



TSX: FTP

## FORTRESS PAPER ANNOUNCES THIRD QUARTER 2011 RESULTS

**Vancouver, British Columbia, November 7, 2011** – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported 2011 third quarter EBITDA loss of \$0.8 million on sales of \$84.0 million. For the second quarter of 2011 EBITDA was \$4.6 million on sales of \$89.9 million and for the third quarter of 2010 EBITDA was \$8.8 million on sales of \$87.0 million.

Fortress reported an adjusted net loss of \$7.8 million for the third quarter of 2011 or diluted adjusted loss per share of \$0.54. In the second quarter of 2011 the Company reported an adjusted net loss of \$1.0 million or a diluted adjusted loss per share of \$0.07. For the third quarter of 2010 the Company reported adjusted net income of \$3.7 million or diluted adjusted earnings per share of \$0.28.

Similar to the prior quarter, the Pulp Segment produced specialty pulp throughout the quarter which resulted in comparative cost per tonne, but a lower price relative to the prior quarter due to a deterioration in the premium realized relative to the second quarter. As previously disclosed, the necessary shut-down of the mill for conversion to dissolving pulp was re-scheduled and we experienced a temporary work delay as a result of an unexpected walkout by unionized construction employees. As a result, we now expect that dissolving pulp production will commence no later than in mid-November 2011. Dissolving pulp sales are anticipated to provide significantly higher margins than previous NBHK and specialty pulp sales.

The Wallpaper Segment produced another strong quarter which was comparable to the previous quarter result. Sales were strong throughout the quarter and margins remained stable.

The challenges experienced by the Security and Specialty Paper Segment continued in the third quarter. An increase in security paper theoretical capacity at the Landqart mill from 2,500 tonnes to 10,000 tonnes became available at a time where there was a general softening in banknote orders industry wide, due in part to a delay in the re-design of the Euro and Swiss Franc banknotes, resulting in primarily smaller legacy orders being produced at the Landqart Mill. While high raw material prices, a strong Swiss currency together with low utilization have contributed to another difficult quarter, the Landqart Mill is now in the process of overcoming the low utilization with recent new contract orders representing a significant portion of Landqart’s 2012 banknote capacity.

EBITDA is defined as net income before interest, income taxes, depreciation, amortization, non-operating income and expenses and stock based compensation which the Company considers to be a key performance indicator. Adjusted net income (loss) is calculated as net income (loss) less specific items affecting comparability with prior periods and adjusted net income (loss) per share is calculated as adjusted net income (loss) divided by the weighted average number of shares outstanding in the period. EBITDA, adjusted net income (loss) and adjusted net income (loss) per share are not generally accepted earnings measures and should not be considered as an alternative to net income or cash flows as determined in accordance with Canadian GAAP. As there is no standardized method of calculating these measures, the Company’s EBITDA,

adjusted net income (loss) and adjusted net income (loss) per share may not be directly comparable with similarly titled measures used by other companies.

## Management's Outlook

This was our final quarter in the specialty pulp market as the focus now turns towards the shutdown and conversion to dissolving pulp. The fourth quarter of 2011 will be one of significant transition as conversion, testing and ramp up towards full production of dissolving pulp will re-define our Pulp Segment.

EBITDA from the non-woven wallpaper base segment was down only 4% from the prior quarter as we completed an additional upgrade of our facility during the annual August maintenance shutdown. The upgrade was successful and has resulted in over 10% additional capacity compared to the total capacity in 2010. Margins remain strong and the order log is healthy.

The security and specialty paper segment experienced another challenging quarter. The converted PM1 high security paper-machine is performing to specifications; however, similar to the first and second quarter of 2011, the Landqart mill's third quarter 2011 results were impacted by high raw material costs and industry over-capacity due in part to the postponement of several major currencies. In addition, the strong Swiss exchange rate continues to have a negative impact on the operational cost structure of the mill. With recent banknote orders, utilization will improve and capacity of both paper machines is expected to be required to meet demands through 2012.

## Selected Financial Information

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, our unaudited consolidated financial statements as at and for the three and nine month periods ended September 30, 2011 and the related notes thereon and our Management's Discussion and Analysis filed on SEDAR.

### *Three Months Ended September 30, 2011*

(thousands of dollars, except per unit amounts and shipments, unaudited)	Q3 2011	Q2 2011	Q3 2010
Sales	83,995	89,906	86,972
EBITDA <sup>1</sup>	(758)	4,601	8,800
Operating income (loss)	(4,876)	619	5,932
Net income (loss)	(7,237)	2,907	5,232
Adjusted net (loss) income	(7,762)	(982)	3,749
Paper Shipments (tonnes)	13,383	14,670	16,452
Pulp Shipments (tonnes)	55,918	54,384	60,469

<sup>1</sup>See net income to EBITDA reconciliation.

**Net income to EBITDA reconciliation:**

(thousands of dollars, unaudited)	Q3 2011	Q2 2011	Q3 2010
Net income (loss)	(7,237)	2,907	5,232
Income tax expense	2,051	740	2,063
Foreign exchange (gain) loss	(525)	(3,889)	(1,483)
Net interest expense	835	861	120
Amortization	3,668	3,394	2,229
Stock based compensation	450	588	639
EBITDA	(758)	4,601	8,800

**The Company**

Fortress Paper is a leading international producer of security and other specialty papers and products. Fortress operates three mills, the Landqart Mill located in Switzerland, the Dresden Mill located in Germany and the Fortress Specialty Cellulose Mill located in Quebec, Canada. Fortress Paper's security papers include banknote, passport and visa papers and its specialty papers include non-woven wallpaper base products, and graphic and technical papers. Fortress Paper's pulp business includes NBHK produced at the Fortress Specialty Cellulose Mill currently in process of converting this capacity into dissolving pulp production along with the construction of a biomass based cogeneration plant.

**Conference Call**

A conference call to discuss the financial results for the third quarter 2011 will be held on November 8, 2011 at 9:30 a.m. (PST). To attend the conference call, please dial one of the following numbers:

North America: 1-877-353-9586

International: 1-403-532-8075

Participant pass code: 98030#

Conference reference No.: 656044

A replay of the conference call will be available for 7 days. To access the replay, listeners may dial 1-877-353-9587 from North America or 403-699-1055 International. The conference reference number is 656044 followed by the number sign and the participant pass code to access the replay is 98030 followed by the number sign.

**Forward-Looking Statements**

Some information in this news release contains forward-looking statements that reflect the current views and/or expectations of the Company with respect to its performance, business and future events. The reader is cautioned that forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation, those relating to damage to our reputation, competition, maintaining our market position, marketability and price of our products, technology and protection of our intellectual property, dependence on our major customers, fluctuations in the price and supply of raw materials, fluctuations in foreign exchange and other risk factors detailed in our filings with Canadian securities regulatory authorities. These risks, as well as others, could cause actual results and

events to vary significantly. Fortress Paper Ltd. does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking statements.

For further information please contact:

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