

MGIC INVESTMENT CORP

Form 4/A

September 12, 2016

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB
Number: 3235-0287
Expires: January 31,
2005
Estimated average
burden hours per
response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Hughes James J.

2. Issuer Name **and** Ticker or Trading
Symbol
MGIC INVESTMENT CORP
[MTG]

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

(Last) (First) (Middle)
C/O MGIC INVESTMENT
CORPORATION, 250 EAST
KILBOURN AVENUE
(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
03/08/2016

____ Director ____ 10% Owner
____X____ Officer (give title ____ Other (specify
below) below)
SVP-Sales & Bus. Development

MILWAUKEE, WI 53202

4. If Amendment, Date Original
Filed(Month/Day/Year)
09/09/2016

6. Individual or Joint/Group Filing(Check
Applicable Line)
____X____ Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)			
				Code V Amount	Price		
Common Stock					0 (1)	I	In Issuer's Profit Sharing and Savings Plan

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of
information contained in this form are not
required to respond unless the form**

SEC 1474
(9-02)

displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price Derivat Security (Instr. 5)			
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Share Units	<u>(2)</u>					<u>(3)</u>	<u>(4)</u>			Common Stock	603.7332 (5)

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
Hughes James J. C/O MGIC INVESTMENT CORPORATION 250 EAST KILBOURN AVENUE MILWAUKEE, WI 53202	SVP-Sales & Bus. Development

Signatures

Dan D. Stilwell,
Attorney-in-Fact 09/12/2016

**Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

- (1) The reporting person owns share units in a company stock fund under the Issuer's Profit Sharing and Savings Plan. These share units were erroneously reported in the original Form 4 as well as previous Form 4s as non-derivative securities rather than derivative securities. The original Form 4 and previous Form 4s also reported the number of company stock fund share units held by the reporting person rather than the corresponding number of shares of the Issuer's common stock. Because share units in the company stock fund do not correspond on a one-for-one basis with shares of common stock of the Issuer, the number of securities held by the reporting person was overstated. This amendment is being filed to correct the securities type and the number of securities held by the reporting person.

Edgar Filing: MGIC INVESTMENT CORP - Form 4/A

Pursuant to Instruction 9(b) to Form 4, only the lines of the Form 4 requiring correction or amendment are being restated on this amended Form 4.

- (2) The conversion price varies with the price of the Issuer's common stock. At any given time, the conversion price is equal to the closing price of the Issuer's common stock on the New York Stock Exchange on the previous trading day.
- (3) These derivative securities may be exercised at any time.
- (4) These derivative securities do not have an expiration date.
- (5) As of March 9, 2016.

Remarks:

This Form 4 is signed and submitted by the reporting person's attorney-in-fact pursuant to a previously filed limited power of attorney.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 0907-302 (153,851) 1,200,242

EQUITY

Total shareholders' equity (deficit)

412,033 (52,955) - 359,078

Noncontrolling interest (deficit)

- (10,761) - (10,761)

Explanation of Responses:

Total liabilities and equity

\$858,824	\$843,586	\$(153,851)	\$1,548,559
-----------	-----------	-------------	-------------

FORM 10-Q

QUARTERLY REPORT - PAGE 21

MERCER INTERNATIONAL INC.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(In thousands of U.S. dollars, except per share data)****Note 14. Restricted Group Supplemental Disclosure (continued)****Combined Condensed Statements of Operations**

	Three Months Ended June 30, 2014			
	Restricted Group	Unrestricted Subsidiaries	Eliminations	Consolidated Group
Revenues				
Pulp	\$ 136,632	\$ 122,850	\$ -	\$ 259,482
Energy and chemicals	7,649	18,061	-	25,710
	144,281	140,911	-	285,192
Operating costs	122,043	108,422	-	230,465
Operating depreciation and amortization	10,631	9,137	-	19,768
Selling, general and administrative expenses	8,647	4,291	-	12,938
	141,321	121,850	-	263,171
Operating income (loss)	2,960	19,061	-	22,021
Other income (expense)				
Interest expense	(8,548)	(8,757)	140	(17,165)
Gain (loss) on derivative instruments	-	2,549	-	2,549
Other income (expense)	26	32	(140)	(82)
Total other income (expense)	(8,522)	(6,176)	-	(14,698)
Income (loss) before income taxes	(5,562)	12,885	-	7,323
Income tax benefit (provision)	(4,033)	(525)	-	(4,558)
Net income (loss)	(9,595)	12,360	-	2,765
Less: net income attributable to noncontrolling interest	-	(2,194)	-	(2,194)
	\$ (9,595)	\$ 10,166	\$ -	\$ 571

Explanation of Responses:

Net income (loss) attributable to common
shareholders

	Three Months Ended June 30, 2013			
	Restricted Group	Unrestricted Subsidiaries	Eliminations	Consolidated Group
Revenues				
Pulp	\$ 137,957	\$ 115,209	\$ -	\$ 253,166
Energy and chemicals	7,886	13,648	-	21,534
	145,843	128,857	-	274,700
Operating costs	135,425	108,938	-	244,363
Operating depreciation and amortization	10,791	8,476	-	19,267
Selling, general and administrative expenses	7,375	4,864	-	12,239
	153,591	122,278	-	275,869
Operating income (loss)	(7,748)	6,579	-	(1,169)
Other income (expense)				
Interest expense	(7,685)	(11,639)	2,154	(17,170)
Gain (loss) on derivative instruments	(551)	7,472	-	6,921
Other income (expense)	2,118	44	(2,154)	8
Total other income (expense)	(6,118)	(4,123)	-	(10,241)
Income (loss) before income taxes	(13,866)	2,456	-	(11,410)
Income tax benefit (provision)	(795)	(20)	-	(815)
Net income (loss)	(14,661)	2,436	-	(12,225)
Less: net income attributable to noncontrolling interest	-	(790)	-	(790)
Net income (loss) attributable to common shareholders	\$ (14,661)	\$ 1,646	\$ -	\$ (13,015)

FORM 10-Q

QUARTERLY REPORT - PAGE 22

MERCER INTERNATIONAL INC.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(In thousands of U.S. dollars, except per share data)****Note 14. Restricted Group Supplemental Disclosure (continued)****Combined Condensed Statements of Operations**

	Six Months Ended June 30, 2014			
	Restricted Group	Unrestricted Subsidiaries	Eliminations	Consolidated Group
Revenues				
Pulp	\$ 277,429	\$ 260,559	\$ -	\$ 537,988
Energy and chemicals	16,530	36,359	-	52,889
	293,959	296,918	-	590,877
Operating costs	233,411	233,358	-	466,769
Operating depreciation and amortization	21,205	18,265	-	39,470
Selling, general and administrative expenses	15,098	8,276	-	23,374
	269,714	259,899	-	529,613
Operating income (loss)	24,245	37,019	-	61,264
Other income (expense)				
Interest expense	(17,066)	(17,829)	280	(34,615)
Gain (loss) on derivative instruments	-	5,777	-	5,777
Other income (expense)	138	66	(280)	(76)
Total other income (expense)	(16,928)	(11,986)	-	(28,914)
Income (loss) before income taxes	7,317	25,033	-	32,350
Income tax benefit (provision)	(5,785)	(623)	-	(6,408)
Net income (loss)	1,532	24,410	-	25,942
Less: net income attributable to noncontrolling interest	-	(4,330)	-	(4,330)
	\$ 1,532	\$ 20,080	\$ -	\$ 21,612

Explanation of Responses:

