investment in joint venture	(23,645)	—	(23,645)
Goodwill impairment	—	(34,277)	(34,277)
Interest expense			(80,831)
Other income			9,147
Corporate expenses and eliminations			(11,249)
Consolidated loss before income taxes			<u>\$ (107,070)</u>

- (b) Maintenance expense for the pulp segment includes expenditures for planned annual maintenance downtime at our pulp mills.
- (c) Labor expense excludes maintenance and indirect labor costs.
- (d) Purchases of pulp inventory from the Cariboo Pulp & Paper Company mill ("CPP") prior to the disposition of the Company's equity interest in 2024.
- (e) Other expenses primarily include selling, general and administrative expenses, the net change in finished goods inventories and foreign exchange gains or losses on the revaluation of dollar denominated receivable balances.

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Nine Months Ended September 30, 2024	Pulp	Solid Wood	Corporate and Other	Consolidated
Revenues from external customers by major products				
Pulp	\$ 1,109,279	\$ —	\$ —	\$ 1,109,279
Lumber	—	158,885	—	158,885
Energy and chemicals	63,764	11,732	7,558	83,054
Manufactured products (a)	—	87,892	—	87,892
Pallets	—	81,286	—	81,286
Biofuels (b)	—	28,671	—	28,671
Wood residuals	—	5,888	—	5,888
Total revenues from external customers	<u>\$ 1,173,043</u>	<u>\$ 374,354</u>	<u>\$ 7,558</u>	<u>\$ 1,554,955</u>
Revenues from external customers by geography (c)				
U.S.	\$ 122,317	\$ 158,094	\$ 2,201	\$ 282,612
Foreign countries				
Germany	247,777	148,985	601	397,363
China	425,857	1,710	—	427,567
Other countries	377,092	65,565	4,756	447,413
	<u>1,050,726</u>	<u>216,260</u>	<u>5,357</u>	<u>1,272,343</u>
Total revenues from external customers	<u>\$ 1,173,043</u>	<u>\$ 374,354</u>	<u>\$ 7,558</u>	<u>\$ 1,554,955</u>

(a) Manufactured products primarily include cross-laminated timber and glue-laminated timber.

(b) Biofuels include pellets and briquettes.

(c) Sales are attributed to countries based on the ship-to location provided by the customer.

Note 13. Financial Instruments and Fair Value Measurement

Due to their short-term maturity, the carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and other approximates their fair value. The estimated fair values of the Company's outstanding debt under the fair value hierarchy as of September 30, 2025 and December 31, 2024 were as follows:

Description	Fair value measurements as of September 30, 2025 using:			
	Level 1	Level 2	Level 3	Total
Revolving credit facilities	\$ —	\$ 238,281	\$ —	\$ 238,281
Senior notes	—	1,009,004	—	1,009,004
	<u>\$ —</u>	<u>\$ 1,247,285</u>	<u>\$ —</u>	<u>\$ 1,247,285</u>
Description	Fair value measurements as of December 31, 2024 using:			
	Level 1	Level 2	Level 3	Total
Revolving credit facilities	\$ —	\$ 169,169	\$ —	\$ 169,169
Senior notes	—	1,186,921	—	1,186,921
	<u>\$ —</u>	<u>\$ 1,356,090</u>	<u>\$ —</u>	<u>\$ 1,356,090</u>

The carrying value of the revolving credit facilities classified as Level 2 approximates the fair value as the variable interest rates reflect current interest rates for financial instruments with similar characteristics and maturities.

The fair value of the senior notes classified as Level 2 was determined using quoted prices in a dealer market, or using recent market transactions. The Company's senior notes are not carried at fair value in the Interim Consolidated Balance Sheets as of September 30, 2025 or December 31, 2024. However, fair value disclosure is required. The carrying value of the Company's senior notes, net of unamortized note issuance costs, was \$1,267,694 as of September 30, 2025 (December 31, 2024 – \$1,266,018).

MERCER INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands of U.S. dollars, except share and per share data)

Credit Risk

The Company's exposure to credit losses may increase if its customers' production and other costs are adversely affected by inflation, interest rate levels and tariffs. Although the Company has historically not experienced significant credit losses, it is possible that there could be a material adverse impact from potential adjustments of the carrying amount of trade receivables if the cash flows of the Company's customers are adversely impacted by inflation, interest rate levels and tariffs. As of September 30, 2025, the Company has not had significant credit losses.

As of September 30, 2025, the carrying amount of cash and cash equivalents of \$98,102 and accounts receivable of \$328,432 recorded in the Interim Consolidated Balance Sheet, net of any allowances for losses, represent the Company's maximum exposure to credit risk.

Note 14. Commitments and Contingencies

- (a) The Company is involved in legal actions and claims arising in the ordinary course of business. While the outcome of any legal actions and claims cannot be predicted with certainty, it is the opinion of management that the outcome of any such claims which are pending or threatened, either individually or on a combined basis, will not have a material adverse effect on the consolidated financial condition, results of operations or liquidity of the Company.
- (b) The Company is subject to regulations that require the handling and disposal of asbestos in a prescribed manner if a property undergoes a major renovation or demolition. Otherwise, the Company is not required to remove asbestos from its facilities. Generally asbestos is found on steam and condensate piping systems as well as certain cladding on buildings and in building insulation throughout older facilities. The Company's obligation for the proper removal and disposal of asbestos products from the Company's mills is a conditional asset retirement obligation. As a result of the longevity of the Company's mills, due in part to the maintenance procedures and the fact that the Company does not have plans for major changes that require the removal of asbestos, the timing of the asbestos removal is indeterminate. As a result, the Company is currently unable to reasonably estimate the fair value of its asbestos removal and disposal obligation. The Company will recognize a liability in the period in which sufficient information is available to reasonably estimate its fair value.

NON-GAAP FINANCIAL MEASURES

This quarterly report on Form 10-Q 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 financial measure “Operating EBITDA”.

We define Operating EBITDA as operating income (loss) plus depreciation and amortization and long-lived 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 (loss) as a performance measure primarily because depreciation expense and long-lived 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 loss, including financing costs, income taxes 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 loss or operating income (loss) as a measure of performance, or as an alternative to net cash from (used in) operating activities as a measure of liquidity. Operating EBITDA is an internal measure 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) the impact of realized or marked to market changes in our derivative positions, which can be substantial; and (v) 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.

Operating EBITDA is a non-GAAP financial measure at the consolidated level and is considered different from Operating EBITDA at the segment level, referred to as “Segment Operating EBITDA”, which is our single measure of segment profit or loss presented in our financial statements under GAAP. For more information on Segment Operating EBITDA, refer to the segment information note within our consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this document: (i) unless the context otherwise requires, references to “we”, “our”, “us”, the “Company” or “Mercer” mean Mercer International Inc. and its subsidiaries; (ii) references to “Mercer Inc.” mean the Company excluding its subsidiaries; (iii) information is provided as of September 30, 2025, unless otherwise stated; (iv) our reporting currency is dollars and references to “€” mean euros and “C\$” mean Canadian dollars; (v) “ADMTs” mean air-dried metric tonnes; (vi) “CLT” mean cross-laminated timber; (vii) “glulam” mean glue-laminated timber; (viii) “m³” mean cubic meters; (ix) “NBSK” mean northern bleached softwood kraft; (x) “NBHK” mean northern bleached hardwood kraft; (xi) “MW” mean megawatts and “MWh” mean megawatt hours; (xii) “Mfbm” mean thousand board feet of lumber and “MMfbm” mean million board feet of lumber; and (xiii) our lumber metrics are converted from m³ to Mfbm using a conversion ratio of 1.6 m³ of lumber equaling one Mfbm, which is the ratio commonly used in the industry.

