Mercer International Inc.

Investor Presentation

June 2021

MERCER

Forward-looking Statements

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements.

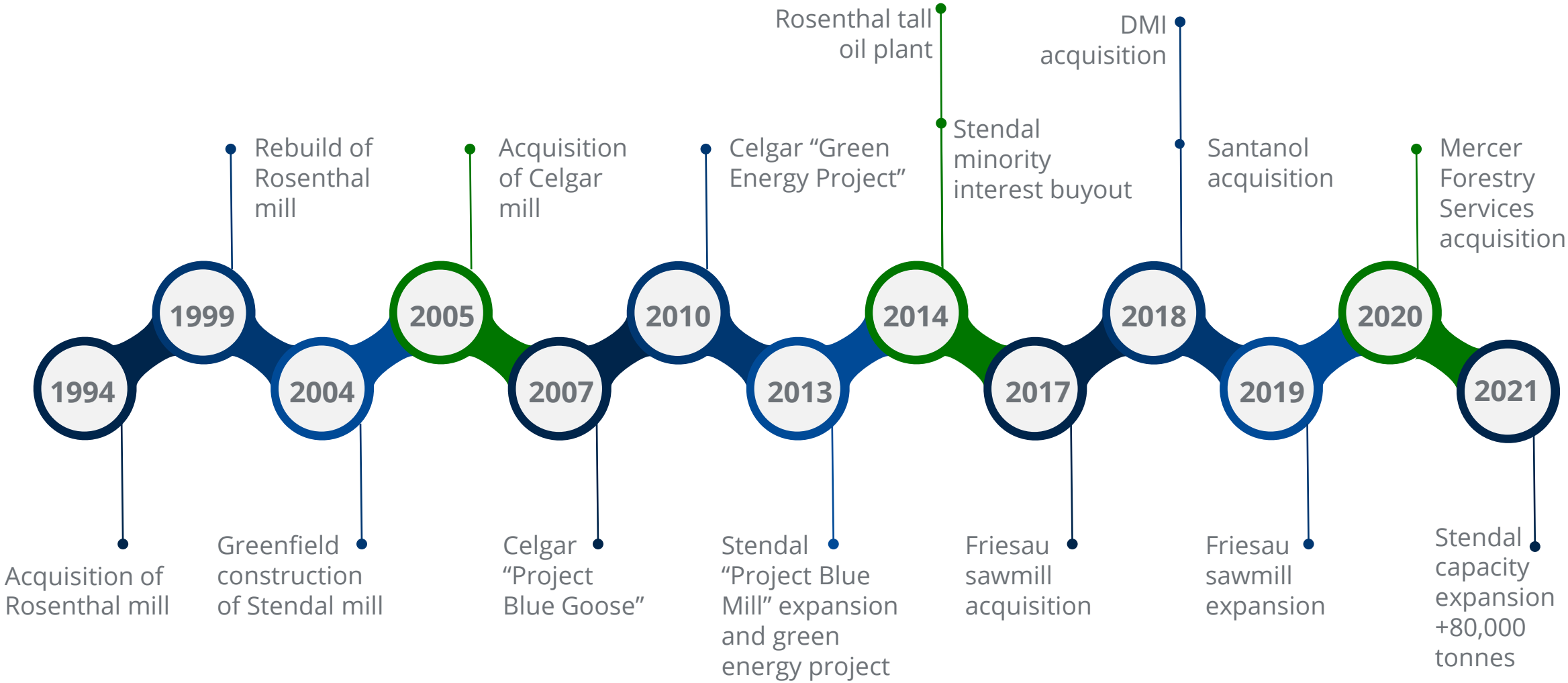
Certain information included in this presentation contains statements that are forward-looking, such as statements relating to results of operations and financial conditions and business development activities, as well as capital spending and financing sources.

Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of Mercer.

For more information regarding these risks and uncertainties, review Mercer’s filings with the United States Securities and Exchange Commission.

Unless required by law, we do not assume any obligation to update forward-looking statements based on unanticipated events or changed expectations.

Building a Platform for Growth



Strategically-Located Assets

Peace River

475,000 ADMT NBSK/NBHK
70 MW energy

Cariboo

170,000 ADMT NBSK[1]
28.5 MW energy[1]

Celgar

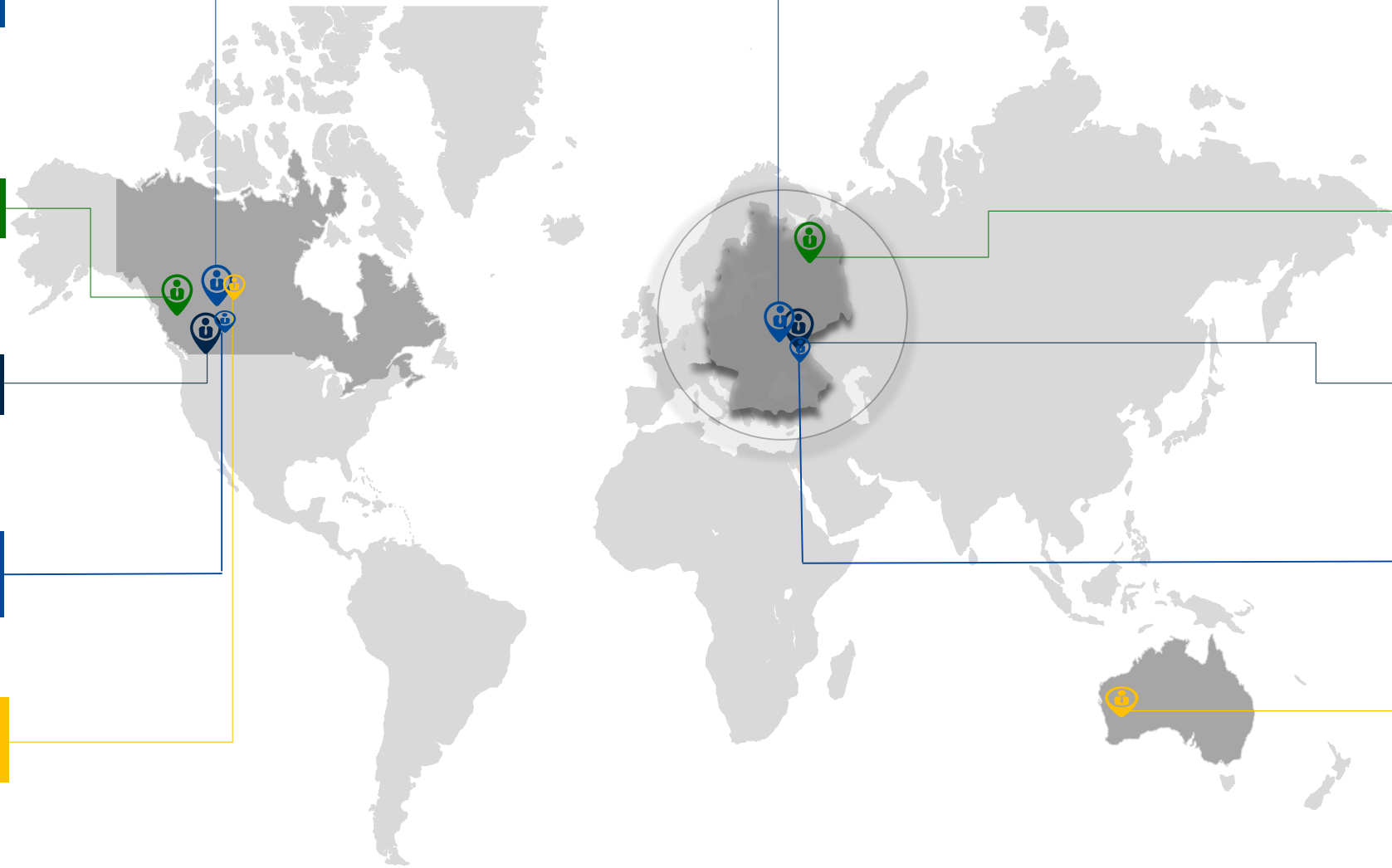
520,000 ADMT NBSK
100 MW energy

Mercer Forestry Services

Harvesting, hauling

Peace River Logging

Harvesting, hauling



Friesau

550,000 Mfbm lumber 13 MW energy

Stendal

660,000 ADMT NBSK
148 MW energy

Rosenthal

360,000 ADMT NBSK
57 MW energy

Mercer Holz

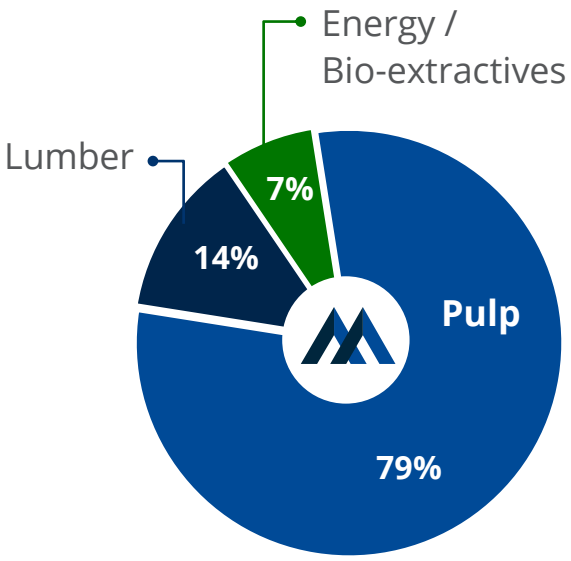
Wood purchasing, harvesting, hauling

Santanol

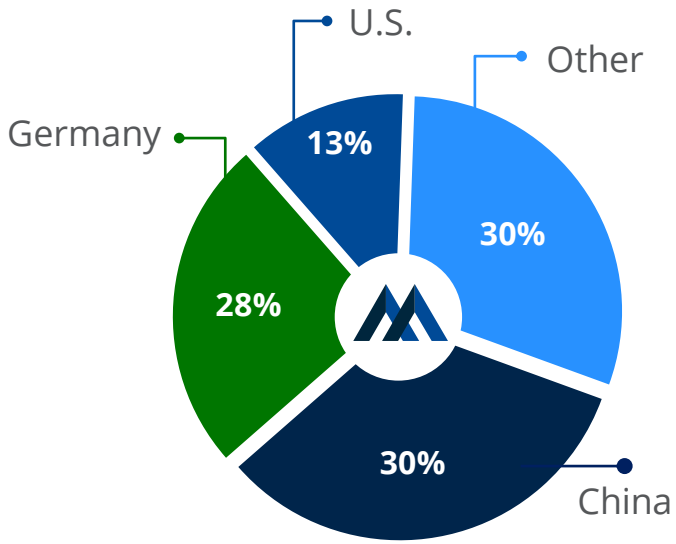
2,500 ha of Indian Sandalwood

1) Reflects Mercer's 50% share of operations

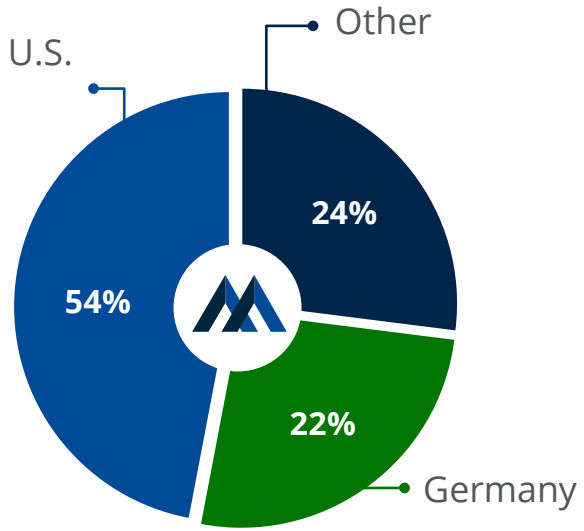
Products Sales Mix[1][2]