Net income (loss) attributable to common
shareholders

	Six Months Ended June 30, 2013			
	Restricted Group	Unrestricted Subsidiaries	Eliminations	Consolidated Group
Revenues				
Pulp	\$ 270,307	\$ 220,677	\$ -	\$ 490,984
Energy and chemicals	17,247	28,254	-	45,501
	287,554	248,931	-	536,485
Operating costs	253,625	208,722	-	462,347
Operating depreciation and amortization	21,606	17,111	-	38,717
Selling, general and administrative expenses	14,922	9,061	-	23,983
	290,153	234,894	-	525,047
Operating income (loss)	(2,599)	14,037	-	11,438
Other income (expense)				
Interest expense	(15,430)	(23,430)	4,330	(34,530)
Gain (loss) on derivative instruments	(1,007)	14,292	-	13,285
Other income (expense)	4,145	101	(4,330)	(84)
Total other income (expense)	(12,292)	(9,037)	-	(21,329)
Income (loss) before income taxes	(14,891)	5,000	-	(9,891)
Income tax benefit (provision)	(2,137)	177	-	(1,960)
Net income (loss)	(17,028)	5,177	-	(11,851)
Less: net income attributable to noncontrolling interest	-	(1,725)	-	(1,725)
Net income (loss) attributable to common shareholders	\$ (17,028)	\$ 3,452	\$ -	\$ (13,576)

FORM 10-Q

QUARTERLY REPORT - PAGE 23

MERCER INTERNATIONAL INC.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(In thousands of U.S. dollars, except per share data)****Note 14. Restricted Group Supplemental Disclosure (continued)****Combined Condensed Statements of Cash Flows**

	Three Months Ended June 30, 2014		
	Restricted Group	Unrestricted Subsidiaries	Consolidated Group
Cash flows from (used in) operating activities			
Net income (loss)	\$ (9,595)	\$ 12,360	\$ 2,765
Adjustments to reconcile net income (loss) to cash flows from operating activities			
Unrealized loss (gain) on derivative instruments	-	(2,549)	(2,549)
Depreciation and amortization	10,714	9,137	19,851
Deferred income taxes	3,153	-	3,153
Stock compensation expense	600	-	600
Pension and other post-retirement expense, net of funding	214	-	214
Other	412	440	852
Changes in working capital			
Receivables	4,808	9,709	14,517
Inventories	(8,753)	(4,637)	(13,390)
Accounts payable and accrued expenses	(2,397)	(5,665)	(8,062)
Other ⁽¹⁾	1,529	1,809	3,338
Net cash from (used in) operating activities	685	20,604	21,289
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(5,571)	(580)	(6,151)
Purchase of intangible assets	(229)	(486)	(715)
Proceeds on sale of property, plant and equipment	81	13	94
Net cash from (used in) investing activities	(5,719)	(1,053)	(6,772)
Cash flows from (used in) financing activities			
Proceeds from issuance of shares	53,942	-	53,942
Repayment of capital lease obligations	(202)	(330)	(532)

Explanation of Responses:

Edgar Filing: MGIC INVESTMENT CORP - Form 4/A

Proceeds from government grants	-	761	761
Net cash from (used in) financing activities	53,740	431	54,171
Effect of exchange rate changes on cash and cash equivalents	666	(440)	226
Net increase (decrease) in cash and cash equivalents	49,372	19,542	68,914
Cash and cash equivalents, beginning of period	108,046	64,063	172,109
Cash and cash equivalents, end of period	\$ 157,418	\$ 83,605	\$ 241,023

(1) Includes intercompany working capital related transactions.

FORM 10-Q

QUARTERLY REPORT - PAGE 24

MERCER INTERNATIONAL INC.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(In thousands of U.S. dollars, except per share data)****Note 14. Restricted Group Supplemental Disclosure (continued)****Combined Condensed Statements of Cash Flows**

	Three Months Ended June 30, 2013		
	Restricted Group	Unrestricted Subsidiaries	Consolidated Group
Cash flows from (used in) operating activities			
Net income (loss)	\$ (14,661)	\$ 2,436	\$ (12,225)
Adjustments to reconcile net income (loss) to cash flows from operating activities			
Unrealized loss (gain) on derivative instruments	41	(7,472)	(7,431)
Depreciation and amortization	10,878	8,476	19,354
Deferred income taxes	561	(21)	540
Stock compensation expense	396	-	396
Pension and other post-retirement expense, net of funding	277	-	277
Other	378	888	1,266
Changes in working capital			
Receivables	24,835	3,800	28,635
Inventories	6,945	(4,164)	2,781
Accounts payable and accrued expenses	(2,540)	406	(2,134)
Other ⁽¹⁾	(9,085)	1,593	(7,492)
Net cash from (used in) operating activities	18,025	5,942	23,967
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(3,401)	(10,948)	(14,349)
Proceeds on sale of property, plant and equipment	-	3	3
Net cash from (used in) investing activities	(3,401)	(10,945)	(14,346)
Cash flows from (used in) financing activities			
Proceeds from borrowings of debt	-	9,090	9,090
Repayment of capital lease obligations	(159)	(363)	(522)
Proceeds from (repayment of) credit facilities, net	9,112	-	9,112

Explanation of Responses:

Edgar Filing: MGIC INVESTMENT CORP - Form 4/A

Proceeds from government grants	-	4,441	4,441
Net cash from (used in) financing activities	8,953	13,168	22,121
Effect of exchange rate changes on cash and cash equivalents	(21)	1,061	1,040
Net increase (decrease) in cash and cash equivalents	23,556	9,226	32,782
Cash and cash equivalents, beginning of period	66,820	75,295	142,115
Cash and cash equivalents, end of period	\$ 90,376	\$ 84,521	\$ 174,897

(1) Includes intercompany working capital related transactions.

FORM 10-Q

QUARTERLY REPORT - PAGE 25

MERCER INTERNATIONAL INC.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(In thousands of U.S. dollars, except per share data)****Note 14. Restricted Group Supplemental Disclosure (continued)****Combined Condensed Statements of Cash Flows**

	Six Months Ended June 30, 2014		
	Restricted Group	Unrestricted Subsidiaries	Consolidated Group
Cash flows from (used in) operating activities			
Net income (loss)	\$ 1,532	\$ 24,410	\$ 25,942
Adjustments to reconcile net income (loss) to cash flows from operating activities			
Unrealized loss (gain) on derivative instruments	-	(5,777)	(5,777)
Depreciation and amortization	21,373	18,265	39,638
Deferred income taxes	4,881	-	4,881
Stock compensation expense	331	-	331
Pension and other post-retirement expense, net of funding	425	-	425
Other	583	921	1,504
Changes in working capital			
Receivables	4,712	(7,527)	(2,815)
Inventories	(10,342)	15,675	5,333
Accounts payable and accrued expenses	12,286	1,894	14,180
Other ⁽¹⁾	(6,563)	3,889	(2,674)
Net cash from (used in) operating activities	29,218	51,750	80,968
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(8,531)	(4,186)	(12,717)
Purchase of intangible assets	(1,203)	(1,252)	(2,455)
Proceeds on sale of property, plant and equipment	215	58	273
Net cash from (used in) investing activities	(9,519)	(5,380)	(14,899)
Cash flows from (used in) financing activities			
Repayment of debt	(744)	(29,797)	(30,541)
Proceeds from issuance of shares	53,942	-	53,942

Explanation of Responses:

Edgar Filing: MGIC INVESTMENT CORP - Form 4/A

Repayment of capital lease obligations	(474)	(718)	(1,192)
Proceeds from sale and lease-back transactions	1,047	-	1,047
Proceeds from government grants	832	3,226	4,058
Net cash from (used in) financing activities	54,603	(27,289)	27,314
Effect of exchange rate changes on cash and cash equivalents	206	(294)	(88)
Net increase (decrease) in cash and cash equivalents	74,508	18,787	93,295
Cash and cash equivalents, beginning of year	82,910	64,818	147,728
Cash and cash equivalents, end of year	\$ 157,418	\$ 83,605	\$ 241,023

(1) Includes intercompany working capital related transactions.

