

## Risk Factors Comparison 2025-02-20 to 2024-02-15 Form: 10-K

**Legend:** New Text Removed Text Unchanged Text Moved Text Section

Private Securities Litigation Reform Act of 1995 for forward- looking statements. We expressly disclaim any obligation to update or revise any forward- looking statements, whether as a result of new information, future events or otherwise.

**INDUSTRY, MARKET AND OTHER DATA** In this Annual Report on Form 10- K, we rely on and refer to information and statistics regarding our market share and the markets in which we compete. We have obtained some of this market share information and industry data from internal surveys, market research, publicly available information and industry publications. Such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed. Although we believe this information is reliable, we have not independently verified, nor can we guarantee, the accuracy or completeness of that information. Statements in this Annual Report on Form 10- K concerning the production capacity of our mills are management estimates based primarily on historically achieved levels of production and assumptions regarding maintenance downtime. Statements concerning electrical generating capacity at our mills are also management estimates based primarily on our expected production (which largely determines the amount of electricity we can generate) and assumptions regarding maintenance downtime, in each case within manufacturers' specifications of capacity.

**INTERNET AVAILABILITY AND ADDITIONAL INFORMATION** In this Annual Report on Form 10- K, we incorporate by reference certain information contained in other documents filed with the U. S. Securities and Exchange Commission, referred to as the " SEC ", and we refer you to such information. We file annual, quarterly and current reports and other information with the SEC. The SEC maintains a website at [www. sec. gov](http://www.sec.gov) that contains these filings. You also may access, free of charge, our reports filed with the SEC through our website. Reports filed with the SEC will be available through our website as soon as reasonably practicable after they are filed. The information contained on or connected to our website, [www. mercerint. com](http://www.mercerint.com), is not incorporated by reference into this Annual Report on Form 10- K and should in no way be construed as a part of this or any other report that we filed with the SEC.

(1) **CURRENCY** The following table sets out exchange rates, based on the noon buying rates in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, referred to as the " Noon Buying Rate ", for the conversion of dollars to euros and Canadian dollars in effect at the end of the following periods, the average exchange rates during these periods (based on daily Noon Buying Rates) and the range of high and low exchange rates for these periods: Year Ended December 31, (\$ / €)

End of period	High for period	Average for period	Low for period
1. 0351 1. 1062 1. 0698 1. 1318 1. 2230	1. 1227	1. 0351 1. 0453 0. 9616 1. 1196 1. 0682	1. 0905
1. 1184 1. 1237 1. 1487 1. 2295 1. 2280	1. 1524	1. 0820 1. 0817 1. 0534 1. 1830 1. 1410	1. 1194
0. 6944 0. 7575 0. 7390 0. 7827 0. 7841	0. 7715	0. 6929 0. 7205 0. 7208 0. 7727 0. 6878	0. 7358
0. 7513 0. 7618 0. 8031 0. 8312 0. 7865	0. 7715	0. 7302 0. 7412 0. 7691 0. 7981 0. 7457	0. 7537

On February ~~12-18~~, **2024-2025**, the most recent weekly publication of the daily Noon Buying Rate before the filing of this Annual Report on Form 10- K reported that the Noon Buying Rate as of February ~~9-14~~, **2024-2025** for the conversion of dollars to euros and Canadian dollars was \$ 1. ~~0782-0498~~ per euro and \$ 0. ~~7419-7057~~ per Canadian dollar.

(2) **PART I ITEM 1. BUSINESS** In this document, please note the following: • references to " we ", " our ", " us ", the " Company " or " Mercer " mean Mercer International Inc. and its subsidiaries, unless the context clearly suggests otherwise, and references to " Mercer Inc. " mean Mercer International Inc. excluding its subsidiaries; • references to " \$ " or " dollars " shall mean U. S. dollars, which is our reporting currency, unless otherwise stated; " € " refers to euros; and " C \$ " refers to Canadian dollars; • references to " ADMTs " mean air- dried metric tonnes; • references to " CLT " mean cross- laminated timber; • references to " ~~glulam~~ " mean glue- laminated timber; • references to " m3 " mean cubic meters; • references to " Mfbm " mean thousand board feet; • references to " MMfbm " mean million board feet; • references to " MW " mean megawatts and " MWh " mean megawatt hours; • references to " NBHK " mean northern bleached hardwood kraft; • references to " NBSK " mean northern bleached softwood kraft; • references to " tonnes " mean metric tonnes; and • our lumber metrics are converted from m3 to Mfbm using a conversion ratio of 1. 6 m3 of lumber equaling one Mfbm, which is the ratio commonly used in the industry. Due to rounding, numbers presented throughout this report may not add up precisely to totals we provide and percentages may not precisely reflect the absolute figures.

**General** We are a global forest products company and have two reportable operating segments: • Pulp – consists of the manufacture, sale and distribution of pulp, electricity and chemicals at our pulp mills. • Solid Wood – consists of the manufacture, sale and distribution of lumber, manufactured products (including CLT, glulam and finger joint lumber), wood pallets, electricity, biofuels and wood residuals at our sawmills and other facilities in Germany and our mass timber facilities in North America. We have consolidated annual production capacity of approximately 2. ~~3-1~~ million ADMTs of kraft pulp, 960 MMfbm of lumber, 210, 000 m3 of CLT, 45, 000 m3 of glulam, 17 million pallets, 230, 000 tonnes of biofuels (wood pellets and briquettes) and ~~398-426.5~~ MW of electrical generation. Pulp Segment We are one of the world' s largest producers of " market " NBSK pulp, which is pulp that is sold on the open market. Our size provides us **with** increased presence, better industry information in our markets and close customer relationships with many large pulp consumers. (3) We operate four modern and highly efficient pulp mills. These include **two** NBSK mills in ~~Eastern~~ Germany and one NBSK mill and one " swing " kraft mill in Western Canada which produces both NBSK and NBHK. We are the sole NBSK producer, and the only significant market pulp producer in Germany, which is the largest pulp import market in Europe. We supply the growing pulp demand in China both through our Canadian mills' ready access to the Port of Vancouver and through our ~~Stendal~~ **German mill-mills** : s-existing logistics arrangements. In addition, as a result of the significant investments **previously** made in cogeneration equipment, all of our mills generate and sell a significant amount of surplus " green " energy. We also produce and

sell tall oil from black liquor, a by-product of our production process, which is used as both a chemical additive and as a green energy source. In the second quarter of 2023, we commissioned the lignin pilot production and research and development facility at our Rosenthal mill. This facility can produce approximately 250-300 tonnes of lignin per year. We believe lignin has the potential to be a sustainable green alternative to displace fossil fuels and hydrocarbon-based products. Of our consolidated annual production capacity of approximately 2.3 million ADMTs of kraft pulp, approximately 2.1 million ADMTs, or 89.86%, is NBSK and the balance is NBHK. Key operating details for each of our pulp mills are as follows:

- Stendal mill – Our Stendal mill is a modern, efficient, single-line, ISO 9001, 14001, 38200 and 50001 certified NBSK pulp mill that has an annual production capacity of approximately 740,000 ADMTs and 148 MW of electrical generation. The Stendal mill is located near the town of Arneburg, Germany, approximately 80 miles west of Berlin.
- Rosenthal mill – Our Rosenthal mill is a modern, efficient ISO 9001, 14001, 38200 and 50001 certified NBSK pulp mill that has an annual production capacity of approximately 360,000 ADMTs and 57 MW of electrical generation. The Rosenthal mill is located in the town of Rosenthal am Rennsteig, Germany, approximately 185 miles south of Berlin.
- Celgar mill – Our Celgar mill is a modern, efficient ISO 9001 and 14001 certified NBSK pulp mill that has an annual production capacity of approximately 520,000 ADMTs and 100 MW of electrical generation. The Celgar mill is located near the city of Castlegar, British Columbia, Canada, approximately 375 miles east of Vancouver.
- Peace River mill – Our Peace River mill is a modern, efficient ISO 9001 and 14001 certified mill that produces both NBSK and NBHK pulp and has an annual production capacity of approximately 475,000 ADMTs and 65 MW of electrical generation. The Peace River mill is located near the town of Peace River, Alberta, Canada, approximately 305 miles north of Edmonton. Peace River also holds two 20-year renewable governmental forest management agreements and three deciduous timber allocations in Alberta with an aggregate allowable annual cut of approximately 2.9 million m<sup>3</sup> of hardwood and softwood allocations totaling 375,000 m<sup>3</sup>. Through our Peace River mill, we have a 50% proportionate share of the annual production capacity of the Cariboo mill, with our share of its annual production capacity being approximately 170,000 ADMTs and 28.5 MW of electrical generation. The Cariboo mill is located in Quesnel, British Columbia, Canada. Our pulp mills are some of the newest and most modern pulp mills in Europe and North America. We believe the relative age, production capacity and electrical generation capacity of our mills provide us with certain manufacturing cost and other advantages over many of our competitors. We believe our competitors' older mills do not have the equipment or capacity to produce or sell surplus power or chemicals in a meaningful amount. In addition, as a result of the relative age of our mills, they benefit from lower maintenance capital requirements and higher efficiency relative to many of our competitors' mills.

(4) The following table sets out our pulp production, sales and pulp revenues for the periods indicated: Year Ended December 31, 2024 (1)

	2024 (1)	2023	2022
Pulp production ('000 ADMTs)	1,843.1	1,965.6	1,878.6
Pulp sales ('000 ADMTs)	1,899.8	1,951.2	1,917.7
Pulp revenues (in thousands) \$	1,460,460	\$1,402,620	\$1,686,370

– (1) In March 2024, we disposed of our 50% joint venture interest in the Cariboo Pulp & Paper Company (“CPP”). Our pulp mills generate and sell surplus electricity, providing us with a stable revenue source unrelated to pulp prices. Our German pulp mills also generate tall oil from black liquor, which is sold to third parties for use in numerous applications, including biofuels. Since our energy and chemical production are by-products of our pulp production process, there are minimal incremental costs and our surplus energy and chemical sales are highly profitable. All of our mills generate and sell surplus energy to regional utilities or the regional electrical market. Our German mills can sell energy at market prices and, previously, our Stendal mill has also had the option to sell energy pursuant to a special tariff under Germany's Renewable Energy Sources Act, or the “Renewable Energy Act” – However, which expired in December 2023. In 2024, as a result of higher energy prices resulting from reduced supply caused by the war in Ukraine, Stendal primarily sold energy at market prices which were generally higher than the tariff rate. Both As a result of higher energy prices stemming from the war in Ukraine, in 2022, the European Union adopted a and Germany have enacted or proposed legislation regulation that introduced related to energy supply shortages and high energy prices resulting from the war, including a mandatory cap on market revenues at of inframarginal electricity produced of €180 per MWh for inframarginal generators such as renewables, nuclear and lignite producers. In The price cap came into force in February 2023 and has been extended to January 2025. On December 16, 2022, the German Germany government approved, this was implemented through a “windfall profits tax on energy producers” which took effect from December 2022 and until it expired in June 2023 with respect. The windfall profits tax was equivalent to electricity 90% of the revenue above a “baseline” threshold for energy producers. See Item 1A. “Risk Factors – We sell surplus green energy in Germany and are subject to changing energy legislation in response to high prices and energy shortages.” Our Peace River mill sells surplus energy to its regional electrical market. Our Celgar mill is party to a fixed electricity purchase agreement with the regional public utility provider for the sale of surplus power which runs until October 2030. The following table sets out the amount of surplus energy we produced and sold and revenues from the sale of such surplus energy and chemicals in our pulp segment for the periods indicated: Year Ended December 31, (MWh) (\$) (MWh) (\$) (MWh) (\$) (in thousands) (in thousands) (in thousands)

	2024	2023	2022
Surplus electricity	(1) 797,218	72,705	832,587
Chemicals	15,391	24,376	12,229
Total	88,096	113,510	179,747

(1) Does not include our 50% joint venture interest in CPP the Cariboo mill, which is was accounted for using the equity method. In March 2024, we disposed of this interest. We serve pulp customers in Europe, Asia and North America. We primarily work directly with customers to capitalize on our geographic diversity, coordinate sales and enhance customer relationships. We believe our ability to deliver high-quality pulp on a timely basis and our customer service makes us a preferred supplier for many customers.

**Solid Wood Segment** Our solid wood segment consists of the manufacture, sale and distribution of lumber, manufactured products (including CLT, glulam and finger joint lumber), wood pallets, electricity, biofuels and wood residuals from our sawmills and other facilities located in Germany and our mass timber facilities in North America, which include the recently acquired U.S. and Canadian facilities of the Structurlam group of companies, referred to as the “Structurlam Group”. Since 2021, we have invested approximately \$396.6 million to expand our solid wood activities and product mix, to acquire the Mercer Spokane Mass Timber facility, referred to as the “Mercer

Spokane facility " in 2021, the Torgau facility in 2022 and substantially all of the assets of the Structurlam group of companies, referred to as the " Structurlam Group ", in June 2023, (5) which included a mass timber production facility in Conway, Arkansas, referred to as the " Mercer Conway facility " and three mass timber production facilities (5) in British Columbia, Canada. We combined the British Columbia facilities into one facility, referred to as the " Mercer Okanagan facility " after completing the acquisition. In addition, since 2021 we have invested approximately \$ 96-134.3-0 million in capital expenditures in our solid wood segment to increase production, lower costs and enhance efficiency. Our solid wood segment has an aggregate capacity of approximately 960 MMfbm of lumber, 210, 000 m3 of CLT, 45, 000 m3 of glulam, 17 million pallets, 230, 000 tonnes of biofuels and 28 MW of electrical generation. The following is a description of the mills and facilities comprising our solid wood segment:

- Friesau mill – Our Friesau mill is ISO 50001 and 38200 certified and has an annual production capacity of approximately 550 MMfbm of lumber and 13 MW of electrical generation. The mill is located in Friesau, Germany, approximately 185 miles south of Berlin and 10 miles west of our Rosenthal mill and is one of the Rosenthal mill's largest fiber suppliers. The mill has a diverse product line ranging from custom rough green and dry lumber for the European market to kiln-dried, dimension lumber for the United States, Japan, United Kingdom and other export markets.
- Torgau facility – Our Torgau facility is ISO 50001 certified and is an integrated sawmill and value-add pallet production facility, with an annual production capacity of approximately 410 MMfbm of lumber, 17 million pallets and 15 MW of electrical generation. The Torgau facility can also produce up to 230, 000 tonnes of biofuels, consisting of wood pellets and briquettes, used to generate electricity and thermal energy. The Torgau facility is currently one of the world's largest producers of Euro-pallets, the standard European shipping pallet. The Torgau facility is located in Torgau, Germany, approximately 70 miles south of Berlin.
- Mercer Spokane facility – The Mercer Spokane facility is a modern, 253, 000 square foot manufacturing facility that has, with an annual production capacity of 140, 000 m3 of CLT. We believe that the facility is one of the largest CLT facilities in North America, and that it currently represents representing approximately 20 % of North American CLT capacity. CLT is a wood panel product, made from adhering layers of sawn lumber and is used as a more sustainable alternative to steel and concrete in building projects.
- Mercer Conway facility – The Mercer Conway facility is a modern, state-of-the-art manufacturing facility that was built in 2021 and has an annual combined capacity of approximately 75, 000 m3 of CLT and glulam. The Mercer Conway facility includes over 280, 000 square feet of manufacturing space, and is strategically located in the Southern United States in proximity to growing construction markets with access to a large high-quality regional wood basket.
- Mercer Okanagan facility – The Mercer Okanagan facility has an annual capacity of approximately 40, 000 m3 of glulam and CLT. As glulam is commonly incorporated into mass timber construction projects, these assets complement our Mercer Spokane other mass timber facility facilities and enhance our ability to service the growing customer base for our mass timber business. The European and U. S. lumber markets are very different. In the European market, lumber is generally customized in terms of dimensions and finishing. The U. S. market is driven primarily by demand from new housing starts and home renovation activities and dimensions and finishing are generally standardized. Additionally, lumber production and sales in Europe are commonly measured in m3, whereas in the U. S. they are measured in Mfbm.

(6) The following table sets out our major lumber, manufactured product products, pallet and biofuels production, sales and revenues in our solid wood segment for the periods indicated:

Year Ended	Lumber production (MMfbm)	Lumber sales (MMfbm)	Energy production and sales ('000 MWh)	Manufactured products production (2) ('000 m3)	Manufactured products sales (2) ('000 m3)	Manufactured products revenues (2) (in thousands)	Pallet production ('000 units)	Pallet sales ('000 units)	Biofuel-Biofuels production (3) ('000 tonnes)	Biofuel-Biofuels sales (3) ('000 tonnes)	Wood residuals revenues (in thousands)
December 31, 2022	475.6	470.4	160.2	34.0	30.7	\$ 217,471	10	10,243	160.4	184.4	\$ 11,665
December 31, 2021	462.3	500.5	109.6	25.1	33.4	\$ 217,939	22	11,041	167.2	144.8	\$ 18,290
December 31, 2020	442.2	419.9	74.6	36.3	36.1	\$ 288,002	2	2,646	245.7	40	\$ 6,368
December 31, 2019	447.9	509.9	109.6	36.3	33.4	\$ 293,166	2	2,391	245.7	40	\$ 17,691

(1) Includes results of the Torgau facility since September 30, 2022. (2) Primarily includes CLT and glulam for the years ended December 31, 2024 and December 31, 2023. Primarily includes finger joint lumber for the year ended December 31, 2023, CLT and finger joint lumber for the year ended December 31, 2022 and finger joint lumber for the year ended December 31, 2021. (3) Includes pellets and briquettes. The Friesau mill and Torgau facility generate electricity for minimal incremental costs, all of which is sold, providing a stable revenue source unrelated to lumber prices. Both the Friesau mill and Torgau facility can sell surplus electricity at market prices or pursuant to special tariff rates under the Renewable Energy Act. In 2023-2024, the Friesau mill and Torgau facility primarily sold energy at their special tariff rates which were generally higher than market prices. The following table sets out the amount of surplus energy we produced and sold and revenues from the sale of surplus energy by our Friesau mill and Torgau facility for the periods indicated.

