



FORTRESS PAPER ANNOUNCES FIRST QUARTER 2014 RESULTS

Vancouver, British Columbia, May 12, 2014 – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported 2014 first quarter EBITDA loss of \$13.6 million. The Dissolving Pulp Segment generated EBITDA loss of \$15.2 million and the Security Paper Products Segment generated EBITDA of \$3.2 million. Corporate costs contributed \$1.6 million to EBITDA loss.

After planned market downtime through to early March 2014, the Fortress Specialty Cellulose mill restarted production and continued to realize its swing mill capabilities producing 14,130 air dried metric tonnes (“ADMT”) of northern bleached hardwood kraft (“NBHK”) pulp. The Fortress Specialty Cellulose mill sold 8,849 ADMT of dissolving pulp and 11,410 ADMT of NBHK pulp in the first quarter of 2014. Subsequent to March 31, 2014 to-date, the Fortress Specialty Cellulose mill has sold approximately 6,000 ADMT of dissolving pulp and 8,700 ADMT of NBHK pulp.

Results from the Dissolving Pulp Segment reflect approximately nine weeks of market downtime in the quarter combined with challenges during the subsequent ramp-up of both the Fortress Specialty Cellulose mill and cogeneration plant. In addition, continued delays in negotiations with our customers due to the impact of the interim duty imposed by China's Ministry of Commerce (“MOFCOM”), the final determination of which was announced in April of this year, has resulted in higher logistics costs, such as demurrage, customs and storage.

In early March, production began with NBHK pulp and transitioned to dissolving pulp mid-April. The Company is encouraged by recent mill results as production efficiencies and cash costs improve.

The Security Paper Products Segment experienced a fifth consecutive quarter with sales, volumes and revenues significantly higher relative to any comparative period in 2012. The Landqart mill continues to implement new initiatives to improve efficiencies and profitability. EBITDA for the Security Paper Products Segment for the quarter ended March 31, 2014 was \$0.5 million higher when compared to the fourth quarter of 2013, and \$5.3 million higher compared to the first quarter of 2013. However, less than favourable conditions, including the strength of the Swiss franc against the Euro, continue to adversely impact the results of the Security Paper Products Segment. The Landqart mill achieved over 2,500 tonnes of security paper sales in the first quarter of 2014, compared to 2,097 tonnes of security paper sales in the fourth quarter of 2013.

Selected Financial Information

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, the Company’s consolidated financial statements as at and for the three month period ended March 31, 2014 and the related notes thereto and Management’s Discussion and Analysis, which are available on SEDAR.

(thousands of dollars, except shipments, unaudited)	Q1 2014	Q4 2013	Q1 2013
Sales from continuing operations	53,856	37,183	57,559
EBITDA from continuing operations ⁽¹⁾	(13,626)	(9,367)	(13,162)
EBITDA ⁽²⁾	(13,626)	(9,367)	(2,627)
Net loss from continuing operations	(23,421)	(54,731)	(18,814)
Adjusted net loss from continuing operations ⁽³⁾	(25,858)	(21,247)	(20,618)
Paper shipments (tonnes) ⁽⁴⁾	2,583	2,097	2,179
Pulp shipments (ADMT)	20,259	6,758	39,147

(1) See Net Loss to EBITDA Reconciliation for Continuing Operations.

(2) Including discontinued operations.

(3) See Net Loss to Adjusted Net Loss Reconciliation for Continuing Operations.

(4) From continuing operations.

Reference is made in this news release to EBITDA (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 an indicative measure of operating performance and a metric to evaluate profitability. Reference is also made to adjusted net loss (calculated as net loss less specific items affecting comparability with prior periods) and adjusted net loss per share (calculated as adjusted net loss divided by the weighted average number of shares outstanding in the period). EBITDA, adjusted net loss and adjusted net loss per share are not generally accepted earnings measures and should not be considered as an alternative to net loss or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, the Company's EBITDA, adjusted net loss and adjusted net loss per share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of EBITDA and adjusted net loss to net loss reported in accordance with IFRS are included below.

Net Loss to Adjusted Net Loss Reconciliation for Continuing Operations:

(thousands of dollars, except per share amounts, unaudited)	Q1 2014	Q4 2013	Q1 2013
Net loss	(23,421)	(54,731)	(18,814)
Foreign exchange (gain) loss	(1,562)	(123)	56
Gain on sale of property, plant and equipment	(875)	-	(1,860)
Impairment of property, plant and equipment	-	32,907	-
Legal provision	-	700	-
Adjusted net loss	(25,858)	(21,247)	(20,618)
Basic and diluted net loss per share	(1.61)	(3.76)	(1.30)
Adjusted net loss per share, basic and diluted	(1.77)	(1.46)	(1.42)

Net Loss to EBITDA Reconciliation for Continuing Operations:

(thousands of dollars, unaudited)	Q1 2014	Q4 2013	Q1 2013
Net loss	(23,421)	(54,731)	(18,814)
Income tax (recovery) expense	(14)	620	(1,815)
Foreign exchange (gain) loss	(1,562)	(123)	56
Net finance expense	5,683	4,698	4,009
Amortization	6,325	6,821	4,334
Gain on sale of property, plant and equipment	(875)	-	(1,860)
Impairment of property, plant and equipment	-	32,907	-
Legal provision	-	700	-
Stock based compensation	238	(259)	928
EBITDA	(13,626)	(9,367)	(13,162)

The Company

Fortress Paper operates internationally in two distinct business segments: dissolving pulp and security paper products. The Company operates its dissolving pulp business through the Fortress Specialty Cellulose mill located in Thurso, Québec, Canada, which has expanded into the renewable energy generation sector with the construction of a cogeneration facility and the production of NBHK pulp. The Company is also evaluating expanding its dissolving pulp capacity by converting the Fortress Global Cellulose mill located at Lebel-sur-Quévillon, Québec into a dissolving pulp mill and re-starting the cogeneration facility. 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 high security production and research facility located in Canada, where it manufactures optically variable thin film material. The segmentation of the Company's manufacturing operations is based on a number of factors, including production, production processes, and economic characteristics. Fortress Paper's business segments were re-classified in 2012 given changes in the nature of products being produced.

Conference Call

A conference call to discuss the financial results for the first quarter 2014 will be held on May 13, 2014 at 8:00 a.m. (PDT). To participate in 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: 1154572#

A replay of the conference call will be available for 30 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 1154572# 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 statements relating to the growth and future prospects of the Company's business. 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 realize significant cost-savings from production improvements, cost reduction initiatives and the cogeneration facility at the Fortress Specialty Cellulose mill; that current depressed dissolving pulp prices are indicative of unusual market conditions and are not sustainable in the long term; that the supply of dissolving pulp will decrease significantly and lead to a price increase in the short to medium term; that the swing mill strategy at the Fortress Specialty Cellulose mill will maximize margins in response to changing market conditions; that the duty imposed by MOFCOM may result in the supply of dissolving pulp decreasing significantly with a corresponding price increase in the short to medium term; that the adverse impact of any dumping tariff will be limited to the short-term; that the Landqart mill will continue operating on a consistent and regular basis in order to produce and deliver on its banknote orders; that the Landqart mill will secure new orders; the general stability of the economic, political and regulatory environments within the countries where the Company conducts operations; and that 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 risk factors detailed in the Company's most recent Annual Information Form and other 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.

For further information please contact:

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