FORM 10-Q

QUARTERLY REPORT - PAGE 26

MERCER INTERNATIONAL INC.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(In thousands of U.S. dollars, except per share data)****Note 14. Restricted Group Supplemental Disclosure (continued)****Combined Condensed Statements of Cash Flows**

	Six Months Ended June 30, 2013		
	Restricted Group	Unrestricted Subsidiaries	Consolidated Group
Cash flows from (used in) operating activities			
Net income (loss)	\$ (17,028)	\$ 5,177	\$ (11,851)
Adjustments to reconcile net income (loss) to cash flows from operating activities			
Unrealized loss (gain) on derivative instruments	662	(14,292)	(13,630)
Depreciation and amortization	21,776	17,111	38,887
Deferred income taxes	1,870	4,134	6,004
Stock compensation expense	752	-	752
Pension and other post-retirement expense, net of funding	437	-	437
Other	923	1,905	2,828
Changes in working capital			
Receivables	13,824	1,998	15,822
Inventories	10,995	(627)	10,368
Accounts payable and accrued expenses	11,331	527	11,858
Other ⁽¹⁾	(11,349)	2,824	(8,525)
Net cash from (used in) operating activities	34,193	18,757	52,950
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(6,893)	(22,501)	(29,394)
Proceeds on sale of property, plant and equipment	17	3	20
Net cash from (used in) investing activities	(6,876)	(22,498)	(29,374)
Cash flows from (used in) financing activities			
Repayment of debt	(736)	(25,684)	(26,420)
Proceeds from borrowings of debt	-	22,223	22,223
Repayment of capital lease obligations	(320)	(1,126)	(1,446)

Explanation of Responses:

Edgar Filing: MGIC INVESTMENT CORP - Form 4/A

Proceeds from (repayment of) credit facilities, net	17,060	-	17,060
Proceeds from government grants	-	5,413	5,413
Net cash from (used in) financing activities	16,004	826	16,830
Effect of exchange rate changes on cash and cash equivalents	(1,352)	(1,596)	(2,948)
Net increase (decrease) in cash and cash equivalents	41,969	(4,511)	37,458
Cash and cash equivalents, beginning of period	48,407	89,032	137,439
Cash and cash equivalents, end of period	\$ 90,376	\$ 84,521	\$ 174,897

(1) Includes intercompany working capital related transactions.

FORM 10-Q

QUARTERLY REPORT - PAGE 27

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 International Inc. and its subsidiaries; (ii) references to Mercer Inc. mean the Company excluding its subsidiaries; (iii) information is provided as of June 30, 2014, unless otherwise stated; (iv) all references to \$ shall mean U.S. dollars, which is our reporting currency, unless otherwise stated; (v) € refers to Euros and C\$ refers to Canadian dollars; (vi) ADMTs refers to air-dried metric tonnes; (vii) MW refers to megawatts; and (viii) MWh refers to megawatt hours.

Effective October 1, 2013, we changed our reporting currency from Euros to the U.S. dollar. As a result of our change in reporting currency, all comparative financial information has been recast from Euros to U.S. dollars to reflect our financial statements as if they had been historically reported in U.S. dollars, consistent with the method described in significant accounting policies. See Critical Accounting Policies *Change in Reporting Currency* and also Note 1 of the consolidated financial statements and related notes included in our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the Securities and Exchange Commission, referred to as the SEC, for more information.

Results of Operations

General

We operate three northern bleached softwood kraft, referred to as NBSK, pulp mills through our wholly owned subsidiaries, Rosenthal and Celgar, and our 83.0% owned subsidiary, Stendal (we increased our equity ownership from 74.9% as at September 30, 2013). We have a consolidated annual production capacity of approximately 1.5 million ADMTs.

The following discussion and analysis of our results of operations and financial condition for the three and six months ended June 30, 2014 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, 2013 filed with the SEC.

Current Market Environment

In the second quarter of 2014, pulp list prices remained essentially flat in Europe and North America and decreased marginally in China. At the end of the current quarter, list prices in Europe were approximately \$925 per ADMT and in North America and China were approximately \$1,030 and \$720 per ADMT, respectively.

Currently, the NBSK pulp market is generally under-balanced with world producer inventories at about 25 days supply. We currently expect to see continued growth in NBSK demand in emerging markets, particularly in China, driven by increasing strong demand from tissue producers. We currently expect that NBSK pulp prices will remain flat during the summer months in Europe and North America with modest increases beginning in the fourth quarter of 2014.

FORM 10-Q

QUARTERLY REPORT - PAGE 28

During the course of 2014, the global supply of hardwood bleached kraft pulp is now currently being projected to increase by approximately 1.2 million ADMTs, primarily from South America. This increase in hardwood chemical production is largely targeted at the growing demand for pulp by tissue makers, particularly in China. If such additional hardwood bleached pulp supply is not absorbed by such demand growth, as a result of generally lower prices for hardwood bleached pulp, this supply increase could put downward pressure on NBSK pulp prices.

We believe customers' ability to further substitute NBSK pulp for lower priced hardwood pulp is limited by the strength characteristic provided by NBSK pulp that large modern paper machines need to run lower basis weight paper products efficiently. However, as pulp prices are highly cyclical, there can be no assurance that prices will not decline in the future.

Summary Financial Highlights

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands, other than per share amounts)			
Consolidated				
Pulp revenues	\$ 259,482	\$ 253,166	\$ 537,988	\$ 490,984
Energy and chemical revenues	\$ 25,710	\$ 21,534	\$ 52,889	\$ 45,501
Operating income (loss)	\$ 22,021	\$ (1,169)	\$ 61,264	\$ 11,438
Gain on derivative instruments	\$ 2,549	\$ 6,921	\$ 5,777	\$ 13,285
Income tax benefit (provision)	\$ (4,558)	\$ (815)	\$ (6,408)	\$ (1,960)
Net income (loss) ⁽¹⁾	\$ 571	\$ (13,015)	\$ 21,612	\$ (13,576)
Net income (loss) per share ⁽¹⁾⁽²⁾	\$ 0.01	\$ (0.23)	\$ 0.36	\$ (0.24)

(1) Attributable to common shareholders.

(2) Per share amounts are on a basic and diluted basis

Selected Production, Sales and Other Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Consolidated				
Pulp production ('000 ADMTs)	353.8	349.5	735.6	710.7
Scheduled production downtime ('000 ADMTs)	17.7	16.0	17.7	16.0
Scheduled production downtime (days)	12	11	12	11
Pulp sales ('000 ADMTs)	356.8	368.3	738.1	724.9
Average NBSK pulp list prices in Europe (\$/ADMT) ⁽¹⁾	925	857	923	844
Average pulp sales realizations (\$/ADMT) ⁽²⁾	720	679	722	669
Energy production ('000 MWh)	446.2	405.8	912.5	830.2
Energy sales ('000 MWh)	197.1	167.5	398.6	341.1
Average energy sales realizations (\$/MWh)	113	109	114	113

Explanation of Responses:

Average Spot Currency Exchange Rates

\$ / ⁽³⁾	1.3716	1.3064	1.3711	1.3129
\$ / C\$ ⁽³⁾	0.9169	0.9777	0.9118	0.9845

- (1) Source: RISI pricing report.
- (2) Average realized pulp price for the periods indicated reflect customer discounts and pulp price movements between the order and shipment date.
- (3) Average Federal Reserve Bank of New York noon spot rate over the reporting period.

FORM 10-Q

QUARTERLY REPORT - PAGE 29

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Total revenues for the three months ended June 30, 2014 increased by approximately 4% to \$285.2 million from \$274.7 million in the same period in 2013, due to higher pulp prices and higher energy sales volumes.

Pulp revenues for the three months ended June 30, 2014 increased by approximately 2% to \$259.5 million from \$253.2 million in the comparative quarter of 2013, due to higher price realizations, partially offset by lower sales volumes.

Energy and chemical revenues increased by approximately 20% to \$25.7 million in the second quarter of 2014 from \$21.5 million in the same quarter last year, primarily because of higher energy sales volume resulting from Project Blue Mill coming online at our Stendal mill at the end of 2013.