Products



Pulp Segment



Wood Products Segment[3]

1) Q1 2021 LTM by Revenue
2) Excludes Energy sales from 50% owned Cariboo mill
3) Includes wood residual sales

Mercer's 5-Pillar Strategy

Operate World-class Assets

Managing the Integrity of our Balance Sheet and Liquidity

Growth and Diversification where we have Core Competencies

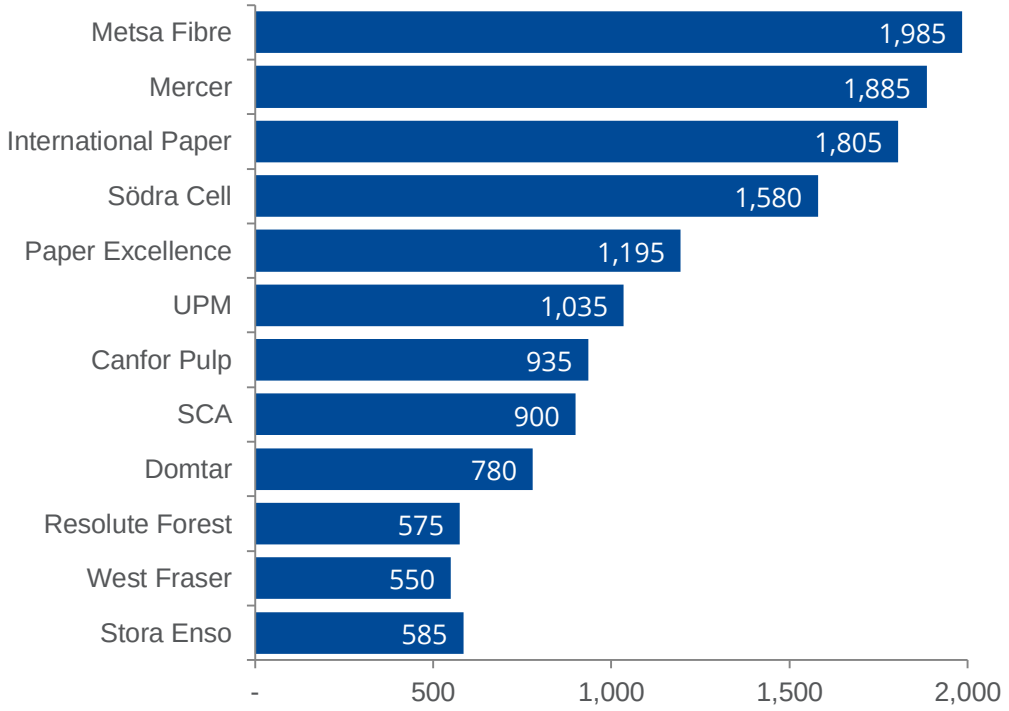
Sustainable Operations

Develop Our Talent

Operate World-class Assets

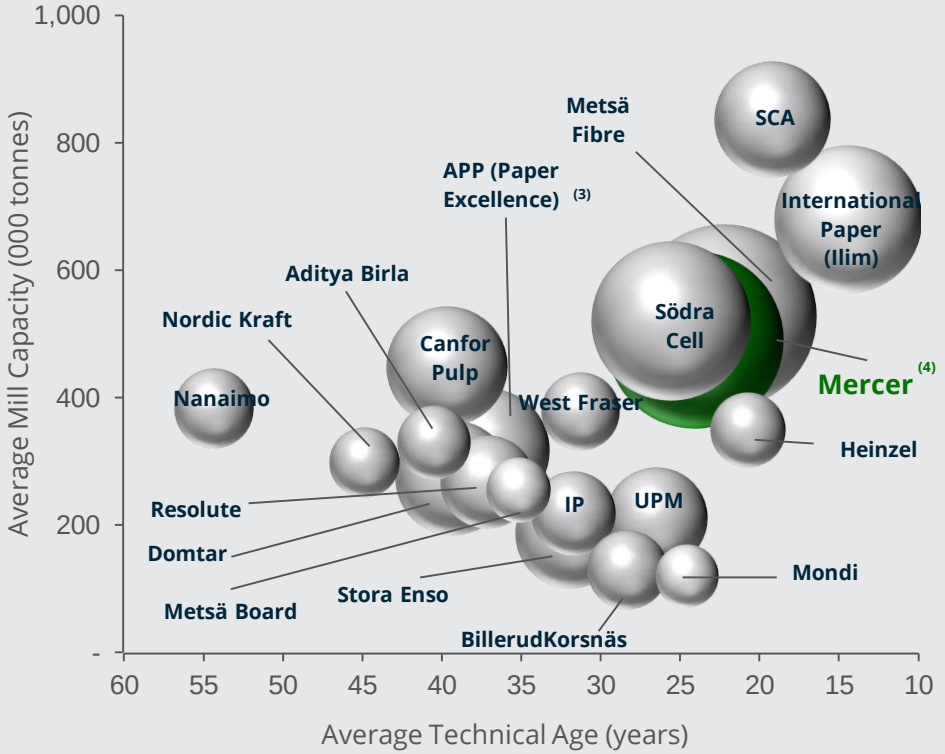
- Among the largest producers of NBSK in the world
- Efficient distribution channels to major pulp consuming markets of Asia, Europe and North America

Top NBSK Market Pulp Producers by Annual Capacity (000s Tonnes)(1)



- Operating among the most modern NBSK mills in the world
- Low cost and energy efficient

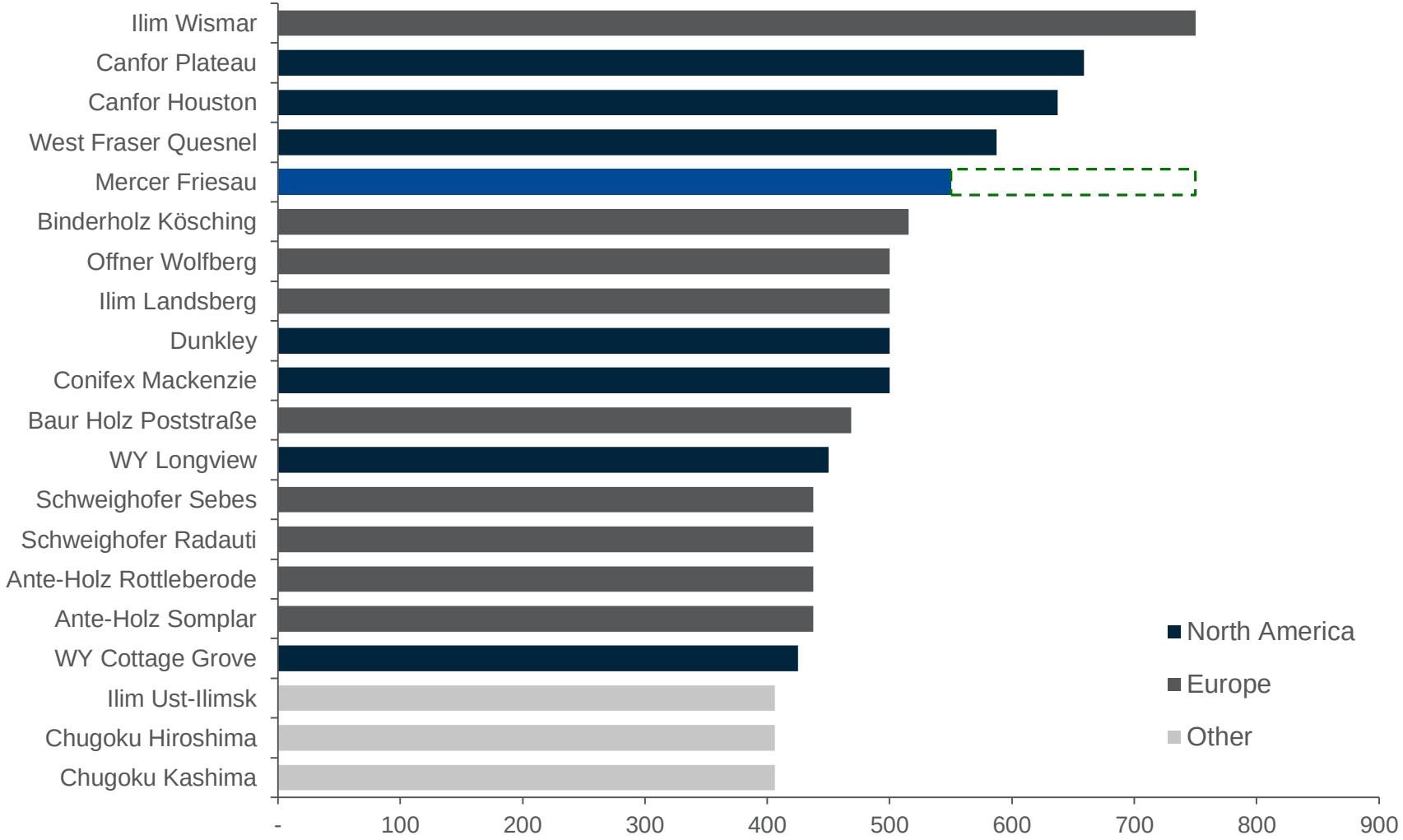
NBSK Producer Competitiveness(2)(3)



1) Capacity for non-Mercer mills sourced from Brian McClay as at April 2021
2) Source: FisherSolve Q2 2021. Mercer includes Peace River, excludes 50% interest in Cariboo. SCA, Metsa Fibre reflect completion of ramp-up of Östrand and Äänekoski
3) NBSK market pulp only
4) Excludes Northern Pulp (Pictou) mill as it permanently shut on January 31, 2020
5) Includes 475,000 tonnes for Peace River mill as it is a swing mill capable of producing 100% NBSK
6) Excludes energy sales from 50% owned Cariboo mill, recorded as an equity investment
7) Includes MPR results since acquisition on December 10, 2018

Operate World-class Assets

Top 20 Largest Softwood Sawmills (Mfbm)[1][2]



1) Source: Sawmill capacities as per www.sawmilldatabase.com
2) Converted from m3 to board feet at a rate of 1.6m3 per board feet