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

The following discussion and analysis of our results of operations and financial condition for the three and nine months ended September 30, 2025 should be read in conjunction with our Interim Consolidated Financial Statements and related notes included in this quarterly report, as well as our most recent annual report on Form 10-K for the fiscal year ended December 31, 2024 filed with the Securities and Exchange Commission, referred to as the “SEC”.

Results of Operations

General

We have two reportable operating segments:

- **Pulp** – consists of the manufacture, sale and distribution of pulp, electricity and chemicals at our pulp mills.
- **Solid Wood** – consists of the manufacture, sale and distribution of lumber, manufactured products (including CLT, glulam and finger joint lumber), wood pallets, electricity, biofuels and wood residuals at our sawmills and other facilities in Germany and our mass timber facilities in North America.

Each segment offers primarily different products and requires different manufacturing processes, technology and sales and marketing.

Current Market Environment

In the third quarter of 2025, both our NBSK and NBHK pulp sales realizations decreased compared to the second quarter of 2025 as a result of lower prices across all markets. Pulp prices decreased in Europe and China, driven by weaker demand, stemming from the current economic climate and continuing global trade policy uncertainty, and increased substitution of softwood pulp for lower-cost hardwood pulp. The price decline in China was further impacted by an oversupplied paper market. In North America, pulp prices decreased in the third quarter of 2025 compared to the second quarter of 2025 as a result of downward price pressure from other markets.

In the third quarter of 2025, our lumber sales realizations were relatively stable in both the U.S. and Europe compared to the second quarter of 2025.

As of September 30, 2025, the third-party industry quoted NBSK pulp list prices in Europe and North America were approximately \$1,495 per ADMT and \$1,660 per ADMT, respectively, and the third-party industry quoted NBSK pulp net price in China was approximately \$690 per ADMT. Prices for China are net of discounts, allowances and rebates.

In the fourth quarter of 2025, we currently expect both NBSK and NBHK pulp prices to remain weak.

In the fourth quarter of 2025, we currently expect lumber prices to modestly increase in Europe primarily due to higher fiber costs. In the U.S., we currently expect slightly higher prices in the latter part of the fourth quarter of 2025 driven by the combined impact of duties and tariffs imposed on producers reducing supply and supporting higher prices. In the fourth quarter of 2025, we currently expect pallet prices to remain flat due to continued weak economic conditions in Europe and mass timber prices to remain relatively steady.

Per unit fiber costs for the pulp and solid wood segments were relatively steady in the third quarter of 2025 compared to the second quarter of 2025. For the fourth quarter of 2025, we currently expect per unit fiber costs to increase for all our mills due to supply constraints and, in Germany, strong competing demand for pellets.

Demand and pricing for our products may be further impacted by ongoing developments in international trade policies, including tariffs proposed or imposed by the United States on goods originating from Canada, the European Union and other countries, and related countermeasures. As these developments are ongoing and subject to change, it is difficult to predict such impact at this time. See Item 1A. Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2024 for further information.

Summary Financial Highlights

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
(in thousands, other than per share amounts)				
Statement of Operations Data				
Revenues from external customers				
Pulp segment	\$ 339,038	\$ 373,268	\$ 1,052,426	\$ 1,173,043
Solid wood segment	117,234	125,093	357,222	374,354
Corporate and other	1,796	3,780	8,918	7,558
Total revenues	<u>\$ 458,068</u>	<u>\$ 502,141</u>	<u>\$ 1,418,566</u>	<u>\$ 1,554,955</u>
Pulp Segment Operating EBITDA ⁽¹⁾	\$ (12,686)	\$ 54,645	\$ 26,924	\$ 154,784
Solid wood Segment Operating EBITDA ⁽¹⁾	(9,268)	(1,933)	(14,421)	296
Corporate and other	(6,123)	(2,257)	(14,373)	(10,585)
Operating EBITDA ⁽²⁾	<u>\$ (28,077)</u>	<u>\$ 50,455</u>	<u>\$ (1,870)</u>	<u>\$ 144,495</u>
Net loss	\$ (80,779)	\$ (17,559)	\$ (189,189)	\$ (101,848)
Net loss per common share				
Basic	\$ (1.21)	\$ (0.26)	\$ (2.83)	\$ (1.53)
Diluted	\$ (1.21)	\$ (0.26)	\$ (2.83)	\$ (1.53)
Common shares outstanding at period end	66,983	66,871	66,983	66,871

- (1) Segment Operating EBITDA is a measure of segment profit or loss presented in our financial statements under GAAP. Refer to the segment information note in our consolidated financial statements for more information.
- (2) Operating EBITDA is a non-GAAP measure. See “Non-GAAP Financial Measures” for its description, limitations and why we consider it to be a useful measure. The following table provides a reconciliation of net loss to operating income (loss) and Operating EBITDA for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
(in thousands)				
Net loss	\$ (80,779)	\$ (17,559)	\$ (189,189)	\$ (101,848)
Income tax recovery	(14,777)	(120)	(15,909)	(5,222)
Interest expense	28,506	26,429	85,072	80,831
Other expenses (income)	(539)	91	766	(9,147)
Operating income (loss)	(67,589)	8,841	(119,260)	(35,386)
Add: Depreciation and amortization	39,512	41,614	117,390	121,959
Add: Loss on disposal of investment in joint venture	—	—	—	23,645
Add: Goodwill impairment	—	—	—	34,277
Operating EBITDA	<u>\$ (28,077)</u>	<u>\$ 50,455</u>	<u>\$ (1,870)</u>	<u>\$ 144,495</u>

Selected Production, Sales and Other Data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Pulp Segment				
Pulp production ('000 ADMTs)				
NBSK	366.7	374.4	1,140.3	1,185.4
NBHK	92.0	41.4	234.4	191.0
Annual maintenance downtime ('000 ADMTs)	21.3	22.1	84.2	86.9
Annual maintenance downtime (days)	20	20	65	57
Pulp sales ('000 ADMTs)				
NBSK	385.9	376.2	1,135.4	1,242.0
NBHK	67.0	72.6	222.1	205.8
Average NBSK pulp prices (\$/ADMT) ⁽¹⁾				
Europe	1,497	1,573	1,533	1,525
China	690	771	739	776
North America	1,700	1,762	1,758	1,633
Average NBHK pulp prices (\$/ADMT) ⁽¹⁾				
China	503	635	538	677
North America	1,203	1,467	1,261	1,376
Average pulp sales realizations (\$/ADMT) ⁽²⁾				
NBSK	728	814	756	781
NBHK	528	632	559	650
Energy production ('000 MWh) ⁽³⁾	490.5	509.8	1,528.7	1,580.2
Energy sales ('000 MWh) ⁽³⁾	171.1	187.0	552.9	592.6
Average energy sales realizations (\$/MWh) ⁽³⁾	98	86	97	86
Solid Wood Segment				
Lumber				
Production (MMfbm)	115.4	122.5	363.6	360.9
Sales (MMfbm)	110.2	108.8	361.8	346.8
Average sales realizations (\$/Mfbm)	553	451	533	458
Energy				
Production and sales ('000 MWh)	32.7	17.9	101.5	90.2
Average sales realizations (\$/MWh)	150	145	138	130
Manufactured products ⁽⁴⁾				
Production ('000 m ³)	9.2	9.8	24.1	28.1
Sales ('000 m ³)	6.8	9.9	20.8	25.0
Average sales realizations (\$/m ³)	1,615	3,463	1,843	3,260
Pallets				
Production ('000 units)	2,265.2	2,525.5	6,494.5	8,129.7
Sales ('000 units)	2,144.5	2,446.7	6,521.3	7,933.4
Average sales realizations (\$/unit)	12	11	12	10
Biofuels ⁽⁵⁾				
Production ('000 tonnes)	33.3	40.6	103.1	119.6
Sales ('000 tonnes)	39.8	43.5	99.6	132.1
Average sales realizations (\$/tonne)	256	213	246	217
Average Spot Currency Exchange Rates				
\$ / € ⁽⁶⁾	1.1685	1.0987	1.1196	1.0870
\$ / C\$ ⁽⁶⁾	0.7261	0.7331	0.7154	0.7352

(1) Source: RISI pricing report. Europe and North America are list prices. China are net prices which include discounts, allowances and rebates.