Average list prices for NBSK pulp in Europe were approximately \$925 per ADMT in the current quarter, compared to approximately \$857 per ADMT in the same quarter last year. In the second quarter of 2014, average pulp sales realizations increased by approximately 6% to \$720 per ADMT from approximately \$679 per ADMT in the same quarter last year primarily due to higher pulp prices.

Pulp production increased by approximately 1% to 353,803 ADMTs in the current quarter from 349,502 ADMTs in the same quarter of 2013. We had an aggregate of 12 days (approximately 17,700 ADMTs) of scheduled maintenance downtime at our Stendal and Celgar mills in the second quarter of 2014. In the current quarter, our Celgar mill took ten days of scheduled maintenance downtime, or approximately 14,000 ADMTs. Our Stendal mill took two days of scheduled maintenance downtime, or approximately 3,700 ADMTs, in the current quarter. We estimate that the scheduled maintenance downtime at our Celgar and Stendal mills adversely impacted our Operating EBITDA by approximately \$18.4 million, comprised of approximately \$13.0 million in direct out-of-pocket expenses and the balance for reduced production. Many of our competitors that report their financial results using International Financial Reporting Standards capitalize their direct costs of maintenance shutdowns.

Our Rosenthal mill's 12-day annual maintenance shutdown is scheduled for the third quarter and our Stendal mill is scheduled to have a second two-day maintenance shutdown in the fourth quarter.

Pulp sales volumes decreased by approximately 3% to 356,755 ADMTs in the current quarter from 368,285 ADMTs in the comparative quarter, primarily due to weaker demand from China and lower production at our Celgar mill.

Costs and expenses in the second quarter of 2014 decreased by approximately 5% to \$263.2 million from \$275.9 million in the comparative period of 2013, primarily due to lower fiber costs and lower sales volumes.

In the second quarter of 2014, operating depreciation and amortization marginally increased to \$19.8 million from \$19.3 million in the same quarter last year. Selling, general and administrative expenses were \$12.9 million in the second quarter of 2014, compared to \$12.2 million in the second quarter of 2013.

FORM 10-Q

QUARTERLY REPORT - PAGE 30

Transportation costs marginally decreased to \$22.3 million in the second quarter of 2014 from \$23.0 million in the second quarter of 2013. The decrease was due to lower sales volume, partially offset by higher costs per tonne at our Celgar mill resulting from limitations on rail car availability.

On average, our overall per unit fiber costs in the current quarter decreased by approximately 5% from the same period in 2013. Timber harvesting was steady through the quarter and sawmills ran at high rates which led to a good supply of pulpwood and residual chips. In addition, less demand pressure on German timber due to the availability of storm damaged wood in Eastern Europe resulted in moderately lower German wood costs in the quarter. For the next quarter of 2014, we currently expect our overall fiber costs to remain stable, with modest increases in Canada being offset by slightly lower prices in Germany.

For the second quarter of 2014, our operating income increased to \$22.0 million from an operating loss of \$1.2 million in the comparative quarter of 2013, primarily due to higher pulp sales realizations and lower fiber costs, partially offset by a weaker U.S. dollar relative to the Euro.

Interest expense was \$17.2 million in the second quarter of 2014 and 2013, respectively.

We recorded a derivative gain of \$2.5 million on the mark to market adjustment of our Stendal mill's interest rate derivative, compared to a net derivative gain of \$6.9 million in the same quarter of last year.

During the current quarter, we recorded income tax expense of \$4.6 million, compared to income tax expense of \$0.8 million in the same quarter of 2013.

The noncontrolling shareholder's interest in the Stendal mill's net income in the second quarter of 2014 was \$2.2 million, compared to \$0.8 million in the same quarter last year.

We reported net income attributable to common shareholders of \$0.6 million, or \$0.01 per basic and diluted share, for the second quarter of 2014, which included a non-cash unrealized gain on the interest rate derivative of \$2.5 million. In the second quarter of 2013, the net loss attributable to common shareholders was \$13.0 million, or \$0.23 per basic and diluted share, which included a total non-cash net unrealized gain of \$7.4 million on the Stendal interest rate derivative and fixed price pulp swaps.

In the second quarter of 2014, Operating EBITDA increased to \$41.9 million from \$18.2 million in the second quarter of 2013. 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 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.

FORM 10-Q

QUARTERLY REPORT - PAGE 31

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, referred to as GAAP, and should not be considered as an alternative to net income (loss) or income (loss) from operations as a measure of performance, nor as an alternative to net cash from operating activities as a measure of liquidity.

Operating EBITDA has significant limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that Operating EBITDA does not reflect: (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (ii) changes in, or cash requirements for, working capital needs; (iii) the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our outstanding debt; (iv) noncontrolling interest on our Stendal NBSK pulp mill operations; (v) the impact of realized or marked to market changes in our derivative positions, which can be substantial; and (vi) the impact of impairment charges against our investments or assets. Because of these limitations, Operating EBITDA should only be considered as a supplemental performance measure and should not be considered as a measure of liquidity or cash available to us to invest in the growth of our business. See the Statement of Cash Flows set out in our consolidated financial statements included herein. 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.

The following table provides a reconciliation of net income (loss) attributable to common shareholders to operating income (loss) and Operating EBITDA for the periods indicated:

	Three Months Ended June 30,	
	2014	2013
	(in thousands)	
Net income (loss) attributable to common shareholders	\$ 571	\$ (13,015)
Net income attributable to noncontrolling interest	2,194	790
Income tax provision	4,558	815
Interest expense	17,165	17,170
(Gain) loss on derivative instruments	(2,549)	(6,921)
Other (income) expense	82	(8)
Operating income (loss)	22,021	(1,169)
Add: Depreciation and amortization	19,851	19,354
Operating EBITDA	\$ 41,872	\$ 18,185

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Total revenues for the six months ended June 30, 2014 increased by approximately 10% to \$590.9 million from \$536.5 million in the same period in 2013, due to higher pulp and energy revenues.

Pulp revenues for the six months ended June 30, 2014 increased by approximately 10% to \$538.0 million from \$491.0 million in the comparative period of 2013, due to higher pulp price realizations.

FORM 10-Q

QUARTERLY REPORT - PAGE 32

Energy and chemical revenues increased by approximately 16% to \$52.9 million in the first half of 2014 from \$45.5 million in the same period last year, primarily because of higher energy sales volumes resulting from Project Blue Mill coming online at our Stendal mill at the end of 2013.

Average list prices for NBSK pulp in Europe were approximately \$923 per ADMT in the first half of 2014, compared to approximately \$844 per ADMT in the same period last year. In the first half of 2014, average pulp sales realizations increased by approximately 8% to \$722 per ADMT from approximately \$669 per ADMT in the same period last year, primarily due to higher pulp prices.

Pulp production increased by approximately 4% to 735,588 ADMTs in the first half of 2014 from 710,666 ADMTs in the same period of 2013. We had an aggregate of 12 days (approximately 17,700 ADMTs) of scheduled maintenance downtime at our Stendal and Celgar mills in the first half of 2014. In the first half of 2014, our Celgar mill took ten days of scheduled maintenance downtime, or approximately 14,000 ADMTs. Our Stendal mill took two days of scheduled maintenance downtime, or approximately 3,700 ADMTs, in the first half of 2014.

Pulp sales volumes increased by approximately 2% to 738,110 ADMTs in the first half of 2014 from 724,945 ADMTs in the comparative period of 2013, primarily due to higher sales in North America.

Costs and expenses in the first half of 2014 increased by approximately 1% to \$529.6 million from \$525.0 million in the comparative period of 2013, primarily due to the impact of a weaker U.S. dollar relative to the Euro, partially offset by lower fiber costs.

In the first half of 2014, operating depreciation and amortization marginally increased to \$39.5 million from \$38.7 million in the same period last year.

Selling, general and administrative expenses decreased to \$23.4 million in the first half of 2014, compared to \$24.0 million in the same period of 2013.

Transportation costs marginally decreased to \$44.2 million in the first half of 2014 from \$45.2 million in the comparative period of 2013. The decrease is due to lower per tonne freight costs for the German mills, partially offset by higher per tonne freight costs at our Celgar mill resulting from limitations on rail car availability.

