

MERCER INTERNATIONAL INC.
Form 10-Q
August 02, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from _____ to _____

Commission File No.: 000-51826

MERCER INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

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Washington
(State or other jurisdiction of
incorporation or organization)
Suite 1120, 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8
(Address of office)
(604) 684-1099
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company

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

The Registrant had 55,853,704 shares of common stock outstanding as at August 1, 2013.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

(Unaudited)

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MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands of Euros)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	134,433	104,239
Receivables	97,028	110,087
Inventories (Note 2)	108,190	118,300
Prepaid expenses and other	12,830	7,907
Deferred income tax	3,812	4,465
Total current assets	356,293	344,998
Long-term assets		
Property, plant and equipment	788,818	808,878
Deferred note issuance and other	12,630	12,162
Deferred income tax	14,758	17,565
	816,206	838,605
Total assets	1,172,499	1,183,603
LIABILITIES		
Current liabilities		
Accounts payable and other	96,002	89,950
Pension and other post-retirement benefit obligations (Note 4)	780	813
Debt (Note 3)	44,346	45,662
Total current liabilities	141,128	136,425
Long-term liabilities		
Debt (Note 3)	680,087	665,741
Unrealized interest rate derivative losses (Note 8)	39,798	50,678
Pension and other post-retirement benefit obligations (Note 4)	31,158	32,141
Capital leases and other	13,599	13,936
Deferred income tax	6,892	5,757
	771,534	768,253
Total liabilities	912,662	904,678
EQUITY		
Shareholders' equity		
Share capital (Note 5)	248,923	248,371
Paid-in capital	(3,568)	(3,547)
Retained earnings	15,464	25,800
Accumulated other comprehensive income	14,585	25,181

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Total shareholders equity	275,404	295,805
Noncontrolling interest (deficit)	(15,567)	(16,880)
Total equity	259,837	278,925
Total liabilities and equity	1,172,499	1,183,603

Commitments and contingencies (Note 10)

Subsequent events (Note 11)

The accompanying notes are an integral part of these interim consolidated financial statements.

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MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands of Euros, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues				
Pulp	193,659	186,036	373,779	385,475
Energy and chemicals	16,487	18,026	34,639	36,945
	210,146	204,062	408,418	422,420
Costs and expenses				
Operating costs	186,880	162,617	351,978	340,387
Operating depreciation and amortization	14,744	14,525	29,475	28,812
	8,522	26,920	26,965	53,221
Selling, general and administrative expenses	9,363	8,624	18,258	18,682
Operating income (loss)	(841)	18,296	8,707	34,539
Other income (expense)				
Interest expense	(13,139)	(13,863)	(26,287)	(27,996)
Gain on derivative instruments (Note 8)	5,293	1,343	10,113	2,219
Other income (expense)	6	(368)	(64)	(778)
Total other income (expense)	(7,840)	(12,888)	(16,238)	(26,555)
Income (loss) before income taxes	(8,681)	5,408	(7,531)	7,984
Income tax benefit (provision)				
Current	(192)	(6,281)	3,079	(6,337)
Deferred	(433)	4,016	(4,571)	3,340
Net income (loss)	(9,306)	3,143	(9,023)	4,987
Less: net income attributable to noncontrolling interest	(605)	(1,628)	(1,313)	(2,299)
Net income (loss) attributable to common shareholders	(9,911)	1,515	(10,336)	2,688
Net income (loss) per share attributable to common shareholders (Note 7)				
Basic and diluted	(0.18)	0.03	(0.19)	0.05

The accompanying notes are an integral part of these interim consolidated financial statements.

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MERCER INTERNATIONAL INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In thousands of Euros)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss)	(9,306)	3,143	(9,023)	4,987
Other comprehensive income (loss), net of taxes				
Foreign currency translation adjustments (net of tax effects of (285), 1,118, 289, 1,208)	(7,703)	(1,334)	(11,231)	813
Change in unrecognized losses and prior service costs related to defined benefit plans (net of tax effects of nil in all periods)	745	(485)	652	(336)
Unrealized gains (losses) on marketable securities, arising during the period (net of tax effects of nil in all periods)	(27)	(66)	(17)	2
Other comprehensive income (loss), net of taxes	(6,985)	(1,885)	(10,596)	479
Total comprehensive income (loss)	(16,291)	1,258	(19,619)	5,466
Comprehensive income attributable to noncontrolling interest	(605)	(1,628)	(1,313)	(2,299)
Comprehensive income (loss) attributable to common shareholders	(16,896)	(370)	(20,932)	3,167

INTERIM CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)

(In thousands of Euros)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss) attributable to common shareholders	(9,911)	1,515	(10,336)	2,688
Retained earnings, beginning of period	25,375	39,158	25,800	37,985
Retained earnings, end of period	15,464	40,673	15,464	40,673

The accompanying notes are an integral part of these interim consolidated financial statements.

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INTERIM CONSOLIDATED STATEMENTS OF CAS