(2) Sales realizations after customer discounts, rebates and other selling concessions.

(3) Does not include our 50% joint venture interest in the Cariboo Pulp & Paper Company mill ("CPP"), which was accounted for using the equity method. In the first quarter of 2024, we disposed of this interest.

(4) Manufactured products primarily include CLT and glulam.

(5) Biofuels include pellets and briquettes.

(6) Average Federal Reserve Bank of New York Noon Buying Rates over the reporting period.

Consolidated – Three Months Ended September 30, 2025 Compared to Three Months Ended September 30, 2024

Total revenues for the third quarter of 2025 decreased by approximately 9% to \$458.1 million from \$502.1 million in the same quarter of 2024. This was primarily due to lower pulp and manufactured products sales realizations partially offset by higher lumber sales realizations.

Costs and expenses in the third quarter of 2025 increased by approximately 7% to \$525.7 million from \$493.3 million in the same quarter of 2024. This was primarily due to higher per unit fiber costs and the negative foreign exchange impact from a weaker dollar on our euro denominated costs and expenses compared to the same quarter of 2024. In the third quarter of 2025, costs and expenses included a non-cash impairment of \$20.4 million primarily against pulp inventory as a result of lower prices.

In the third quarter of 2025, cost of sales depreciation and amortization was relatively flat at \$39.4 million compared to \$41.5 million in the same quarter of 2024.

Selling, general and administrative expenses were relatively steady at \$28.8 million in the third quarter of 2025 compared to \$29.2 million in the same quarter of 2024.

In the third quarter of 2025, we had a negative foreign exchange impact of approximately \$8.6 million on our operating loss compared to the same quarter of 2024. This negative impact was primarily due to the effect of a weaker dollar on our euro denominated costs and expenses compared to the same quarter of 2024.

In the third quarter of 2025, our operating loss was \$67.6 million compared to operating income of \$8.8 million in the same quarter of 2024 primarily due to lower pulp and manufactured products sales realizations, higher per unit fiber costs, the negative foreign exchange impact from a weaker dollar and the non-cash inventory impairment. These adverse impacts were partially offset by higher lumber sales realizations.

Interest expense increased by approximately 8% to \$28.5 million in the third quarter of 2025 from \$26.4 million in the same quarter of 2024. This increase was primarily driven by debt refinancing activities in October 2024, which replaced maturing senior notes with new senior notes carrying extended maturities and a higher interest rate.

In the third quarter of 2025, we had an income tax recovery of \$14.8 million, or an effective tax rate of 15%, and in the same quarter of 2024, we had an income tax recovery of \$0.1 million, or an effective tax rate of 1%. Our effective tax rates were different from the statutory rates of the jurisdictions in which we operate as we do not recognize tax recoveries for certain entities which we do not expect to realize a tax benefit.

In the third quarter of 2025, our net loss was \$80.8 million, or \$1.21 per share, compared to \$17.6 million, or \$0.26 per share, in the same quarter of 2024.

In the third quarter of 2025, Operating EBITDA decreased to negative \$28.1 million from positive \$50.5 million in the same quarter of 2024. This primarily resulted from lower pulp and manufactured products sales realizations, higher per unit fiber costs, the negative foreign exchange impact from a weaker dollar and the non-cash inventory impairment. These adverse impacts were partially offset by higher lumber sales realizations.

Pulp Segment – Three Months Ended September 30, 2025 Compared to Three Months Ended September 30, 2024

Selected Financial Information

	Three Months Ended September 30,	
	2025	2024
	(in thousands)	
Pulp revenues	\$ 318,622	\$ 354,176
Energy and chemical revenues	\$ 20,416	\$ 19,092
Segment Operating EBITDA ⁽¹⁾	\$ (12,686)	\$ 54,645

(1) Segment Operating EBITDA is a measure of segment profit or loss presented in our financial statements under GAAP. Refer to the segment information note in our consolidated financial statements for more information.

Pulp segment revenues, comprised of pulp, energy and chemical revenues, in the third quarter of 2025 decreased by approximately 9% to \$339.0 million from \$373.3 million in the same quarter of 2024 due to lower pulp revenues.

Pulp revenues in the third quarter of 2025 decreased by approximately 10% to \$318.6 million from \$354.2 million in the same quarter of 2024 as a result of lower sales realizations.

Energy and chemical revenues in the third quarter of 2025 were relatively steady at \$20.4 million compared to \$19.1 million in the same quarter of 2024.

Total pulp production in the third quarter of 2025 increased by approximately 10% to 458,708 ADMTs from 415,837 ADMTs in the same quarter of 2024 primarily as a result of improved production reliability in the third quarter of 2025. In the third quarter of 2025, our pulp mills had 32 days of downtime (approximately 35,700 ADMTs) which included 20 days of planned annual maintenance and 12 days of unplanned downtime at the Celgar mill due to a mechanical failure. In the same quarter of 2024, our pulp mills had 43 days of downtime (approximately 57,600 ADMTs) which included 20 days of planned annual maintenance and 23 days of unplanned downtime at the Peace River mill due to a mechanical failure.

We estimate that planned annual maintenance downtime in the third quarter of 2025 adversely impacted our Segment Operating EBITDA by approximately \$26.3 million, comprised of approximately \$17.3 million in direct out-of-pocket expenses and the balance in reduced production. Many of our competitors that report their financial results using International Financial Reporting Standards, referred to as “IFRS”, capitalize their direct costs of maintenance downtime.

In the fourth quarter of 2025, we currently expect a total of 18 days of planned annual maintenance downtime (approximately 35,600 ADMTs) at our Stendal mill.

Total pulp sales volumes in the third quarter of 2025 were relatively flat at 452,840 ADMTs compared to 448,856 ADMTs in the same quarter of 2024.

In the third quarter of 2025, the third-party industry quoted average list price for NBSK pulp in Europe and the third-party industry quoted average net price for NBSK pulp in China decreased from the same quarter of 2024. These decreases stemmed from weaker demand driven by the current economic climate, global trade policy uncertainty, and increased substitution of softwood pulp for lower-cost hardwood pulp. Oversupply in the paper market also contributed to the pricing decrease in China. In the third quarter of 2025, the third-party industry quoted average list price for NBSK pulp in North America decreased from the same quarter of 2024 driven by downward price pressure from other markets. Third-party industry quoted average list prices for NBSK pulp in Europe and North America were approximately \$1,497 per ADMT and \$1,700 per ADMT, respectively, in the third quarter of 2025 compared to approximately \$1,573 per ADMT and \$1,762 per ADMT, respectively, in the same quarter of 2024. The third-party industry quoted average net price for NBSK pulp in China was approximately \$690 per ADMT in the third quarter of 2025 compared to approximately \$771 per ADMT in the same quarter of 2024. Prices quoted for China are net of discounts, allowances and rebates whereas quoted prices for Europe and North America are before applicable discounts, allowances and rebates.