On average, our overall per unit fiber costs in the first half of 2014 decreased by approximately 1% from the same period in 2013. Timber harvesting was steady through the first half of 2014 and sawmills ran at high rates which led to a good supply of pulpwood and residual chips. In addition, less demand pressure on German timber due to the availability of storm damaged wood in Eastern Europe resulted in moderately lower German wood costs in the period. For the next quarter of 2014, we currently expect our overall fiber costs to remain stable, with modest increases in Canada being offset by slightly lower prices in Germany.

In the first half of 2014, our operating income increased to \$61.3 million from \$11.4 million in the comparative period of 2013, primarily due to higher sales realizations and sales volumes and lower fiber costs.

Interest expense in the first half of 2014 marginally increased to \$34.6 million from \$34.5 million in the comparative period of 2013.

FORM 10-Q

QUARTERLY REPORT - PAGE 33

Explanation of Responses:

We recorded a derivative gain of \$5.8 million on the mark to market adjustment of our Stendal mill's interest rate derivative, compared to a net derivative gain of \$13.3 million in the same period of last year.

During the six months ended June 30, 2014, we recorded income tax expense of \$6.4 million, compared to net income tax expense of \$2.0 million in the same period of 2013.

The noncontrolling shareholder's interest in the Stendal mill's net income in the first half of 2014 was \$4.3 million, compared to \$1.7 million in the same period last year.

We reported net income attributable to common shareholders of \$21.6 million, or \$0.36 per basic and diluted share, for the first half of 2014, which included a non-cash unrealized gain on the interest rate derivative of \$5.8 million. In the first half of 2013, the net loss attributable to common shareholders was \$13.6 million, or \$0.24 per basic and diluted share, which included a total non-cash net unrealized gain of \$13.6 million on the Stendal interest rate derivative and fixed price pulp swaps.

In the six months ended June 30, 2014, Operating EBITDA increased to \$100.9 million from \$50.3 million in the same period of 2013. Operating EBITDA is defined as operating income (loss) plus depreciation and amortization and non-recurring capital asset impairment charges. 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. See the discussion of our results for the three months ended June 30, 2014 for additional information relating to such limitations of Operating EBITDA.

The following table provides a reconciliation of net income (loss) attributable to common shareholders to operating income and Operating EBITDA for the periods indicated:

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
Net income (loss) attributable to common shareholders	\$ 21,612	\$ (13,576)
Net income attributable to noncontrolling interest	4,330	1,725
Income tax provision	6,408	1,960
Interest expense	34,615	34,530
(Gain) loss on derivative instruments	(5,777)	(13,285)
Other expense	76	84
Operating income	61,264	11,438
Add: Depreciation and amortization	39,638	38,887
Operating EBITDA	\$ 100,902	\$ 50,325

FORM 10-Q

QUARTERLY REPORT - PAGE 34

Liquidity and Capital Resources

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

	As at June 30, 2014	As at December 31, 2013
	(in thousands)	
Financial Position		
Cash and cash equivalents	\$ 241,023	\$ 147,728
Working capital	\$ 378,810	\$ 306,274
Total assets	\$ 1,608,828	\$ 1,548,559
Long-term liabilities	\$ 1,004,065	\$ 1,034,743
Total equity	\$ 425,613	\$ 348,317

As at June 30, 2014, our cash and cash equivalents had increased to \$241.0 million from \$147.7 million at the end of 2013 and working capital had increased to \$378.8 million from \$306.3 million at the end of 2013. On April 2, 2014, we completed our registered public offering (the 2014 Equity Offering) of 8,050,000 shares of our common stock at a price to the public of \$7.15 per share for net proceeds of approximately \$53.6 million.

As at June 30, 2014, we had approximately 28.4 million and C\$38.3 million available under our Rosenthal and Celgar revolving facilities, respectively.

Sources and Uses of Funds

Our principal sources of funds are cash flows from operations, cash and cash equivalents on hand and the revolving working capital loan facilities for our Celgar and Rosenthal mills. Our principal uses of funds consist of operating expenditures, payments of principal and interest on the project loan facility relating to our development of the Stendal mill (the Stendal Loan Facility) and for its Project Blue Mill (collectively, the Stendal Facilities), capital expenditures and interest payments on our outstanding Senior Notes.

Debt Covenants

Our long-term obligations contain various financial tests and covenants customary to these types of arrangements.

As at June 30, 2014, the Stendal Facilities had approximately \$556.7 million in principal outstanding, compared to approximately \$590.1 million at December 31, 2013. The Stendal Facilities are without recourse to the Restricted Group (comprised of Mercer Inc., the Rosenthal and Celgar mills and certain holding subsidiaries) and 80% of the principal amount thereunder is severally guaranteed by German federal and state governments.

In March 2014, our Stendal mill received a waiver to the Stendal Facilities to: postpone the testing date of its Senior Debt/EBITDA cover ratio to September 30, 2014 from June 30, 2014 and report thereon by November 15, 2014; extend the date by which a portion of the net proceeds of the 2014 Equity Offering must be contributed to Stendal to November 17, 2014; and confirm that any such contributed capital shall qualify as an equity cure in the event that the Stendal mill is not in compliance with prescribed financial ratio covenants.

In July 2014, our Stendal mill received lenders' approval to amend the Stendal Facilities to provide greater financial flexibility to Stendal. Such amendments include, among other things, loosening the financial covenant ratios Stendal must meet and reducing the scheduled principal repayments under the Stendal Loan Facility by 50% while retaining its current cash sweep. In connection with such amendments, we will provide Stendal with additional capital of \$20.0 million. The amendments are subject to customary closing conditions, including, among others, execution and delivery of definitive agreements.

Cash Flow Analysis

Cash Flows from Operating Activities. We operate in a cyclical industry and our operating cash flows vary accordingly. Our principal operating cash expenditures are for labor, fiber and chemicals.

Working capital levels fluctuate throughout the year and are affected by maintenance downtime, changing sales patterns, seasonality and the timing of receivables and the payment of payables and expenses.

Cash provided by operating activities increased to \$81.0 million in the six months ended June 30, 2014 from \$53.0 million in the comparative period of 2013, primarily due to higher operating income. An increase in accounts payable and accrued expenses provided cash of \$14.2 million, compared to \$11.9 million in the same period of 2013. A decrease in inventories provided cash of \$5.3 million in the six months ended June 30, 2014, compared to \$10.4 million in the same period of 2013. An increase in receivables used cash of \$2.8 million in the six months ended June 30, 2014, compared to a decrease providing cash of \$15.8 million in the same period of 2013.

Cash Flows from Investing Activities. Investing activities in the six months ended June 30, 2014 used cash of \$14.9 million, compared to \$29.4 million in the same period of 2013. In the first half of 2014, capital expenditures and costs associated with the implementation of the enterprise resource planning system used cash of \$15.2 million, compared to \$29.4 million of capital expenditures in the same period of 2013.

Cash Flows from Financing Activities. In the six months ended June 30, 2014, financing activities provided cash of \$27.3 million, compared to \$16.8 million in the same period of 2013. In the six months ended June 30, 2014, proceeds from the 2014 Equity Offering provided cash of \$53.9 million and principal repayments under the Stendal Facilities used cash of \$29.8 million, compared to using cash of \$25.7 million in the same period of 2013.

During the six months ended June 30, 2013, borrowing under the loan facility for Project Blue Mill provided cash of \$22.2 million. Net borrowing from our revolving credit facilities provided cash of \$17.1 million in the six months ended June 30, 2013. In the six months ended June 30, 2014 and 2013, proceeds of government grants provided cash of \$4.1 million and \$5.4 million, respectively.

Capital Commitments and Future Liquidity

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 pricing and foreign exchange rates, we believe that cash flow from operations and available cash, together with available borrowings will be adequate to meet our liquidity needs in the next 12 months.

