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**FORTRESS PAPER ANNOUNCES THIRD QUARTER 2012 RESULTS**

**Vancouver, British Columbia, Nov 2, 2012** – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported 2012 third quarter EBITDA loss of \$6.4 million. For the second quarter of 2012, EBITDA was \$2.3 million and for the third quarter of 2011, EBITDA loss was \$0.8 million.

Excluding corporate costs, the three business segments’ combined EBITDA loss was \$5.3 million in the three months ended September 30, 2012. The Specialty Papers Segment contributed \$8.3 million EBITDA, while the Dissolving Pulp Segment and the Security Paper Products Segment generated EBITDA losses of \$5.6 million and \$8.0 million, respectively. Corporate costs contributed to EBITDA loss in the amount of \$1.1 million.

Net loss for the third quarter of 2012 was \$18.9 million or basic and diluted net loss of \$1.31 per share. In the prior quarter, net income was \$12.5 million or diluted net income per share of \$0.83. In the prior year comparative period, net loss was \$7.2 million or basic and diluted net loss per share of \$0.51. The current period result was significantly lower compared to the previous quarter due in part to the gain realized in the prior quarter on the sale of certain non-core assets in the Security Paper Products Segment and the scheduled annual extended shutdown for maintenance as well as an unplanned shutdown due to a recovery boiler issue in the Dissolving Pulp Segment in the third quarter of 2012.

**Management’s Outlook**

*Dissolving Pulp Segment*

The Fortress Specialty Cellulose mill continued to ramp up dissolving pulp production during the third quarter of 2012. A comprehensive seven day planned annual extended maintenance shutdown was completed towards the end of the quarter. Maintenance expense for the shutdown was approximately \$3.5 million. As a result of an unplanned shutdown due to repairs required to the recovery boiler and slower than expected ramp-up, production was impacted. With the annual maintenance completed, the Company anticipates continued progress towards full capacity. During the shutdown, all process and high voltage tie-ins were completed for the new cogeneration facility. Production for the quarter exceeded sales by approximately 4,500 air dried metric tonnes as various trials were completed and product was held for testing. This inventory build is expected to be sold in the fourth quarter.

The net 18.8 megawatts cogeneration project is nearing completion with overall progress at approximately 76%. The new boiler has passed hydrostatic testing. Turbine tests are expected to commence in late November and power generation connectivity to the electrical grid is expected in January 2013. Projected final costs are expected to be approximately \$100 million excluding contingencies.

The Fortress Global Cellulose mill project continues to progress substantially as planned on all fronts. Detailed engineering and process design continues for the conversion to dissolving pulp

production and commitments have been made for major long-delivery equipment required for the conversion. On-site, the workforce is refurbishing the plant and equipment to bring the asset to full operational condition and preparing the assets for the upcoming winter.

Dissolving pulp markets softened during the third quarter due to weak textile demand and increased supply of dissolving pulp from new entrants. Among other factors, the weakening viscose staple fibre market in China has driven down dissolving pulp prices to below US\$1,000 as at the end of September 2012. Given existing market conditions and in order to maintain good customer relations, a significant portion of our sales orders for the fourth quarter is expected to be below the floor prices set forth in our supply agreements with our three major Chinese purchasers. These supply agreements are currently under review with the counterparties to reassess each party's obligations going forward.

### ***Specialty Papers Segment***

The Specialty Papers Segment continues to perform well. The capital expenditure plan for 2012 was successfully completed during the general maintenance shutdown in August. The Dresden mill has now reached a manufacturing capacity of 60,000 tonnes per annum of non-woven wallpaper base.

Management believes that market demand will continue to be strong in the coming years. The displacement of traditional paper-based wallpaper with non-woven wallpaper base appears to be progressing faster than originally anticipated.

### ***Security Paper Products Segment***

Market conditions for security papers remain difficult. Cotton and other raw material costs have stabilized compared to the extreme volatility experienced from their historic highs of 2011. The Swiss franc appreciation against the Euro has abated due to Swiss National Bank intervention, however, the strength of the Swiss Franc has been a disadvantage to the Landqart mill in terms of costs and expenses as the Euro is the principal trading currency for the mill. Overcapacity continues to be an issue in the banknote paper market. The fierce competition for orders has led to a significant erosion of banknote prices and margins during 2012. Significant tenders in the near term should absorb some of the excess capacity. These less than favourable conditions have impacted the results of the Security Paper Products Segment.

There have been some positive developments such as new customers and the first order of substrate that included optically variable thin material. Interest in Landqart's composite substrate, "Durasafe", remains strong. A small order has successfully been produced and is now being printed with the expectation for these banknotes to be issued before the end of the year and becoming the first Durasafe banknotes in circulation.

The Landqart mill continues to produce banknote paper for its most substantial contract, which had previously been in abeyance earlier this year, with four deliveries to date. This long running contract should contribute to the optimization of the mill's operational efficiency over the next year.

### **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, 2012 and the related notes thereon and our Management's Discussion and Analysis ("MD&A") filed on SEDAR.

