



FORTRESS PAPER ANNOUNCES SECOND QUARTER 2013 RESULTS

Vancouver, British Columbia, August 14, 2013 – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported 2013 second quarter EBITDA loss including discontinued operations of \$4.9 million. Excluding corporate costs, combined EBITDA loss of the three business segments Fortress operated in during the second quarter of 2013 was \$2.5 million. The Specialty Papers Segment contributed \$3.4 million EBITDA, while the Dissolving Pulp Segment generated EBITDA loss of \$6.4 million. The Security Paper Products Segment generated EBITDA of \$0.5 million. Corporate costs contributed \$2.4 million to EBITDA loss.

Fortress reported adjusted net loss from continuing operations of \$20.6 million, or diluted loss per share of \$1.42 for the second quarter of 2013 on sales of \$59.9 million. In the first quarter of 2013, the Company reported adjusted net loss from continuing operations of \$20.6 million or diluted loss per share of \$1.42 on sales of \$57.6 million, and for the second quarter of 2012, adjusted net loss from continuing operations of \$11.5 million or diluted loss per share of \$0.79 on sales of \$43.2 million. Adjusted net loss was impacted by an expense of approximately \$3.5 million recorded as a deferred tax accrual in the second quarter of 2013.

Fortress reported net income, including discontinued operations, of \$134.1 million, or diluted earnings per share of \$9.23 for the second quarter of 2013 on sales of \$75.5 million. Included in discontinued operations is a \$153.3 million gain on the sale of Dresden. In the first quarter of 2013, the Company reported a net loss of \$12.4 million or diluted loss per share of \$0.85 on sales of \$99.7 million, including discontinued operations. In the second quarter of 2012, the Company reported a net income of \$12.3 million or diluted income per share of \$0.82 on sales of \$84.0 million, including discontinued operations.

Minor improvements in dissolving pulp prices in the prior quarter resulted in slightly higher realized prices reported for the Dissolving Pulp Segment in the second quarter as realizations generally lag the spot market by several months. Cost of sales also improved more significantly after the ten day planned maintenance shut-down in April. Excluding the ten day planned maintenance shut-down costs of approximately \$2.6 million, production costs per tonne have improved significantly compared to the previous quarter.

Improvement at the Security Paper Products Segment has continued from the first quarter to the second quarter 2013. The mill experienced a second consecutive quarter with sales, volumes and revenues significantly higher relative to any comparative period in 2012 and 2011. The mill continues to seek to improve efficiencies and profitability.

The Specialty Papers Segment, which has been discontinued, had a strong April. See “Significant Developments” for an update on the sale of the Dresden mill.

Management’s Outlook

Dissolving Pulp Segment

Dissolving pulp markets weakened during the second quarter of 2013 compared to the first quarter due to continued excess supply. The market price of dissolving pulp in China, as reported by China Chemical Fibers & Textiles Consultancy Group (CCF), a leading professional data analysis company relied upon in the dissolving pulp industry, dropped in the second quarter of 2013 to US\$889 per air dried metric tonne (ADMT) from an average of US\$912 per ADMT in the first quarter of 2013. Management believes that the current depressed dissolving pulp prices are indicative of unusual market conditions and are not sustainable, as the global industry has been experiencing mill shut-downs and mills swinging capacity to produce paper pulps. We expect that dissolving pulp prices will recover as the excess supply is reduced or redirected.

Viscose producers in China have decreased operating rates to manage inventory and stabilize prices. Viscose staple fibre prices reached their lowest level in many months in the second quarter of 2013. Viscose staple fibre demand in China is generally tied to demand for dissolving pulp. Operating rates and prices have since improved in July. Cotton prices remained relatively stable in China during the second quarter of 2013 and well above viscose staple fibre prices. However, when compared to 2011, cotton prices still remain low which could lead to possible reductions in cotton crop plantations in 2013/14. Cotton reserve management, particularly in China, may affect future cotton pricing.

The Fortress Specialty Cellulose mill completed a ten day planned maintenance shut-down during the quarter which has resulted in improved production rates and digester throughput. Finished goods inventory levels at the end of the second quarter were minimal.

The cogeneration project start-up was delayed due to unexpected mechanical failure of the high pressure water pump and the back-up pump. The repaired pump was reinstalled and re-started mid July and operated for 20 days before being shut-down due to pump failure. The back-up high pressure water pump was then installed on August 5, 2013 and its operation was again unsustainable due to inadequate repairs. The Company has placed an order with another supplier for a high pressure water pump which is expected to arrive in approximately four weeks for installation. Despite these set backs, the Company completed all major testing of equipment during the operating period. The facility successfully completed 18 and 24 MWH output testing. The Company anticipates completing the final 100 hour test as soon as the new pump is installed and tested. Fortress expects that the cogeneration facility will be delivering power to the Hydro Québec grid at the contractual rate shortly thereafter.