FORM 10-Q

QUARTERLY REPORT - PAGE 36

We currently have no material commitments to acquire assets or operating businesses. We anticipate that there may be acquisitions or commitments to capital projects in the future. To achieve the long-term goals of expanding our assets and earnings, additional capital resources may be required. Depending on the size of a transaction or project, 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.

Off-Balance Sheet Arrangements

At June 30, 2014, we did not have any off-balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S-K).

Contractual Obligations and Commitments

There were no material changes outside the ordinary course to any of our material contractual obligations during the six months ended June 30, 2014.

Foreign Currency

Effective October 1, 2013, our reporting currency is the U.S. dollar. However, we hold certain assets and liabilities in Euros and Canadian dollars and the majority of our expenditures are denominated in Euros or Canadian dollars. Accordingly, our consolidated financial results are subject to foreign currency exchange rate fluctuations.

We translate foreign denominated assets and liabilities into U.S. dollars at the rate of exchange on the balance sheet date. Equity accounts are translated using historical exchange rates. Unrealized gains or losses from these translations are recorded in our consolidated statement of comprehensive income (loss) and do not affect our net earnings.

In the six months ended June 30, 2014, accumulated other comprehensive income decreased by \$2.6 million to \$28.9 million, primarily due to the foreign currency translation adjustment.

Based upon the exchange rate at June 30, 2014, the U.S. dollar has weakened by approximately 5% in value against the Euro since June 30, 2013. See Quantitative and Qualitative Disclosures about Market Risk .

Results of Operations of the Restricted Group under our Senior Note Indenture

General

The indenture governing our Senior Notes requires that we also provide a discussion in annual and quarterly reports we file with the SEC under Management's Discussion and Analysis of Financial Condition and Results of Operations of the results of operations and financial condition of Mercer Inc. and our restricted subsidiaries under the indenture, referred to as the Restricted Group . The Restricted Group is comprised of Mercer Inc., our Rosenthal and Celgar mills and certain holding subsidiaries. The Restricted Group excludes our Stendal mill.

The following is a discussion of the results of operations and financial condition of the Restricted Group. For further information regarding the Restricted Group including, without limitation, a reconciliation to our consolidated results of operations, see Note 14 of our interim consolidated financial statements included herein.

FORM 10-Q

Summary Financial Highlights for the Restricted Group

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Restricted Group⁽¹⁾	(in thousands)			
Pulp revenues	\$ 136,632	\$ 137,957	\$ 277,429	\$ 270,307
Energy and chemical revenues	\$ 7,649	\$ 7,886	\$ 16,530	\$ 17,247
Operating income (loss)	\$ 2,960	\$ (7,748)	\$ 24,245	\$ (2,599)
Gain (loss) on derivative instruments	\$ -	\$ (551)	\$ -	\$ (1,007)
Income tax benefit (provision)	\$ (4,033)	\$ (795)	\$ (5,785)	\$ (2,137)
Net income (loss)	\$ (9,595)	\$ (14,661)	\$ 1,532	\$ (17,028)

(1) See Note 14 of the interim financial statements included elsewhere herein for a reconciliation to our consolidated results.

Selected Production, Sales and Other Data for the Restricted Group

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Pulp production (000 ADMTs)	185.2	192.1	396.0	397.7
Scheduled production downtime (000 ADMTs)	14.0	16.0	14.0	16.0
Scheduled production downtime (days)	10	11	10	11
Pulp sales (000 ADMTs)	189.3	202.4	382.3	401.8
Average NBSK pulp list prices in Europe (\$/ADMT) ⁽¹⁾	925	857	923	844
Average pulp sales realizations (\$/ADMT) ⁽²⁾	722	681	726	673
Energy production (000 MWh)	204.4	216.3	430.4	446.6
Energy sales (000 MWh)	70.1	78.8	144.9	158.7
Average energy sales realizations (\$/MWh)	109	100	114	109

Average Spot Currency Exchange Rates

\$ / ⁽³⁾	1.3716	1.3064	1.3711	1.3129
\$ / C\$ ⁽³⁾	0.9169	0.9777	0.9118	0.9845

(1) Source: RISI pricing report.

(2) Average realized pulp price for the periods indicated reflect customer discounts and pulp price movements between the order and shipment date.

(3) Average Federal Reserve Bank of New York noon spot rate over the reporting period.

Restricted Group Results Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Explanation of Responses:

Total revenues for the Restricted Group decreased by approximately 1% to \$144.3 million in the second quarter of 2014, compared to \$145.8 million in the second quarter of 2013, primarily due to lower pulp and energy revenues at our Celgar mill.

Pulp revenues for the Restricted Group for the three months ended June 30, 2014 decreased to \$136.6 million from \$138.0 million in the comparative period of 2013, primarily due to lower pulp sales volumes, partially offset by higher price realizations.

Energy and chemical revenues decreased by approximately 4% in the current quarter to \$7.6 million from \$7.9 million in the same period last year, primarily as a result of lower pulp production at our Celgar mill.

FORM 10-Q

QUARTERLY REPORT - PAGE 38

Average list prices for NBSK pulp in Europe were approximately \$925 per ADMT in the current quarter, compared to \$857 per ADMT in the same quarter last year. In the second quarter of 2014, average pulp sales realizations for the Restricted Group increased by approximately 6% to \$722 per ADMT from \$681 per ADMT in the same period last year, primarily due to higher pulp prices.

Pulp production for the Restricted Group decreased by approximately 4% to 185,159 ADMTs in the second quarter of 2014 from 192,142 ADMTs in the same period of 2013. We had ten days (approximately 14,000 ADMTs) of scheduled maintenance downtime at our Celgar mill in the second quarter of 2014, which we estimate adversely impacted our Operating EBITDA by approximately \$16.4 million, comprised of approximately \$11.6 million in direct out-of-pocket expenses and the balance for reduced production. Our Rosenthal mill's 12-day annual maintenance shutdown is scheduled for the third quarter of 2014.

Pulp sales volumes of the Restricted Group decreased by approximately 7% to 189,278 ADMTs in the second quarter of 2014 from 202,446 ADMTs in the comparative period of 2013, primarily due to weaker demand from China and lower production at our Celgar mill.

Costs and expenses for the Restricted Group in the second quarter of 2014 decreased by approximately 8% to \$141.3 million from \$153.6 million in the comparative period of 2013, primarily due to lower sales volumes and lower fiber costs.

In the second quarter of 2014, operating depreciation and amortization for the Restricted Group was \$10.6 million, compared to \$10.8 million in the same quarter last year. Selling, general and administrative expenses for the Restricted Group were \$8.6 million, compared to \$7.4 million in the same period of 2013.

Transportation costs for the Restricted Group decreased to \$15.1 million in the second quarter of 2014 from \$16.1 million in the same quarter last year. The decrease was due to lower sales volumes, partially offset by higher costs per tonne at our Celgar mill resulting from limitations on rail car availability.

Overall, per unit fiber costs of the Restricted Group in the second quarter of 2014 decreased by approximately 10% compared to the same period in 2013. During the second quarter of 2014, fiber costs at both our Rosenthal and Celgar mills were lower than the comparative period in 2013. Fiber costs at our Celgar mill decreased as a result of strong sawmill activity in the region. For the third quarter, we currently expect fiber costs at our Celgar mill to increase slightly and our fiber costs at our Rosenthal mill to be slightly lower.

In the second quarter of 2014, the Restricted Group reported operating income of \$3.0 million, compared to an operating loss of \$7.7 million in the second quarter of 2013, primarily due to higher pulp sales realizations and lower fiber costs, partially offset by lower sales volumes.

Interest expense for the Restricted Group increased to \$8.5 million in the second quarter of 2014 from \$7.7 million in the same quarter of last year. The increase is due to the additional Senior Notes issued in July 2013.

In the second quarter of 2013, the Restricted Group also recorded a loss on derivative instruments of approximately \$0.6 million related to two fixed price pulp swap contracts entered into in the fourth quarter of 2012. Such contracts matured in December 2013.