Year Ended	Surplus electricity (MWh)	Surplus electricity revenues (in thousands)
December 31, 2022	126,280	\$ 16,512
December 31, 2021	160,161	\$ 21,451
December 31, 2020	109,582	\$ 25,653
December 31, 2019	74,648	\$ 11,547

(7) The following chart sets out our principal operating subsidiaries, all of which are directly or indirectly 100 % owned, their jurisdictions of organization and their principal activities:

Name	Jurisdiction	Organization	Principal Activities
Mercer Stendal GmbH (formerly Zellstoff Stendal GmbH)	Germany	Pulp, energy and chemical production	sales
Mercer Rosenthal GmbH (formerly Zellstoff- und Papierfabrik Rosenthal GmbH)	Germany	Pulp, energy and chemical production	sales
Mercer Celgar Limited Partnership	British Columbia, Canada	Pulp, energy and chemical production	sales
Mercer Peace River Pulp Ltd.	British Columbia, Canada	Pulp and energy production	sales
Mercer Timber Products GmbH	Germany	Lumber and energy production	sales
Mercer Spokane LLC (formerly Mercer Mass Timber LLC)	Washington, U. S. A.	CLT production	sales

~~Mercer~~ Torgau GmbH & Co. KG (formerly HIT Holzindustrie Torgau GmbH & Co. KG) Germany Pallets, lumber, biofuels and energy production and ~~sales~~ ~~Mercer~~ sales ~~Mercer~~ Holz GmbH Germany Wood procurement and ~~logistics~~ ~~logistics~~ ~~Mercer~~ ~~Mercer~~ Conway Inc. Delaware, U. S. A. CLT and glulam production and sales We entered into the pulp business in 1994 by acquiring our Rosenthal mill and in 1999 converted it to the production of kraft pulp. We subsequently expanded our pulp operations by constructing the Stendal mill at a cost of approximately \$ 1. 1 billion in 2004 and acquired the Celgar mill in 2005 and the Peace River mill in 2018. In 2017, we entered into the solid wood business when we acquired the Friesau mill. In 2021, we acquired the Mercer Spokane facility for approximately \$ 51. 3 million. In September 2022, we acquired all of the outstanding shares of the parent company of Mercer Torgau GmbH & Co. KG, the owner of the Torgau facility, for approximately \$ 263. 2 million, inclusive of working capital. In June 2023, we acquired the Mercer Conway facility and Mercer Okanagan facility from the Structurlam Group for approximately \$ 82. 1 million. Corporate Strategy Our corporate strategy is designed to, among other things, grow and expand our assets in our areas of expertise in the forest products industry in a sustainable manner. This includes organic growth through targeted capital expenditures focused on enhancing our existing assets, including to diversify our product offering and revenue sources, and acquisitions of complementary or additional assets, while maintaining the integrity of our balance sheet and liquidity. We strive to operate modern world class facilities with a high standard of environmental, social and governance performance. (8) The maintenance of modern, reliable and energy efficient operations is key to our ability to produce stable returns through the economic cycle. The markets for our principal products are cyclical and subject to global economic influences. Further, our manufacturing operations are capital intensive and complex. Maintaining a high standard of maintenance and strategic capital expenditure programs differentiates us from older, higher cost, lower efficiency competitors. We believe that over time this will reduce our exposure to product price volatility, unexpected downtime and changes in environmental and regulatory conditions. We ~~focus on maintaining~~ ~~seek to have~~ a balance sheet that allows us to advance our objectives through the full economic cycle, while at the same time, ~~giving gives~~ ~~us some the~~ flexibility to take advantage of strategic growth opportunities as they arise. We maintain a foundation of long- term, unsecured, senior notes with expiry dates ~~between ranging from 2026 2028 to and~~ 2029. In addition to cash on hand, we have a series of revolving credit facilities intended to provide liquidity and flexibility in times of opportunity or economic slowdown. In furtherance of this strategy, since 2021 we have completed a series of acquisitions that expanded and diversified our product mix in the solid wood segment, including the acquisition of the Mercer Spokane facility in 2021, the Torgau facility in 2022 and the Mercer Conway facility and ~~the~~ Mercer Okanagan facility in 2023. In particular, the acquisition of the Mercer Conway facility, along with its glulam production capabilities, positions us to capitalize on the growing market share of CLT and glulam in North American construction as customers seek more carbon- efficient building alternatives. (8) Pulp Industry Pulp is used in the production of paper, tissues and paper- related products. Pulp is generally classified according to its fiber type, production process and degree of bleaching. Kraft pulp, a type of chemical pulp, is produced through a sulphate chemical process in which lignin, the component of wood which binds individual fibers, is dissolved in a chemical reaction. Chemically prepared pulp allows the wood' s fiber to retain its length and flexibility, resulting in stronger paper products. Kraft pulp can be bleached to increase its brightness. Softwood kraft pulp is noted for its strength, brightness and absorption properties and is used to produce a variety of products, including lightweight publication grades of paper, tissues and other paper- related products. Bleached kraft pulp is comprised of either softwood kraft made from coniferous trees ~~and or~~ hardwood kraft made from deciduous trees. Softwood species generally have long, flexible fibers which add strength to paper while fibers from species of hardwood contain shorter fibers which lend bulk and opacity. We primarily produce and sell NBSK pulp manufactured using northern softwood , which is considered a premium grade because of its strength. It generally obtains the highest price relative to other kraft pulps. Our Peace River mill produces both NBSK and NBHK pulp. Most paper users of market kraft pulp use a mix of softwood and hardwood grades to optimize production and product qualities. In ~~2023 2024~~ , market kraft pulp consumption was approximately ~~60 61~~ % hardwood bleached kraft and ~~37 36~~ % softwood bleached kraft, with the remainder comprised of unbleached pulp. Over the last several years, production of hardwood pulp, based on fast growing plantation fiber primarily from Asia and South America, has increased much more rapidly than that of softwood grades, because of longer growth cycles. Hardwood kraft generally has a cost advantage over softwood kraft as a result of lower fiber costs, higher wood yields and, for newer hardwood mills, economies of scale. As a result of this growth in supply and lower costs, kraft pulp customers have substituted some of the pulp content in their products to hardwood pulp. However, the requirement for strength and formation characteristics in finished goods counters customers' ability to substitute cheaper hardwood pulp for NBSK. Paper and tissue makers focus on larger paper machines with higher speeds and lower basis weights for certain papers which require the strength characteristics of softwood pulp. Additionally, where paper products are lightweight or specialty papers such as premium tissue or magazine paper, or where strength or absorbency are important, softwood kraft forms a ~~(9)~~ significant proportion of the fiber used. As a result, we believe that the ability of kraft pulp users to further substitute hardwood for softwood pulp is limited by such requirements. Kraft pulp can be made in different grades, with varying technical specifications, for different end uses. Softwood kraft pulp is an important ingredient for tissue manufacturing and tissue demand tends to increase with living standards in developing countries. Softwood kraft pulp is also valued for its reinforcing role in mechanical printing papers and is sought after by producers of paper for the publishing industry, primarily for magazines and advertising materials. Markets We believe that ~~over 158~~ ~~approximately 160~~ million ADMTs of chemical pulp are converted annually into tissues, printing and writing papers, carton boards and other specialty grades of paper and paperboard around the world. We also believe that approximately ~~41 43~~ % of this pulp is sold on the open market as market pulp, while the remainder is produced for internal purposes by integrated paper and paperboard manufacturers. The pulp business is highly cyclical in nature and markets are characterized by periods of supply and demand imbalance, which in turn affect 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~~ **macroeconomic** conditions and levels of industry (9) capacity. Pulp is a commodity that is generally available from other producers. As commodity products have few distinguishing qualities from producer to producer, competition is generally based upon price, which is primarily determined by supply relative to demand. Between ~~2014-2015~~ and ~~2023-2024~~, **overall** worldwide demand for chemical market pulp ~~overall~~ grew at an average rate of approximately 2 % annually, with worldwide demand for bleached softwood kraft market pulp generally flat over the same time period. NBSK pulp demand is significantly impacted by global ~~macro-economic~~ **macroeconomic** trends. Certain of such trends have had a positive effect on pulp demand while others have had a negative impact. A major long- term macro trend has been the increase in demand from emerging markets, and in particular China. In China alone, tissue production capacity has increased by approximately ~~8-9~~ **3-5** million ADMTs over the last five years. In China, imports of chemical softwood market pulp grew overall by approximately ~~8-5~~ % per annum for the period from ~~2014-2015~~ to ~~2023-2024~~ and it is a key driver of pulp demand and consumption. We believe that emerging markets now account for approximately ~~61-59~~ % of total global demand for bleached softwood kraft market pulp and China itself now accounts for approximately ~~35-33~~ % of such global demand. Two other macro trends positively affecting pulp demand have been the increase in usage and demand for tissue and hygiene products, particularly in China and emerging markets generally and the global reliance on online delivery of products which has increased demand for packaging and specialty products. Two ~~macro-economic~~ **macroeconomic** trends that have negatively impacted pulp demand are: • the material decline in graphic and printing and writing paper demand in recent years, with a material portion of such decline not expected to return; and • paper demand in the historically mature markets of North America, Europe and Japan has been declining or stagnating, which has resulted in Western Europe currently accounting for approximately ~~19-20~~ % of global bleached softwood kraft market pulp demand compared to approximately ~~27-26~~ % in ~~2014-2015~~. (10) The trends and changes in NBSK pulp demand by end use are reflected in the following chart which compares worldwide NBSK pulp demand by end use for the periods indicated: NBSK Pulp Demand by End Use We believe ~~2023-2024~~ NBSK demand by end use was generally consistent with the trend in the chart above. Oversupply of our products can result from producers introducing new capacity in response to favorable pricing trends. In ~~2023-2024~~, there was a net increase in pulp capacity of approximately ~~3-2~~ **3-5** million ADMTs, primarily of hardwood kraft pulp. Currently, we are aware of approximately ~~3-0~~ **5-4** million ADMTs of (10) announced net capacity increases primarily of ~~hardwood-softwood~~ kraft pulp scheduled to come online in ~~2024-2025~~. NBSK Pulp Pricing Kraft pulp is a globally traded commodity and prices are highly cyclical. Kraft pulp prices are generally quoted in dollars. Pricing is primarily influenced by the balance between supply and demand, as affected by global ~~macro-economic~~ **macroeconomic** conditions, changes in consumption and capacity, the level of customer and producer inventories and fluctuations in exchange rates. Generally, we and other producers consider global NBSK pulp supply and demand to be evenly balanced when world inventory levels are at about ~~32-36~~ days' supply. As the majority of market NBSK pulp is produced and sold by Canadian and Northern European producers, while the price of NBSK pulp is generally quoted in dollars, pricing is often affected by fluctuations in the currency exchange rates for the dollar versus the euro and the Canadian dollar. As NBSK pulp producers generally incur costs in their local currency, while pulp is quoted in dollars, a dollar strengthening generally benefits producers' businesses and operating margins. Conversely, a weakening of the dollar versus the local currency of producers generally adversely affects producers' businesses and operating margins. As a corollary to changes in exchange rates between the dollar and the euro and Canadian dollar, a stronger dollar generally increases costs to customers of NBSK pulp producers and results in downward pressure on prices. Conversely, a weakening dollar generally supports higher pulp pricing. However, there is invariably a time lag between changes in currency exchange rates and pulp prices. This lag can vary and is not predictable with any certainty. Although China is now the largest market globally for pulp, Europe has also historically been a significant market. As NBSK pulp is a premium grade of pulp, the European market NBSK list price is at times used by the industry as a benchmark reference price. The third - party industry quoted average European list prices for NBSK pulp since ~~2014-2015~~ have fluctuated between a low of approximately \$ 790 per ADMT in 2016 and a high of \$ 1, ~~500-635~~ per ADMT in ~~2022-2024~~. Our pulp sales realizations in Europe and North America are based on third - party industry quoted list prices, net of customer discounts, rebates and other selling concessions. Our sales to China and Asia **are generally based closer to third-party industry quoted prices, which are quoted on (11) closer to a net basis, inclusive of price with significantly lower or little discounts and, allowances, rebates and other selling concessions**. As a result, our net sales realizations in China are generally similar to other markets. The following table sets out third - party industry quoted list prices (before discounts and rebates) for NBSK pulp in Europe and North America and net prices for NBSK pulp in China as of the dates indicated: (\$ / ADMT) Europe (List Price) 1, ~~485~~ **1, 300** ~~1, 425~~ North America (List Price) **1, 675** ~~1, 350~~ China (Net Price) Seasonality We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These factors are common in the kraft pulp industry. We generally have weaker pulp demand in China in the period relating to the lunar new year and in Europe during the summer holiday months. We typically have a seasonal build-up in raw material inventories in the early winter months as our mills build up their fiber supply for the winter when there is reduced availability. Competition The pulp market is highly fragmented and competitive with many producers competing globally. Producers ranging from small independent manufacturers to large integrated companies produce pulp worldwide. In recent years there has been a trend for industry consolidation and the creation of larger competitors. Pulp is generally a commodity product and our pulp competes with similar products manufactured and distributed (11) by many other producers. While many factors influence our competitive position, particularly in weak economic times, a primary factor is price. Other factors include quality, service, access to reasonably priced fiber and convenience of location. Some of our competitors are larger than we are in certain markets and have substantially greater financial resources. These resources may afford those competitors more purchasing power, increased financial flexibility, more capital resources for expansion and improvement and enable them to compete more effectively. Our key NBSK pulp competitors are principally located in Northern Europe and Canada and **currently** include Metsä Fibre, Södra Cell, Ilim, **Domtar Paper Excellence**, UPM, **SCA**, Stora Enso, ~~SCA~~ and Canfor Pulp. Solid Wood Industry Our solid wood segment