- Friesau sawmill is one of the world's largest sawmills
- Unique flexibility to produce metric and dimension grades, green, rough and kiln-dried for all major world markets

Operation Optimization

Continuous improvement culture drives innovation and process optimization

Logistics Innovation:

- Design and construction of dedicated trains and truck fleet for shipping wood and end-products
- Dedicated ports and breakbulk access for wood, pulp and lumber

Construction Expertise:

- Greenfield and brownfield pulp mill, sawmill, power plant, and extractive plant construction

Continuous Improvement:

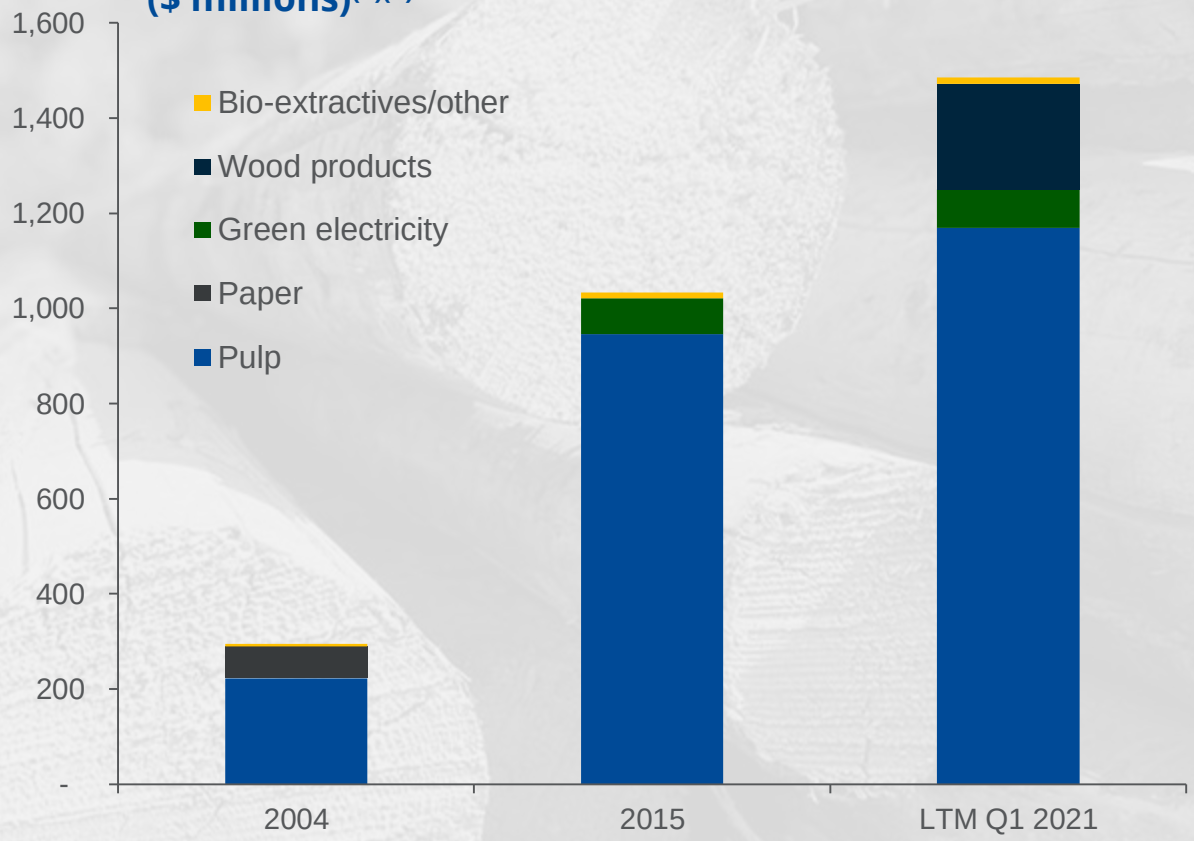
- Forest waste material recovery
- Pulp and lumber wood yield improvements
- Extractives capacity expansion
- Energy yield
- Chemical and resource use reductions

15 Years of Growth and Diversification

Steady, growth and diversification into adjacent businesses with expected market demand growth in which we have core competencies:

- Construction of Stendal NBSK mill in 2004
- Acquisition of Celgar NBSK mill in 2005
- Construction of additional turbine generator capacity 2009-2014
- Construction of tall oil extraction plants 2016, 2019
- Acquisition of Friesau sawmill in 2017
- Acquisition of Peace River NBSK/NBHK mill in 2018
- Acquisition of Santanol extractives business in 2018
- Expansion of Friesau sawmill 2020
- Expansion of Stendal pulp mill in 2021

Consolidated Revenue ($ millions)[1][2]



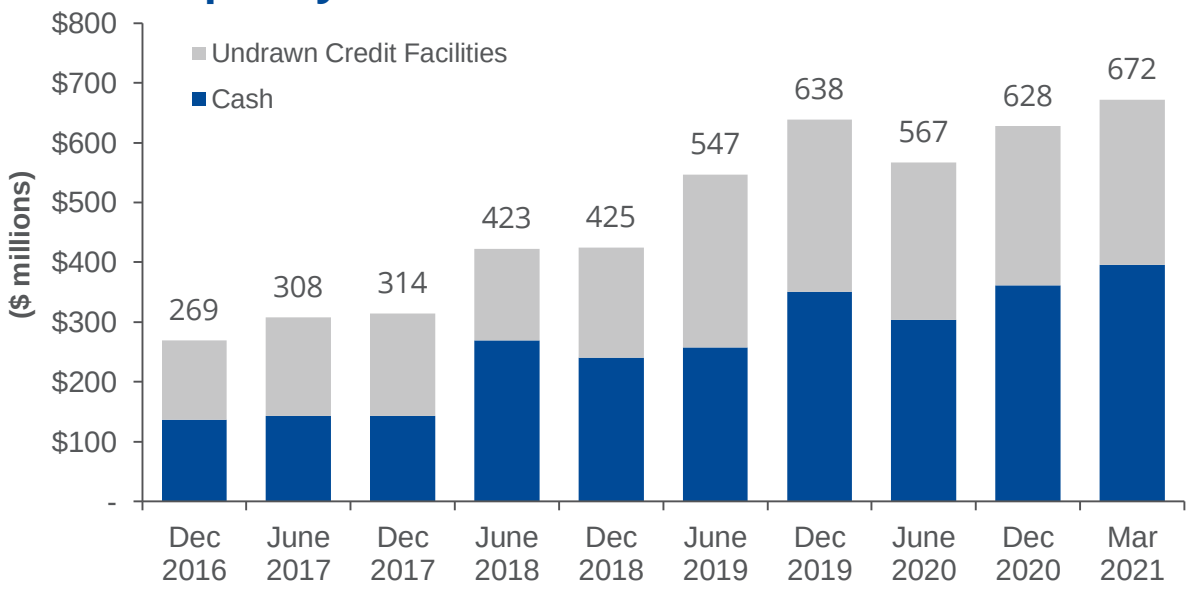
1) LTM Q1 2021 Excludes Energy sales from 50% owned Cariboo mill
2) Wood products Includes wood residual sales

Prudent, Agile Balance Sheet

Liquidity is managed to the global economic conditions:

- 2016-2018: Tighter liquidity during stronger economic conditions and expansion period for Mercer
- 2019-2020: Higher liquidity to protect against global economic weakness and to allow Mercer to advance key strategic initiatives such as capex and acquisitions uninterrupted

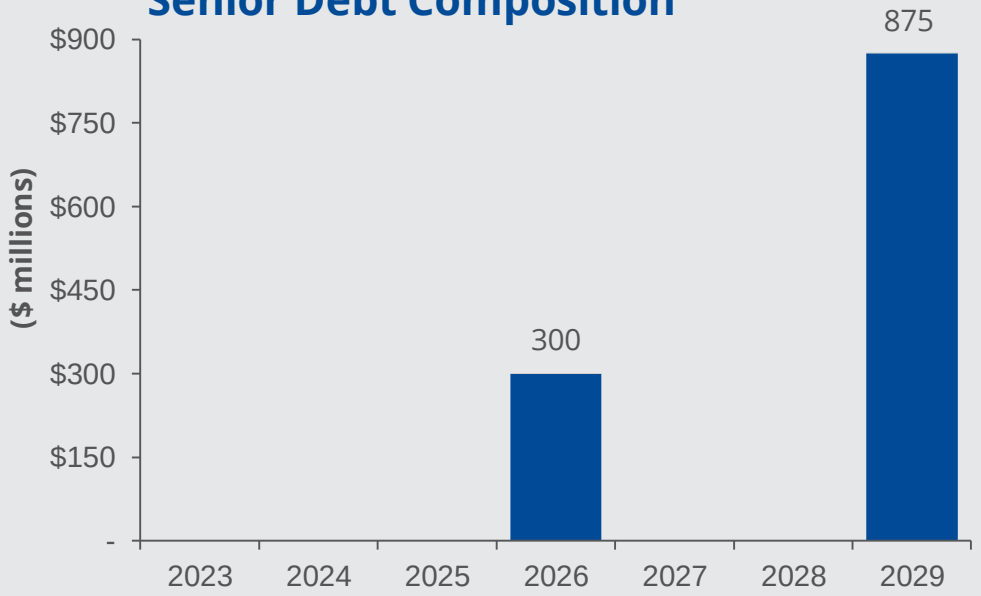
Liquidity(1)



Debt composition is optimized when opportunistic

- Weighted average maturity of senior debt is 2028
- Weighted average coupon of 5.22%; a reduction of 0.76% and 1.49% since December 31, 2020, December 31, 2017, respectively
- Current debt rating of B+ (Moodys); Ba3 (S&P)
- Net debt: EBITDA since 2015 has averaged 3.1x(2)