FORM 10-Q

QUARTERLY REPORT - PAGE 39

Explanation of Responses:

During the second quarter of 2014, the Restricted Group recorded \$4.0 million of income tax expense, compared to income tax expense of \$0.8 million in the same period last year.

The net loss reported by the Restricted Group for the second quarter of 2014 was \$9.6 million, compared to a net loss of \$14.7 million in the same period last year.

In the second quarter of 2014, the Restricted Group's Operating EBITDA increased to \$13.7 million from \$3.1 million in the same quarter of 2013. Operating EBITDA is defined as operating income (loss) plus depreciation and amortization and non-recurring capital asset impairment charges. 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. See the discussion of our consolidated results for the three months ended June 30, 2014 for additional information relating to such limitations of Operating EBITDA.

The following table provides a reconciliation of net income (loss) to operating income (loss) and Operating EBITDA for the Restricted Group for the periods indicated:

	Three Months Ended June 30, 2014 2013 (in thousands)	
Restricted Group⁽¹⁾		
Net income (loss)	\$ (9,595)	\$ (14,661)
Income tax provision	4,033	795
Interest expense	8,548	7,685
(Gain) loss on derivative instruments	-	551
Other (income) expense	(26)	(2,118)
Operating income (loss)	2,960	(7,748)
Add: Depreciation and amortization	10,714	10,878
Operating EBITDA	\$ 13,674	\$ 3,130

(1) See Note 14 of the interim consolidated financial statements included elsewhere herein for a reconciliation to our consolidated results.

Restricted Group Results Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Total revenues for the Restricted Group increased by approximately 2% to \$294.0 million in the first half of 2014, compared to \$287.6 million in the same period of 2013, primarily due to higher pulp revenues.

Pulp revenues for the Restricted Group for the six months ended June 30, 2014 increased to \$277.4 million from \$270.3 million in the comparative period of 2013, primarily due to higher pulp sales realizations, partially offset by lower sales volumes.

Energy and chemical revenues decreased by approximately 4% in the first half of 2014 to \$16.5 million from \$17.2 million in the same period last year, primarily as a result of lower pulp production at our Celgar mill.

Average list prices for NBSK pulp in Europe were approximately \$923 per ADMT in the six months ended June 30, 2014, compared to \$844 per ADMT in the same period last year. In the first half of 2014, average pulp sales realizations for the Restricted Group increased by approximately 8% to \$726 per ADMT from \$673 per ADMT in the same period last year, primarily due to higher pulp prices.

FORM 10-Q

QUARTERLY REPORT - PAGE 40

Pulp production for the Restricted Group decreased marginally to 395,975 ADMTs in the first half of 2014 from 397,692 ADMTs in the same period of 2013. We had ten days (approximately 14,000 ADMTs) of scheduled maintenance downtime at our Celgar mill in the first half of 2014. Our Rosenthal mill's annual maintenance shutdown is scheduled for September 2014.

Pulp sales volumes of the Restricted Group decreased by approximately 5% to 382,292 ADMTs in the first half of 2014 from 401,771 ADMTs in the comparative period of 2013.

Costs and expenses for the Restricted Group in the first half of 2014 decreased by approximately 7% to \$269.7 million from \$290.2 million in the comparative period of 2013, primarily due to the impact of lower sales volumes and lower fiber costs.

In the first half of 2014, operating depreciation and amortization for the Restricted Group was \$21.2 million, compared to \$21.6 million in the same period last year. Selling, general and administrative expenses for the Restricted Group were \$15.1 million, compared to \$14.9 million in the same period of 2013.

Transportation costs for the Restricted Group decreased to \$28.8 million in the first half of 2014 from \$31.4 million in the same period last year. The decrease was due to lower sales volumes and the impact of a stronger U.S. dollar relative to the Canadian dollar, partially offset by higher costs per tonne at our Celgar mill resulting from limitations on rail car availability.

Overall, per unit fiber costs of the Restricted Group in the first half of 2014 decreased by approximately 5% compared to the same period in 2013. During the first half of 2014, fiber costs at our Rosenthal mill were higher than the comparative period in 2013 due to the impact of a weaker U.S. dollar relative to the Euro. Fiber costs at our Celgar mill decreased as a result of strong sawmill activity in the region. For the third quarter, we currently expect fiber costs at our Celgar mill to increase slightly and our fiber costs at our Rosenthal mill to be slightly lower.

In the first half of 2014, the Restricted Group reported operating income of \$24.2 million, compared to an operating loss of \$2.6 million in the same period of 2013, primarily due to higher pulp revenues and lower fiber costs at our Celgar mill.

Interest expense for the Restricted Group increased to \$17.1 million in the first half of 2014 from \$15.4 million in the same period of last year. The increase is due to the additional Senior Notes issued in July 2013.

In the first half of 2013, the Restricted Group also recorded a loss on derivative instruments of approximately \$1.0 million related to two fixed price pulp swap contracts entered into in the fourth quarter of 2012. Such contracts matured in December 2013.

During the first half of 2014, the Restricted Group recorded \$5.8 million of income tax expense, compared to income tax expense of \$2.1 million in the same period last year.

Net income reported by the Restricted Group for the first half of 2014 was \$1.5 million, compared to a net loss of \$17.0 million in the same period last year.

FORM 10-Q

QUARTERLY REPORT - PAGE 41

Explanation of Responses:

In the first half of 2014, the Restricted Group's Operating EBITDA increased to \$45.6 million from \$19.2 million in the same period of 2013. Operating EBITDA is defined as operating income (loss) plus depreciation and amortization and non-recurring capital asset impairment charges. 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. See the discussion of our consolidated results for the three months ended June 30, 2014 for additional information relating to such limitations of Operating EBITDA.

The following table provides a reconciliation of net income (loss) to operating income (loss) and Operating EBITDA for the Restricted Group for the periods indicated:

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
Restricted Group⁽¹⁾		
Net income (loss)	\$ 1,532	\$ (17,028)
Income tax provision	5,785	2,137
Interest expense	17,066	15,430
(Gain) loss on derivative instruments	-	1,007
Other (income) expense	(138)	(4,145)
Operating income (loss)	24,245	(2,599)
Add: Depreciation and amortization	21,373	21,776
Operating EBITDA	\$ 45,618	\$ 19,177

(1) See Note 14 of the interim consolidated financial statements included elsewhere herein for a reconciliation to our consolidated results.

Liquidity and Capital Resources of the Restricted Group

The following table is a summary of selected financial information for the Restricted Group as at the dates indicated:

	As at June 30, 2014	As at December 31, 2013
	(in thousands)	
Restricted Group Financial Position⁽¹⁾		
Cash and cash equivalents	\$ 157,418	\$ 82,910
Working capital	\$ 277,973	\$ 211,749
Total assets	\$ 936,001	\$ 858,824
Long-term liabilities	\$ 406,669	\$ 394,821

Explanation of Responses:

Total equity	\$ 464,539	\$ 412,033
--------------	------------	------------

(1) See Note 14 of the interim consolidated financial statements included elsewhere herein for a reconciliation to our consolidated results.

At June 30, 2014, cash and cash equivalents for the Restricted Group increased to \$157.4 million from \$82.9 million at the end of 2013. On April 2, 2014, we completed the 2014 Equity Offering for net proceeds of approximately \$53.6 million. We currently expect to use approximately \$20.0 million of the net proceeds from this offering to further capitalize our Stendal mill to provide it with greater operational and financial flexibility.

As at June 30, 2014, we had approximately 28.4 million and C\$38.3 million available under our Rosenthal and Celgar revolving credit facilities, respectively.

FORM 10-Q

QUARTERLY REPORT - PAGE 42

We currently expect the Restricted Group to meet its interest and debt service obligations and meet the working and maintenance capital requirements for its operations for the next 12 months with cash flow from operations, cash on hand and available borrowings.

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 increase, these judgments become even more subjective and complex.