consists of the manufacture, sale and distribution of lumber, manufactured products (including CLT, glulam and finger joint lumber), wood pallets, electricity, biofuels and wood residuals from our sawmills and other facilities in Germany and North America. Products and Markets Our Friesau mill has two high- volume Linck sawlines and has the ability to produce both rough and planed products. The sawmill principally manufactures finished sawn lumber milled from spruce and pine, including European metric and specialty lumber, U. S. dimensional lumber and J- grade lumber, in various sizes and grades. The Torgau facility is an integrated sawmill and value- add pallet production facility. The facility produces, among other products, lumber, wood pallets and biofuels. **The lumber produced at the facility is used for, among other things, pallet production and also for dimensional lumber for the European, U. S. and Asian markets.** Demand for lumber is cyclical and influenced by factors that affect consumer confidence and drive demand for residential construction, such as interest rates, disposable income, unemployment rates, perceived job security and other indicators of general economic conditions. Demand is also affected by the availability of (12)-skilled construction trades and construction finishing products, transportation costs, exchange rates, government tariffs and the competitiveness of substitute products. Demand can vary from region to region within a country and seasonal factors that determine optimal building conditions can also affect demand. The process for manufacturing lumber results in a significant percentage of each sawlog ending up as by- products or residuals such as wood chips, trim blocks, sawdust shavings and bark. Due to the close proximity of the German pulp mills to the Friesau mill and Torgau facility, we are able to achieve fiber utilization and fiber logistics synergies. By- products at the Friesau mill are typically used as fuel for our cogeneration power plant or sold to a wide variety of customers. In addition, we utilize a significant portion of the chips from the Friesau mill at our Rosenthal mill. At the Torgau facility sawmill residuals are used by our pulp mills or used to produce heating pellets and briquettes. Bark is used to generate electricity and thermal energy. The main markets for our lumber products are in the United States and Europe. Our Friesau mill and Torgau facility lumber sales are to a diverse customer base. Customers include national and regional distributors, large construction firms, secondary manufacturers, retail yards and home centers. Our Torgau facility also sells pallets and biofuels to a diverse customer base that is primarily located within a 185 mile range of the facility. The facility is one of the world’ s largest producers of Euro- pallets, the standard European shipping pallet. The Mercer Spokane facility, Mercer Conway facility and Mercer Okanagan facility produce CLT, a wood panel product, made from adhering layers of sawn lumber that is used as a more sustainable alternative to steel and concrete in building projects. We believe the facilities currently represent approximately **35-30%** of North American CLT capacity. The facilities’ customers are mainly building contractors or property owners. The Mercer Conway facility and Mercer Okanagan facility are also able to produce glulam, a stress- rated, **(12)** engineered wood product comprised of wood laminations that are bonded together. It is commonly used for support structures such as columns, beams, floor- joints and trusses, offering a high degree of customization and pre- fabrication. The Mercer Spokane facility, Mercer Conway facility and Mercer Okanagan facility also produce finger joint lumber, a product which joins short pieces of wood together to form pieces of greater length. The markets for our lumber products are highly competitive with many producers competing globally. Producers range from small independent mills to very large global producers, including integrated forest products companies. In recent years, there has been significant consolidation in the solid wood industry that has resulted in the creation of even larger global competitors. Producers compete generally on price, quality and service. With respect to lumber and certain solid wood products, these are commodities with few distinguishing features and producers primarily compete based on delivered price. Factors influencing our competitive position include, among others, the availability, quality and cost of raw materials, including fiber, energy and labor, the efficiency and productivity of our facilities and our ability to utilize or sell by- products from the lumber manufacturing process. The Friesau mill and Torgau facility lumber sales also compete in international markets subject to currency fluctuations and global business conditions. Our key competitors in the segment **currently** include West Fraser, Canfor, Interfor, **Domtar Resolute Forest Products**, Weyerhaeuser, Binderholz, Stora Enso and Ilim. The Torgau facility’ s pallets compete with other European pallet producers. The German pallet market is dominated by wood pallet producers. Since most pallets are standardized, there is limited room for product differentiation, implying that logistical organization, production capacity, and the ability to meet just- in- time demand form regional competitive advantages. **The Mercer Spokane Our mass timber facility facilities**, Mercer Conway facility and Mercer Okanagan facility compete with other producers of CLT, glulam and alternative building materials such as concrete and steel. These building alternatives can be competitive on a cost basis, and have the added benefit of being in wide use for multiple years, as opposed to CLT and glulam which are relatively new in its North American adoption. These **(13)** alternatives, however, lack the environmental attributes of CLT and glulam, in addition to its aesthetic appearance. Generation and Sales of Green Energy and Chemicals Our pulp mills are large scale bio- refineries that, in addition to pulp, also produce surplus “ carbon neutral ” or green energy. As part of the pulp production process, our mills generate green energy using carbon neutral biofuels such as black liquor and wood waste in a cogeneration process. Through the incineration of biofuels in the recovery and power boilers, our mills produce sufficient steam to cover all of our steam requirements and allow us to produce surplus electricity which we sell to third- party utilities or into the regional electricity market. As a result, we have benefited from green energy legislation, incentives and commercialization that have developed over the last decades in Europe and Canada along with strong electricity prices. In addition, in recent years we have applied considerable resources to increasing our capacity to produce and sell chemicals, primarily tall oil for use in numerous applications including biofuels. Our Friesau mill and Torgau facility also generate and sell green energy produced from their biomass cogeneration power plants. Our surplus energy and chemical sales provide us with a stable revenue source unrelated to pulp or lumber prices. Since our energy and chemical production are by- products of our production processes, there are minimal incremental costs resulting in our surplus energy and chemical sales being highly profitable. We believe that this revenue source gives our mills a competitive advantage over other older mills which do not have the equipment or capacity to produce and / or sell surplus power and / or chemicals in a meaningful amount. **The following chart sets out our electricity generation and surplus electricity sales for the periods indicated:**

**Electricity Generation and Exports** **( 13 )** (1) Does not include electricity generation and exports of our 50 % joint venture

interest in the Cariboo mill, which is accounted for using the equity method. (2) Includes results of the Torgau facility since September 30, 2022. (14) The following chart sets out our **electricity generation and surplus electricity sales for the periods indicated: Electricity Generation and Exports (1) (2) Includes results of the Torgau facility since September 30, 2022. The following chart sets out our** consolidated revenues from electricity and chemical sales for the periods indicated: Energy and Chemical Revenue (1) (14) ~~Does not include energy revenues of our 50% joint venture interest in the Cariboo mill, which is accounted for using the equity method.~~ Certain of our German mills have the option to sell their surplus electricity at special tariffs under the Renewable Energy Act. The special ~~tariff~~ **tariffs expire** for our Stendal mill is in effect until December 2024 ~~2029~~, for our Friesau mill ~~until and between~~ 2029 and 2034 for the our Torgau facility's four cogeneration power plants ~~at our Torgau facility range from 2029 to 2034. In 2023,~~ **The special tariff for** our Stendal mill **expired in December 2024** primarily sold energy at market prices. ~~Our~~ **In 2024, our** Friesau mill and Torgau facility primarily sold energy at their special tariff rates which were generally higher than market prices. ~~In 2023-2024, our Stendal mill primarily sold energy at market prices, which were generally higher than the special tariff rate. In 2024,~~ energy sales ~~for at~~ our German mills were approximately \$ ~~92-78, 8-1 million or 855-770, 728-303~~ MWh. In connection with our focus on the growing bio- energy market, we sell tall oil, a by- product of our pulp production process, which is used as both a chemical additive and as a green energy source. ~~In 2023-2024,~~ we generated approximately \$ ~~24-15, 3-4~~ million from the sale of tall oil and other chemicals from our pulp segment. Our Celgar mill is party to an electricity sales agreement with the provincial energy utility for a ten- year term that expires in October 2030. Pursuant to the agreement, the mill agreed to supply a maximum of approximately 127, 000 MWh of surplus electrical energy annually to the utility. ~~We are pursuing market sales and other strategic initiatives with respect to the remainder of the mill's surplus power.~~ Our Peace River mill sells its surplus electricity into the Alberta market at market prices. ~~In 2023-2024,~~ energy sales at our Canadian mills ~~were sold approximately 137,020 MWh of renewable electricity for proceeds of approximately \$ 17-11, 8-1 million or (15-153), 195 MWh.~~ Production Costs Our major costs of pulp production are fiber, labor, chemicals and energy. Fiber Fiber, comprised of wood chips and pulp logs, is our most significant operating expense for our pulp segment, representing about 55 % of our pulp cash production costs in ~~2023-2024~~. Further, fiber, in the form of sawlogs, represented about 75 % of lumber cash production costs in ~~2023-2024~~. Given the significance of fiber to our total operating expenses and our limited ability to control its cost compared with our other operating costs, volatility in fiber costs can materially affect our margins and results of operations. Our mills are situated in regions which generally provide a relatively stable supply of fiber. The fiber consumed by our pulp mills consists of wood chips produced by sawmills as a by- product of the sawmilling process and pulp logs. Wood chips are small pieces of wood used to make pulp and are either wood residuals from the sawmilling process or pulp logs chipped especially for this purpose. Pulp logs consist of lower quality logs not used in the production of lumber. The Friesau mill and Torgau facility consume sawlogs and waste wood. The Mercer Spokane facility, Mercer Conway facility and Mercer Okanagan facility consume lumber. Sawlogs, waste wood and lumber are all cyclical in both price and supply. Generally, the cost of wood chips, pulp logs and sawlogs is primarily affected by the supply and demand for lumber. Additionally, regional factors including harvesting levels, weather conditions and insect infestations can also have a material effect on the supply, demand and price for fiber. (15) While fiber costs and supply are subject to cyclical changes, we generally expect that we will be able to continue to obtain an adequate supply of fiber on reasonably satisfactory terms for our mills due to their locations and our long- term relationships with suppliers. During the past few years, certain customers have endeavored to purchase pulp that is produced using fiber that meets certain recognized wood certification requirements from forest certification agencies like the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC), the Sustainable Forestry Initiative (SFI) and the Canadian Standards Association (CSA). If the fiber we purchase does not meet certain wood certifications required by customers, it may make it more difficult to, or prevent us from, selling our pulp to such customers. The chain of custody wood certification process is a voluntary process which allows a company to demonstrate that they use forest resources in accordance with strict principles and standards in the areas of sustainable forest management practices and environmental management. In an effort to procure wood only from sustainably managed sources, we employ an FSC Chain of Custody protocol and PEFC certification, which requires tracking of fiber origins and preparing risk based assessments regarding the region and operator. In the areas where we operate, we are actively engaged in the further development of certification processes. However, there is competition among private certification systems along with efforts by supporters to further these systems by having customers of forest products require products to be certified to their preferred system. Such wood certification standards continue to evolve and are not consistent from jurisdiction to jurisdiction or in how they are interpreted and applied. We currently do not expect certification requirements to have a material adverse impact on our fiber procurement and sales. However, if sufficient marketplace demand requires **fiber wood raw materials** to be sourced from standards that are inconsistent with those in our fiber supply regions, it could increase our operating costs and reduce available harvest levels. (16) With approximately 3. 7 billion m3, Germany has the largest timber reserves in Europe. The principal species are spruce, pine, beech and oak. Many of the German forest areas have been certified according to PEFC or FSC standards. We believe we are the largest consumer of wood chips and pulp logs in Germany and often provide the best long- term economic outlet for the sale of wood chips in ~~Eastern~~ Germany. We coordinate the wood procurement activities for our German mills to reduce overall personnel and administrative costs, provide greater purchasing power and coordinate buying and trading activities. This coordination and integration of fiber flows also allows us to optimize transportation costs, and the species and fiber mix for our mills. We are also party to joint wood purchasing arrangements with one of the largest wood consumers in Europe. ~~In 2023-2024,~~ our German pulp mills consumed an aggregate of approximately 5. ~~4-1~~ million m3 of fiber. Approximately ~~62-61~~% was in the form of pulp logs and approximately ~~38-39~~% was in the form of sawmill wood chips. ~~In 2023-2024,~~ our pulp segment per unit fiber costs in Germany ~~increased-decreased~~ compared to ~~2022-2023,~~ primarily **due to softening** as a result of stronger demand **in Germany** from other wood consumers ~~such as heating pellet producers~~. The core wood supply region for the Stendal mill includes most of Northeastern and Western Germany, primarily

within an approximate 400 kilometer radius of the mill. We also purchase wood chips from Southwestern and Southern Germany as well as the Baltic Sea region. The fiber consumed by the Stendal mill consisted of approximately ~~56-52~~ % spruce, ~~42-45~~ % pine and ~~2-3~~ % other species in ~~2023-2024~~. The Stendal mill has sufficient chipping capacity to almost fully operate solely using pulp logs, if required. We source pulp logs from private and municipal forest owners and from state forest agencies. Our Stendal mill has historically also imported fiber from Poland and the Baltic Sea region. Our Rosenthal mill sources wood chips from approximately ~~27-29~~ sawmills located primarily in the German states of Bavaria, Baden- Württemberg and Thuringia and primarily within a 300 kilometer radius of the Rosenthal mill. Within this radius, the Rosenthal mill is the largest consumer of wood chips. Given its location and size, the Rosenthal mill is often the best economic outlet for the sale of wood chips in the area. In ~~2023-2024~~, approximately ~~93-90~~ % of the fiber consumed by the Rosenthal mill was spruce and the remainder was pine. ~~(16)~~ Wood chips for the Rosenthal mill are normally sourced from sawmills under one- year contracts with quarterly adjustments for market pricing. Substantially all of our chip supply is sourced from suppliers with which we have long- standing relationships. Pulp logs are sourced from the state forest agencies in Thuringia, Saxony and Bavaria and from private and municipal forest owners. In addition, the Rosenthal mill buys relevant volumes via imports from the ~~Czech~~ **Czechia** Republic. Our Friesau mill and Torgau facility are each dependent on the consistent supply of sawlog fiber. ~~Wood fiber is the single largest input cost and accounts for about 75 % of our cash costs of producing lumber in 2023.~~ Our Friesau mill is located in an area where there is a significant amount of high- quality fiber within economic reach. The wood fiber requirements of the Friesau mill and Torgau facility are met primarily through open market purchases and contract purchases from state forestry agencies and private and municipal forest owners. In Germany, over the last several years, the price and supply of wood chips has been affected from time to time by increasing demand from alternative or renewable energy producers and government initiatives for carbon neutral energy. In 2022 and early 2023, increasing energy prices as a result of energy supply shortages caused by the war in Ukraine increased the demand for wood chips and industrial logs for energy production. Additionally, ~~for several over the last few years~~ **leading to the first half of 2023**, there was a material increase in the availability of harvestable wood as a result of beetle infestation of German forests. Generally, beetle- infested wood is harvested more rapidly so as to be useable before deterioration makes the wood unsuitable for its intended purposes. ~~(17)~~ While such beetle- infested wood increased fiber supply and led to lower prices in the short- term, such increased harvest levels can lead to challenges in maintaining a sustainable harvest level over the long- term and can lead to periods of reduced harvest levels in the future. In ~~2023-2024~~, our Celgar and Peace River mills consumed approximately 4. 2 million m3 of fiber. Approximately 55 % of such fiber was in the form of sawmill wood chips and the remaining 45 % came from pulp logs processed through their wood rooms or chipped by a third ~~-~~party. Our Canadian mills' wood rooms are able to process about ~~46-47~~ % of their fiber needs. The source of fiber at the ~~mill mills~~ is characterized by a mixture of species (aspen, spruce, douglas fir, hemlock, pine and cedar) and ~~the they mills~~ source fiber from a number of Canadian and U. S. suppliers. In British Columbia, a combination of high harvesting rates during a past beetle endemic, subsequent governmental initiatives to reduce harvest levels and weaker lumber prices in ~~recent years 2022 and 2023~~ resulted in lower sawlog availability and sawmill activity. This resulted in lower wood chip availability which increased fiber costs in British Columbia. ~~In~~ **However, in 2023-2024**, our Canadian pulp mills' per unit fiber costs ~~increased~~ **decreased** compared to ~~2022-2023~~, **primarily** due to ~~strong demand in the~~ **benefits from mills' fiber baskets and for our Celgar mill, a decrease in the availability of wood** **room upgrades and generally stable supply** chips as a result of ~~regional sawmill curtailments~~. The availability of fiber for our mills is in large part influenced by the strength of the lumber market. Lumber markets are primarily driven by U. S. housing starts, home renovation activities and, to a lesser degree, demand from China. In ~~2023-2024~~, our Canadian mills had access to approximately 25 different chip suppliers, most of whom are in Canada and, in the case of the Celgar mill, are also in the United States. Chips are purchased in Canada and the United States in accordance with chip purchase agreements. Generally, pricing is reviewed and adjusted periodically to reflect market conditions. The contracts for the Celgar mill are generally for one- year terms with quarterly adjustments or on three- month terms. The chip contracts for ~~the~~ **Peace River mill** are generally for three to five years with monthly adjustments indexed to the average pulp price. To secure the volume of pulp logs required by its wood room and field chippers, the Celgar mill has entered into pulp log supply agreements. Such agreements can range from ~~three one~~ **-** month to one- year terms, with a number of different suppliers, many of whom are also contract chip suppliers for the mill. All of the pulp log agreements can be terminated by ~~the Celgar mill either party for any reason,~~ upon seven days' written notice. The Celgar mill also bids on British Columbia timber sales from time to time. ~~(17)~~ Peace River holds two 20- year renewable governmental forest management agreements and three deciduous timber allocations in Alberta with an aggregate allowable annual cut of approximately 2. 9 million m3 of hardwood, of which it currently harvests approximately 44 %, and 375, 000 m3 of softwood, which it sells or trades to sawmills surrounding the Peace River mill in exchange for wood chips. The forest management agreements were last renewed for a 20- year term expiring in 2029. While our Peace River mill can satisfy all of its hardwood fiber requirements from its forest management agreements and timber allocations, in order to optimize its fiber flow, it satisfies a small portion of its needs from third- party owned timberlands. Softwood fiber supply is from residual sawmill chips from local surrounding sawmills. The Mercer Spokane facility, Mercer Conway facility and Mercer Okanagan facility primarily source lumber through open market purchases or short- term contracts with regional producers in the U. S. Pacific Northwest, Western Canada and the U. S. South. Labor Our labor costs have increased over time due to inflation in wages and health care costs. ~~(18)~~ Our energy is primarily generated from renewable carbon neutral sources, such as black liquor and wood waste. Our mills produce all of our electrical energy requirements and generate excess energy which we sell to third- party utilities and to regional electrical markets. We utilize fossil fuels, such as natural gas, primarily in our lime kilns and we use a limited amount for start- up and shut- down operations. Additionally, from time to time, mill process disruptions occur and we consume small quantities of purchased electricity and fossil fuels to maintain operations. As a result, all of our mills are subject to fluctuations in the prices for **electricity and** fossil fuels. **Our per unit energy costs decreased in 2024.** Our pulp mills use certain chemicals which are

generally available from several suppliers and sourcing is primarily based upon pricing and location. ~~Our~~ **After a period of several years of increases in** chemical costs ~~have~~, **our per unit chemical costs increased** ~~decreased~~ in 2024 ~~recent years~~.