Senior Debt Composition

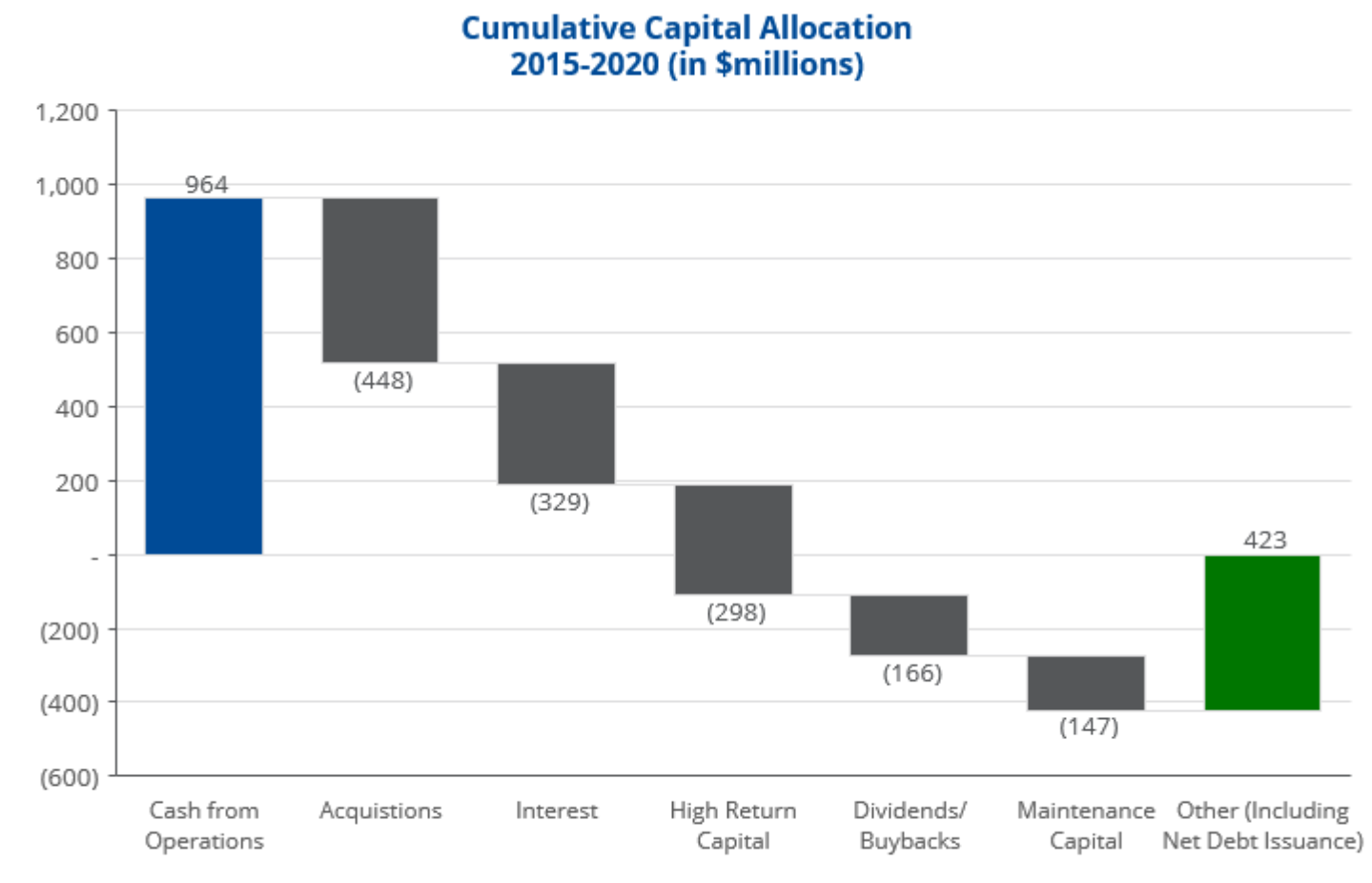


1) Liquidity calculated as total cash and cash equivalents and combined availability under revolving credit facilities.
2) Operating EBITDA is a non-GAAP measure. For a reconciliation of Net Income (Loss) to Operating EBITDA please refer to slide 20

Balanced Capital Allocation

Capital allocation is balanced, and consistent with the strategy:

- Maintenance of Business[1] capital expenditures to maintain modern, efficient and reliable mills
- Growing the Company through acquisitions and high-return capital expenditures
- Commitment to returning capital to shareholders through a material dividend. Dividend moderated in 2020 in response to pandemic
- Accumulation of or reduction to cash in response to the economic conditions at the time



1) Maintenance of Business is a term broadly referencing the base capital required to continuously use facilities and equipment, in their designed capacity and efficiency, for their intended purpose.

Sustainable Products

Sustainable, biodegradable, recyclable products for a carbon-conscious world:

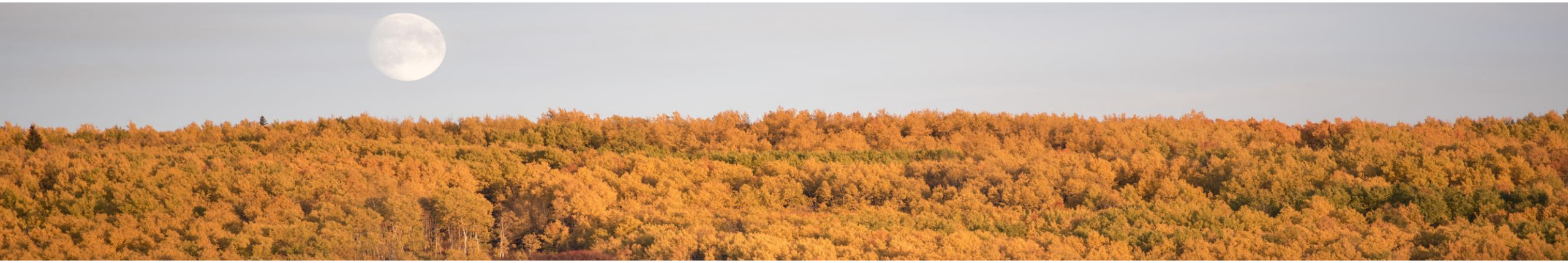
- Kraft pulp from wood residuals and forest waste for the production of recyclable paper, containers, and specialty products
- Solid wood products from certified forests for home construction and renovation; carbon capturing products competing with carbon intensive concrete and steel construction methods
- Green electricity generated from waste heat captured in the pulp production process
- Extractives and oils competing with petro-chemical alternatives for fragrances, aromatics, food additives, and fuels
- R&D partnerships to develop and commercialize other carbon-displacing products

Sustainable Processes

Modern assets and pulping innovation make our processes sustainable; continuous improvement culture keeps us advancing.

- Climate change scenario analysis conducted in 2020
- 85% of energy comes from renewable biomass
- Completed Scope 3 carbon emission study in 2020
- 100% electricity self sufficiency from renewable energy
- 66.2% of wood from certified sources
- 3% reduction in water use per tonne of pulp since 2017
- 22% reduction in waste material to landfill since 2017
- Peace River's science-based forest management (EMEND) nationally recognized for exceptional sustainability outcomes
- Replaced 356 of 380 rail cars in Germany to reduce Scope 3 GHG emissions
- ESG risk rating evaluations by MSCI, ISS, and Sustainalytics

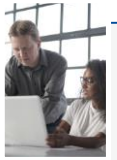
Sustainable People Development



99.4% 2020 Shareholder vote in favour of Executive Compensation

40% reduction in safety incident rate since 2015

2020 Global Employee Engagement Survey

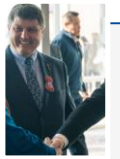


Diverse and equitable working environment

1/3 of Board membership are women

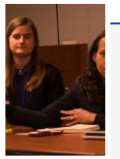
Value-based partnerships

Growth Opportunities for our people



Shared revenues with Indigenous partners

Development and deep engagement with local communities



Global Diversity, Equity, and Inclusion initiative

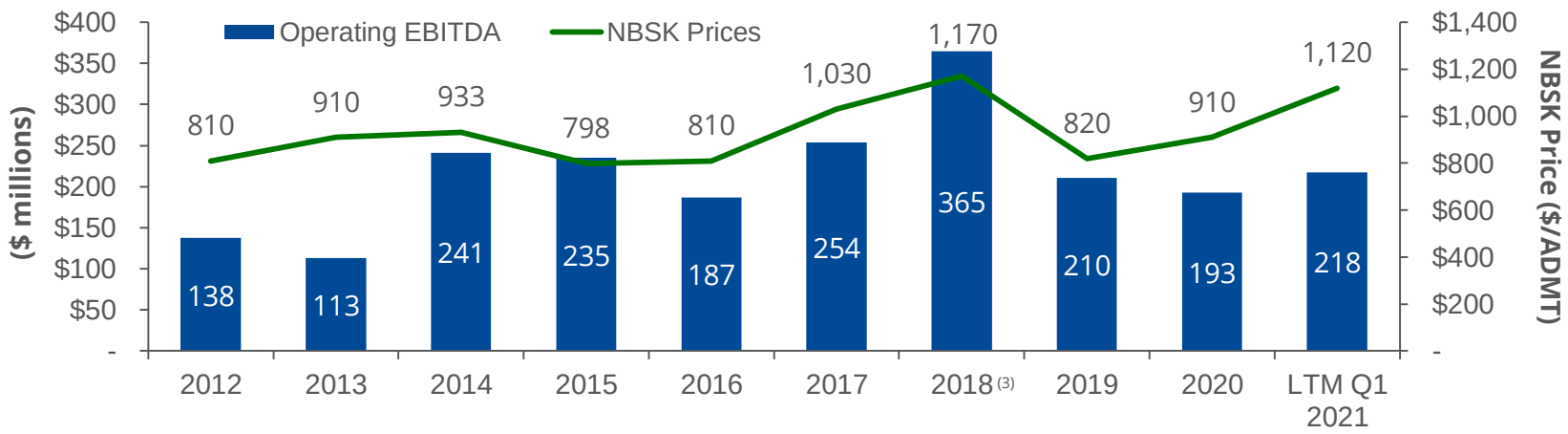
Global Leadership Development Program

Financial Performance

Operating EBITDA[1][2] remains highly influenced by global NBSK pricing, however:

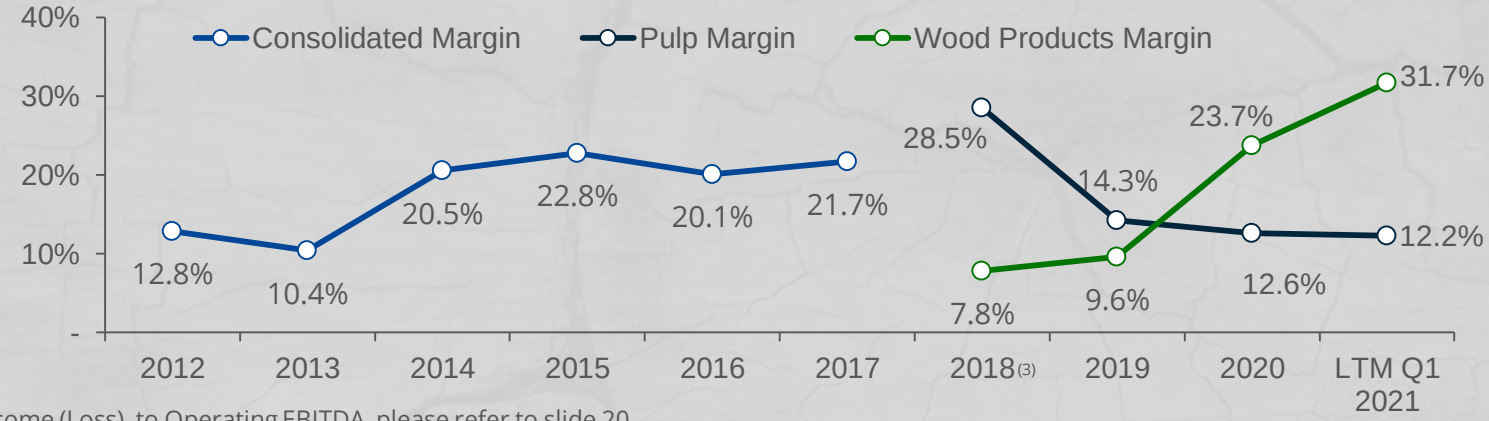
- Green electricity revenues remain relatively fixed
- Wood products is a growing source of EBITDA; contributing $47 million in 2020

Annual Operating EBITDA[1][2]



Introduction of wood products business has diversified EBITDA and moderated margins.

