



TSX: FTP

## FORTRESS PAPER ANNOUNCES FOURTH QUARTER 2010 RESULTS

**Vancouver, British Columbia, March 14, 2011** – Fortress Paper Ltd. (“Fortress Paper” or the “Company”) reported 2010 fourth quarter EBITDA of \$3.2 million. For the three months ended December 31, 2009 EBITDA was \$7.9 million and for the third quarter of 2010 EBITDA was \$8.9 million.

The fourth quarter of 2010 reflects continued strong profitability at our Dresden operations. At Landqart, the Company completed the successful transformation of paper-machine number 1 (“PM1”) to a high security paper-machine. This comprehensive project had a negative impact on fourth quarter earnings as there was no commercial production on the PM1 for two months. The results at Fortress Specialty Cellulose reflect weakening NBHK prices that have come off their peaks from earlier in the year. The conversion of the Fortress Specialty Cellulose mill to a dissolving pulp producer remains on target for production in the third quarter of 2011. The underlying markets for dissolving pulp remain strong which continues to provide management with conviction in our attempts to expand further in this business segment.

Overall 2010 was another successful year for Fortress Paper Ltd. with the following significant accomplishments:

- The acquisition by Fortress Specialty Cellulose of the Thurso mill from Fraser Papers and its successful start-up as a NBHK pulp producer.
- Significant advancements with the conversion project of Fortress Specialty Cellulose to a dissolving mill scheduled for completion in the third quarter of 2011.
- Substantial completion of the rebuild of PM1 at Landqart by the end of 2010.
- Continued market share growth in the non-woven wallpaper market at the Dresden mill.

Fortress reported adjusted net loss of \$0.8 million for the fourth quarter of 2010 on sales of \$83.5 million or diluted loss per share of \$0.06. For the fourth quarter of 2009 the Company report adjusted net income of \$4.8 million or diluted adjusted earnings per share of \$0.46 on sales of \$51.0 million. In the third quarter of 2010 the Company reported adjusted net income of \$3.9 million on sales of \$87.0 million or diluted adjusted earnings per share of \$0.29. The primary reason for the decline, relative to the prior quarter, is attributed to weaker NBHK pulp prices which remained below their June peak prices throughout the fourth quarter of 2010. In addition our Landqart mill underwent a significant portion of the PM1 upgrade. The acceptance and production of lower margin banknote orders in preparation for increased capacity in 2011 also contributed to the decrease in net income compared to prior periods. Effective October 31, 2010 the last order of specialty papers was produced at Landqart. By the end of December, the full conversion was substantially complete and production of saleable security paper on the transformed PM1 began in early January 2011. Both the NBHK pulp price impact at Fortress Specialty Cellulose and the conversion at Landqart overshadowed an excellent fourth quarter at Dresden.

EBITDA was \$26.1 million for the year ended December 31, 2010 compared to \$25.6 million for the year ended December 31, 2009. Excluding corporate costs, Dresden, Landqart and Fortress Specialty Cellulose combined mill EBITDA was \$31.7 million and \$29.1 million in the years

ended December 31, 2010 and 2009, respectively. Despite significant EUR depreciation in the year the Dresden mill was able to contribute \$21.9 million EBITDA which was in line with the previous year at \$21.6 million. The Landqart mill produced significantly lower results (\$0.5 million EBITDA) than the prior year (\$7.5 million EBITDA) in large part due to the conversion of PM1 as previously stated. The Fortress Specialty Cellulose mill, purchased April 30, 2010, provided approximately \$9.3 million of EBITDA.

Adjusted net income for the year ended December 31, 2010 was \$10.4 million or \$0.84 per share (diluted). Adjusted net income for the previous year comparative period was \$13.8 million or \$1.35 per share (diluted).

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.

Subsequent to December 31, 2010:

- Fortress completed the acquisition of the assets of the Bank of Canada's Optical Security Material (OSM) division (the "OSM Assets"), which produces the optically variable material for the security threads contained in various banknotes, including application in the Canadian banknotes. The Company paid a purchase price of \$0.75 million for the OSM assets and granted the Bank of Canada a royalty-free license to use the intellectual property sold to the Company for Canadian banknote applications.
- Fortress completed a public offering of 967,000 common shares of the Company and the underwriters exercised their over-allotment option and purchased an additional 145,050 common shares at a price of \$51.75 per share, resulting in aggregate gross proceeds under the offering of \$57.5 million. Proceeds of the offering will be used to finance certain capital expenditures relating to its Fortress Specialty Cellulose Mill in Thurso, Quebec and the construction of a high security facility adjacent to the Fortress Specialty Cellulose Mill which will house the Company's OSM Assets recently acquired from the Bank of Canada, and for working capital and general corporate purposes.
- Fortress' wholly-owned subsidiary Dresden Papier GmbH ("Dresden") increased the current credit facility amounting to EUR18.5 million to EUR 22.15 million for the rebuild of Landqart's PM1 into a banknote paper-machine.
- The remaining \$7 million principal amount of the Company's \$15 million unsecured convertible debenture that was issued on April 30, 2010 has been converted. The Company has issued 350,000 common shares with this redemption

## Selected Financial Information

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, our audited consolidated financial statements as at and for the year ended December 31, 2010 and the related notes thereon and our Management's Discussion and Analysis filed on SEDAR.

### Three Months Ended December 31, 2010

(thousands of dollars, except shipments, unaudited)	Q4 2010	Q3 2010	Q4 2009
Sales	83,467	86,971	51,049
EBITDA <sup>1</sup>	3,237	8,930	7,885
Operating (loss) income	(10,775)	6,159	6,292
Net (loss) income	(10,953)	5,148	3,720
Adjusted net (loss) income	(751)	3,854	4,793
Paper Shipments (tonnes)	15,406	16,452	15,291
Pulp Shipments (tonnes)	62,038	60,469	-

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

During the fourth quarter of 2010, as part of the Chief Executive Officer's new six year contract, the Company approved a special bonus payment comprised of \$5 million cash and \$10 million in additional long term incentive awards based on performance milestones and vesting periods. Of this amount \$10.6 million ("Executive Award") was expensed consisting of \$5 million cash ("Executive Cash Award") recorded in selling, general, and administrative and a further \$5.6 million ("Executive Share Based Award") recognized in stock based compensation.

### Net income to EBITDA reconciliation:

(thousands of dollars, unaudited)	Q4 2010	Q3 2010	Q4 2009
Net (loss) income	\$ (10,953)	\$ 5,148	\$ 3,720
Income tax	1,305	2,243	1,199
Foreign exchange (gain) loss	(1,099)	(1,294)	1,073
Interest expense	(29)	62	300
Amortization	3,029	2,192	1,441
Stock based compensation	5,983	579	152
Executive Cash Award	5,000	-	-
EBITDA	\$ 3,237	\$ 8,930	\$ 7,885

## 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 with plans to convert 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 fourth quarter 2010 will be held on March 15, 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#

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 pass code to access the replay is 537274#.

## **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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