Sales, Marketing and Distribution Our global sales and marketing group is responsible for conducting all sales and marketing of the pulp produced at our mills and currently has approximately 20 employees. This group largely handles all European and North American sales directly. Sales to Asia are made directly or through commission agents overseen by our sales group. The global sales and marketing group handles sales to ~~over 270~~ **approximately 250** customers. We coordinate and integrate the sales and marketing activities of our German mills to realize on a number of synergies between them. These include reduced overall administrative and personnel costs and coordinated selling, marketing and transportation activities. We also coordinate pulp sales across our mills on a global basis, thereby providing our larger customers with seamless service across all major geographies. In marketing our pulp, we seek to establish long- term relationships by providing a competitively priced, high-quality, consistent product and excellent service. In accordance with customary practice, we maintain long- standing relationships with our customers, pursuant to which we periodically reach agreements on specific volumes and prices. Our solid wood segment sales are handled by our sales teams in Germany and Vancouver. We also sell lumber through commissioned agents in certain markets. **(18)** The following table sets out our pulp segment revenues by geographic area for the periods indicated: Year Ended December 31, (in thousands) United States \$ **151, 053** \$ 123, 818 ~~\$ 236, 862~~ Germany **334, 361** ~~349, 685~~ ~~553, 935~~ China **574, 264** ~~551, 945~~ ~~495, 668~~ Other countries **488, 878** ~~490, 682~~ ~~579, 652~~ Total (1) \$ **1, 516, 548**, ~~130, 556~~ \$ 1, ~~866, 516~~, ~~417, 130~~ (1) Excludes intercompany sales. **(19)** The following charts set out the geographic distribution of our pulp segment revenues as a percentage of our total pulp segment revenues for the periods indicated: The following table sets out the distribution of our pulp sales volumes by end use for the periods indicated: (in thousands of ADMTs) Tissue Specialty Printing & Writing 1, ~~918, 900~~ The following table sets out our solid wood segment revenues by geographic area for the periods indicated: Year Ended December 31, ~~2022 (1)~~ (in thousands) United States \$ **194, 880** \$ 169, 883 ~~\$ 177, 917~~ Germany **195, 867** ~~224, 741~~ ~~142, 846~~ Other countries **95, 244** ~~77, 430~~ ~~87, 695~~ Total (2) **\$ 485, 991** \$ 472, 054 ~~\$ 408, 458~~ ~~( 19 2)~~ Excludes intercompany sales. **(20)** The following charts set out the geographic distribution of our solid wood segment revenues as a percentage of our total solid wood segment revenues for the periods indicated: Our pulp segment and solid wood segment sales are on customary industry terms. As of December 31, ~~2023~~ **2024**, we had no material payment delinquencies. In **2024 and** ~~2023 and 2022~~, no customer accounted for 10 % or more of our revenues. We do not believe our pulp segment or solid wood segment sales are dependent upon the activities of any single customer and the loss of any single customer would not have a material adverse effect on us. Transportation We transport our pulp and solid wood products generally by rail, ocean carrier and truck through third- party carriers. We have a small fleet of trucks in Germany that deliver some of our German mills' pulp. In Germany, we also lease a significant number of railcars ~~both~~ for inbound transport of fiber and outbound shipping of products. Our German pulp mills are currently the only market kraft pulp producers in Germany, which is the largest import market for kraft pulp in Europe. We therefore have a competitive transportation cost advantage compared to Canadian and Northern European pulp producers when shipping to customers in Europe. Due to the location of our German mills, we are able to deliver pulp to many of our customers ~~primarily~~ by rail and truck. Our Canadian mills' pulp is transported to customers by truck, rail and ocean carrier through third- party carriers. The majority of our Canadian mills' pulp for overseas markets is initially delivered ~~primarily~~ by rail to the Port of Vancouver for shipment overseas by ocean carrier. Based in Western Canada, our Canadian mills are well positioned to service Asian customers. The majority of our Canadian mills' pulp for domestic markets is shipped by rail directly to the customer or to third- party warehouses in the United States. We also operate a logistics and reload center near Trail, British Columbia to provide us with additional warehouse space and greater transportation flexibility in terms of access to rail and trucking options. The Friesau mill' s lumber is transported to customers by rail, ocean carrier and truck through third- party carriers. The Torgau ~~, Mereer Spokane, Mereer Conway and Mereer Okanagan~~ **mass timber** facilities ~~and~~ products are primarily transported by truck. In **both 2024 and 2023 and 2022**, outbound transportation costs comprised approximately 10 % ~~and 12 %~~, ~~respectively~~, of **our each years'** total consolidated costs and expenses. ~~( 21 20)~~ Capital Expenditures We have continued to make capital investments designed to increase pulp, green energy and chemical production, reduce costs and improve efficiency and environmental performance at our pulp mills. The improvements made over the years have increased the competitive position of our pulp mills. Since ~~its the acquisition~~ **acquisitions**, we have also made capital investments to optimize sawmill production at the Friesau mill **and Torgau facility**. The following table sets out the total capital expenditures by segment (excluding any related governmental grants) for the periods indicated: Year Ended December 31, (in thousands) Pulp segment **\$ 46, 400** ~~\$ 90, 126~~ (1) ~~\$ 90, 126~~ ~~\$ 146, 635~~ Solid wood segment **37, 732** ~~45, 707~~ ~~31, 190~~ (2) Total **\$ 84, 132** ~~\$ 135, 833~~ ~~\$ 177, 825~~ (1) Includes expenditures to rebuild the wood chip conveying systems at the Stendal mill which were damaged by a fire in 2022. The rebuild was financed with insurance proceeds, of which \$ 12. 2 million was received in 2023 ~~and \$ 2. 2 million was received in 2022~~. In our pulp segment, capital investments at the Stendal mill in **2024 and** ~~2023~~ primarily related to completing the rebuild of the wood chip conveying systems that were damaged by fire in 2022 and ~~maintenance projects~~. In 2022, they ~~primarily related to capacity expansion projects, initial costs to rebuild the other wood chip conveying systems and~~ ~~maintenance projects~~. Capital investments at ~~our the~~ Rosenthal mill in ~~2023~~ **2024** primarily related to the ~~completion~~ **purchase** of the lignin plant ~~a digester evaporator~~ and maintenance projects. In ~~2022~~ **2023**, **capital investments at** ~~they~~ ~~the Rosenthal mill~~ primarily related to ~~completion~~ **the initial construction** of the lignin plant and maintenance projects. Capital investments at **our Canadian pulp mills in 2024** primarily related to **enhancements to soot blowers at the Celgar and Peace River mill and for both mills in**, **improvements to the wood rooms and maintenance projects**. In 2023, **capital investments at the Peace River and 2022 Celgar mills** primarily related to wood room upgrades and maintenance projects. In our solid wood segment, ~~in 2023~~, capital investments ~~were~~ **in 2024 at our Torgau facility** primarily related to log yard improvements and sawing and planer machine upgrades. For the Friesau facility, **capital investments in 2024** primarily related to sorter line upgrades and maintenance projects. For our mass timber facilities,

**capital investments in 2024 primarily related to production and sorter line upgrades. In 2023, capital investments** primarily related to optimization projects, including sorter line upgrades at our Friesau mill and Mercer Spokane facility, log yard improvements at our Torgau facility and other maintenance projects. ~~In 2022, capital investments were primarily related to sorter line upgrades at our Friesau mill and other production improvement and maintenance projects at the Mercer Spokane facility.~~ Qualifying capital investments at industrial facilities in Germany that reduce pollutants in the effluent discharge can be used to offset wastewater fees that would otherwise be required to be paid. For more information about our environmental capital expenditures, see “ – Environmental ”. In **2024-2025**, excluding amounts being financed through government grants, we currently expect our total capital expenditures to be approximately \$ **75-100.0** million to \$ **100-120.0** million, principally comprised of maintenance projects **at our pulp mills and sawmills and optimization projects, including upgrades to the wood room at the Celgar mill, the digester evaporator at the Rosenthal mill, the sorter line at the Mercer Spokane facility and log yard improvements at both the Friesau facility and Torgau facility.** Innovation We utilize our expertise with wood, its processing and by- products to expand our product mix. As a result, we seek to develop new products based on our expertise in wood processing and working with derivatives of the kraft pulping process. Currently these processes are focused on: • the production and sale of CLT ~~and glulam and other value-added wood products like finger joint products~~ at our Mercer Spokane facility, Mercer Conway facility and Mercer Okanagan facility; **(21)** • the further refinement of materials contained in black liquor, the extractive chemical and lignin containing compounds that are a result of the kraft pulping process; and ~~(22)~~ • the further refinement of cellulose materials that are currently the basis of pulp. We are working on some of these initiatives on our own, with others and in conjunction with industry associations or joint venture partners. In an effort to further grow our chemical sales and bring additional value to our by- product stream, we invested in a pilot lignin plant at our Rosenthal mill. This plant will allow us to research the commercial opportunities of this product. Lignin has many potential uses in the manufacture of green alternative products such as adhesives and carbon black. Our operations are subject to a wide range of environmental laws and regulations, dealing primarily with: • air, water and land; • solid and hazardous waste management; • waste disposal; • remediation and contaminated sites; and • chemical usage. Compliance with these laws and regulations generally involves capital expenditures as well as additional operating costs. We cannot easily quantify the future amounts of capital expenditures we might have to make to comply with these laws and regulations or the effects on our operating costs because in some instances compliance standards have not been developed, have not become final or definitive or may be amended in the future. In addition, it is difficult to isolate the environmental component of most manufacturing capital projects. We devote significant management and financial resources to comply with all applicable environmental laws and regulations. In particular, the operation of our plants is subject to permits, authorizations and approvals and we must comply with prescribed emission limits. Compliance with these requirements is monitored by local authorities and non- compliance may result in administrative orders, fines or closures of the non- compliant mill. Our total capital expenditures on environmental projects at our mills were approximately \$ **3.9 million in 2024 and approximately \$ 2.8 million in 2023** ~~and approximately \$ 4.8 million in 2022.~~ In **2024-2025**, capital expenditures for environmental projects are expected to be approximately \$ **6-7.5-0** million. Environmental responsibility is a priority for our operations. To ensure compliance with environmental laws and regulations, we regularly monitor emissions at our mills and periodically perform environmental audits of operational sites and procedures both with our internal personnel and outside consultants. These audits identify opportunities for improvement and allow us to take proactive measures at the mills as considered appropriate. We believe we have obtained all required environmental permits, authorizations and approvals for our operations. We believe our operations are currently in material compliance with the requirements of all applicable environmental laws and regulations and our respective operating permits. Under German state environmental rules relating to effluent discharges, industrial users are required to pay wastewater fees based upon the amount of pollutants they discharge in their effluent. These rules also provide that an industrial user who undertakes environmental capital expenditures and lowers certain effluent pollutants to prescribed levels may offset the amount of these expenditures against the wastewater fees that they would otherwise be required to pay. We expect capital investment programs and other environmental initiatives at our German mills will offset the wastewater fees that are payable if we demonstrate the reduced wastewater emissions and we believe they will ensure that our operations continue in substantial compliance with prescribed standards. ~~( 23-22 )~~ In Canada, in addition to existing provincial air quality regulations, an air quality management system, referred to as “ AQMS ”, outlines a comprehensive national approach for improving air quality in Canada. Under the AQMS, all levels of government are to work collaboratively to respond to different air quality challenges across the country. The AQMS includes four elements: • Canadian Ambient Air Quality Standards (CAAQS), meant to drive local air quality improvements. They provide the basis for provincial territorial governments to determine the level of action needed. • A framework for regional and local air quality management through air zones and regional airsheds. • Base- level Industrial Emissions Requirements (BLIERs) for certain major industries. • Improved intergovernmental collaboration to reduce emissions from the transportation sector. In 2016, Environment Canada released the Pan- Canadian Framework on Clean Growth and Climate Change. The framework put in place a national, sector- based greenhouse gas reduction program applicable to a number of industries. In addition, ~~the~~ various provincial governments, including British Columbia and Alberta, have introduced legislation **and standards** with the intention of reducing greenhouse gas emissions ~~by~~. ~~British Columbia has, for example among other things, introduced a carbon tax and low- carbon fuel standards. British Columbia has also implemented implementing performance standards, such as greenhouse gas emissions benchmarks for select industrial facilities and sectors, and new greenhouse gas emissions reporting regulations, carbon taxes and carbon~~ ~~for certain industrial operations. British Columbia has also established greenhouse gas emissions offset offsets projects.~~ In 2019, the Canadian federal government began phasing in a federal carbon tax pricing system **which** in provinces and territories without a provincial carbon tax program that meets the minimum national stringency requirements. The federal carbon tax pricing system has two parts: a regulatory charge on fossil fuels like gasoline and natural gas (the “ fuel charge ”) and a performance- based system for industries (the **output- based**

**pricing system or** “OBPS”). Under the OBPS, industrial emitters will be taxed at current rates on any emissions emitted above the performance standard or receive carbon credits if they are below the standard. As of January 1, **2024-2025**, the federal fuel charge applies to Ontario, Manitoba, Saskatchewan, Alberta, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, as well as the territories of Nunavut and the Yukon, while the OBPS applies to **British Columbia, Manitoba and Prince Edward Island**, as well as the territories of Nunavut and the Yukon. ~~British Columbia has announced that it will transition to the OBPS in 2024.~~ We believe that these water and air emission measures in Germany and Canada have not had, and in **2024-2025** will not have, a significant effect on our operations. Although these measures could have a material adverse effect on our operations in the future, we expect that we will not be disproportionately affected by these measures as compared with owners of comparable operations. We also expect that these measures will not significantly disrupt our planned operations. Future regulations or permits may place lower limits on allowable types of emissions, including air, water, waste and hazardous materials, and may increase the financial consequences of maintaining compliance with environmental laws and regulations or conducting remediation. Our ongoing monitoring and policies have enabled us to develop and implement effective measures to maintain emissions in substantial compliance with environmental laws and regulations to date in a cost-effective manner. However, there can be no assurance that this will be the case in the future. Changing weather patterns and climatic conditions due to natural and man-made causes have added to the unpredictability and frequency of natural disasters, such as hurricanes, wildfires and wind, rain, hail, snow and ice storms. Such changes and resulting conditions can adversely affect our operations, including as a result of variations in the cost and availability of raw materials, such as fiber, unplanned downtime, changes in operating rates and disruptions in transportation and logistics. ~~(24)~~ As there is uncertainty about the severity, extent and speed at which climate change is occurring, we are unable to identify and predict all of the consequences of climate change and the timing of the same on our business and operations. The actual and perceived effects of climate change and social and governmental responses have created both **(23)** opportunities and negative consequences for our business. The focus on climate change has generated a substantial increase in demand and in legislative requirements for carbon neutral or green energy. Pulp mills consume wood residuals, being wood chips and pulp logs, as the base raw material for their production process. Wood chips are residuals left over from lumber production and pulp logs are generally lower quality logs left over from logging that are unsuitable for the production of lumber. Sawmills consume sawlogs and **produce** residuals, like wood chips, **which** are generally sold to other industrial consumers like pulp and pellet producers. As part of their production process, our pulp mills take wood residuals and process them through a digester where cellulose is separated from the wood to be used in pulp production and the remaining residuals, called black liquor, are used for green energy production. As a result of their use of wood residuals and because our mills generate combined heat and power in a process known as cogeneration, they are efficient producers of energy. Our Friesau mill and Torgau facility utilize residual bark and shavings from consumed logs to produce energy. This energy is carbon neutral and produced from a renewable source. Our relatively modern mills generate a substantial amount of energy that is surplus to their operational requirements. These factors, along with governmental initiatives in respect of renewable or green energy legislation, have provided business opportunities for us to enhance our generation and sales of green energy to regional utilities. We are constantly exploring other initiatives to enhance our generation and sales of surplus green energy and chemical by-products. Other potential opportunities that may result from climate change include: • greater demand for sustainable energy and cellulosic biomass fuels; • the expansion of softwood forests and increased growth rates for such forests; • more intensive forestry practices and timber salvaging versus harvesting standing timber; • additional governmental incentives or requirements to enhance biomass energy production; and • additional social or investor focus or demand for biomass, green energy or sustainability initiatives. Additionally, increased focus on climate change at the governmental level has generally led to increased demand in alternative building solutions such as CLT and glulam. Historically, the principal driver behind reducing the effects of climate change and moving to a carbon neutral economy primarily resulted from initiatives from governmental or international bodies, including the United Nations and international treaties amongst various countries. However, over the last few years, there has been a significant push and focus on climate change and carbon reduction by private institutions including, among others, institutional investors, ratings agencies, shareholders, communities, other stakeholders and the public generally. This has resulted in, among other things, a significant amount of capital being provided for “green” or carbon neutral initiatives, on favorable terms, some of which are referred to as “green bonds”. The demand for renewable energy services has ~~recently~~ been further increased as a result of the war in Ukraine. We cannot currently predict which, if any, of these potential opportunities will be realized by us or their economic effect on our business. While not all of the specific consequences to our business from climate change are predictable, one of the most significant adverse consequences is that the focus on renewable energy has created greater demand and competition for wood residuals or fiber from renewable energy producers like the pellet industry in Germany. ~~(25)~~ In Europe, the price and supply of wood residuals has been periodically affected by an increasing demand from alternative or renewable energy producers and governmental initiatives for carbon neutral energy. In 2022 and early 2023, there was increasing demand for wood residuals and lower quality industrial logs from energy and heating pellet manufacturers as a result of energy shortages caused by the war in Ukraine. **(24)** Additionally, the growing interest and focus in British Columbia on renewable green energy has created additional competition for such fiber. Such additional demand for wood residuals may increase the competition and prices for wood residuals used by our mills over time. In response to climate change risks, there have been governmental initiatives and legislation on the international, national, state and local levels. Such governmental action or legislation can have an important effect on the demand and prices for fiber. As governments pursue green energy initiatives, they risk creating incentives and demand for wood residuals from renewable energy producers that “cannibalizes” or adversely affects traditional users, such as lumber and pulp and paper producers. We are continually engaged in dialogue with governments to educate and try to ensure potential initiatives recognize the traditional and continuing role of our mills in the overall usage of forestry resources and the economies of local communities. Other potential negative consequences from climate change that can affect our business