Annual Operating EBITDA Margin[1][2][4]



Note: Some numbers may not add due to rounding

1) Operating EBITDA is a non-GAAP measure. For a Reconciliation of Net Income (Loss) to Operating EBITDA, please refer to slide 20
2) Our reporting currency was the euro until October 1, 2013. Prior figures converted to USD at average FX rates in effect during the period
3) Includes MPR results since acquisition on December 10, 2018
4) Excludes unrealized MPR synergies and energy sales from 50% owned Cariboo mill, recorded as an equity investment
5) Excludes corporate segment

Current Market Conditions

Pulp

Demand

- Steady demand and falling inventories will improve markets over time
- Steady mid-term growth from emerging economies, including China, across spectrum of grades
- New environmental policies reshaping fiber supply-demand fundamentals in China (agricultural pulps, recycled paper)
- Stable demand in western economies

Supply

- We are beginning to see supply-side restrictions as many old, high-cost NBSK mills that are still running are beginning to experience unplanned maintenance downtime, curtailments, and closures (i.e. closure of APP mills at Pictou, Mackenzie, Crofton)
- Limited new, near-term capacity expected after three years of considerable growth
- Russian producers cycling from softwood to hardwood
- Conversions of softwood to other grades

Lumber

- We expect US lumber prices to remain at elevated levels over the next year, supported by rising housing starts, low interest rates and low housing stock
- Recovering Eurozone economies will support modest demand growth and driving improvements

- Increased supply of spruce beetle damaged wood in Europe
- Pine beetle and historic overcutting resulting in annual cut reductions across BC
- Recent forest fires in Canada and Scandinavia
- Transportation bottlenecks

Sustainable, Long-term Growth

- Attractive long-term fundamentals in key markets
- Management committed to growth, in spaces where we have clear competencies
- Prudent and agile balance sheet discipline, commitment to the dividend
- Commitment to sustainability, our people and our communities; a sound foundation for value creation

Contact Information

www.mercerint.com

MERCER

Mercer International inc.

P: +1 (604) 684 1099
info@mercerint.com

Suite 1120, 700 West Pender St
Vancouver, B.C. Canada
V6C 1G8

Reconciling Net Income (Loss) to EBITDA

Consolidated (US$ millions)	2016	2017	2018[1][2]	2019[2]	2020[2]	Q1 2021 LTM[2]
Net Income (Loss) Attributable to Common Shareholders	**34.9**	**70.5**	**128.6**	**(9.6)**	**(17.2)**	**(7.9)**
Add: Income Tax Provision (Benefit)	24.5	33.5	48.7	19.2	6.1	3.5
Add: Interest Expense	51.6	54.8	51.5	75.8	80.7	79.7
Add: Loss on Extinguishment of Debt	0.5	10.7	21.5	4.8	-	30.4
Add: Other Expense (Income)	3.6	(0.9)	17.6	(6.1)	(5.9)	(14.9)
Operating Income (Loss)	**115.1**	**168.6**	**267.9**	**84.0**	**63.7**	**90.7**
Add: Depreciation and Amortization	72.0	85.3	96.7	126.4	128.9	126.9
Operating EBITDA	**187.1**	**253.8**	**364.6**	**210.4**	**192.7**	**217.6**

Segmented (US$ millions)	Pulp + Corporate		Wood Products	
	Q1 2020	Q1 2021	Q1 2020	Q1 2021
Operating Income	**18.5**	**23.1**	**5.6**	**28.0**
Add: Depreciation and Amortization	30.6	27.2	2.4	3.7
Operating EBITDA	**49.1**	**50.3**	**7.9**	**31.7**

Note: See next page for additional disclosures

Note: The below reconciles actual EBITDA to net income (loss). Some numbers may not add due to rounding

1) Includes MPR results since acquisition on December 10, 2018
2) Excludes unrealized MPR synergies and energy sales from 50% owned Cariboo mill, recorded as an equity investment

Reconciling Net Income (Loss) to EBITDA

Note: For other reconciliations of Net Income (Loss) to Operating EBITDA in periods not shown, please refer to that period's respective Form 10-Q or 10-K, which can be found on our website (www.mercerint.com)

Operating EBITDA is defined as operating income (loss) plus depreciation and amortization and non-recurring capital asset impairment charges. Management uses Operating EBITDA as a benchmark measurement of its own operating results, and as a benchmark relative to its competitors. Management considers it to be a meaningful supplement to operating income (loss) as a performance measure primarily because depreciation expense and non-recurring capital asset impairment charges are not an actual cash cost, and depreciation expense varies widely from company to company in a manner that management considers largely independent of the underlying cost efficiency of their operating facilities. In addition, we believe Operating EBITDA is commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

Operating EBITDA does not reflect the impact of a number of items that affect our net income (loss) attributable to common shareholders, including financing costs and the effect of derivative instruments. Operating EBITDA is not a measure of financial performance under the accounting principles generally accepted in the United States of America ("GAAP"), and should not be considered as an alternative to net income (loss) or income (loss) from operations as a measure of performance, nor as an alternative to net cash from operating activities as a measure of liquidity.

Operating EBITDA has significant limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. 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.

Appendix:
Market Attributes

MERCER

Sustainable. By Design.

Global Wood Fibre Market

- The global demand for wood fibre is principally met by the recycling of packaging and graphics paper
- Today, NBSK makes up 3.5% of global fibre demand; it has become a highly specialized niche product used for strength and bonding attributes. It is principally produced in northern regions: Canada, Scandinavia, and Russia
- Hardwood is principally sought for its softness and opacity and is dominated by South American and Asian Eucalyptus plantation producers
- Today, NBSK is particularly sought for tissue and specialties paper grades and to a diminishing extent to graphics and packaging

MERCER

Global Wood Fibre Market(1)

Total global fiber consumption – 418 million tonnes

Recovered paper – **56%**	Virgin pulp – **44%**

Total virgin pulp market – 184 million tonnes

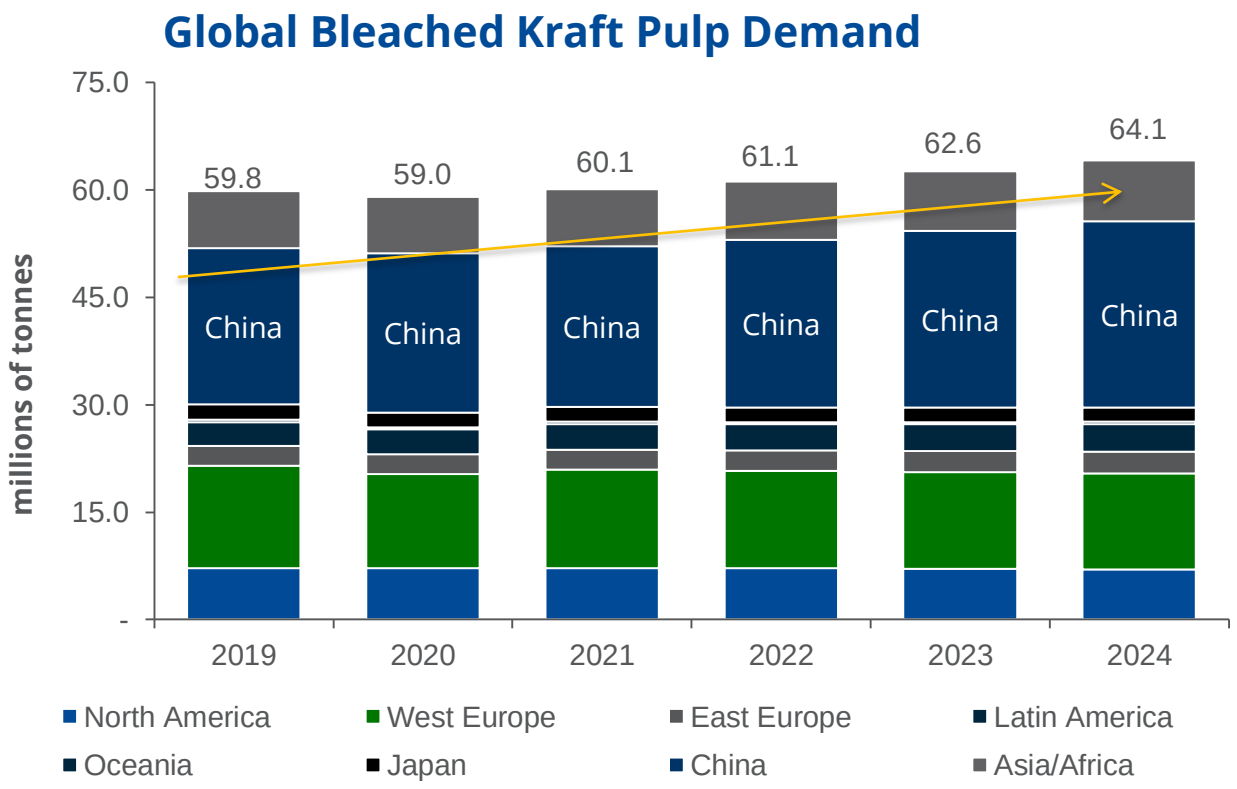
Integrated pulp – **65%**	Market pulp – **35%**