In the third quarter of 2025, the third-party industry quoted average list price for NBHK pulp in North America decreased from the same quarter of 2024 due to downward price pressure from other markets. The third-party industry quoted average net price for NBHK pulp in China decreased in the third quarter of 2025 from the same quarter of 2024 due to an oversupplied paper market and weak demand driven by the current economic climate and global trade policy uncertainty. The third-party industry quoted average list price for NBHK pulp in North America was approximately \$1,203 per ADMT in the third quarter of 2025 compared to approximately \$1,467 per ADMT in the same quarter of 2024. The third-party industry quoted average net price for NBHK pulp in China was approximately \$503 per ADMT in the third quarter of 2025 compared to approximately \$635 per ADMT in the same quarter of 2024.

Our average NBSK pulp sales realizations in the third quarter of 2025 decreased by approximately 11% to \$728 per ADMT from \$814 per ADMT in the same quarter of 2024. In the third quarter of 2025, average NBHK pulp sales realizations decreased by approximately 16% to \$528 per ADMT from \$632 per ADMT in the same quarter of 2024. The lower sales realizations are due to lower prices in all our markets.

In the third quarter of 2025, we had a negative foreign exchange impact of approximately \$5.3 million on Segment Operating EBITDA compared to the same quarter of 2024. This negative impact was primarily due to the effect of a weaker dollar on our euro denominated costs and expenses compared to the same quarter of 2024.

In the third quarter of 2025, we recorded a non-cash inventory impairment of \$18.9 million as a result of low pulp prices.

Costs and expenses in the third quarter of 2025 increased by approximately 9% to \$378.6 million from \$348.6 million in the same quarter of 2024 due to higher per unit fiber costs, the negative foreign exchange impact of a weaker dollar and the non-cash inventory impairment.

Overall average per unit fiber costs in the third quarter of 2025 increased by approximately 14% compared to the same quarter of 2024 primarily due to reduced supply in Germany and Canada. For the fourth quarter of 2025, we currently expect per unit fiber costs to increase due to continued supply constraints and, in Germany, strong competing demand for pellets.

Transportation costs for our pulp segment in the third quarter of 2025 decreased by approximately 7% to \$33.8 million from \$36.5 million in the same quarter of 2024 driven by lower freight rates.

In the third quarter of 2025, Segment Operating EBITDA for our pulp segment decreased to negative \$12.7 million from positive \$54.6 million in the same quarter of 2024. This primarily resulted from lower pulp sales realizations, higher per unit fiber costs, the negative foreign exchange impact from a weaker dollar and the non-cash inventory impairment.

Solid Wood Segment – Three Months Ended September 30, 2025 Compared to Three Months Ended September 30, 2024

Selected Financial Information

	Three Months Ended September 30,	
	2025	2024
	(in thousands)	
Lumber revenues	\$ 60,971	\$ 49,093
Energy revenues	\$ 4,894	\$ 2,593
Manufactured products revenues ⁽¹⁾	\$ 12,171	\$ 35,798
Pallet revenues	\$ 26,650	\$ 26,525
Biofuels revenues ⁽²⁾	\$ 10,183	\$ 9,262
Wood residuals revenues	\$ 2,365	\$ 1,822
Segment Operating EBITDA ⁽³⁾	\$ (9,268)	\$ (1,933)

(1) Manufactured products primarily include CLT and glulam.

(2) Biofuels include pellets and briquettes.

(3) Segment Operating EBITDA is a measure of segment profit or loss presented in our financial statements under GAAP. Refer to the segment information note in our consolidated financial statements for more information.

Solid wood segment revenues in the third quarter of 2025 decreased by approximately 6% to \$117.2 million from \$125.1 million in the same quarter of 2024 primarily due to lower manufactured products revenues partially offset by higher lumber revenues.

In the third quarter of 2025, lumber revenues increased by approximately 24% to \$61.0 million from \$49.1 million in the same quarter of 2024 primarily as a result of higher sales realizations.

Energy, biofuels and wood residuals revenues in the third quarter of 2025 increased by approximately 27% to \$17.4 million from \$13.7 million in the same quarter of 2024 primarily due to higher sales realizations and energy sales volumes.

In the third quarter of 2025, manufactured products revenues decreased by approximately 66% to \$12.2 million from \$35.8 million in the same quarter of 2024 driven by lower sales realizations and volumes as the ongoing elevated interest rate environment in the U.S. negatively impacted demand.

Pallet revenues in the third quarter of 2025 were flat at \$26.7 million compared to \$26.5 million in the same quarter of 2024 due to continued weak economic conditions in Europe.

Lumber production in the third quarter of 2025 decreased by approximately 6% to 115.4 MMfbm from 122.5 MMfbm in the same quarter of 2024 driven by the timing of planned maintenance downtime.

Lumber sales volumes in the third quarter of 2025 were flat at 110.2 MMfbm compared to 108.8 MMfbm in the same quarter of 2024.

Average lumber sales realizations in the third quarter of 2025 increased by approximately 23% to \$553 per Mfbm from \$451 per Mfbm in the same quarter of 2024 due to lower supply and improved demand in both the U.S. and European markets. The U.S. market accounted for approximately 48% of our lumber revenues and approximately 44% of our lumber sales volumes in the third quarter of 2025. The balance of our lumber sales were mainly to Europe.

Manufactured products sales realizations decreased to \$1,615 per m³ in the third quarter of 2025 from \$3,463 per m³ in the same quarter of 2024 as the ongoing elevated interest rate environment in the U.S. negatively impacted demand.

Fiber costs were approximately 75% of our lumber cash production costs in the third quarter of 2025. In the third

quarter of 2025, per unit fiber costs for lumber production increased by approximately 35% compared to the same quarter of 2024 due to reduced supply and strong demand. For the fourth quarter of 2025, we currently expect higher per unit fiber costs due to continued supply constraints and strong demand.

Transportation costs for our solid wood segment in the third quarter of 2025 increased by approximately 4% to \$13.1 million from \$12.6 million in the same quarter of 2024 primarily as a result of higher freight rates.

In the third quarter of 2025, Segment Operating EBITDA for the solid wood segment decreased to negative \$9.3 million from negative \$1.9 million in the same quarter of 2024. This primarily resulted from lower manufactured products sales realizations and higher per unit fiber costs. These adverse impacts were partially offset by higher lumber sales realizations.

Consolidated – Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024

Total revenues for the nine months ended September 30, 2025 decreased by approximately 9% to \$1,418.6 million from \$1,555.0 million in the same period of 2024. This was primarily due to lower pulp and manufactured products sales volumes and realizations partially offset by higher lumber sales realizations.

Costs and expenses in the nine months ended September 30, 2025 modestly decreased to \$1,537.8 million from \$1,590.3 million in the same period of 2024 primarily as a result of lower pulp and pallet sales volumes. This was partially offset by higher per unit fiber costs, negative foreign exchange impacts from a weaker dollar and inventory impairment charges of \$31.4 million recorded in 2025 which were primarily non-cash and against pulp inventory. In the nine months ended September 30, 2024, costs and expenses included a non-cash goodwill impairment of \$34.3 million related to the Torgau facility, which was recognized as a result of ongoing weakness in lumber, pallet and biofuels markets in Europe stemming from high interest rates and other economic conditions, and a non-cash loss of \$23.6 million in connection with the dissolution of the CPP joint venture.

In the nine months ended September 30, 2025, cost of sales depreciation and amortization was relatively steady at \$117.2 million compared to \$121.8 million in the same period of 2024.

Selling, general and administrative expenses were flat at \$89.0 million in the nine months ended September 30, 2025 compared to \$90.6 million in the same period of 2024.

In the nine months ended September 30, 2025, we had a negative foreign exchange impact of approximately \$19.7 million on our operating loss compared to the same period of 2024. This negative impact was primarily due to the effect of a weaker dollar compared to the euro on the revaluation of dollar denominated accounts receivables held at our operations and on our euro denominated costs and expenses.