include: • a greater susceptibility of northern forests to disease, fire and insect infestation, which could negatively impact fiber availability; • the disruption of transportation systems and power supply lines due to more severe storms; • the loss of fresh water transportation for logs and pulp due to lower water levels; • decreases in the quantity and quality of processed water for our mills' operations; • the loss of northern forests in areas in sufficient proximity to our mills to competitively acquire fiber; and • lower harvest levels decreasing the supply of harvestable timber and, as a consequence, wood residuals. Well- publicized events have been attributed at least in part to climate change, including a beetle infestation that has damaged significant amounts of forest lands and harvestable timber in Western Canada and ~~more recently over the last few years in~~ Germany. Beetle infestation of forest lands has both short- term and long- term consequences for our business. In the short- term, there is often a material increase in harvest levels of infested forests as parties seek to utilize such wood before it deteriorates too much to be useable for its intended purposes. As a result, there can be a material increase in fiber availability and lower fiber prices resulting both from such increased supply and the lower quality of such infested fiber. ~~Over the last few years, our German mills benefited from such lower fiber prices.~~ However, infestation and increased harvest levels resulting therefrom can create over-harvesting and challenges for maintaining sustainable harvest levels over the long- term and can result in lower harvest levels in future periods. Changes in climate conditions have also been attributed at least in part to increasingly frequent and severe wildfires in the interior of Western Canada and portions of the Western United States and Europe. We cannot currently predict whether such climate- affected conditions will continue, or the frequency or severity of the same in the future. Human Capital We believe the strength of our workforce is one of the significant contributors to our success as a global company. All our employees contribute to our success and help us drive strong financial performance. Attracting, developing and retaining global talent with the right skills to drive our business is central to our purpose, mission and long- term growth strategy. As of December 31, ~~2023~~ **2024**, we employ approximately 3, ~~508~~ **580** people, of which approximately 2, ~~315~~ **345** of whom work in our German operations, approximately 1, ~~010~~ **050** of whom work in our Canadian operations and approximately ~~150~~ **160** of whom work in our U. S. operations. Our pulp segment employs approximately 1, ~~813~~ **900** people and (26) our solid wood segment employs approximately 1, ~~583~~ **565** people. The majority of our employees in both segments are bound by collective agreements. We consider the relationships with our employees and the unions and works councils which represent them ~~to be~~ good. Collaborative labor management relations are fundamental to our operations. Accordingly, we recognize and work cooperatively with the unions and works councils to ensure we build and maintain superior working conditions, a supportive work environment, training and growth opportunities and fair compensation and benefits packages. **(25)** We employ a collaborative group of skilled, dedicated, resourceful and innovative individuals who support our core purpose and reflect our values every day. Investment in our people drives our excellence and accordingly, we are committed to attracting, retaining and developing quality personnel. By the nature of the industries in which we operate, many of our employees are professionals who require specialized knowledge and skills and include various categories of engineers and licensed trade persons and equipment operators. Our senior managers and directors have extensive experience in the forest products industry, and we have experienced managers at all of our mills. Our management has a proven track record of implementing new initiatives and capital projects in order to increase production and efficiency, **improve safety**, reduce costs and harness new revenue opportunities. We aim to support our employees with a competitive compensation package, fulfilling career opportunities and a balanced and secure future accompanied by time away from work. All of our employees ~~receive~~ **are provided** competitive benefits packages that provide pension, medical, dental, and vision care benefits. Employees are also able to access specialized assistance such as physiotherapy and ~~counselling~~ **counseling** services. We ~~provide~~ **offer** a diversity of training activities and programs to help our people grow and be more effective in their current and future roles. We conduct confidential engagement surveys of our workforce that are administered and analyzed by an independent third party. ~~The Aggregate~~ **aggregate** survey results are reviewed by executive officers and the board of directors. We create action plans at global, operational and managerial levels. By acting on results both at an aggregate enterprise level and an operational level, we believe we have been able to enhance our culture and improve our overall engagement. Maintaining a robust pipeline of talent is crucial to our ongoing success and is a key aspect of succession planning efforts across the organization. Our leadership and human resources teams are responsible for attracting and retaining top talent by facilitating an environment where employees feel supported and encouraged in their professional and personal development. Specifically, we promote employee development by reviewing strategic positions regularly and identifying potential internal candidates to fill those roles, evaluating job skill sets to identify competency gaps and creating developmental plans to facilitate employee professional growth. We invest in our employees through training and development programs, on the job experiences and coaching. We provide technical, managerial and leadership programs across the organization that enable colleagues to grow skills and capabilities to become more successful. We also have dedicated talent **development** programs that support and accelerate leadership development and strengthen our succession plans. Additionally, we understand the importance of maintaining competitive compensation, benefits and appropriate training that provides growth, ~~developmental~~ opportunities and multiple career paths for our employees. Health and Safety Safety is a core value of our company. The industries in which we operate have their own particular set of risks including hazards from our complex industrial manufacturing facilities such as manufacturing processes, mobile equipment, heavy and complex equipment, high - pressure boilers, energy production, and the use and recovery of chemicals. Accordingly, there is no initiative that attracts a higher degree of focus for our management team than our “ Road to Zero ” health and safety program, which is a company-wide initiative designed to create healthy, safe and productive work environments with a goal of zero workplace incidents. We have developed tools to analyze potential and incurred incidents and we have resources to develop prevention initiatives. In particular, we focus on ~~modelling~~ **modeling** responses to eliminate the risk, where possible, by using the “ hierarchy of controls ” adopted by many of the world’ s leading health and safety organizations. ~~(27)~~ Our priority is the elimination of hazards, followed by safe administrative practices and appropriate personal protective equipment. We identify, monitor, educate, and take a data- driven approach to drive workplace safety improvements. Many of our programs revolve around

education, hazard identification, and risk mitigation strategies. These proactive initiatives bring safety to the forefront of our work practices. Our teams of safety professionals are dedicated to finding and utilizing the right tools to prevent all workplace injuries. The Senior Safety Leadership Committee, referred to as the “ SSLC ”, provides governance and high- level support to the programs. The SSLC meets on a regular basis to review performance, learn from experience (26) and share best practices. Our team of safety professionals are dedicated to supporting line management and embedded safety committees who lead safety on a daily basis. We analyze all incidents carefully and adjust our prevention efforts accordingly. Diversity, Equity and Inclusion We believe that a culture of diversity and inclusion is critical in making the best decisions for our people and achieving sustainable business success. While gender is only one aspect under diversity, a number of our top management positions were and continue to be held by women. We continue to effect changes to our recruiting and training processes to make our workplaces even more reflective of the diversity that exists in our communities. We believe that making our workplace more equal and inclusive will make us a stronger, more resilient and more sustainable business over the long- term. We have adopted an enterprise- wide diversity management program. Its goal is to respond to the particular conditions at each of our operations to develop diversity within our teams. One of the first objectives of the program has been to enhance equal opportunities for women in our business. This is a key goal, not just to improve diversity but also to address demographic changes and potential shortages of skilled workers in the future by inspiring more women to take up technical positions in our industry. Currently, women comprise 27-30% of our board of directors, about 30-25% of our 100 senior management positions and about 17-20% of our total workforce. Our goal is to improve our recruitment of women so that they comprise 30-25% of our new hires by 2030. In Canada, our operations work closely and partner with regional First Nations groups to foster mutually beneficial economic activities and relationships. We are party to a logging joint venture with one First Nations group and are working to expand the scope and size of the business and to include other regional groups. We are also pursuing additional joint business or venture opportunities with First Nations groups. Additionally, we have programs to provide training and job skills to regional First Nations groups. We have an extensive apprenticeship program and outreach events for prospective employees. We believe that these programs and events, among other things, help us to reach out and attract new employees, including more female employees who perhaps in the past had not considered technical or operating employment opportunities at our mills or the forest products industry generally. We do not employ nor do we contract with any parties that employ people who are subjected to unsafe conditions. The majority of our employees are part of a union or are represented by a works council with whom we have worked to design conditions that are safe from harassment and discrimination. In addition, as a supportive workplace, we do our best to accommodate the distinct circumstances of our employees that may require modified workplaces. We have also adopted a written Code of Business Conduct and Ethics and other corporate policies to support a corporate culture which, among other things, promotes a work environment that prohibits intimidation and harassment and encourages and promotes diversity and inclusion. Community Involvement We make donations to community groups and charitable organizations in the communities in which we operate and live. We believe this commitment and engagement with local communities helps us to attract and retain employees and enhances our social license in such communities. (28) Commitment to Sustainability We manage and operate our business, including the natural resources under our care or direction, with a long- term view and focus on sustainability. We believe by doing so we will be able to deliver value to our customers, employees, shareholders, communities and other stakeholders. We strive to maintain the highest environmental, social and governance standards. We believe that by caring for the health and safety of our workers, maintaining the environmental quality of our operations and being part of and actively engaged in the communities in which we operate, we enhance the value for all of our various stakeholders and our social license to operate. We work to build all of these values and goals into our corporate culture or what we refer (27) to as the “ Mercer Way ”. We believe that focusing on sustainability as a key driver in all of our operations and business will enhance our decision- making, our business success and our relationships with our various stakeholders and communities in which we operate. We believe all of the foregoing elements are inter- connected and are vital to our long- term future, success and sustainability. We focus significant attention on minimizing our environmental impact with the goal of reducing the environmental footprint of our existing operations to make them sustainable over the long- term, to ensure we have a social license to operate and to offset or reduce the impact of our operations. We endeavor to adapt to emerging trends, support new technologies and foster environmental stewardship in the areas in which we operate. We are signatory to the United Nations Global Compact that helps align our endeavors with the United Nations Sustainable Development Goals, internationally recognized Responsible Business Principles, and other key environmental standards in the areas of low carbon transition, water stewardship, waste, sustainable forestry, air emissions, recycling circularity, responsible sourcing and biodiversity. As part of our commitment and focus on sustainability, we have, among other things: • increased our focus on sustainability including improved management, goal setting and recording tracking capabilities that will be communicated with stakeholders to ensure proper acknowledgment of our sustainability accomplishments and initiatives; • conducted commenced a thorough double materiality assessment to further understand both the topics that are important for our stakeholders as well as those material to our business; • validated commenced developing a Climate Transition Plan to align our business strategy and model to reduce greenhouse gas emissions (GHG) reduction targets with the Science Based Target Initiative to support our climate change ambition in line with a 1.5 trajectory well below a 2 degrees degree Celsius increase for earth pathway and net zero carbon future by 2050. As part of aligning to a 1.5 degree pathway, we raised our scope 1 GHG emissions intensity reduction target from 35 % to 50 % ; • further enhanced our procurement policies with an updated Supplier Code of Conduct our 2030 corporate sustainability targets, including safety, water, forest certification and mass timber- related targets to align with the emerging legal growth of our business; • incorporated further sustainability considerations into our governance process to ensure our strategic investments are aligned with our evolving sustainability goals; • adopted a third- party technology solution to further enhance our compliance with relevant supply chain due diligence regulations and requirements; • conducted incorporated the key learnings from our second third climate change scenario analysis that

evaluated the risks and opportunities of climate change as part of our adoption of the Task Force on Climate-related Financial Disclosure recommendations. We evaluated our business resilience to the climate change scenarios model that were developed by the Network for Greening the Financial System with extensive input from the climate community, and augmented with industry trends and climate projections. The scenarios were analyzed to identify and assess the potential impacts of climate change-related risks and opportunities on the Company. As a result of this process, we identified three areas of our strategy that may incur risks and opportunities across the scenarios: (i) shifting market demand; (ii) wood and fiber supply; and (iii) supply chain resilience. Further information on the key parameters and assumptions used to develop the various models is available on our website;

- participated conducted a water risk evaluation for each of our pulp mill operations to better understand water quality and availability in the three respective watersheds where our mills operate. This evaluation will support membership with the United Nations Global Compact, further aligning our efforts in reducing water consumption business strategy with the United Nations Sustainable Development Goals and improving effluent quality strengthening our network with the international sustainability community;
- registered expanded our biodiversity disclosure to show how we impact and depend on nature and how we seek to enhance our practices to manage these biodiversity risks as part an adopter of our commitment to report using the Taskforce Task Force on Nature-related Financial Disclosures recommendations;
- (29) completed a multi and reaffirming our continued commitment and support towards developing our corporate biodiversity disclosures. This also includes the identification and response to nature related impacts and dependencies and how we seek site forest certification process for our North American operations, including our mass timber business, to manage biodiversity risks and opportunities support our effort to increase our percentage of wood sourced from certified forests;
- published our second third annual sustainability report which integrates with improved alignment of our 2030 aspirational goals to recent acquisitions and provides a comprehensive overview of the United Nations Sustainable Development Goals progress on our water and biodiversity risk assessments, customer engagement, and employee engagement; and
- closely engaged incorporated our scope 1 greenhouse gas (GHG) emissions intensity reduction targets into our management incentives program;
- enhanced our tracking, measuring and reporting system which included scope 3 GHG emissions for our global operations; and
- spent considerable time with our stakeholders including governments and First Nations to expand strengthen our relationships in all areas of our business. (28)

**Description of Certain Indebtedness** The following summarizes certain material provisions of our senior notes and revolving credit facilities. The summaries are not complete and are qualified by reference to the applicable documents and the applicable amendments to such documents on file with the SEC, and incorporated by reference herein. Senior Notes In September 2023, we issued \$ 200. 0 million in aggregate principal amount of 12. 875 % senior notes due October 1, 2028, referred to as the “2028 Senior Notes”. In October 2024, we completed a \$ 200. 0 million add-on offering of the 2028 Senior Notes at a 103. 000 % premium to their principal amount, for a yield to worst of 11. 624 %. The proceeds and cash on hand were used to redeem \$ 300. 0 million in aggregate principal amount of 5. 500 % senior notes due 2026, referred to as the “2026 Senior Notes”. After giving effect to the foregoing transaction transactions, we now have outstanding the following issues of senior notes, collectively referred to as the “Senior Notes”:

- \$ 400 300. 0 million in aggregate principal amount of 5. 500 % senior notes due 2026, referred to as the “2026 Senior Notes”;
- \$ 200. 0 million in aggregate principal amount of 2028 Senior Notes; and
- \$ 875. 0 million in aggregate principal amount of 5. 125 % senior notes due 2029, referred to as the “2029 Senior Notes”.