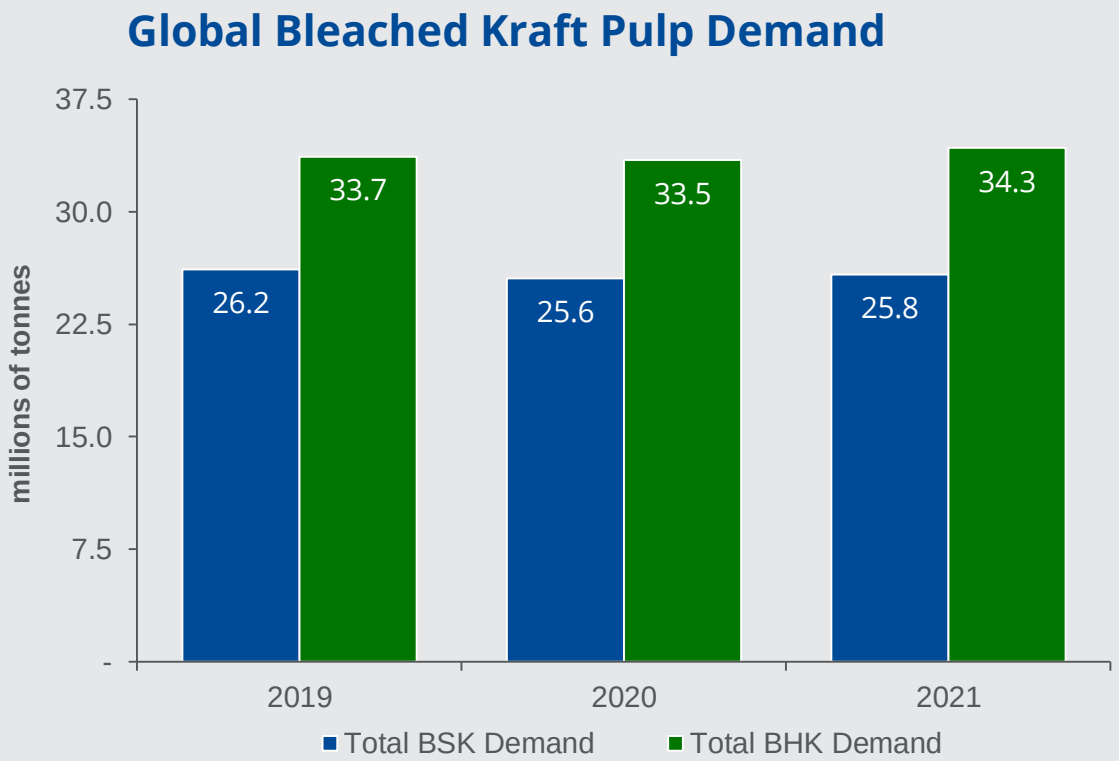
Total market pulp market – 64 million tonnes

UBK, Mech **9%**	Hardwood – **41%** **32M** tonnes	Radiata, SBSK **27%** **17M** tonnes	NBSK – **23%** **15M** tonnes

1) Hawkins Wright (August 2020) for 2019E

Global Bleached Kraft Pulp Market(1)





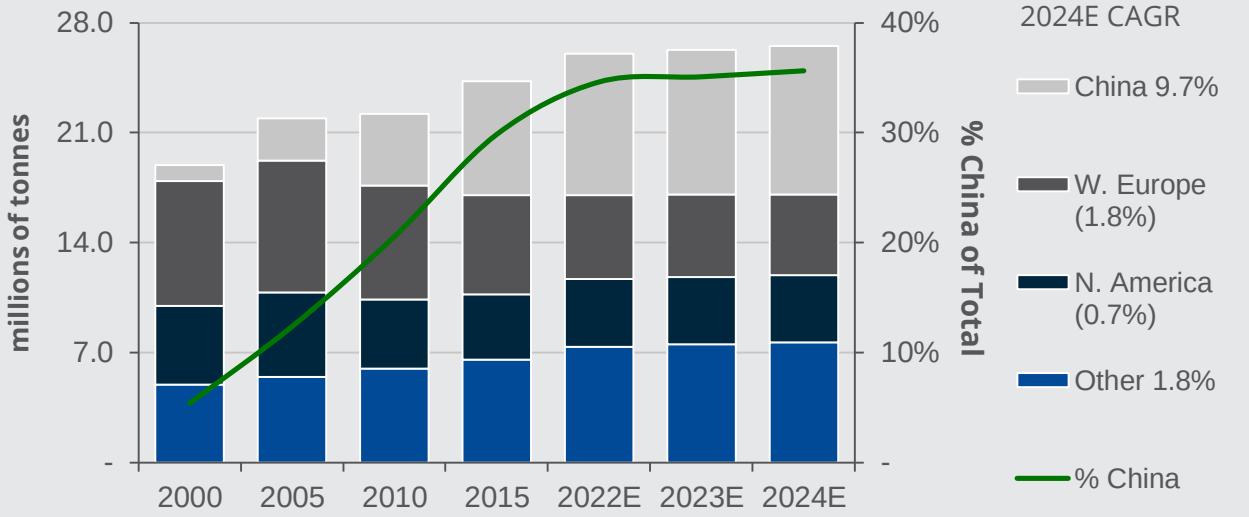
1) Source: Hawkins Wright - Outlook for Market Pulp (August 2020)

NBSK Demand Drivers

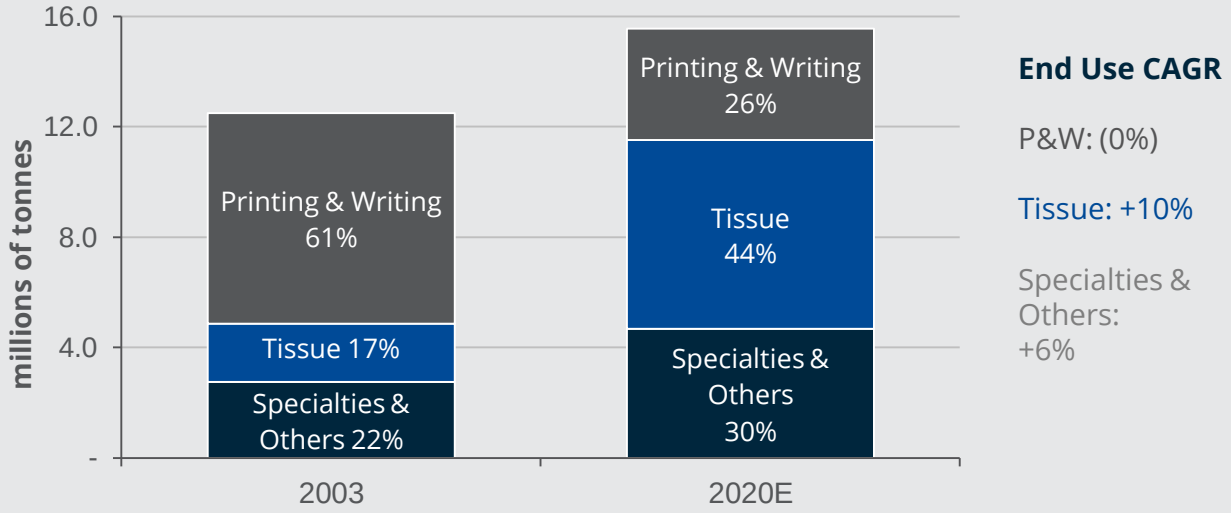
NBSK Demand Changes

- Increased NBSK demand for tissue and specialty products continues to rise globally
- In developing countries, demand for NBSK across all end uses is growing
- Increasing income levels, rapid urbanization of populations and rising living standards are creating strong demand for fibre of all grades
- Demand for NBSK in printing and writing grades has fallen in the developed economies of North America and Western Europe due to the digitalization of print media; this impact was particularly pronounced during the pandemic
- Despite declines in developed countries for printing and writing grades, the global compounded annual growth rate of NBSK demand was ~2.0% between 2014 and 2019, or an average of ~609 thousand tonnes per year (1)

Global BSK Demand by Region(1)

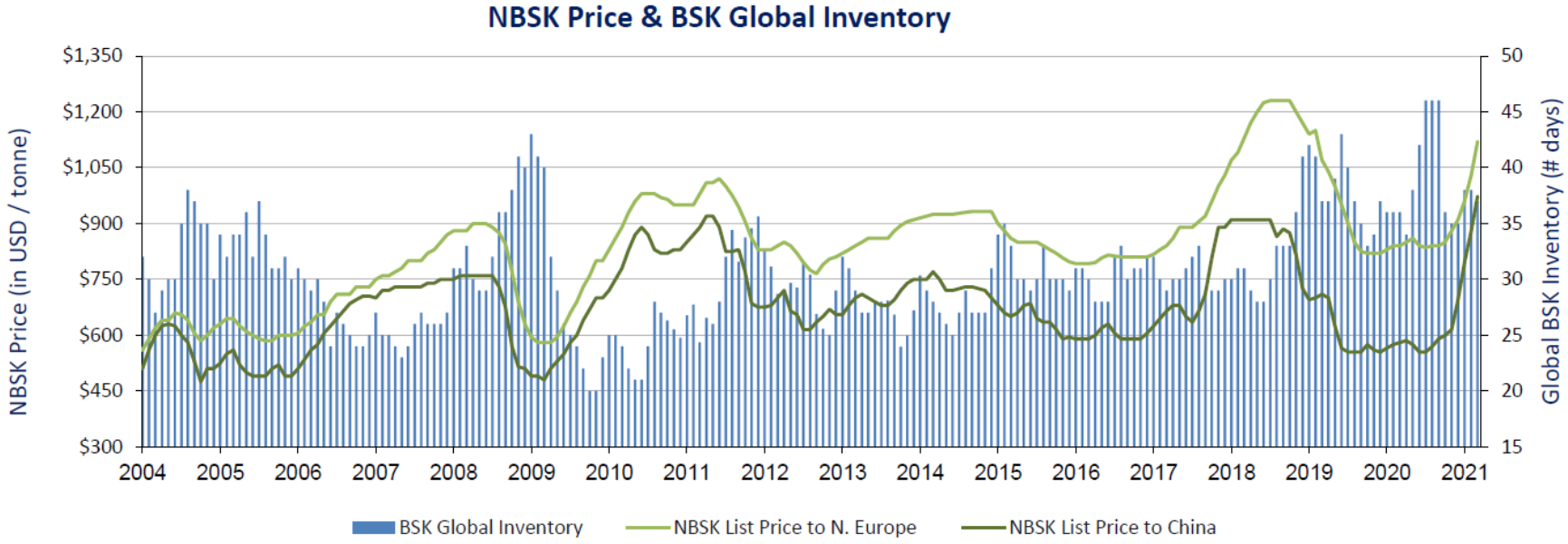


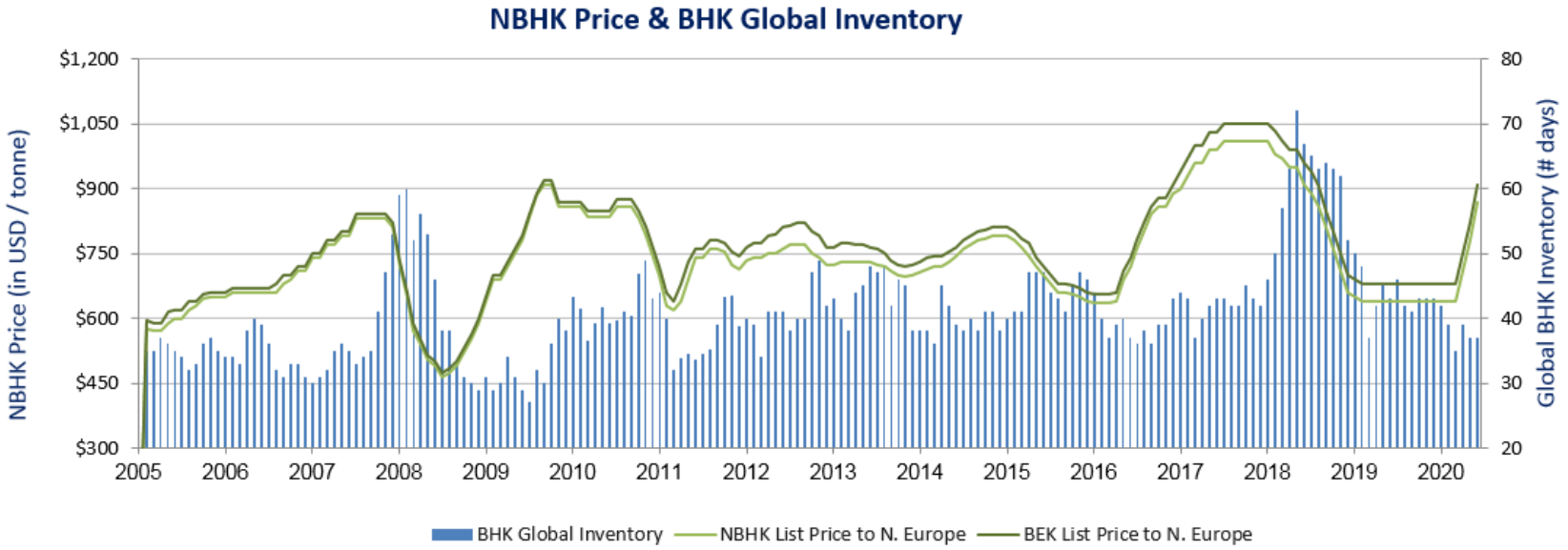
NBSK Demand by End Use(1)(2)