In the nine months ended September 30, 2025, our operating loss was \$119.3 million compared to \$35.4 million in the same period of 2024. This was primarily due to higher per unit fiber costs, lower pulp sales realizations, lower manufactured products sales realizations and volumes, negative foreign exchange impacts from a weaker dollar and the inventory impairment. These adverse impacts were partially offset by higher lumber sales realizations. In the nine months ended September 30, 2024, our operating loss included a non-cash goodwill impairment of \$34.3 million related to the Torgau facility and a non-cash loss of \$23.6 million recognized in connection with the dissolution of the CPP joint venture.

Interest expense in the nine months ended September 30, 2025 increased by approximately 5% to \$85.1 million from \$80.8 million in the same period of 2024. This increase was primarily driven by debt refinancing activities in October 2024, which replaced maturing senior notes with new senior notes carrying extended maturities and a higher interest rate.

In the nine months ended September 30, 2025, other expenses were \$0.8 million compared to other income of \$9.1 million in the same period of 2024. Other expenses in the nine months ended September 30, 2025 primarily consisted of foreign exchange losses on the revaluation of dollar denominated cash held at our operations due to the weakening dollar mostly offset by interest earned on cash. In the nine months ended September 30, 2024, other income primarily consisted of interest earned on cash.

During the nine months ended September 30, 2025, we had an income tax recovery of \$15.9 million, or an effective tax rate of 8%, and in the same period of 2024, we had an income tax recovery of \$5.2 million, or an effective tax rate of 5%. Our effective tax rates were different from the statutory rates of the jurisdictions in which we operate as we do not recognize tax recoveries for certain entities which we do not expect to realize a tax benefit. In the nine months ended September 30, 2024, the effective tax rate was also impacted by the non-deductibility of the non-cash goodwill impairment.

In the nine months ended September 30, 2025, our net loss was \$189.2 million, or \$2.83 per share, compared to \$101.8 million, or \$1.53 per share in the same period of 2024. The net loss in the nine months ended September 30, 2024 included the non-cash goodwill impairment of \$34.3 million, or \$0.51 per share, and the non-cash loss of \$23.6 million, or \$0.35 per share, recognized in connection with the dissolution of the CPP joint venture.

In the nine months ended September 30, 2025, Operating EBITDA decreased to negative \$1.9 million from positive \$144.5 million in the same period of 2024. This primarily resulted from higher per unit fiber costs, lower pulp sales realizations, lower manufactured products sales realizations and volumes, negative foreign exchange impacts from a weaker dollar and the inventory impairment. These adverse impacts were partially offset by higher lumber sales realizations.

Pulp Segment – Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024

Selected Financial Information

	Nine Months Ended September 30,	
	2025	2024
	(in thousands)	
Pulp revenues	\$ 989,291	\$ 1,109,279
Energy and chemical revenues	\$ 63,135	\$ 63,764
Segment Operating EBITDA ⁽¹⁾	\$ 26,924	\$ 154,784

(1) Segment Operating EBITDA is a measure of segment profit or loss presented in our financial statements under GAAP. Refer to the segment information note in our consolidated financial statements for more information.

Pulp segment revenues, comprised of pulp, energy and chemical revenues, in the nine months ended September 30, 2025 decreased by approximately 10% to \$1,052.4 million from \$1,173.0 million in the same period of 2024 driven by lower pulp revenues.

Pulp revenues in the nine months ended September 30, 2025 decreased by approximately 11% to \$989.3 million from \$1,109.3 million in the same period of 2024 as a result of lower sales volumes and realizations.

Energy and chemical revenues in the nine months ended September 30, 2025 were relatively flat at \$63.1 million compared to \$63.8 million in the same period of 2024.

Total pulp production in the nine months ended September 30, 2025 was relatively flat at 1,374,734 ADMTs compared to 1,376,436 ADMTs in the same period of 2024 as improved production reliability was offset by the dissolution of the CPP joint venture in March 2024. In the nine months ended September 30, 2025, our pulp mills had 91 days of downtime (approximately 117,900 ADMTs) which included 65 days of planned annual maintenance, 20 days of unplanned downtime at our Celgar mill due to mechanical failures and six additional days due to slower than expected start-up after the planned downtime. In the nine months ended September 30, 2024, our pulp mills had 87 days of downtime (approximately 135,100 ADMTs) which included 57 days of planned annual maintenance, 23 days of unplanned downtime at our Peace River mill due to a mechanical failure and seven additional days due to slower than expected start-up after the planned downtime.

We estimate that planned annual maintenance downtime in the nine months ended September 30, 2025 adversely impacted our Segment Operating EBITDA by approximately \$82.2 million, comprised of approximately \$57.9 million in direct out-of-pocket expenses and the balance in reduced production. Many of our competitors that report their financial results using International Financial Reporting Standards, referred to as “IFRS”, capitalize their direct costs of maintenance downtime.

Total pulp sales volumes in the nine months ended September 30, 2025 decreased by approximately 6% to 1,357,450 ADMTs from 1,447,840 ADMTs in the same period of 2024 driven by weaker demand and the timing of sales.

In the nine months ended September 30, 2025, the third-party industry quoted average list price for NBSK pulp in Europe was relatively stable, while North America increased compared to the same period of 2024. The price increase in North America was primarily due to stable demand and supply constraints. In the nine months ended September 30, 2025, the third-party industry quoted average net price for NBSK pulp in China decreased from the same period of 2024 as a result of an oversupplied paper market and weaker demand driven by the current economic climate and global trade policy uncertainty. Third-party industry quoted average list prices for NBSK pulp in Europe and North America were approximately \$1,533 per ADMT and \$1,758 per ADMT, respectively, in the nine months ended September 30, 2025 compared to approximately \$1,525 per ADMT and \$1,633 per ADMT, respectively, in the same period of 2024. The third-party industry quoted average net price for NBSK pulp in China was approximately \$739 per ADMT in the nine months ended September 30, 2025 compared to approximately \$776 per ADMT in the same period of 2024. Prices quoted for China are net of discounts, allowances and rebates whereas quoted prices for Europe and North America are before applicable discounts, allowances and rebates.

In the nine months ended September 30, 2025, the third-party industry quoted average list price for NBHK pulp in North America decreased from the same period of 2024 as a result of downward price pressure from other markets. The third-party industry quoted average net price for NBHK pulp in China decreased from the same period of 2024 due to weaker demand driven by the current economic climate and global trade policy uncertainty and the market absorbing increased hardwood capacity, which came online in 2024. The third-party industry quoted average list price for NBHK pulp in North America was approximately \$1,261 per ADMT in the nine months ended September 30, 2025 compared to approximately \$1,376 per ADMT in the same period of 2024. The third-party industry quoted average net price for NBHK pulp in China was approximately \$538 per ADMT in the nine months ended September 30, 2025 compared to approximately \$677 per ADMT in the same period of 2024.

Our average NBSK pulp sales realizations in the nine months ended September 30, 2025 modestly decreased to \$756 per ADMT from \$781 per ADMT in the same period of 2024 as lower prices in China were partially offset by higher prices in North America. In the nine months ended September 30, 2025, average NBHK pulp sales realizations decreased by approximately 14% to \$559 per ADMT from \$650 per ADMT in the same period of 2024 driven by lower prices in North America and China.

In the nine months ended September 30, 2025, we had a negative foreign exchange impact of approximately \$15.0 million on Segment Operating EBITDA compared to the same period of 2024. This negative impact was primarily due to foreign exchange losses on the revaluation of dollar denominated accounts receivables held at our operations as the dollar weakened relative to the euro and Canadian dollar at the end of September 2025.

In the nine months ended September 30, 2025, we recorded inventory impairment charges of \$29.9 million which were primarily non-cash and a result of low pulp prices.