The 2026 Senior Notes mature on January 15, 2026 and interest on the 2026 Senior Notes is payable semi-annually in arrears on each January 15 and July 15. Commencing July 15, 2018, interest is payable to holders of record of the 2026 Senior Notes on the immediately preceding January 1 and July 1 and is computed on the basis of a 360-day year consisting of twelve 30-day months. Commencing January 15, 2023, the 2026 Senior Notes became redeemable at our option at a price equal to 100. 000 %. The 2028 Senior Notes mature on October 1, 2028 and interest on the 2028 Senior Notes is payable semi-annually in arrears on each April 1 and October 1. Commencing April 1, 2024, interest is payable to holders of record of the 2028 Senior Notes on the immediately preceding March 15 and September 15 and is computed on the basis of a 360-day year consisting of twelve 30-day months. Commencing October 1, 2025, the 2028 Senior Notes will be redeemable at our option at a price equal to 106. 438 % of the principal amount redeemed and declining rateably on October 1 of each year thereafter to 100. 000 % on or after October 1, 2027. The 2029 Senior Notes mature on February 1, 2029 and interest on the 2029 Senior Notes is payable semi-annually in arrears on each February 1 and August 1. Commencing August 1, 2021, interest is payable to holders of record of the 2029 Senior Notes on the immediately preceding January 15 and July 15 and is computed on the basis of a 360-day year consisting of twelve 30-day months. Commencing February 1, 2024, the 2029 Senior Notes are were redeemable at our option at a price equal to 102. 563 % of the principal amount redeemed and declining rateably on February 1 of each year thereafter to 100. 000 % on or after February 1, 2026. The indentures governing the Senior Notes contain covenants limiting, among other things, our ability and the ability of our restricted subsidiaries to: incur additional indebtedness or issue preferred stock; pay (30) dividends or make other distributions to our shareholders; purchase or redeem capital stock or subordinated indebtedness; make investments; create liens; incur restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us; sell assets; consolidate or merge with or into other companies or transfer all or substantially all of our assets; and engage in transactions with affiliates. As of December 31, 2023 2024, all of our subsidiaries were restricted subsidiaries. The Senior Notes are unsecured and are not guaranteed by any of our operating subsidiaries, most of which are located outside the United States. Our obligations under the Senior Notes rank: effectively junior in right of payment to all of our existing and future secured indebtedness, to the extent of the assets securing such indebtedness, and all indebtedness and liabilities of our subsidiaries; equal in right of payment with all of our existing and future unsecured senior indebtedness; and senior in right of payment to any of our future subordinated indebtedness. Pan-German Revolving Credit Facility In September 2022, certain of our German subsidiaries entered into a new € 300. 0 million joint revolving credit facility, referred to as the “German Revolving Facility”, with a group of bank lenders, which replaced a € 200. 0 million joint revolving credit facility. In September 2023, we increased

the borrowing capacity of our German Revolving Facility by € 70.1 million to € 370.1 million. **(29)** The principal terms of the facility include: • The total availability under the facility is € 370.1 million. • The facility matures in September 2027. • The facility is unsecured and is jointly and severally guaranteed by our principal German subsidiaries. • Interest under the facility is payable on loans of Euribor plus a variable margin ranging from 1.40% to 2.35% dependent on conditions including but not limited to a prescribed leverage ratio. • The facility is sustainability linked, whereby the interest rate margin is subject to upward or downward adjustments of up to 0.05% per annum depending on achievement of certain specified sustainability targets. • A commitment fee equal to 35% of the applicable margin on the unused and uncanceled amount of the German Revolving Facility is payable quarterly in arrears. • The facility contains financial maintenance covenants which are tested on a quarterly basis which require: (i) our German subsidiaries that are party thereto to maintain a leverage ratio of “net debt” (excluding shareholder loans) to EBITDA of not greater than 3.50:1.00; and (ii) defined capital of not less than € 500.0 million. • The facility contains other customary restrictive covenants which, among other things, govern the ability of our German subsidiaries to incur liens, sell assets, incur indebtedness, make acquisitions with proceeds from the facility, enter into joint ventures or repurchase or redeem shares. The facility also contains customary events of default. The German Revolving Facility is available to all of the borrowers, subject to maximum borrowing sub-limits for certain of the borrowers. As of December 31, ~~2023~~ **2024**, approximately € ~~146.162.05~~ million (\$ ~~161.168.38~~ million) of this facility was drawn and accruing interest at a rate of ~~5.4.296.470~~ % per annum, approximately € 13.6 million (\$ ~~15.14.01~~ million) was supporting bank guarantees and approximately € ~~210.194.60~~ million (\$ ~~232.201.76~~ million) was available. Canadian Revolving Credit Facility In January 2022, certain of our Canadian subsidiaries entered into a new C \$ 160.0 million revolving credit facility with a syndicate of three North American banks, referred to as the “Canadian Revolving Facility”. **In June 2024, the facility was amended to transition from the Canadian Dollar Offered Rate (31-CDOR) to the Adjusted Term Canadian Overnight Repo Rate Average (CORRA) benchmark for applicable Canadian dollar denominated advances under the credit facility as the CDOR benchmark was discontinued on June 28, 2024 for our Celgar mill and a C \$ 60.0 million revolving credit facility for our Peace River mill.** The principal terms of the Canadian Revolving Facility include: • The total availability under the facility is C \$ 160.0 million. • The facility matures in January 2027. • The facility is available by way of: (i) Canadian **dollar** denominated advances, which bear interest at a designated prime rate per annum; (ii) **Canadian dollar denominated advances** ~~banker’s acceptance equivalent loans~~, which bear interest at the applicable **Adjusted Term CORRA** ~~Canadian dollar banker’s acceptance~~ plus 1.20% to 1.45% per annum; (iii) dollar denominated base rate advances at the greater of the federal funds rate plus 0.50%, an **Adjusted Term Secured Overnight Financing Rate (SOFR)** for a one month tenor plus 1.00% and the bank’s applicable reference rate for ~~U.S.-dollar~~ **denominated** loans; and (iv) dollar **denominated** SOFR advances, which bear interest at Adjusted Term SOFR plus 1.20% to 1.45% per annum. • The facility includes a C \$ 15.0 million sub-limit for letters of credit for all borrowers, at rates of 1.20% to 1.45% per annum, plus a 0.125% annual fee where there is more than one lender under the facility, on issued letters of credit. **(30)** • The availability of the facility is subject to a borrowing base limit that is based on the borrowers’ combined eligible inventory levels and accounts and certain eligible equipment from time to time. • The facility is secured by, among other things, a first priority charge on substantially all of the assets of the borrowers. • The facility includes a springing financial covenant, which is measured when either excess availability under the facility is less than the greater of 10% of the line cap thereunder and C \$ 14.0 million, in either case, for five consecutive days or less than the greater of 7.5% of the line cap and C \$ 10.0 million, at any time, and which requires the borrowers to comply, on a combined basis, with a 1.00:1.00 fixed charge coverage ratio. • The facility also contains restrictive covenants which, among other things, restrict the ability of the borrowers to declare and pay dividends, incur indebtedness, incur liens, make investments, including in its existing joint ventures, and make payments on subordinated debt. The facility contains customary events of default. As of December 31, ~~2023~~ **2024**, approximately C \$ ~~62.0.5~~ million (\$ ~~47.0.3~~ million) of this facility was drawn and accruing interest at a rate of ~~6.5.614.450~~ % per annum, approximately C \$ ~~1.0.46~~ million (\$ ~~1.0.4~~ million) was supporting letters of credit and approximately C \$ ~~84.146.19~~ million (\$ ~~63.102.61~~ million) was available. ITEM 1A. RISK FACTORS The statements in this “**Risk Factors**” section describe material risks to our business and should be considered carefully. You should review carefully the risk factors listed below, as well as those factors listed in other documents we file with the SEC. In addition, these statements constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995. Our disclosure and analysis in this Annual Report on Form 10-K and in our annual report to shareholders contain some forward-looking statements that set forth anticipated results based on management’s current plans and assumptions. If any of the risks and uncertainties described in the cautionary factors described below actually occur or continue to occur, our business, financial condition and results of operations and the trading price of our common stock could be materially and adversely affected. Moreover, the risks below are not the only risks we face and additional risks not currently known to us or that we presently deem immaterial may emerge or become material at any time and may negatively impact our business, reputation, financial condition, results of operations or the trading price of our common stock. **(32)** Risks Related to our Business Our business is highly cyclical in nature. The forest products industry is highly cyclical in nature and markets are characterized by periods of supply and demand imbalance, which in turn can cause material fluctuations in prices. The markets for our principal products, being pulp and lumber, 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~~ **macroeconomic** conditions and levels of industry capacity. Pulp and lumber are commodities that are generally available from other producers. Because commodity products have few distinguishing qualities from producer to producer, competition is ~~generally~~ **mainly** 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. Certain integrated pulp and paper producers have the ability to discontinue paper production by idling their paper machines and selling their pulp production on the market, if market conditions, prices and trends warrant such actions. (31) Currently, we are aware of 3 approximately 0.5-4 million ADMTs of announced net pulp production capacity increases, primarily of hardwood softwood kraft pulp scheduled to come online in 2024-2025. However, we cannot predict whether additional new capacity will be announced or will come online in the future. If any new capacity, particularly for NBSK pulp, is not absorbed in the market or offset by curtailments or closures of older, high- cost pulp mills, the increase could put downward pressure on pulp prices and materially adversely affect our results of operations, margin and profitability. Additionally, while NBHK pulp is not a direct competitor to NBSK pulp, if any future increases in NBHK pulp supply are not absorbed by demand growth, such supply could put downward pressure on NBSK pulp prices as well. Demand for each of pulp and lumber has historically been determined primarily by general global macro-economic macroeconomic conditions and has been closely tied to overall business activity. Both pulp and lumber prices have been and are likely to continue to be volatile and can fluctuate widely over time. Demand for CLT, glulam and other mass timber products is primarily driven by commercial and industrial construction demand and customers' desire to take advantage of the characteristics and environmental attributes of such products. A pulp producer's actual sales realizations are third -party industry quoted list prices net of customer discounts, rebates and other selling concessions. Our sales realizations may also be affected by price movements between the order and shipment dates. Global pulp and lumber markets have historically been characterized by considerable swings in prices which have and will result in variability in our earnings. Prices for pulp and lumber are driven by many factors outside our control. We have little influence over the timing and extent of price changes. Because market conditions beyond our control determine the prices for pulp and lumber, prices may fall below our cash production costs, requiring us to either incur short- term losses on product sales or reduce 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. Cyclical fluctuations in the price and supply of our raw materials, particularly fiber, could adversely affect our business. Our main raw material is fiber in the form of wood chips, pulp logs, sawlogs and lumber. Fiber represented approximately 55 % of our pulp cash production costs and approximately 75 % of our lumber cash production costs in 2023-2024. Fiber is a commodity and both prices and supply are cyclical. Fiber pricing is subject to regional (33)-market influences and our costs of fiber may increase in a region as a result of local market shifts. The costs of wood chips, pulp logs and sawlogs are primarily affected by the supply and demand for lumber. Demand for these raw materials is generally determined by the volume of pulp and paper products and solid wood products produced globally and regionally. Governmental regulations related to the environment, forest stewardship and green or renewable energy can also affect the supply of fiber. In Europe, governmental initiatives to increase the supply of renewable energy have led to more renewable energy projects, including in Germany. Demand for wood residuals from such energy producers has generally put upward pressure on prices for wood residuals. In addition, the reduction in natural gas supply and increase in energy prices in Germany resulting from the Ukraine war has also previously increased both the demand and prices for wood chips and residuals resulting. This has resulted in higher per unit fiber costs for our German mills in recent years. The lumber industry is highly cyclical and the slowdown in sawmilling activities in recent years 2022 and 2023 reduced the availability of both wood chips and pulp logs and put upward pressure on fiber costs. There is no assurance that sawmill activity will stabilize or not decline further or that fiber prices will not increase in the future. Following the expiration of a softwood lumber trade agreement in 2016, the United States and Canada have renewed a long- standing trade dispute regarding lumber exports from Canada to the United States. In November 2016, a petition was filed by a coalition of U. S. lumber producers to the U. S. Department of Commerce and the U. S. International Trade Commission requesting an investigation into alleged subsidies provided to Canadian lumber producers. Since then, the U. S. Department of Commerce announced various countervailing and anti- dumping duty rates on Canadian softwood lumber and the United States and Canada have engaged in proceedings under the North American Free Trade Agreement and through the World Trade (32) Organization. In July-September 2023-2024, the U. S. Department of Commerce announced the published amended final results of for its fourth-fifth administrative review, setting the countervailing duty at + 6.79-74 % and the anti- dumping rate at 6.7. 20-66 %, for combined final duty rates of 7-14. 99-40 % for "all other" Canadian lumber producers. In November-September 2023-2024, as part of Canada announced that its- it five-year sunset reviews, is challenging the final results of the U. S. Department of Commerce's fifth administrative review. International Trade Commission voted to maintain its countervailing and anti- dumping duties on Canadian softwood lumber. It is uncertain when or if the United States and Canada may settle a new agreement and what terms or restrictions it may contain. Further, additional tariffs, duties or other restrictions may be imposed. Duties or other restrictions imposed on Canadian softwood lumber exports by the United States can negatively impact Canadian sawmill production in our Canadian pulp mills supply area and result in reduced availability and increased costs for wood chips for our Canadian mills. While we believe this may be partially offset by increased wood chip supply from U. S. sawmills and pulp log availability, we cannot currently predict the effect on our Canadian mills overall fiber costs. Availability of fiber may be further limited by adverse responses to and prevention of wildfires, weather, insect infestation, disease, ice storms, windstorms, flooding and other natural causes. In addition, the quantity, quality and price of fiber we receive could be affected by man- made causes such as those resulting from industrial disputes, material curtailments or shut down of operations by suppliers, government orders and legislation (including new taxes or tariffs). In our Western Canadian operations, fiber supply may also be impacted by unsettled land and title claims by, and government relations and actions relating to, Indigenous Nations. Any or a combination of these factors can affect fiber prices in a region. The cyclical nature of pricing for fiber represents a potential risk to our profit margins if pulp and lumber

producers are unable to pass along price increases to their customers or we cannot offset such costs through higher prices for our surplus energy. Other than the renewable forest licenses of our Peace River mill, we do not own any timberlands or have any material long- term governmental timber concessions. We also currently have few long- term fiber contracts at our German operations. Fiber is available from a number of suppliers and prices are cyclical. Our fiber requirements have increased and may continue to do so as we expand capacity through capital projects, other efficiency measures at our mills and acquisitions. As a result, we may not be able to purchase sufficient quantities of fiber to meet our production requirements at prices acceptable to us during times of tight supply. An insufficient supply of fiber or reduction in the quality of fiber we receive would materially adversely affect our business, financial condition, results of operations and cash flows. (34) In addition to the supply of fiber, we are, to a lesser extent, dependent on the supply of certain chemicals and other inputs used in our production facilities. Any disruption in the supply of these chemicals or other inputs could affect our ability to meet customer demand in a timely manner and could harm our reputation. Any material increase in the cost of these chemicals or other inputs could have a material adverse effect on our business, results of operations, financial condition and cash flows. Inflation or a sustained increase in our key production and other costs would lead to higher manufacturing costs which could reduce our margins. Our key production input costs are for fiber, chemicals and energy. Other material costs in our business include **maintenance, freight and labor costs and transportation**. The prices for fiber and energy can be volatile, are affected by inflation and can change rapidly. Additionally, our costs for chemicals, **maintenance and transportation-freight** are also subject to inflationary pressure. Also, our costs for service providers, contractors and labor may increase due to inflation and shortages of skilled labor. Continued inflationary pressures would increase our manufacturing costs. If we are unable to pass along such operating ~~costs~~ **cost** increases to our customers, it could reduce our margins, contribute to earnings volatility and adversely affect our results of operations. Our business, financial condition and results of operations could be adversely affected by disruptions in the global and European economies caused by **geopolitical conflicts, including Russia's invasion of Ukraine and conflicts in the Middle East**. The global economy has been negatively impacted by increasing tension, uncertainty and tragedy resulting (33) from Russia's invasion of Ukraine **and conflicts in the Middle East**. The adverse and uncertain economic conditions resulting therefrom have and may further negatively impact global demand, cause supply chain disruptions and increase costs for transportation, energy and other raw materials. Furthermore, governments in the United States, the European Union, the United Kingdom, Canada and others have imposed financial and economic sanctions on certain industry segments and various parties in Russia. We are monitoring the ~~conflict~~ **conflicts** including the potential impact of financial and economic sanctions on the global economy and particularly the economies of Europe. Increased trade barriers, sanctions and other restrictions on global or regional trade could adversely affect our business, financial condition and results of operations. Although we have no operations in Russia or Ukraine, the destabilizing effects of Russia's invasion of Ukraine could have other adverse effects on our business, including transportation, logistics, fiber supply and energy availability. Further escalation of geopolitical tensions related to this military conflict and / or its expansion could result in loss of property, expropriation, cyberattacks, supply disruptions, plant closures and an inability to obtain key supplies and materials, as well as adversely affect both our and our customers' supply chains and logistics, particularly in Europe. In many cases, both our German operations and those of European customers depend on the availability of natural gas for use in their manufacturing operations. A very significant proportion of Germany's natural gas supply historically originated from Russia. There have been significant reductions in and disruptions to the natural gas supply to Europe and in particular Germany, resulting from sanctions, counter- measures by Russia, including restricting supply, other restrictions, damage to infrastructure, logistics and other factors related to the war. The Ukraine military conflict has had a destabilizing effect and materially and adversely impacted European and global natural gas and oil markets. Such material disruptions to the natural gas supply of Germany could adversely affect its availability to industry and our ability to operate our German pulp and lumber mills in the ordinary course which could adversely affect our business, results of operations and financial condition. Additionally, both the European Union and Germany ~~have adopted or proposed legislation,~~ in response to energy supply shortages and high energy prices, ~~including price caps and "windfall "~~ **"** taxes on energy sales resulting from the war in Ukraine. ~~These~~ **Such price caps have been extended to January 2025 and the windfall taxes expired in June 2023** **with respect to electricity**. In addition, ~~the effects of the existing war in Ukraine and other future~~ **conflicts could heighten and increase many of the other risks described in this Item 1A. The impacts of proposed tariffs or other trade barriers by the United States, or other nations, may adversely impact our business, financial condition and results of operations. On February 1, 2025 the President of the United States signed executive orders directing the United States to impose a 25 % tariff on all goods originating from Canada and Mexico, and an additional 10 % tariff on goods imported from China. While 30- day pauses in tariffs against Canada and Mexico were announced on February 3, 2025, we do not currently know when or if such tariffs will take effect or their duration. Tariffs on Canadian goods (35) and any new tariffs, retaliatory tariffs or other trade protectionist measures implemented in connection therewith) and threatened imposition of tariffs against the European Union could have a material adverse impact on the sales of our products to customers in the United States. In 2024, a significant portion of pulp segment revenues from our Canadian pulp mills and approximately 10 % of our overall pulp segment revenues were from the United States. The U. S. market accounted for approximately 47 % of our lumber revenues and approximately 41 % of our lumber sales volumes in 2024. If implemented, the tariffs and any retaliatory measures could also impact our raw material costs and result in volatility in transportation costs and logistics disruptions and delays. For example, in 2024, our Celgar pulp mill sourced a significant portion of its fiber requirements from United States suppliers. It is also possible that tariffs between the United States and other countries, such as China and the European Union may benefit certain aspects of our business, including potential positive impacts on our Canadian dollar and Euro denominated costs, lowering our fiber costs or making our European Union solid wood products more competitive against those of United States competitors. While we are taking steps to seek to mitigate their potential impact on our business, given that developments are ongoing with**