1) Source: PPPC (September 2020, February 2016, April 2006) for BSK Demand
2) Source: Brian McClay (October 2020) for current NBSK End Uses; PPPC (September 2020) for 2020 Demand Forecast

Variable Market Conditions





Pulp Capacity Changes

NBSK

- After a period of considerable capacity expansion in Scandinavia form 2016-2018, forecasted new capacity minimal
- Annual demand growth is 200-300,000 tonnes per year

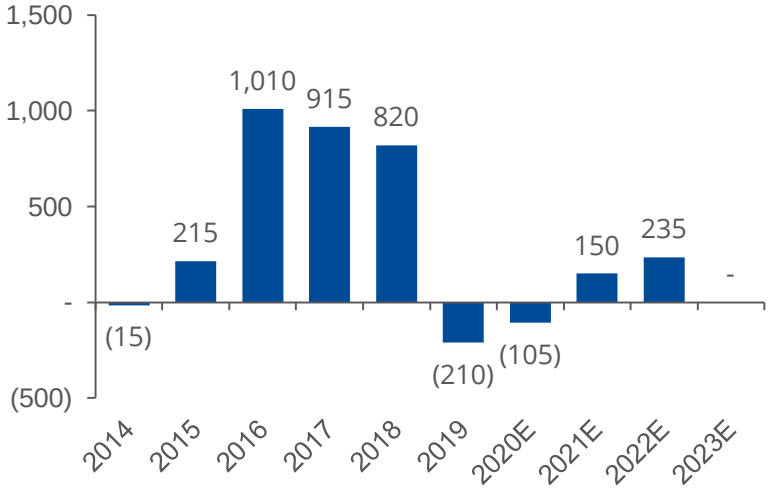
Hardwood

- Eucalyptus capacity is set to grow over 4 million tonnes in the next few years
- Annual demand growth is about 1 million tonnes per year

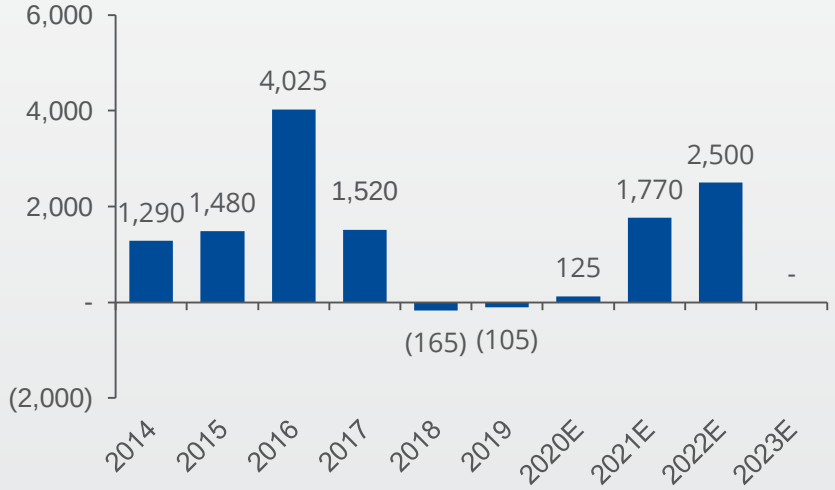
SBSK, Fluff, Radiata

- Continuation of a trend by some producers to exit these softwood grades in favor of dissolving pulp or hardwood

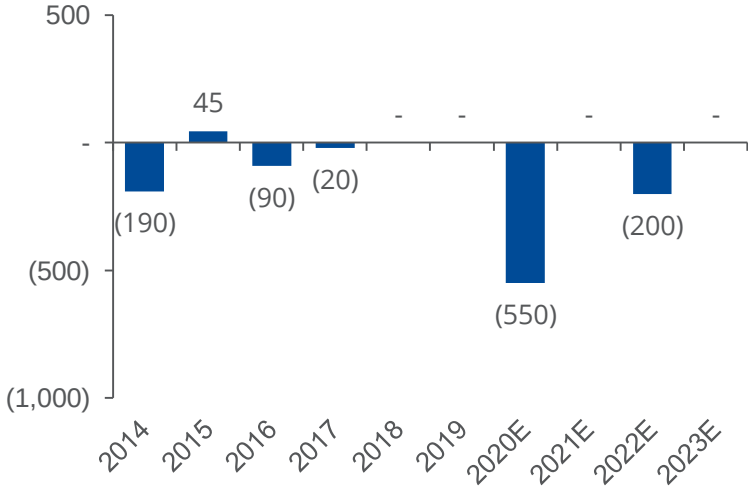
NBSK Market Pulp Net Capacity Changes (000's tonnes)



Hardwood Market Pulp Net Capacity Changes (000's tonnes)



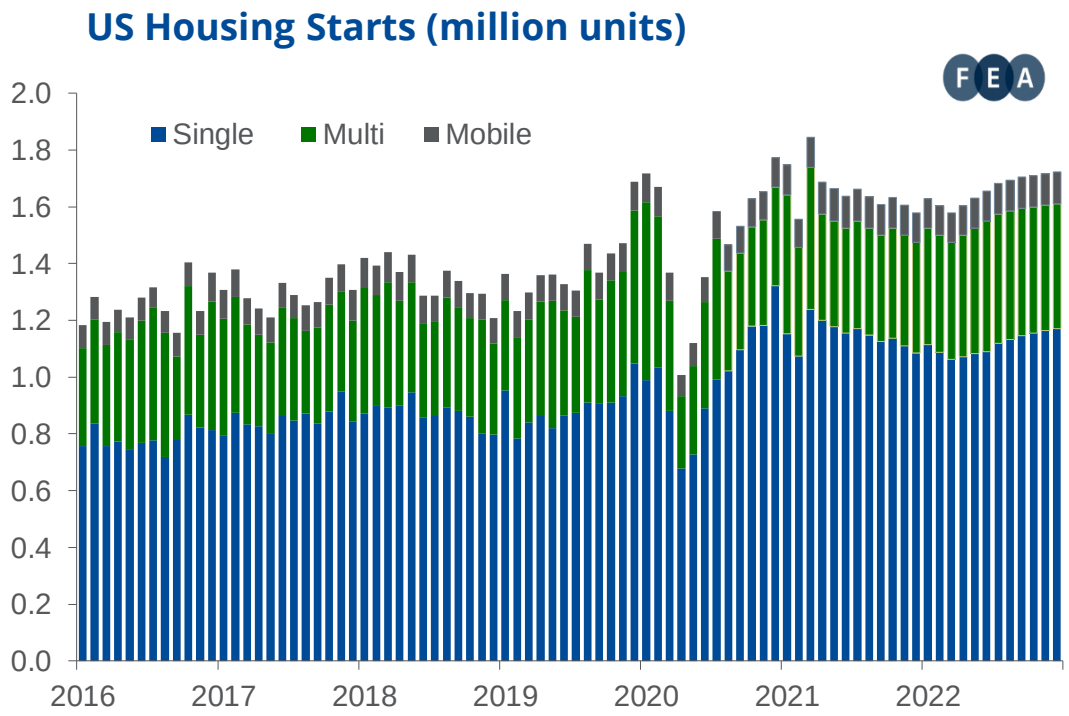
SBSK/Fluff/Radiata Market Pulp Net Capacity Changes (000's tonnes)



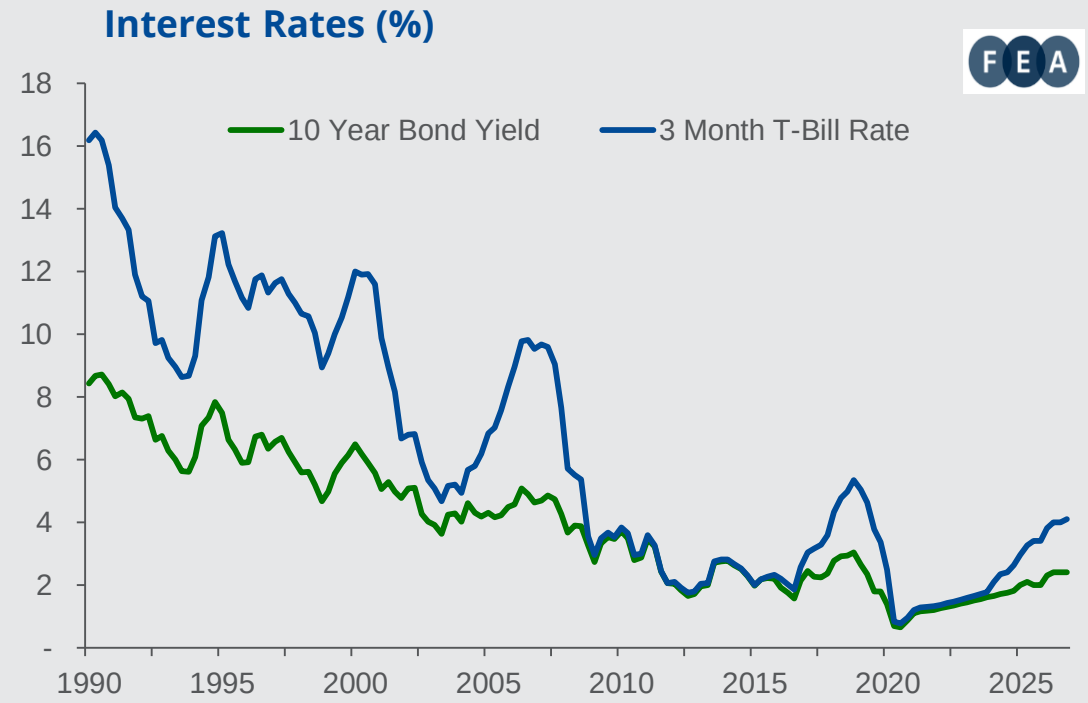
1) Source: PPPC (November 2020)