Costs and expenses in the nine months ended September 30, 2025 modestly decreased to \$1,108.3 million from \$1,129.1 million in the same period of 2024 driven by lower pulp sales volumes. This decrease was partially offset by higher per unit fiber costs, the inventory impairment and the negative foreign exchange impact from a weaker dollar. In the nine months ended September 30, 2024, costs and expenses included a non-cash loss of \$23.6 million recognized in connection with the dissolution of the CPP joint venture.

Overall average per unit fiber costs increased by approximately 8% in the nine months ended September 30, 2025 compared to the same period of 2024 primarily as a result of reduced supply in Germany and Canada.

Transportation costs for our pulp segment in the nine months ended September 30, 2025 decreased by approximately 10% to \$102.2 million from \$113.9 million in the same period of 2024 driven by lower pulp sales volumes.

In the nine months ended September 30, 2025, Segment Operating EBITDA for the pulp segment decreased to \$26.9 million from \$154.8 million in the same period of 2024. This primarily resulted from lower pulp sales realizations, higher per unit fiber costs, the inventory impairment and the negative foreign exchange impact from a weaker dollar.

Solid Wood Segment – Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024

Selected Financial Information

	Nine Months Ended September 30,	
	2025	2024
	(in thousands)	
Lumber revenues	\$ 192,689	\$ 158,885
Energy revenues	\$ 14,002	\$ 11,732
Manufactured products revenues ⁽¹⁾	\$ 43,413	\$ 87,892
Pallet revenues	\$ 76,413	\$ 81,286
Biofuels revenues ⁽²⁾	\$ 24,502	\$ 28,671
Wood residuals revenues	\$ 6,203	\$ 5,888
Segment Operating EBITDA ⁽³⁾	\$ (14,421)	\$ 296

(1) Manufactured products primarily include CLT and glulam.

(2) Biofuels include pellets and briquettes.

(3) Segment Operating EBITDA is a measure of segment profit or loss presented in our financial statements under GAAP. Refer to the segment information note in our consolidated financial statements for more information.

Solid wood segment revenues in the nine months ended September 30, 2025 decreased by approximately 5% to \$357.2 million from \$374.4 million in the same period of 2024 as higher lumber revenues were more than offset by lower revenues from manufactured products.

Lumber revenues in the nine months ended September 30, 2025 increased by approximately 21% to \$192.7 million from \$158.9 million in the same period of 2024 primarily due to higher sales realizations and volumes.

Energy, biofuels and wood residuals revenues in the nine months ended September 30, 2025 modestly decreased to \$44.7 million from \$46.3 million in the same period of 2024 primarily as a result of lower biofuels sales volumes partially offset by higher energy sales volumes.

In the nine months ended September 30, 2025, manufactured products revenues decreased by approximately 51% to \$43.4 million from \$87.9 million in the same period of 2024 due to lower sales realizations and volumes as the ongoing elevated interest rate environment in the U.S. negatively impacted demand.

Pallet revenues in the nine months ended September 30, 2025 decreased by approximately 6% to \$76.4 million from \$81.3 million in the same period of 2024 primarily as a result of lower sales volumes, as weak economic conditions in Europe continue to negatively impact demand. This decrease was partially offset by modestly higher sales realizations.

Lumber production in the nine months ended September 30, 2025 was relatively flat at 363.6 MMfbm compared to 360.9 MMfbm in the same period of 2024.

Lumber sales volumes in the nine months ended September 30, 2025 increased by approximately 4% to 361.8 MMfbm from 346.8 MMfbm in the same period of 2024 due to the timing of sales.

Average lumber sales realizations in the nine months ended September 30, 2025 increased by approximately 16% to \$533 per Mfbm from \$458 per Mfbm in the same period of 2024 as a result of lower supply and improved demand in both the U.S. and European markets. The U.S. market accounted for approximately 47% of our lumber revenues and approximately 41% of our lumber sales volumes in the nine months ended September 30, 2025. The balance of our lumber sales were mainly to Europe.

Manufactured products sales realizations decreased to \$1,843 per m³ in the nine months ended September 30, 2025 from \$3,260 per m³ in the same period of 2024 as the ongoing elevated interest rate environment in the U.S. negatively impacted demand.

Fiber costs were approximately 75% of our lumber cash production costs in the nine months ended September 30, 2025. In the nine months ended September 30, 2025, per unit fiber costs for lumber production increased by approximately 24% compared to the same period of 2024 due to reduced supply and strong demand.

Transportation costs for our solid wood segment in the nine months ended September 30, 2025 were relatively flat at \$39.8 million compared to \$40.5 million in the same period of 2024.

In the nine months ended September 30, 2025, Segment Operating EBITDA for the solid wood segment decreased to negative \$14.4 million from positive \$0.3 million in the same period of 2024. This primarily resulted from higher per unit fiber costs and lower manufactured products sales realizations and volumes partially offset by higher lumber sales realizations.

Liquidity and Capital Resources

Summary of Cash Flows

	Nine Months Ended September 30,	
	2025	2024
	(in thousands)	
Net cash from (used in) operating activities	\$ (37,569)	\$ 19,046
Net cash used in investing activities	(70,246)	(60,541)
Net cash from (used in) financing activities	26,932	(33,731)
Effect of exchange rate changes on cash and cash equivalents	(5,940)	229
Net decrease in cash and cash equivalents	<u>\$ (86,823)</u>	<u>\$ (74,997)</u>

We operate in a cyclical industry and our operating cash flows vary accordingly. Our principal operating cash expenditures are for production costs, such as fiber, chemicals and energy costs, and other material operating costs for maintenance, freight and labor. Working capital levels fluctuate throughout the year and are affected by maintenance downtime, changing sales patterns, seasonality and the timing of receivables and sales and the payment of payables and expenses.

On August 1, 2025, we announced that our board of directors had suspended our quarterly dividend. In making this determination, the change was considered prudent from a capital allocation standpoint in light of ongoing market and global trade environment uncertainties. The declaration, timing and amount of any future dividends will be subject to the discretion and approval of our board of directors based upon consideration of, among other things, our financial condition, capital allocation strategy, liquidity requirements, earnings and market conditions.

Cash Flows from (used in) Operating Activities. In the nine months ended September 30, 2025, cash used in operating activities was \$37.6 million compared to cash provided from operating activities of \$19.0 million in the same period of 2024. A decrease in accounts receivable provided cash of \$25.0 million in the nine months ended September 30, 2025 and an increase in accounts receivable used cash of \$40.9 million in the same period of 2024. Adjusting for inventory impairments of \$31.4 million, an increase in inventories used cash of \$4.0 million in the nine months ended September 30, 2025 and adjusting for inventory impairments of \$4.0 million, a decrease in inventories provided cash of \$25.2 million in the same period of 2024. An increase in accounts payable and accrued expenses provided cash of \$13.2 million in the nine months ended September 30, 2025 and a decrease in accounts payable and accrued expenses used cash of \$25.4 million in the same period of 2024. An increase in prepaid expenses and other used cash of \$34.1 million in the nine months ended September 30, 2025, primarily related to prepaid interest payments on our senior notes due 2028, and \$8.5 million in the same period of 2024.

Cash Flows from (used in) Investing Activities. In the nine months ended September 30, 2025, investing activities used cash of \$70.2 million. In the nine months ended September 30, 2025, we incurred \$74.4 million of capital expenditures primarily related to completion of the wood room project at our Celgar mill, log yard upgrades at our Torgau facility and Friesau mill, lime kiln improvement at our Stendal mill, sorting line upgrades and other strategic projects at our mass timber facilities, and maintenance projects across our operating segments. In the nine months ended September 30, 2025, we received \$5.0 million in government grants for capital projects at our Celgar mill and mass timber facilities.