Although depressed dissolving pulp prices continue to impact Fortress Specialty Cellulose mill results, we expect to realize significant benefits from production improvements, cost reduction initiatives and the cogeneration facility prior to the end of fiscal 2013.

The Company is currently in the process of exploring strategic options for the Fortress Global Cellulose (“FGC”) mill project to mitigate the financial risk, including alternative financing structures, joint ventures and partnership opportunities. While the project economics continue to be attractive, the Company will be comparing the FGC mill investment opportunity to other strategic options for shareholder value creation. The Company is currently in discussions with prospective equity investors for the project and is in the process of discussing potential revised terms for its project financing to provide greater flexibility. Due to changing economics and market conditions, there is no assurance that definitive investment arrangements will be concluded or that the FGC mill project will proceed to completion as previously planned. The Company intends to report its decision regarding the strategic direction of the FGC mill in the third quarter.

In February 2013, China's Ministry of Commerce ("MOFCOM") announced the commencement of an anti-dumping investigation on the importing of cellulose pulp originating from Canada, the United States and Brazil, after receiving a petition from certain manufacturers in China. The announcement included Fortress Specialty Cellulose Ltd. ("Fortress Specialty") as one of the Canadian producers that is subject to the investigation. Fortress Specialty registered with MOFCOM the same month and has submitted its responses to MOFCOM. MOFCOM was expected to make a preliminary determination of the dumping margin on a company-by-company basis within 6 to 9 months after initiation. However, given recent progress at the fifth round of the China-U.S. Strategic and Economic Dialogue, it is rumoured that any preliminary determination will be delayed. Although the Company is actively defending itself against the investigation and believes the allegations contained in the petition are without merit, there is no assurance that the timing of the preliminary determination will not occur within the expected timeframe or that a preliminary dumping duty may not be imposed.

The investigation is scheduled to conclude within 12 to 18 months from initiation, upon which, depending on the findings, an order may be issued by MOFCOM and final dumping duties may be imposed. The Company is unable to determine at this time whether such investigation is likely to result in the imposition of tariffs. If anti-dumping tariffs are imposed upon us in the future, we may experience reduced revenues and margins in our dissolving pulp business that is subject to such tariffs or the terms of any international dispute settlement arising therefrom. These tariffs or settlement terms may have a material adverse effect on our business, financial results and financial condition. The Company is in the process of developing a plan to refocus its targeted dissolving pulp markets in order to mitigate the risks associated with any potential duties or tariffs imposed in China.

Security Paper Products Segment

The Security Paper Products Segment continues to be impacted by overcapacity in the banknote paper sector with consequent pressure on pricing. The Landqart mill has a strong order book but does have some available capacity to take advantage of new sales opportunities. Landqart has received a contract extension on one of its important orders and has completed a second order for Durasafe®, its new composite paper-polymer-paper substrate. Estimated volumes produced to date have been significantly higher than in 2012 and are expected to continue to be so for the remainder of 2013, however, management continues efforts to improve operational performance.

Significant Developments

Sale of the Dresden Mill

On April 30, 2013, the Company sold all of the shares of its wholly owned subsidiary, Dresden Papier GmbH (the "Dresden mill"), which represented the entire specialty papers segment of the Company, for an aggregate purchase price of €160 million (approximately \$213 million) subject to working capital and other adjustments, to Glatfelter Gernsbach GmbH & Co. KG, a subsidiary of P.H. Glatfelter Co. The transaction excluded cash and long-term debt associated with the Dresden mill. Concurrent with the sale, the associated long term debt was repaid and the factored accounts receivable of the Dresden mill were repurchased. An early prepayment penalty of \$1.2 million was recorded on the retirement of the Dresden mill long term debt.

Based on the book values of the net assets disposed of, the related sales proceeds, and the effect of foreign exchange, the gain on the sale of the Dresden mill was \$153.3 million. Adjustments to the purchase price are still being finalized and are currently based on management's best estimate, which could be subject to change in the future.

With the sale of the Dresden mill, the Company no longer operates in the Specialty Papers (wallpaper base) industry.

Normal Course Issuer Bid

The Company announces that it intends to commence a normal course issuer bid to acquire outstanding common shares, 6.5% convertible unsecured subordinated debentures and 7.0% convertible unsecured subordinated debentures of the Company up to an aggregate maximum amount of \$15 million, subject to receipt of TSX approval.

Selected Financial Information

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, our unaudited condensed consolidated interim financial statements as at and for the three and six month periods ended June 30, 2013 and the related notes thereon and our Management's Discussion and Analysis ("MD&A") filed on SEDAR.