US Lumber Market – Demand Drivers(1)

- Housing starts are rising and still well below historical average prior to the financial crisis



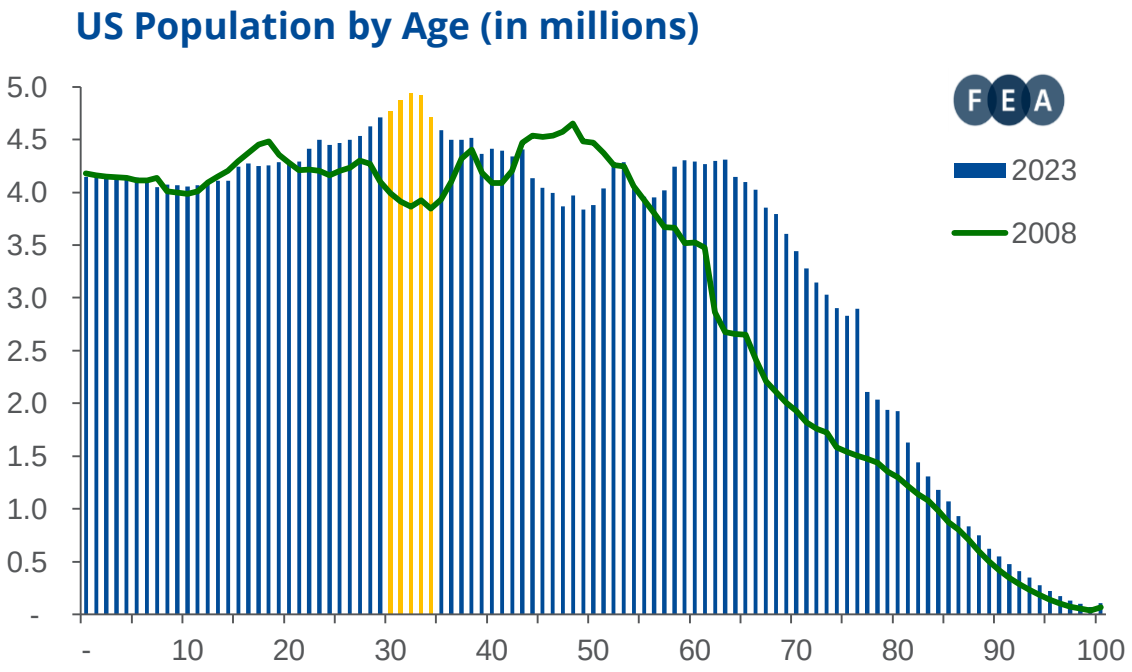
- Interest (mortgage) rates are currently supporting new home ownership and upgrading



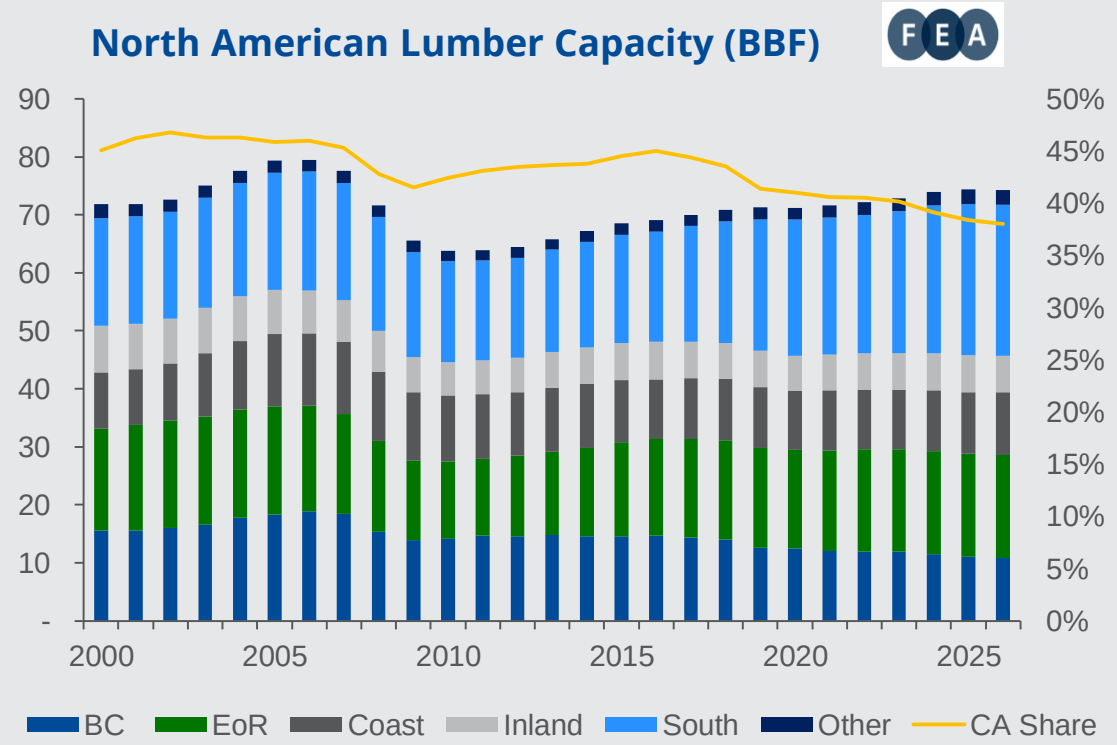
1) Source: Forest Economic Advisors

US Lumber Market – Demand Drivers(1)

- The prime first time home ownership demographic (30-35 year olds) is its currently highest in a generation



- Production capacity is growing but is experiencing restrictions; particularly from Canada where allowable cut levels are falling



1) Source: Forest Economic Advisors

Appendix: Operations Overview

MERCER

Sustainable. By Design.

Mercer Rosenthal

- **Location:** Blankenstein, Germany (~300 km south of Berlin)
- **Pulp production capacity:** 360,000 tonnes per year NBSK
- **Electricity generating capacity:** 57 MW
- **Certification:** ISO 9001, 14001, and 50001
- **2020 green electricity sales:** $16.1 million
- **2020 bio-extractives sales:** $0.02 million

Key Features:

- Built in 1999 – modern and efficient
- Strategically located in central Europe, allowing customers to operate using just-in-time inventory process, lowering their costs, and making Rosenthal a preferred supplier
- Close proximity to stable fiber supply and nearby sawmills
- One of the largest biomass power plants in Germany
- In 2020, the mill sold 154,177 MWh of green electricity
- Regularly setting new pulp and energy production records
- 6,000 tonne per year tall oil plant became operational in Q4 2014

Mercer Stendal

- **Location:** Stendal, Germany (~130 km west of Berlin)
- **Pulp production capacity:** 660,000 tonnes per year NBSK
- **Electricity generating capacity:** 148 MW
- **Certification:** ISO 9001, 14001, and 50001
- **2020 green electricity sales:** $51.3 million
- **2020 bio-extractives sales:** $6.8 million

Key Features:

- Completed in 2004, it's one of the newest and largest pulp mills in the world
- In September 2014, we completed the acquisition of the minority interest and other rights in the Stendal mill
- One of the largest biomass power plants in Germany
- In 2020, exported 539,607 MWh of green electricity
- Project Blue Mill was completed in Q4 2013 and, among other things, increased the mill's annual pulp production capacity by 30,000 tonnes and electricity generation by 109,000 MWh
- Regularly setting new performance records
- 2021 project will expand mill capacity to 740,000 tonnes

Mercer Celgar

- **Location:** Castlegar, BC, Canada (~600 km east of Vancouver)
- **Pulp production capacity:** 520,000 tonnes per year NBSK
- **Electricity generating capacity:** 100 MW
- **Certification**: ISO 9001 and 14001
- **2020 green electricity sales:** $10.9 million
- **2020 bio-extractives sales:** $0.06 million

Key Features:

- Modern and efficient
- Abundant and low cost fiber, by global standards
- Green Energy Project was completed in September 2010
- One of the largest biomass power plants in Canada
- In 2020, the mill sold 134,444 MWh of green electricity
- Continues to demonstrate significant upside potential

Mercer Peace River

- **Location:** Peace River, Alberta (~500 km northwest of Edmonton)
- **Pulp production capacity:** 475,000 tonnes per year NBSK/NBHK
- **Electricity generating capacity:** 65 MW
- **Certification:** ISO 9001 and ISO 14001
- **2020 green electricity sales:** $5.2 million

Key Features:

- Modern, high-performing kraft mill
- Abundant and low-cost fiber by global standards
- NBSK / NBHK swing mill
- 20-year term forest tenure including annually 400,000 m3 of softwood and 2.4 million m3 of hardwood
- Bio-mass fueled cogeneration power plant with two turbines; a 45 MW back pressure turbine to power pulp production and a 25 MW condensing turbine generator to generate electricity for sale to the Alberta grid
- In 2020, the mill sold 66,306 MWh of green electricity

Cariboo Pulp & Paper

- **Location:** Quesnel, British Columbia (~650 km north of Vancouver)
- **Pulp production capacity:** 170,000 tonnes per year [1] NBSK
- **Electricity generating capacity:** 28.5 MW [1]
- **Certification:** ISO 9001 and ISO 14001
- **2020 green electricity sales:** $5.4 million [2]

Key Features:

- 50% joint venture stake in reliable NBSK mill
- Reliable wood supply sourced from large local sawmilling industry
- Bio-mass fueled cogeneration power plant with two turbines; a 32 MW back pressure turbine to power pulp production and a 25 MW condensing turbine generator to generate electricity for sale to BC Hydro

1) Reflects 50% ownership stake
2) Cariboo energy sales are recorded as an equity investment due to JV agreement

Mercer Timber Products (Friesau)

- **Location:** Friesau, Germany (~300 km south of Berlin)
- **Lumber production capacity:** 550,000 Mfbm
- **Energy generating capacity:** 49.5 MW (13 MW electricity)
- **2020 lumber sales:** $180.8 million
- **2020 wood residuals sales:** $6.3 million
- **2020 green electricity sales:** $10.6 million

Key Features:

- High quality logs from surrounding fiber basket
- Sawmill built in 1992; two high-volume Linck sawlines
- 2nd planer mill built in 2020 with new continuous kilns and automated grading and sorting systems
- Diverse product line ranging from custom rough green and dry for the European market to kiln-dried, dimension products for the US, Japan and UK
- Power plant built in 2008; fueled by bark, chips, sawdust, and recycled wood with EEG feed-in tariff to 2029

Contact Information

www.mercerint.com

MERCER

Mercer International inc.

P: +1 (604) 684 1099
info@mercerint.com

Suite 1120, 700 West Pender St
Vancouver, B.C. Canada
V6C 1G8