***Three Months Ended September 30, 2012***

*Selected Financial Information and Other Data*

(thousands of dollars, except shipments, unaudited)	Q3 2012	Q2 2012	Q3 2011
Sales	72,952	84,023	83,995
EBITDA <sup>(1)</sup>	(6,403)	2,343	(758)
Operating loss	(14,857)	(3,075)	(4,876)
Net income (loss)	(18,900)	12,462	(7,237)
Adjusted net loss <sup>(2)</sup>	(18,066)	(5,024)	(7,762)
Paper shipments (tonnes) <sup>(3)</sup>	15,201	16,556	13,383
Pulp shipments (tonnes)	30,561	35,679	55,918

<sup>(1)</sup> See Net Income (Loss) to EBITDA Reconciliation.

<sup>(2)</sup> See Net Income (Loss) to Adjusted Net Loss Reconciliation.

<sup>(3)</sup> Includes shipments of security and specialty paper products by the Landqart and Dresden mills.

**Net Income (Loss) to Adjusted Net Loss Reconciliation:**

(thousands of dollars, except per share amounts, unaudited)	Q3 2012	Q2 2012	Q3 2011
Net (loss) income	(18,900)	12,462	(7,237)
Foreign exchange loss (gain)	834	1,811	(525)
Gain on sale of property, plant and equipment	-	(19,297)	-
Adjusted net loss	(18,066)	(5,024)	(7,762)
Basic net (loss) income per share	(1.31)	0.87	(0.51)
Diluted net (loss) income per share	(1.31)	0.83	(0.51)
Adjusted net loss per share, basic and diluted	(1.26)	(0.35)	(0.54)

## Net Income (Loss) to EBITDA Reconciliation:

(thousands of dollars, unaudited)	Q3 2012	Q2 2012	Q3 2011
Net (loss) income	(18,900)	12,462	(7,237)
Income tax	(1,354)	(290)	2,051
Foreign exchange loss (gain)	834	1,811	(525)
Net finance expense	4,563	2,239	835
Amortization	5,131	4,920	3,668
Stock-based compensation	1,977	498	450
Dispute resolution accrual	1,346	-	-
Gain on sale of property, plant and equipment	-	(19,297)	-
EBITDA	(6,403)	2,343	(758)

## The Company

Fortress Paper operates internationally in three distinct business segments: dissolving pulp, specialty papers and security paper products. The Company operates its dissolving pulp business at the Fortress Specialty Cellulose mill located in Canada, which is also in the process of expanding into the renewable energy generation sector with the construction of a cogeneration facility. The Company is also seeking to expand its dissolving pulp capacity with the recent acquisition of the Fortress Global Cellulose mill located at Lebel-sur-Quévillon, Québec, which the Company intends to convert into a dissolving pulp mill and where the Company intends to re-start the cogeneration facility.

The Company operates its specialty papers business at the Dresden mill located in Germany, where it is a leading international producer of specialty non-woven wallpaper base products. The Company operates its security paper products business at the Landqart mill located in Switzerland, where it produces banknote, passport, visa and other brand protection and security papers, and at its Fortress Optical Facility located in Canada, where it manufactures optically variable thin film material.

## Conference Call

A conference call to discuss the financial results for the third quarter 2012 will be held on November 5, 2012 at 9:00 a.m. (PST). To attend the conference call, please dial one of the following numbers:

North America: 1-855-353-9183

Vancouver: 604-681-8564

Calgary and international: 403-532-5601

Edmonton: 780-429-5820

Toronto: 416-623-0333

Ottawa: 613-212-0171

Montreal: 514-687-4017

Participant pass code: 15086#

Conference Reference Number: 859697#

A replay of the conference call will be available for 7 days. To access the replay, listeners may dial 1-855-201-2300 from North America or 403-255-0697 International. The conference reference number is 859697 and the participant pass code to access the replay is 15086 #.

## Forward-Looking Statements

This news release contains certain forward-looking statements that reflect the current views and/or expectations of the Company with respect to its expectations, beliefs, assumptions, estimates and forecasts about its business and the industry and markets in which it operates. The reader is cautioned that forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other factors which are difficult to predict and that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. Examples of such forward-looking statements contained in this news release include: growth and future prospects of our business; market conditions for dissolving pulp; expected returns on certain business segments; our perceptions of the industry and markets in which we operate and anticipated trends in such markets; benefits that may accrue to the Company as a result of certain acquisitions; and the anticipated benefits of acquisitions and projects. Assumptions underlying the Company's expectations regarding forward-looking statements or information contained in this news release include, among others: that the Company will be able to effectively market its products; the ability of the Company to complete the ramp-up of its dissolving pulp production at the Fortress Specialty Cellulose mill to reach maximum capacity; that dissolving pulp will experience continued and improved demand in the marketplace at anticipated prices; that the Landqart mill will continue operating on a consistent and regular basis in order to produce and deliver on its reinstated banknote order; the general stability of the economic and political environments within the countries where the Company conducts operations; that all necessary approvals and arrangements will be obtained and/or finalized in a satisfactory manner in order to proceed with the Fortress Global Cellulose mill project; and that our equipment will operate at expected levels. Persons reading this news release are cautioned that forward-looking statements or information are only predictions, and that the Company's actual future results or performance are subject to certain risks and uncertainties including, without limitation: those relating to potential disruptions to production and delivery, including as a result of equipment failures, labour issues, the complex integration of processes and equipment and other factors; labour relations; failure to meet regulatory requirements; changes in the market; potential downturns in economic conditions; fluctuations in the price and supply of required materials; foreign exchange fluctuations; dependence on major customers; 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. The Company does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking statements, except as required by applicable securities law.

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