Three Months Ended June 30, 2013

Selected Financial Information and Statistics

(thousands of dollars, except shipments, unaudited)	Q2 2013	Q1 2013	Q2 2012
Sales from continuing operations	59,883	57,559	43,208
EBITDA from continuing operations ⁽¹⁾	(8,356)	(13,162)	(8,163)
EBITDA ^{(2) (3)}	(4,934)	(2,627)	2,175
Net income (loss) from continuing operations	(20,851)	(18,814)	6,005
Net income (loss) ⁽³⁾	134,125	(12,373)	12,289
Adjusted net loss from continuing operations ⁽⁴⁾	(20,632)	(20,618)	(11,499)
Paper shipments (tonnes) ⁽⁵⁾	1,953	2,179	767
Pulp shipments (ADMT)	38,006	39,147	35,679

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

⁽²⁾ See Net Income (Loss) to EBITDA Reconciliation including Discontinued Operations.

⁽³⁾ Including discontinued operations.

⁽⁴⁾ See Net (Loss) Income to Adjusted Net Loss Reconciliation for Continuing Operations.

⁽⁵⁾ From continuing operations.

Net (Loss) Income to Adjusted Net Loss Reconciliation from Continuing Operations:

	Q2 2013	Q1 2013	Q2 2012
(thousands of dollars, except per share amounts, unaudited)			
Net (loss) income	(20,851)	(18,814)	6,005
Foreign exchange (gain) loss	(534)	56	1,793
Gain (loss) on sale of property, plant and equipment	753	(1,860)	(19,297)
Adjusted net loss	(20,632)	(20,618)	(11,499)
Basic net income (loss) per share	(1.43)	(1.30)	0.42
Diluted net income (loss) per share	(1.43)	(1.30)	0.40
Adjusted net loss per share, basic and diluted	(1.42)	(1.42)	(0.79)

Net Income (Loss) to EBITDA Reconciliation for Continuing Operations:

	Q2 2013	Q1 2013	Q2 2012
(thousands of dollars, unaudited)			
Net (loss) income	(20,851)	(18,814)	6,005
Income tax	3,392	(1,815)	(3,129)
Foreign exchange (gain) loss	(534)	56	1,793
Net finance expense	3,944	4,009	1,844
Amortization	4,281	4,334	4,122
Gain (loss) on sale of property, plant and equipment	753	(1,860)	(19,297)
Stock based compensation	659	928	499
EBITDA	(8,356)	(13,162)	(8,163)

Net Income (Loss) to EBITDA Reconciliation Including Discontinued Operations:

	Q2 2013	Q1 2013	Q2 2012
(thousands of dollars, unaudited)			
Net income (loss)	134,125	(12,373)	12,289
Income tax	3,951	1,144	(324)
Foreign exchange (gain) loss	(534)	81	1,816
Net finance expense	5,105	4,373	2,277
Amortization	4,281	5,080	4,920
Gain on disposal of business	(153,274)	-	-
Gain (loss) on sale of property, plant and equipment	753	(1,860)	(19,297)
Stock based compensation	659	928	499
EBITDA	(4,934)	(2,627)	2,175

The Company

During the three and six months ended June 30, 2013, Fortress Paper operated internationally in three distinct business segments: the Dissolving Pulp Segment, the Security Paper Products Segment, and the Specialty Papers Segment. The Specialty Papers Segment was sold on April 30, 2013. Accordingly, references in this news release to “discontinued operations” refer to the Specialty Papers Segment. 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 2012 acquisition of the Fortress Global Cellulose (“FGC”) mill located at Lebel-sur-Quévillon, Québec, which the Company is evaluating to convert into a dissolving pulp mill and re-start 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.

Conference Call

A conference call to discuss the financial results for the second quarter 2013 will be held on August 15, 2013 at 9:00 a.m. (PST). 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: 1048933#

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 1048933# 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 the Company's business; market conditions for dissolving pulp and the Company's other products; expected returns on certain business segments; the Company's perceptions of the industry and markets in which it operates and anticipated trends in such markets; benefits that may accrue to the Company as a result of certain acquisitions, dispositions, capital expenditure programs, equipment upgrades and

maintenance shut-downs; and the anticipated benefits, cost, timing, and completion dates for projects, including the timing of the completion of the cogeneration facility at the Fortress Specialty Cellulose mill and commencement of delivery of power; and the timing and completion of the installation of equipment. 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 there will be no further delays and disruptions affecting the completion of the Fortress Specialty Cellulose mill cogeneration project and that the Company will be able to commence timely delivery of power therefrom; that dissolving pulp will experience continued and improved demand in the marketplace at favourable prices; that the Landqart mill will continue operating on a consistent and regular basis in order to produce and deliver on its banknote orders; the general stability of the economic and political environments within the countries where the Company conducts operations; that all necessary approvals, arrangements and engineering designs will be obtained, finalized and/or completed in a satisfactory manner in order to support a decision to proceed with the Fortress Global Cellulose mill project; that the Company will be able to obtain financing (if necessary) or acceptable terms; 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 in respect of the delivery of power at the cogeneration facility, 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; trade restrictions or import duties imposed by foreign governments; availability of financing (as necessary); 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.

For further information please contact:

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