**respect to these proposed tariffs and other measures, their impacts are uncertain and could (34)** We face intense competition in the forest products industry. We compete with numerous forest products companies, some of which have greater financial resources. The trend toward consolidation in the forest products industry has led to the formation of sizable global producers that have greater flexibility in pricing and financial resources for marketing, investment, research and development, innovation, and expansion. Additionally, certain of our competitors are fully or more vertically integrated than we are and may have different priorities when operating their respective businesses. Because the markets for our products are highly competitive, actions by competitors can affect our ability to compete and the volatility of prices at which our products are sold. The forest products industry is also capital intensive, and we require significant investment to remain competitive. Some of our competitors may be lower- cost producers in some of the businesses in which we operate. For example, the sizable low- cost hardwood grade pulp capacity in South America, which continues to grow as a result of ongoing investment and whose costs are thought to be very competitive, and the actions those mills take to gain market share, could continue to adversely affect our competitive position in similar grades. Failure to compete effectively could have a material adverse effect on our business, financial condition or results of operations. Additionally, in our **solid** wood products segment, demand for our CLT, **glulam** and other wood products may be impacted by the entry of new competitors or improved product capabilities, innovation or production capacity by existing competitors, which may adversely affect our market share for such products. Our business is subject to risks associated with climate change and social and government responses thereto. Our operations and those of our suppliers are subject to climate change variations which can impact the productivity of forests, the abundance of species, harvest levels and fiber supply. Further, over the last few years, changing weather patterns and climate conditions due to natural and man- made causes have added to the frequency and unpredictability of natural disasters like wildfires, insect infestation of softwood forests, floods, rain, wind, snow and ice storms. One or a combination of these factors could adversely affect our fiber supply which is our largest cash production cost. There are differing scientific studies and opinions relating to the severity, extent and speed at which climate change is or may be occurring around the world. As a result, we are currently unable to identify and predict all of the specific consequences of climate change on our business and operations. Further, governmental initiatives and social focus in response to climate change also have an impact on operations. Their demand for carbon neutral green energy has created greater demand and competition for the wood residuals and fiber that is consumed by our pulp mills as part of their production processes. This can drive up the cost of fiber for our mills. If our fiber costs increase and we cannot pass on these costs to our customers or offset them through higher prices for our sales of surplus energy, it will negatively affect our operating margins, results of operations and financial position. If we cannot obtain the fiber required to operate our mills, we may have to curtail and / or shut down production. This could have a material adverse effect on our operations, financial results and financial position. Other risks to our business from climate change include: • a greater susceptibility of northern forests to disease, fire and insect infestation, which could diminish fiber availability; ( ~~36-35~~ ) Any of these natural disasters could also affect woodlands or cause variations in the cost of raw materials, such as fiber or restrict or negatively impact our logistics and transportation of goods and materials. Changes in precipitation could make wildfires more frequent or more severe, and could adversely affect timber harvesting and the supply of fiber to our operations. The effects of global, regional and local weather conditions, and climate change, including the costs of complying with evolving climate change regulations and transition costs relating to a low carbon economy could also adversely impact our results of operations. **If we are unable to offer products..... impact the demand for market pulp.** Fluctuations in prices and demand for lumber and mass timber products could adversely affect our business. The financial performance of the Friesau mill and Torgau facility depends on the demand for and selling price of lumber, which is subject to significant fluctuations. The markets for lumber are highly volatile and are affected by economic conditions in Europe, Asia and the United States, the strength of housing markets and the home renovations activity in such regions, the growing importance of the Asian market, changes in industry production capacity, changes in inventory levels and other factors beyond our control. Interest rates also have a significant impact on residential construction and renovation activity, which in turn influence the demand **for** and price of lumber. Additionally, demand for mass timber products is driven, in part, by commercial and industrial construction demand. As such, periods of volatility or decreases in demand for our lumber and other wood products could adversely affect our business and results of operations. Our solid wood segment lumber products are vulnerable to declines in demand due to competing technologies or materials. Our lumber products may compete with alternative products. For example, plastic, wood / plastic or composite materials may be used by builders as alternatives to the lumber products produced by our solid wood segment. Changes in the prices for oil, chemicals and other products can change the competitive position of our solid wood segment lumber products relative to available alternatives and could increase substitution of those products for our solid wood segment products. If use of these alternative products grows, demand for and pricing of our solid wood segment products could be adversely affected. We may experience material disruptions to our production. A material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales and / or negatively impact our results of operations. Any of our mills could cease operations unexpectedly due to a number of events, including: • unscheduled maintenance outages; • prolonged power failures; • equipment failures; • employee errors or failures; • design error or contractor error; • chemical spill or release or industrial fire; • explosion of a boiler; • disruptions in the transportation infrastructure, including roads, bridges, railway tracks, tunnels, canals and ports; • fires, floods, earthquakes, windstorms, pest infestations, severe weather conditions or other natural catastrophes affecting our production of goods or the supply of raw materials like fiber; **(36)** • prolonged supply disruption of major inputs; • labor difficulties; • capital projects that require temporary cost increases or curtailment of production; • health pandemics and related restrictions, ~~including the lingering impacts of the COVID-19 pandemic~~; and • other operational problems. ~~(38)~~ Any such downtime or facility damage could prevent us from meeting customer demand for our products and / or require us to make unplanned capital expenditures. If any of our facilities were to incur significant downtime, our ability to meet our production capacity targets and satisfy customer requirements would be impaired and could have a material adverse effect on our business,

financial condition, results of operations and cash flows. Acquisitions may result in additional risks and uncertainties in our business. In order to grow our business, we may seek to acquire additional assets or companies. For example, in September 2022, we acquired the Torgau facility for approximately \$ 263. 2 million and, in June 2023, we acquired the Mercer Conway facility and Mercer Okanagan facility for approximately \$ 82. 1 million. Our ability to pursue selective and accretive acquisitions is dependent on management' s ability to identify, acquire and develop suitable acquisition targets in both new and existing markets. In pursuing acquisition and investment opportunities, we face competition from other companies having similar growth strategies, many of which may have substantially greater resources than us. Competition for these acquisitions or investment targets could result in increased acquisition or investment prices, higher risks and a diminished pool of businesses or assets available for acquisition. Acquisitions also frequently result in **the** recording of goodwill and other intangible assets, which are subject to potential impairments in the future that could have a material adverse effect on our operating results. Furthermore, the costs of integrating acquired businesses (including restructuring charges associated with the acquisitions, as well as other acquisition costs, such as accounting fees, legal fees and investment banking fees) could significantly impact our operating results. Although we perform diligence on the businesses we purchase, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses. We may not be able to ascertain the value or understand the potential liabilities of the acquired businesses and their operations until we assume operating control of the assets and operations of these businesses. Furthermore, acquisitions could entail a number of risks, including: • diversion of management' s attention from our ongoing business; • difficulty integrating the operations, including financial and accounting functions, sales and marketing procedures, technology and other corporate administrative functions of the combined operations; • increased operating costs; • exposure to substantial unanticipated liabilities; • difficulty in realizing projected synergies, efficiencies and cost savings; • exposure to facilities with different health and safety standards than ours and difficulty in integrating their practices to our standards; • difficulty maintaining relationships with present and potential customers, distributors and suppliers due to uncertainties regarding service, production quality and prices; and • problems retaining key employees. If we are unable to address any of these risks, our results of operations and financial condition could be materially adversely affected. **(37) changes in the timing of deliveries, design errors or other project delays caused by us, customers or others may adversely impact our operating results.** Our operations require substantial capital and we may be unable to maintain adequate capital resources to provide for such capital requirements. Our business is capital intensive and requires that we regularly incur capital expenditures to maintain our equipment, improve efficiencies and, as a result of changes to environmental regulations that require capital expenditures, bring our operations into compliance with such regulations. **We in addition, we** may approve projects in the future that will require significant capital expenditures. Increased capital expenditures could have a material adverse effect on our cash flow and our ability to satisfy our debt obligations. If our available cash resources and cash generated from operations are not sufficient to fund our operating needs and capital expenditures, we would have to obtain additional funds from borrowings or other available sources or reduce or delay our capital expenditures. Our indebtedness could adversely limit or impair our ability to raise additional capital. We may not be able to obtain additional funds on favorable terms or at all. If we cannot maintain or upgrade our equipment as may be required from time to time, we may become unable to manufacture products that compete effectively. An inability to make required capital expenditures in a timely fashion could have a material adverse effect on our growth, business, financial condition or results of operations. Trends in non-print media and changes in consumer habits regarding the use of paper have and are expected to continue to adversely affect the demand for market pulp. Trends in non- print media are expected to continue to adversely affect demand for traditional print media, including for printing, writing and graphic papers. Neither the timing nor the extent of these trends can be predicted with certainty. Our paper, magazine, book and catalog publishing customers could increase their use of, and compete with, non- print media, including multimedia technologies, electronic storage and communication platforms which could further reduce their consumption of papers and in turn their demand for market pulp. The demand for such **paper products has weakened significantly over the last several years and was negatively impacted by the COVID- 19 pandemic, which further altered consumer habits.** We are subject to risks related to our employees. The majority of our employees are part of a union or are represented by a works council and we have collective agreements in place with our employees at all of our mills, other than the Peace River mill, Mercer Spokane facility, Torgau facility and Mercer Conway facility, which are non- union and not represented by a works council. Although we have not experienced any material work stoppages in the past, there can be no assurance that we will be able to negotiate acceptable collective agreements or other satisfactory **(39)** arrangements with our employees upon the expiration of our collective agreements. This could result in a strike or work stoppage by the affected workers. The registration or renewal of the collective agreements or the outcome of our wage negotiations could result in higher wages or benefits paid. Many of the employment positions in our operations require technical or other operating training and / or experience. Changing demographics may make it more difficult for us to recruit skilled employees in the future. Accordingly, we could experience a significant disruption of our operations or higher ongoing labor costs, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, whenever we seek to reduce the workforce at any of our mills, the affected mill' s labor force could seek to hinder or delay such actions, we could incur material severance or other costs and our operations could be disrupted. We are dependent on key personnel. Our future success depends, to a large extent, on the efforts and abilities of our executive and senior mill operating officers. Such officers are industry professionals, many of whom have operated through multiple business cycles. The loss of one or more of our officers could make us less competitive, which could materially adversely affect our business, financial condition, results of operations and cash flows. We do not maintain key person life insurance for any of our executive or senior mill operating officers. In addition, by nature of the industries in which we operate, many of our employees are professionals who require specialized knowledge and skills, including various categories of engineers and licensed trade persons and equipment operators. Any inability to attract, train and retain such employees could adversely affect our business and results of operations. **(38)** If our long-

lived assets become impaired, we may be required to record non- cash impairment charges that could have a material impact on our results of operations. We review the carrying value of long- lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Should the markets for our products deteriorate or should we decide to invest capital differently or should other cash flow assumptions change, it is possible that we will be required to record non- cash impairment charges in the future that could have a material adverse effect on our results of operations. Our insurance coverage may not be adequate. We have obtained insurance coverage that we believe would ordinarily be maintained by an operator of facilities similar to our mills. Our insurance is subject to various limits and exclusions. Damage or destruction to our facilities could result in claims that are excluded by, or exceed the limits of, our insurance coverage. Additionally, the weak global and financial markets have also reduced the availability and extent of credit insurance for our customers. If we cannot obtain adequate credit insurance for our customers, we may be forced to amend or curtail our planned operations which could negatively impact our sales revenues, results of operations and financial position. We rely on third parties for transportation services. Our business primarily relies upon third parties for the transportation of products to our customers, as well as for the delivery of our raw materials to our mills. Our products and raw materials are principally transported by truck, barge, rail and sea- going vessels, all of which are highly regulated. Increases in transportation rates can also materially adversely affect our results of operations. Further, if our transportation providers fail to deliver our products in a timely manner, it could negatively impact our customer relationships and we may be unable to manufacture pulp or lumber in response to customer orders or sell them at full value. Also, if any of our transportation providers were to cease operations, we may be unable to replace them at a reasonable cost. The occurrence of any of the foregoing events could materially adversely affect our results of operations. (40)-If we are unable to offer products certified to globally recognized forestry management and chain of custody standards or meet customers' product or project specifications, it could adversely affect our ability to compete. We market and sell pulp, lumber and other solid wood products with specific designations to certain globally recognized forest management and chain of custody standards as well as product specifications to meet customers' requirements. Our ability to conform to new or existing guidelines for certification depends on a number of factors, many of which are beyond our control, such as: changes to the standards or the interpretation or the application of the standards; the collaboration of our suppliers in the timely sharing of product information; the adequacy of government- implemented conservation measures; and in Canada the existence of or potential territorial disputes between First Nations peoples and governments. If we are unable to offer certified products, or to meet commitments to supply certified product or meet the product specifications of our customers, it could adversely affect the marketability of our products and our ability to compete with other producers. Our solid wood segment includes the manufacture, sale and distribution of CLT, **glulam** and other mass timber products that may be based on project- specific customer requirements. Some of these sales are based upon fixed- price contracts. Underestimates in the bidding process, changes in the timing of deliveries, design errors or other project delays caused by us, customers or others may adversely impact our operating results. Our operations- Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business. We use information technologies to manage our operations and various business functions. We rely on various technologies to process, store and report on our business and to communicate electronically between (39) our facilities, personnel, customers and suppliers as well as for administrative functions and many of such technology systems are dependent on one another for their functionality. We also use information technologies to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. We rely on third -party providers for some of these information technologies and support. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products is highly dependent on our technology systems. Despite our security design and controls and other operational safeguards, and those of our third -party providers, our information technology systems may be vulnerable to a variety of interruptions, including during the process of upgrading or replacing hardware, software, databases or components thereof, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyberattacks, hackers, unauthorized access attempts and other security issues or may be breached due to employee error, malfeasance or other disruptions. Any such interruption or breach could result in operational disruptions or the misappropriation of sensitive data that could subject us to **additional reporting requirements** civil and criminal penalties, litigation, **governmental investigations or proceedings** or have a negative impact on our reputation. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not negatively impact our cash flows and materially affect our results of operations or financial condition. In addition, many of our information technology systems, such as those we use for administrative functions, including human resources, payroll, accounting and internal and external communications, as well as the information technology systems of our third- party business partners and service providers, whether cloud- based or hosted in proprietary servers, contain personal, financial or other information that is entrusted to us by our customers and personnel. Many of our information technology systems also contain proprietary and other confidential information related to our business, such as business plans and research and development initiatives. **If To the extent** we or a third -party were to experience a material breach of our or such third -party's information technology systems that results in the unauthorized access, theft, use, destruction or other compromises of our customers' or personnel' s data or confidential information stored in such systems, including through cyberattacks or other external or internal methods, it could result in a violation of applicable privacy and other laws, and subject us to **additional reporting requirements**, litigation and governmental investigations and proceedings, any of which could result in our exposure to material liability. **Evolving** There is increased focus on sustainability reporting and the importance of environmental, social and governance **scores from preferences of** customers, investors and other stakeholders, which may impact our business. Sustainability **and** environmental, social and governance reporting frameworks are numerous and evolving rapidly. Sustainability governance, performance and disclosures are reviewed and monitored by investors, customers, other stakeholders and environmental, social and governance scoring service providers using different methodologies, which may impact how they