Our significant accounting policies are disclosed in Note 1 to our annual report on Form 10-K for the fiscal year ended December 31, 2013. 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 the accounting for, among other things, doubtful accounts and reserves, depreciation and amortization, future cash flows associated with impairment testing for long-lived assets, derivative financial instruments, legal liabilities, asset retirement obligations, pensions and post-retirement benefit obligations, income taxes, contingencies, and inventory obsolescence and provisions. Actual results could differ materially from these estimates, and changes in these estimates are recorded when known.

We have identified certain accounting policies that are the most important to the portrayal of our current financial condition and results of operations.

For information about both our significant and critical accounting policies, see our annual report on Form 10-K for the fiscal year ended December 31, 2013.

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, es, words of similar meaning, or future or conditional verbs, such as will, should, could, or may, although not 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:

the highly cyclical nature of our business;

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

FORM 10-Q

QUARTERLY REPORT - PAGE 43

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

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

we operate in highly competitive markets;

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

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

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

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

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

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

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

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

the actual benefits of the Celgar workforce reduction may differ from those currently expected;

we are subject to risks related to our employees;

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

we are dependent on key personnel;

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

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

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

our insurance coverage may not be adequate;

we rely on third parties for transportation services;

the price of our common stock may be volatile; and

a small number of our stockholders could significantly influence our business.

FORM 10-Q

QUARTERLY REPORT - PAGE 44

Given these uncertainties, you should not place undue reliance on our forward-looking statements. The forgoing 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 in reports and other documents we have filed with or furnished to the SEC, including in our annual report on Form 10-K for the fiscal year ended December 31, 2013. 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 business is highly cyclical in nature and markets are characterized by periods of supply and demand imbalance, which in turn affects prices. Pulp markets are highly competitive and are sensitive to cyclical changes in the global economy, industry capacity and foreign exchange rates, all of which can have a significant influence on selling prices and our operating results. The length and magnitude of industry cycles have varied over time but generally reflect changes in macro-economic conditions and levels of industry capacity. Pulp is a commodity that is generally available from other producers. Because commodity products have few distinguishing qualities from producer to producer, competition is generally based upon price, which is generally determined by supply relative to demand.

Industry capacity can fluctuate as changing industry conditions can influence producers to idle production capacity or permanently close mills. In addition, to avoid substantial cash costs in idling or closing a mill, some producers will choose to operate at a loss, sometimes even a cash loss, which can prolong weak pricing environments due to oversupply. Oversupply of our products can also result from producers introducing new capacity in response to favorable pricing trends.

Demand for pulp has historically been determined primarily by general global macro-economic conditions and has been closely tied to overall business activity. From 2006 to mid-2008, pulp prices steadily improved. However, the global economic crisis in the latter half of 2008 resulted in a sharp decline of pulp prices from a high of \$900 per ADMT to \$635 per ADMT at the end of 2008. Pulp prices began to increase in the second half of 2009 and continued to increase to record levels through June of 2010, before declining slightly in the fourth quarter of 2010. Pulp prices again rebounded to record levels in the first half of 2011 but declined sharply in the latter part of the year, primarily due to economic uncertainty in Europe and credit tightening in China. Economic uncertainty in Europe and China, respectively, impacted both demand and prices. In 2012, list prices were on average approximately 15% lower than 2011. In 2013, list prices were approximately 6% higher than 2012. During the six months ended June 30, 2014, pulp prices marginally increased in Europe and North America and marginally decreased in China. As at June 30, 2014, list prices for NBSK pulp were approximately \$925 per ADMT in Europe, \$1,030 per ADMT in North America and \$720 per ADMT in China.

Accordingly, prices for pulp 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 price for pulp, 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.

FORM 10-Q

QUARTERLY REPORT - PAGE 45

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 and pulp logs. Wood chip and pulp log costs are primarily affected by the supply of, and demand for, lumber and pulp, which are both cyclical and, to a lesser extent, by increasing demand from renewable energy producers. Higher fiber costs could affect producer profit margins if they are unable to pass along price increases to pulp customers or purchasers of surplus energy. The state of lumber markets affects both the amount of sawmill residuals, such as chips, produced as a by-product of lumber and the level of timber harvesting, which provides us with pulp logs. Production costs also depend on the total volume of production. Lower operating rates during periods of cyclically low demand result in higher average production costs and lower margins.

Currency

The majority of our sales are in products quoted in U.S. dollars while most of our operating costs and expenses, other than those of the Celgar mill, are incurred in Euros. In addition, all of the products sold by the Celgar mill are quoted in U.S. dollars and the Celgar mill costs are primarily incurred in Canadian dollars. Our results of operations and financial condition are reported in U.S. dollars. As a result, our expenses are adversely affected by a decrease in the value of the U.S. dollar relative to the Euro and to the Canadian dollar. Such shifts in currencies 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.

FORM 10-Q

QUARTERLY REPORT - PAGE 46

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 U.S. dollar versus each of the Euro and the 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 use of derivatives. We use derivatives to reduce or limit our exposure to interest rate and currency risks. We also use derivatives to reduce or limit our exposure to fluctuations in pulp prices. We use derivatives to reduce our potential losses or to augment our potential gains, depending on our management's perception of future economic events and developments. These types of derivatives are generally highly speculative in nature. They are also very volatile as they are highly leveraged given that margin requirements are relatively low in proportion to notional amounts.

Many of our strategies, including the use of derivatives, and the types of derivatives selected by us, are based on historical trading patterns and correlations and our management's expectations of future events. However, these strategies may not be effective in all market environments or against all types of risks. Unexpected market developments may affect our risk management strategies during this time, and unanticipated developments could impact our risk management strategies in the future. If any of the variety of instruments and strategies we utilize is not effective, we may incur significant losses.

All of our derivatives are marked to market at the end of each reporting period, and all unrealized gains and losses are recognized in earnings for a reporting period. We determine market valuations based primarily upon observable inputs including applicable yield curves.

During the six months ended June 30, 2014, we recorded an unrealized gain of approximately \$5.8 million on our outstanding interest rate derivative, compared to an unrealized gain of \$14.3 million in the same period of 2013.

In November 2012, we entered into two fixed price pulp swap contracts with a bank. Under the terms of these contracts, 3,000 metric tonnes of pulp per month were fixed at prices with a range from \$880 to \$890 per metric tonne. We recorded a loss of approximately \$1.0 million related to these swap contracts in the six months ended June 30, 2013. These contracts matured in December 2013.

We are also subject to some energy price risk, primarily for the natural gas and the electricity that our operations purchase.

FORM 10-Q

QUARTERLY REPORT - PAGE 47

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.

FORM 10-Q

QUARTERLY REPORT - PAGE 48

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to routine litigation incidental to our business, including those described in our latest annual report on Form 10-K for the fiscal year ended December 31, 2013. 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

As of June 30, 2014, there have been no material changes to the factors disclosed in Item 1A. Risk Factors in our latest annual report on Form 10-K for the fiscal year ended December 31, 2013.

ITEM 2. UNREGISTERED SALE 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.

FORM 10-Q

QUARTERLY REPORT - PAGE 49

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
101	The following financial statements from the Company's Form 10-Q for the fiscal quarter ended June 30, 2014, formatted in XBRL: (i) Interim Consolidated Balance Sheets; (ii) Interim Consolidated Statements of Operations; (iii) Interim Consolidated Statements of Retained Earnings; (iv) Interim Consolidated Statements of Comprehensive Income; (v) Interim Consolidated Statements of Cash Flows; and (vi) Notes to Interim Consolidated Financial Statements.

* In accordance with Release 33-8212 of the Commission, these Certifications: (i) are furnished to the Commission 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.

FORM 10-Q

QUARTERLY REPORT - PAGE 50

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, thereunto duly authorized.

MERCER INTERNATIONAL INC.

By: /s/ David M. Gandossi
David M. Gandossi
Secretary and Chief Financial Officer

Date: August 1, 2014

FORM 10-Q

QUARTERLY REPORT - PAGE 51