In the nine months ended September 30, 2024, investing activities used cash of \$60.5 million. In the nine months ended September 30, 2024, we incurred \$63.6 million of capital expenditures primarily related to log yard upgrades and other strategic projects at our Torgau facility, equipment enhancements at our Peace River mill, optimization projects at our mass timber facilities and maintenance projects across all mills and facilities. In the nine months ended September 30, 2024, we received proceeds from the sale of property, plant and equipment of \$5.2 million primarily related to the sale of land from our sandalwood business.

Cash Flows from (used in) Financing Activities. In the nine months ended September 30, 2025, financing activities provided cash of \$26.9 million. In the nine months ended September 30, 2025, we borrowed approximately \$46.6 million under our revolving credit facilities and we paid dividends of \$10.0 million.

In the nine months ended September 30, 2024, financing activities used cash of \$33.7 million. In the nine months ended September 30, 2024, we repaid approximately \$15.5 million under our revolving credit facilities and we paid dividends of \$10.0 million.

Balance Sheet Data

The following table is a summary of selected financial information as of the dates indicated:

	September 30, 2025	December 31, 2024
	(in thousands)	
Cash and cash equivalents	\$ 98,102	\$ 184,925
Working capital	\$ 579,668	\$ 653,466
Total assets	\$ 2,290,563	\$ 2,262,932
Long-term liabilities	\$ 1,642,880	\$ 1,576,619
Total shareholders' equity	\$ 359,532	\$ 429,775

Sources and Uses of Funds

Our principal sources of funds are cash flows from operations and cash and cash equivalents on hand. Our principal uses of funds consist of operating expenditures, capital expenditures and interest payments on our senior notes.

The following table sets out our total capital expenditures and interest expense for the periods indicated:

	Nine Months Ended September 30,	
	2025	2024
	(in thousands)	
Capital expenditures	\$ 74,430	\$ 63,608
Cash paid for interest expense ⁽¹⁾	\$ 79,200	\$ 84,912
Interest expense ⁽²⁾	\$ 85,072	\$ 80,831

(1) Amounts differ from interest expense, which includes non-cash items. See supplemental disclosure of cash flow information in our Interim Consolidated Statements of Cash Flows included in this report.

(2) Interest on our senior notes due 2028 is paid semi-annually in April and October of each year. Interest on our senior notes due 2029 is paid semi-annually in February and August of each year. Prior to their redemption in October 2024, interest on our senior notes due 2026 was paid semi-annually in January and July of each year.

As of September 30, 2025, we had cash and cash equivalents of \$98.1 million, approximately \$278.0 million available under our revolving credit facilities and aggregate liquidity of about \$376.1 million.

We have reduced our planned capital expenditures for fiscal 2025 and currently expect them to be between \$90.0 million to \$100.0 million.

We currently consider the majority of undistributed earnings of our foreign subsidiaries to be indefinitely reinvested and, accordingly, no U.S. income tax has been provided on such earnings. However, if we were required to repatriate funds to the U.S., we believe that we currently could repatriate the majority thereof without incurring any material amount of taxes as a result of our shareholder advances and U.S. tax reform. However, it is currently not practical to estimate the income tax liability that might be incurred if such earnings were remitted to the U.S. Substantially all of our undistributed earnings are held by our foreign subsidiaries outside of the U.S.

Based upon the current level of operations and our current expectations for future periods in light of the current economic environment, and in particular, current and expected pulp and lumber pricing and foreign exchange rates, we believe that cash flow from operations and available cash, together with available borrowings under our revolving credit facilities, will be adequate to finance the capital requirements for our business for the next 12 months.

In the future we may make acquisitions of businesses or assets or commitments to additional capital projects. To achieve the long-term goals of expanding our assets and earnings, including through acquisitions, capital resources will be required. Depending on the size of a transaction, the capital resources that will be required can be substantial. The necessary resources will be generated from cash flow from operations, cash on hand, borrowing against our assets or the issuance of securities.

Debt Covenants

Certain of our long-term obligations contain various financial tests and covenants customary to these types of arrangements. See our annual report on Form 10-K for the fiscal year ended December 31, 2024.

As of September 30, 2025, we were in full compliance with all of the covenants of our indebtedness.

Contractual Obligations and Commitments

There were no material changes outside the ordinary course to any of our material contractual obligations during the nine months ended September 30, 2025.

Foreign Currency

As a majority of our assets, liabilities and expenditures are held or denominated in euros or Canadian dollars, our consolidated financial results are subject to foreign currency exchange rate fluctuations.

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 other comprehensive income (loss) and do not affect our net earnings.

As a result of a weaker dollar versus the euro and Canadian dollar as of September 30, 2025, during the nine months ended September 30, 2025, we recorded a non-cash increase of \$126.4 million in the carrying value of our net assets denominated in euros and Canadian dollars, consisting primarily of our property, plant and equipment. This non-cash increase does not affect our net loss, Operating EBITDA or cash but is reflected in our other comprehensive income (loss) and as an increase to our total equity. As a result, our accumulated other comprehensive loss decreased to \$105.2 million.

Based upon the exchange rate as of September 30, 2025, the dollar was approximately 3% weaker against the Canadian dollar and 13% weaker against the euro since December 31, 2024. See “Quantitative and Qualitative Disclosures about Market Risk”.

Credit Ratings of Senior Notes

We and our senior notes are rated by Standard & Poor's Rating Services, referred to as “S&P”, Moody's Investors Service, Inc., referred to as “Moody's” and Fitch Ratings, referred to as “Fitch”.

S&P, Moody's and Fitch base their assessment of the credit risk on our senior notes on the business and financial profile of Mercer Inc. and our restricted subsidiaries under the indentures governing the senior notes. Factors that may affect our credit rating include changes in our operating performance and liquidity. Credit rating downgrades can adversely impact, among other things, future borrowing costs and access to capital markets.

In October 2025, S&P downgraded its rating on our senior notes from B to B- but maintained a stable outlook, while Fitch kept its B+ rating on our senior notes but revised its outlook from stable to negative.

Credit ratings are not recommendations to buy, sell or hold securities and may be subject to revision or withdrawal by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect both the amount and the timing of the recording of assets, liabilities, revenues, and expenses in the consolidated financial statements and accompanying note disclosures. Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increases, these judgments become even more subjective and complex.

Our significant accounting policies are disclosed in Note 1 to our audited annual financial statements included in our annual report on Form 10-K for the fiscal year ended December 31, 2024. While all of the significant accounting policies are important to the consolidated financial statements, some of these policies may be viewed as having a high degree of judgment. On an ongoing basis using currently available information, management reviews its estimates, including those related to accounting for, among other things, future cash flows associated with impairment testing for goodwill and long-lived assets, depreciation and amortization, pension and other post-retirement benefit obligations, deferred income taxes (valuation allowance and permanent reinvestment), the allocation of the purchase price in a business combination to the assets acquired and liabilities assumed, revenues under long-term contracts, inventory impairment, assets and liabilities classified as held for sale and the fair value of disposal groups, legal liabilities and contingencies. Actual results could differ materially from these estimates and changes in these estimates are recorded when known.

For information about our significant and critical accounting policies, see our annual report on Form 10-K for the fiscal year ended December 31, 2024.

Cautionary Statement Regarding Forward-Looking Information

The statements in this report that are not reported financial results or other historical information are "forward-looking statements" within the meaning of the *Private Securities Litigation Reform Act of 1995*, as amended.