perceive, justifiably or not, us and our business. In the event we were unable to achieve our stated sustainability targets, goals and commitments or if our sustainability statements were challenged as erroneous, inaccurate or incomplete, whether justifiably or not, our reputation and customer and other relationships may be adversely affected and we may also be exposed to potential litigation and liability. In addition, evolving standards and regulations related to climate change, sustainability and environmental, social and governance reporting may also result in additional expenditures and divert management attention from our business. ~~We have limited control over the operations of the Cariboo mill. Our 50% ownership interest in the Cariboo mill is through an unincorporated joint venture partnership. The ownership and operation of such mill is subject to an underlying agreement and its day-to-day operations are principally conducted by our joint venture partner. Joint venture partnerships generally involve special risks, including that the business and strategic interests of the joint venture partner and us may not coincide or that the joint venture partner may be unable to meet its economic or other obligations thereunder. We have limited control over the actions of the joint venture partner in respect of the Cariboo mill, including any non-performance, default or bankruptcy of such party. Any non-performance by our joint venture partner or other (41) actions taken by the joint venture partner in connection with the day-to-day operation of the Cariboo mill may adversely affect our results of operations and financial condition.~~ Risks Related to our Debt Our level of indebtedness could negatively impact our financial condition, results of operations and liquidity. As of December 31, ~~2023~~ **2024**, we had approximately \$ 1, ~~609,474,400~~ million of indebtedness outstanding. We may also incur additional indebtedness in the future. Our high debt levels may have important consequences for us, including, but not limited to the following: • our ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes or to fund future operations may not be available on terms favorable to us or at all; **(40)** • a significant amount of our operating cash flow is dedicated to the payment of interest and principal on our indebtedness, thereby diminishing funds that would otherwise be available for our operations and for other purposes; • increasing our vulnerability to current and future adverse economic and industry conditions; • a substantial decrease in net operating cash flows or increase in our expenses could make it more difficult for us to meet our debt service requirements, which could force us to modify our operations; • our leveraged capital structure may place us at a competitive disadvantage by hindering our ability to adjust rapidly to changing market conditions or by making us vulnerable to a downturn in our business or the economy in general; • causing us to offer debt or equity securities on terms that may not be favorable to us or our shareholders; • limiting our flexibility in planning for, or reacting to, changes and opportunities in our business and our industry; and • our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay the principal or interest due in respect of our indebtedness. The indentures that govern our Senior Notes, and our credit facilities contain restrictive covenants which impose operating and other restrictions on us and our subsidiaries. These restrictions will affect, and in many respects will limit or prohibit, our ability to, among other things, incur or guarantee additional indebtedness, pay dividends or make distributions on capital stock or redeem or repurchase capital stock, make investments or acquisitions, create liens and enter into mergers, consolidations or transactions with affiliates. The terms of our indebtedness also restrict our ability to sell certain assets, apply the proceeds of such sales and reinvest in our business. Certain of the agreements governing our indebtedness have covenants that require us to maintain prescribed financial ratios and tests. Failure to comply with such covenants could result in events of default and could have a material adverse effect on our liquidity, results of operations and financial condition. Our ability to repay or refinance our indebtedness will depend on our future financial and operating performance. Our performance, in turn, will be subject to prevailing economic and competitive conditions, as well as financial, business, legislative, regulatory, industry and other factors, many of which are beyond our control. Our ability to meet our future debt service and other obligations may depend in significant part on the extent to which we can successfully implement our business strategy. We cannot assure you that we will be able to implement our strategy fully or that the anticipated results of our strategy will be realized. Over the next several years, we will require financing to refinance maturing debt obligations (unless extended), and such refinancing may not be available on favorable terms or at all. ~~(42)~~ 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. Credit rating agencies rate our debt securities on factors that include our operating results, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading or downgrading the current rating or placing the company on a watch list for possible future downgrading. Downgrading the credit rating of our debt securities or placing us on a watch list for possible future downgrading could limit our access to credit markets, increase our cost of financing and have an adverse effect on the market price of our securities, including our Senior Notes. We are exposed to interest rate fluctuations. Interest on borrowings under our revolving credit facilities are at ~~"floating"~~ **"floating"** rates. As a result, increases in interest rates will increase our costs of borrowing and reduce our operating ~~margins~~ **results**. ~~(41)~~ Risks Related to ~~Macro-economic~~ **Macro-economic**

**Macroeconomic** Conditions A weakening of the global economy, including capital and credit markets, could adversely affect our business and financial results and have a material adverse effect on our liquidity and capital resources. As demand for our products has principally historically been determined by general global ~~macro-economic~~ **macroeconomic** activities, demand and prices for our products have historically decreased substantially during economic slowdowns. A significant economic downturn may affect our sales and profitability. Further, our suppliers and customers may also be adversely affected by an economic downturn. Additionally, restricted credit and capital availability restrains our customers' ability or willingness to purchase our products, resulting in lower revenues. Depending on the severity and duration, the effects and consequences of a global economic downturn could have a material adverse effect on our liquidity and capital resources, including our ability to raise capital, if needed, and otherwise negatively impact our business and financial results. ~~In addition, financial~~ **Financial** uncertainties and other events in our major international markets, including inflation and other market factors, may negatively impact the global economy and consequently, our results of operations. Political uncertainty, an increase in trade protectionism or ~~geo-geopolitical~~ **political** conflict could have a material adverse effect on global ~~macro-economic~~ **economic**

activities and trade and adversely affect our business, results of operations and financial condition. The rise of economic nationalist sentiments, trade protectionism and ~~geo-geopolitical~~ **political** security has led to increasing political uncertainty and unpredictability throughout the world. Additionally, there can be no assurance that additional or new trade tensions ~~imposition of import and export restrictions~~ and tariffs will not arise between various trade partners. These potential developments, market perceptions concerning these and related issues and the attendant regulatory uncertainty regarding, for example, the posture of governments with respect to international trade or national security issues, could have a material adverse effect on global trade and economic growth which, in turn, can adversely affect our business, results of operation and financial condition. Increased trade protectionism ~~or the perception that it may occur~~ could materially adversely affect our business ~~Increasing trade protectionism may cause an increase in the cost of products exported from regions globally, the length of time required to transport products, and the risks associated with exporting products. Such increases may have an adverse impact on our business, operating schedule and financial condition.~~ If the current global economy or outlook is undermined by downside risks and there is a prolonged economic downturn, governments may resort to new or enhanced trade barriers to protect their domestic industries against imports, thereby depressing demand. **Changes in the trade policies of the U.S. and other countries, such as the announcement of unilateral tariffs on imported products, have already triggered retaliatory actions from affected countries, resulting in "trade wars" that could have a material adverse effect on global trade and economic growth.** International security issues and adverse developments in respect thereof such as the war in Ukraine and **potentially western security alliances** ~~the conflicts in the Middle East~~ could materially adversely affect global trade and economic activity and cause logistics disruptions or delays. Protectionist developments or adverse international political tensions or developments, or the perception they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Increasing trade protectionism in the markets could increase the risks associated with exporting goods to such markets. These developments could have a material adverse effect on our business, **results of operations and financial condition**. We are exposed to currency exchange rate fluctuations. We have manufacturing operations in Germany, Canada and the United States. Most of the operating costs and expenses of our German mills are incurred in euros and those of our Canadian mills in Canadian dollars. However, the majority of our sales are in products quoted in dollars. Our results of operations and financial condition are reported in dollars. As a result, our costs generally benefit from a strengthening dollar but are adversely affected by a decrease in the value of the dollar relative to the euro and to the Canadian dollar. Such declines in the dollar relative to the euro and the Canadian dollar reduce our operating margins and the cash flow available to fund our operations and to service our debt. This could have a material adverse effect **(42)** ~~on our business, financial condition, results of operations and cash flows.~~ Further, while a strengthening dollar generally lowers our costs and expenses in Germany and Canada, it increases the cost of pulp to our customers and generally puts downward pressure on pulp prices and reduces our energy, chemical, pallet, biofuel, wood residual and European lumber sales revenues as they are sold in euros and Canadian dollars. Although we report in dollars, we hold certain assets and liabilities, including our mills, in euros and Canadian dollars. We translate foreign denominated assets and liabilities into dollars at the rate of exchange on the balance sheet date. Equity accounts are translated using historical exchange rates. Unrealized gains or losses from these translations are recognized in other comprehensive income (loss) and do not affect our net earnings, operating income (loss) or Operating EBITDA. ~~(43)~~ Certain intercompany dollar advances between Mercer Inc. and its foreign subsidiaries are held in euros and Canadian dollars. Mercer Inc. holds some cash in foreign currencies and certain foreign subsidiaries hold some cash and other balances in dollars. When such advances, cash and other balances are translated into the applicable local currency at the end of each reporting period, the gains or losses thereon are reflected in net earnings. Globally, **various** central banks ~~have~~ raised interest rates in **2022 and 2023** ~~in~~ response to high inflation rates, **leading to a relatively high interest rate environment**, which could dampen ~~macro-economic~~ **macroeconomic** conditions and business activity ~~and which could~~ reduce demand for our products. As a result of higher than acceptable rates of inflation, many central banks ~~globally have~~ raised interest rates through 2022 and 2023 ~~and may continue to do so in the future to reduce the rate of inflation.~~ Such **While various central banks initiated** interest rate ~~increases~~ **reductions in the second half of 2024, interest rates remain at relatively high levels. They may also fluctuate in the future. High interest rates** can, among other things, dampen ~~macro-economic~~ **macroeconomic** conditions and business activity and lead to a recession. Such weakened economic activity could reduce demand and prices for our products which could reduce our margins and adversely affect our results of operations. In addition, the effects of ~~rising a high~~ **interest rates- rate environment** and a weakening of global economic activity could heighten and increase many of the other risks described in this Item 1A. **Political uncertainty, an increase in....., results of operations and financial condition**. Health epidemics or pandemics could adversely affect our business and financial results. Health epidemics or pandemics have in the past and may in the future impact macroeconomic conditions, supply chains and other global economic activities. Governmental responses thereto, including operational restrictions adversely affect our business, operations and financial results. The duration and scope of a health epidemic or pandemic can be difficult to predict and depends on many factors, including the emergence of new variants and the availability, acceptance and effectiveness of preventative measures. The extent that an epidemic or pandemic may impact our business, operations and financial results will depend on numerous factors, which may be evolving and not subject to accurate prediction. Additionally, a health epidemic or ~~(44)~~ pandemic may also heighten other risks disclosed in these risk factors, including, but not limited to, those related to the availability and costs of labor, raw materials and supply chain interruptions. We may incur losses as a result of unforeseen or catastrophic events, including terrorist attacks or natural disasters. The occurrence of unforeseen or catastrophic events, terrorist attacks or natural disasters ~~could~~ create economic and financial disruptions and could lead to operational difficulties (including travel limitations) that could impair our ability to manage or operate our business and adversely affect our results of operations. **(43)** Legal and Regulatory Risks We are subject to extensive environmental regulation and we could incur substantial costs as a result of compliance with, violations of or liabilities under applicable environmental laws and regulations. Our operations are subject to numerous environmental laws and regulations as

well as permits, guidelines and policies relating to the protection of the environment. These laws, regulations, permits, guidelines and policies govern, among other things: • discharges to land, air, water and sewers; • waste collection, storage, transportation and disposal; • hazardous waste; • dangerous goods and hazardous materials and the collection, storage, transportation and disposal of such substances; • the clean-up of unlawful discharges; • land use planning; • municipal zoning; and • employee health and safety. In addition, as a result of our operations, we may be subject to remediation, clean-up or other administrative orders or amendments to our operating permits, and we may be involved from time to time in administrative and judicial proceedings or inquiries. Future orders, proceedings or inquiries could have a material adverse effect on our business, financial condition and results of operations. Environmental laws and land use laws and regulations are constantly changing. New regulations or the increased enforcement of existing laws could have a material adverse effect on our business and financial condition. In addition, compliance with regulatory requirements is expensive, at times requiring the replacement, enhancement or modification of equipment, facilities or operations. There can be no assurance that we will be able to maintain our profitability by offsetting any increased costs of complying with future regulatory requirements. We are subject to liability for environmental damage at the facilities that we own or operate, including damage to neighboring landowners, residents or employees, particularly as a result of the contamination of soil, groundwater or surface water and especially drinking water. The costs of such liabilities can be substantial. Our potential liability may include damages resulting from conditions existing before we purchased or operated these facilities. We may also be subject to liability for any offsite environmental contamination caused by pollutants or hazardous substances that we or our predecessors arranged to transport, treat or dispose of at other locations. In addition, we may be held legally responsible for liabilities as a successor owner of businesses that we acquire or have acquired. Except for the Stendal mill, the Mercer Spokane facility and **the** Mercer Conway facility, our facilities have been operating for decades and we have not done invasive testing to determine whether or to what extent any such environmental contamination exists. As a result, these businesses may have liabilities for conditions that we discover or that become apparent, including liabilities arising from non-compliance with environmental laws by prior owners. Because of the limited availability of insurance coverage for environmental liability, any substantial liability for environmental damage could materially adversely affect our results of operations and financial condition. ~~(45)~~ We have incurred, and we expect to continue to incur, significant capital, operating and other expenditures as a result of complying with applicable environmental laws and regulations. Further, enactment of new environmental laws or regulations, changes in existing laws or regulations or the interpretation of these laws and regulations might require significant capital expenditures. We may be unable to generate sufficient funds or access other sources of capital to fund unforeseen environmental liabilities or expenditures. **(44)** We sell surplus green energy in Germany and are subject to changing energy legislation in response to high prices and energy shortages. In Germany, our mills sell surplus green energy at market prices or certain of our mills have the option to sell at fixed prices or tariffs pursuant to the Renewable Energy Act. The fixed price tariff **expired in December 2024** for our Stendal mill, **and expires in December 2024 2029**, for our Friesau mill **expires in and between 2029 and to 2034** for our Torgau facility's four cogeneration power plants **range from 2029 to 2034**. In October 2022, the Council of the European Union formally adopted emergency measures to address high energy prices resulting from the war in Ukraine. The Council ~~implemented~~ **adopted** a **Regulation regulation** containing temporary measures including a mandatory cap on market revenues at € 180 per MWh ~~hour~~ for inframarginal **electricity** generators such as renewables, nuclear and lignite producers. **In Germany, this was implemented through the adoption of a "windfall" profits tax in December 2022 on electricity producers which expired came into force in February June 2023. The windfall profits tax** This cap applied to both electricity traded in a centralized marketplace, **as was equivalent well as electricity traded bilaterally and has been extended to January 2025 90 % of the revenue above a "baseline" threshold for energy producers.** We cannot predict if either Germany or the European Union will adopt new legal measures if there are further energy shortages and high prices resulting from the Ukraine conflict or otherwise in the future. The effect of the foregoing and any similar legislation may negatively impact our revenues and after tax income from surplus green energy sales during applicable periods. Further, the availability of tariffs and other incentives for our green energy production activities is dependent, to a large extent, on political and policy developments relating to environmental concerns in the regions in which we operate. We cannot currently predict the scope of any such measures, whether they will provide similar economic incentives as under the tariffs, when, if at all, they will be implemented or their potential application and impact on the expiry of their existing tariffs for certain of our German mills. Our international sales and operations are subject to applicable laws relating to trade, export controls, foreign corrupt practices and competition laws, the violation of which could adversely affect our operations. As a result of our international sales and operations, we are subject to trade and economic sanctions and other restrictions imposed by the United States, Canada and other governments or organizations, including prohibitions in the United States against foreign competitors' (including our operating subsidiaries) receipt of certain unlawful foreign governmental benefits. We are also subject to the U. S. Foreign Corrupt Practices Act of 1977, the Canadian Corruption of Foreign Public Officials Act and other anti-bribery laws that generally bar bribes or unreasonable gifts to governments or officials. Changes in trade sanction laws could restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned entities, and may result in modifications to compliance programs. Violations of these laws or regulations could result in sanctions including fines, loss of authorizations needed to conduct our international business, the imposition of tariffs or duties and other penalties, which could adversely impact our business, operating results and financial condition. ~~(46)~~ Product liability claims could adversely affect our operating results. Our solid wood segment includes the manufacture, sale and distribution of CLT, **glulam** and other mass timber products, that are based on specific requirements of each customer. We believe that future orders of such products will depend on our ability to maintain the performance, quality and timely delivery standards required by customers. These products may, from time to time, be subject to product liability and warranty claims. If such products have performance or quality issues, or are installed incorrectly by customers or others, we may experience, among other things, warranty and other expenses, replacement costs or reduced or cancelled orders. In addition, product liability and warranty claims

could result in costly and time-consuming litigation that could require significant time and attention of management and / or significant monetary damages that could negatively impact our operating results. No assurance can be given that coverage under insurance policies, to the extent applicable, will be adequate to cover any such claims if they arise in the future. (45) Risks Related to Ownership of our Shares The price of our common stock may be volatile. The market price of our common stock may be influenced by many factors, some of which are beyond our control, including those described above and the following: • actual or anticipated fluctuations in our operating results or our competitors' operating results; • announcements by us or our competitors of new products, capacity changes, significant contracts, acquisitions or strategic investments; • our growth rate and our competitors' growth rates; • the financial market and general economic conditions; • changes in stock market analyst recommendations regarding us, our competitors or the forest products industry generally or lack of analyst coverage of our common stock; • sales of common stock by our executive officers, directors and significant shareholders; • changes in accounting principles; and • changes in laws and regulations. In addition, there has been significant volatility in the market price and trading volume of securities of companies operating in the forest products industry that often has been unrelated to the operating performance of particular companies. Some companies that have had volatile market prices for their securities have had securities litigation brought against them. If litigation of this type is brought against us, it could result in substantial costs and would divert management's attention and resources. A small number of our shareholders could significantly influence our business. There are a few significant shareholders of our common stock who own a substantial percentage of the outstanding shares of our common stock. These few significant shareholders, either individually or acting together, may be able to exercise significant influence over matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of the company or our assets. This concentration of ownership may make it more difficult for other shareholders to effect substantial changes in the company, may have the effect of delaying, preventing or expediting, as the case may be, a change in control of the company and may adversely affect the market price of our common stock. Further, the possibility that one or more of these significant shareholders may sell all or a large portion of their common stock in a short period of time could adversely affect the trading price of our common stock. Also, the interests of these few shareholders may not be in the best interests of all shareholders. (47)