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 conditional verbs, such as "will", "should", "could", or "may", although not all forward-looking statements contain these identifying words. Forward-looking statements are based on expectations, forecasts and assumptions by our management and involve a number of risks, uncertainties and other 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:

Risks Related to our Business

- Our business is highly cyclical in nature;
- cyclical fluctuations in the price and supply of our raw materials, particularly fiber, could adversely affect our business;
- inflation or a sustained increase in our key production and other costs would lead to higher manufacturing

costs which could reduce our margins;

- our business, financial condition and results of operations could be adversely affected by disruptions in the global and European economies caused by geopolitical conflicts, including Russia's invasion of Ukraine and conflicts in the Middle East;
- the impacts of changes in international trade policies, including tariffs or other trade barriers by the United States, or other nations, may adversely impact our business, financial condition and results of operations;
- we face intense competition in the forest products industry;
- our business is subject to risks associated with climate change and social and government responses thereto;
- fluctuations in prices and demand for lumber and mass timber products could adversely affect our business;
- our solid wood segment lumber products are vulnerable to declines in demand due to competing technologies or materials;
- we may experience material disruptions to our production;
- acquisitions may result in additional risks and uncertainties in our business;
- our operations require substantial capital and we may be unable to maintain adequate capital resources to provide for such capital requirements;
- trends in non-print media and changes in consumer habits regarding the use of paper have and are expected to continue to adversely affect the demand for market pulp;
- we are subject to risks related to our employees;
- we are dependent on key personnel;
- 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;
- our insurance coverage may not be adequate;
- we rely on third parties for transportation services;
- if we are unable to offer products certified to globally recognized forestry management and chain of custody standards or meet customers' product or project specifications, it could adversely affect our ability to compete;
- failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business;
- evolving sustainability reporting and environmental, social and governance preferences of customers, investors and other stakeholders may impact our business;

Risks Related to our Debt

- our level of indebtedness could negatively impact our financial condition, results of operations and liquidity;
- 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 exposed to interest rate fluctuations;

Risks Related to Macroeconomic Conditions

- 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;
- political uncertainty, an increase in trade protectionism or geopolitical conflict could have a material adverse effect on global macroeconomic activities and trade and adversely affect our business, results of operations and financial condition;
- we are exposed to currency exchange rate fluctuations;
- globally, various central banks raised interest rates in 2022 and 2023 in response to high inflation rates, leading to a relatively high-interest rate environment, which could dampen macroeconomic conditions and business activity and reduce demand for our products;
- health epidemics or pandemics could adversely affect our business and financial results;
- we may incur losses as a result of unforeseen or catastrophic events, including terrorist attacks or natural disasters;

Legal and Regulatory Risks

- 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;
- we sell surplus green energy in Germany and are subject to changing energy legislation in response to high prices and energy shortages;
- our international sales and operations are subject to applicable laws relating to trade, export controls, foreign corrupt practices and competition laws, the violation of which could adversely affect our operations;
- product liability claims could adversely affect our operating results;

Risks Related to Ownership of our Shares

- the price of our common stock may be volatile; and
- a small number of our shareholders could significantly influence our business.

Given these uncertainties, you should not place undue reliance on our forward-looking statements. The foregoing review of important factors is not exhaustive or necessarily in order of importance and should be read in conjunction with the risks and assumptions including those set forth under “Item 1A. Risk Factors” in our annual report on Form 10-K for the fiscal year ended December 31, 2024 and in the other reports and documents we have filed with or furnished to the SEC. We advise you that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to us or persons acting on our behalf. Unless required by law, we do not assume any

obligation to update forward-looking statements based on unanticipated events or changed expectations. However, you should carefully review the reports and other documents we file from time to time with the SEC.

Cyclical Nature of Business

Revenues

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 macroeconomic 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 primarily 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 pulp production on the market, if market conditions, prices and trends warrant such actions.

Demand for each of pulp and lumber has historically been determined primarily by general global macroeconomic conditions and has been closely tied to overall business activity. Pulp and lumber prices have been and are likely to continue to be volatile and can fluctuate widely over time.

The third-party industry quoted average European list prices for NBSK pulp between 2016 and 2025 have fluctuated between a low of \$790 per ADMT in 2016 to a high of \$1,635 per ADMT in 2024. In the same period, third-party industry quoted average North American list prices for NBHK pulp have fluctuated between a low of \$820 per ADMT in 2016 to a high of \$1,620 per ADMT in 2022.

As a key construction material, the pricing and demand for lumber is also significantly influenced by the number of housing starts, especially in the U.S. In the U.S., third-party industry quoted monthly average western spruce/pine/fir (WSPF) 2 x 4 #2&Btr prices between 2016 and 2025 have fluctuated between a low of \$259 per Mfbm in 2016 to a high of \$1,604 per Mfbm in 2021. Similarly, the demand for CLT and glulam is primarily driven by the wood construction market and increased government policies focused on a low-carbon economy.

Our mills and operations voluntarily subject themselves to third-party certifications in 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 pulp producer's actual sales price realizations are net of customer discounts, rebates and other selling concessions. 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 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.

Costs

Our production costs are influenced by the availability and cost of raw materials, energy and labor, and our plant efficiencies and productivity. Our main raw material is fiber in the form of wood chips, pulp logs, sawlogs and lumber. Wood chip, pulp log and sawlog costs are primarily affected by the supply of, and demand for, lumber and pulp, which are both highly cyclical. Higher fiber prices could affect producer profit margins if they are unable to pass along price increases to pulp and lumber customers or purchasers of surplus energy.

Currency

We have manufacturing operations in Germany, Canada and the U.S. Most of the operating costs and expenses of our German mills are incurred in euros and those of our Canadian mills 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks from changes in interest rates and foreign currency exchange rates, particularly the exchange rates between the dollar and the euro and Canadian dollar. Changes in these rates may affect our results of operations and financial condition and, consequently, our fair value. We seek to manage these risks through internal risk management policies as well as the periodic use of derivatives.

For additional information, please refer to “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” in our annual report on Form 10-K for the fiscal year ended December 31, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, referred to as the “Exchange Act”), as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness and there can be no assurance that any design will succeed in achieving its stated goals.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to routine litigation incidental to our business, including that which is described in our latest annual report on Form 10-K for the fiscal year ended December 31, 2024. We do not believe that the outcome of such litigation will have a material adverse effect on our business or financial condition.

ITEM 1A. RISK FACTORS

There have been no material changes to the factors disclosed in “Item 1A. Risk Factors” in our annual report on Form 10-K for the fiscal year ended December 31, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No. Description

31.1	<u>Section 302 Certification of Chief Executive Officer</u>
31.2	<u>Section 302 Certification of Chief Financial Officer</u>
32.1*	<u>Section 906 Certification of Chief Executive Officer</u>
32.2*	<u>Section 906 Certification of Chief Financial Officer</u>
101	The following financial information from the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2025 of Mercer International Inc., formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Interim Consolidated Statements of Operations; (ii) Interim Consolidated Statements of Comprehensive Income (Loss); (iii) Interim Consolidated Balance Sheets; (iv) Interim Consolidated Statements of Changes in Shareholders' Equity; (v) Interim Consolidated Statements of Cash Flows; and (vi) Notes to the Interim Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 has been formatted in iXBRL.

* In accordance with Release No. 33-8212 of the SEC, these Certifications: (i) are "furnished" to the SEC and are not "filed" for the purposes of liability under the Securities Exchange Act of 1934, as amended; and (ii) are not to be subject to automatic incorporation by reference into any of the Company's registration statements filed under the Securities Act of 1933, as amended, for the purposes of liability thereunder or any offering memorandum, unless the Company specifically incorporates them by reference therein.

SIGNATURES

Pursuant to the requirements of the *Securities Exchange Act of 1934*, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

MERCER INTERNATIONAL INC.

By: /s/ Richard Short
Richard Short
Chief Financial Officer and Authorized Officer

Date: November 6, 2025