

**Verso Paper Corp**

**Second Quarter 2009  
Earnings Conference Call**

**August 6, 2009**



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# Forward Looking Statements

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In this presentation, all statements that are not purely historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “project,” “plan,” “estimate,” “intend” and similar expressions. Forward-looking statements are based on currently available business, economic, financial and other information and reflect management’s current beliefs, expectations and views with respect to future developments and their potential effects on Verso. Actual results could vary materially depending on risks and uncertainties that may affect Verso and its business. For a discussion of such risks and uncertainties, please refer to Verso’s filings with the Securities and Exchange Commission. Verso assumes no obligation to update any forward-looking statement made in this presentation to reflect subsequent events or circumstances or actual outcomes.



**Robert P. Mundy**

**Senior Vice President and  
Chief Financial Officer**



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# Second Quarter 2009 Overview



## Financial Results

- EBITDA of \$51.3MM and Net Loss of (\$10.2)MM or a loss of \$0.20 per share. This compares to Q2 08 EBITDA of \$24.4MM and a Net Loss of (\$44.7)MM or a loss of \$0.86 per share.<sup>1</sup>
- Adj EBITDA of (\$8.8)MM and Adjusted Net Loss of (\$70.3)MM or a loss of \$1.35 per share. This compares to Q2 08 Adj EBITDA of \$60.4MM and adj loss of (\$8.7)MM or a loss of \$0.17 per share.<sup>1</sup>
  - Excludes \$38MM of alternative fuel credits for April 2009 through June 2009 and \$26MM gain on early extinguishment of debt
- LTM Adjusted EBITDA of \$155.7MM<sup>1</sup>

## Continue to Make the Right Moves in Unprecedented Economic Conditions

- Curtailed 153M tons of paper and pulp production (\$34MM negative EBITDA impact) to manage supply with demand, minimize price discounting and conserve cash
- Finished goods and other inventories (wood, raw materials, chemicals) \$39MM lower than Q1
- Cost savings / cash remediation initiatives are exceeding expectations
- Cash increased \$124MM and liquidity up \$105MM vs Q1 09
- Refinanced Sr. Secured Term Loan
  - Enhanced liquidity
  - Eliminated covenants
  - Extended maturity of balance sheet
- Announced further workforce reductions with cost savings of approx \$8MM - \$9MM achieved by Q1 10

# Second Quarter 2009 Heavily Impacted By Very Weak Market Conditions



## Q2 Summary

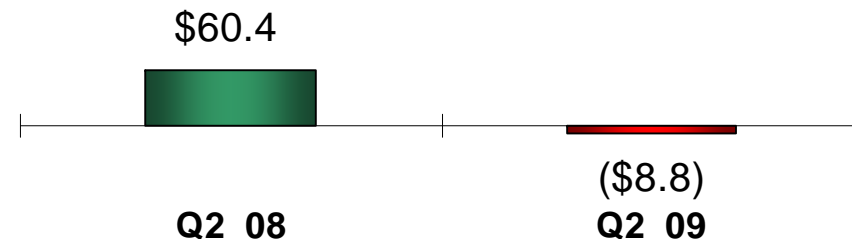
### Managing supply with demand

- Coated volume down 32%, Pulp volume up 23% year-over-year
- 141,000 tons of Coated market downtime and 12,000 tons of pulp curtailment in Q2 09; none in Q2 08
- Specialty paper volume growing
- Finished goods inventories down 22% vs Q1 09

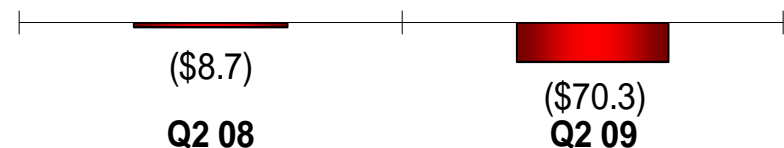
### Price

- Paper prices down 7% both year-over-year and sequentially
- Pulp price down 41% year-over-year and 17% vs. Q1 09, but rising late in the quarter

## Adjusted EBITDA\*



## Adjusted Net Earnings (Loss) \*



\*Reconciliation to GAAP in Appendix

# Key Revenue Metrics








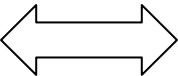


- Weak demand continued in Q2 2009; Coated volumes are down 32% vs prior year, but up 7% from Q1 09
- Pressure on coated price even with unprecedented downtime

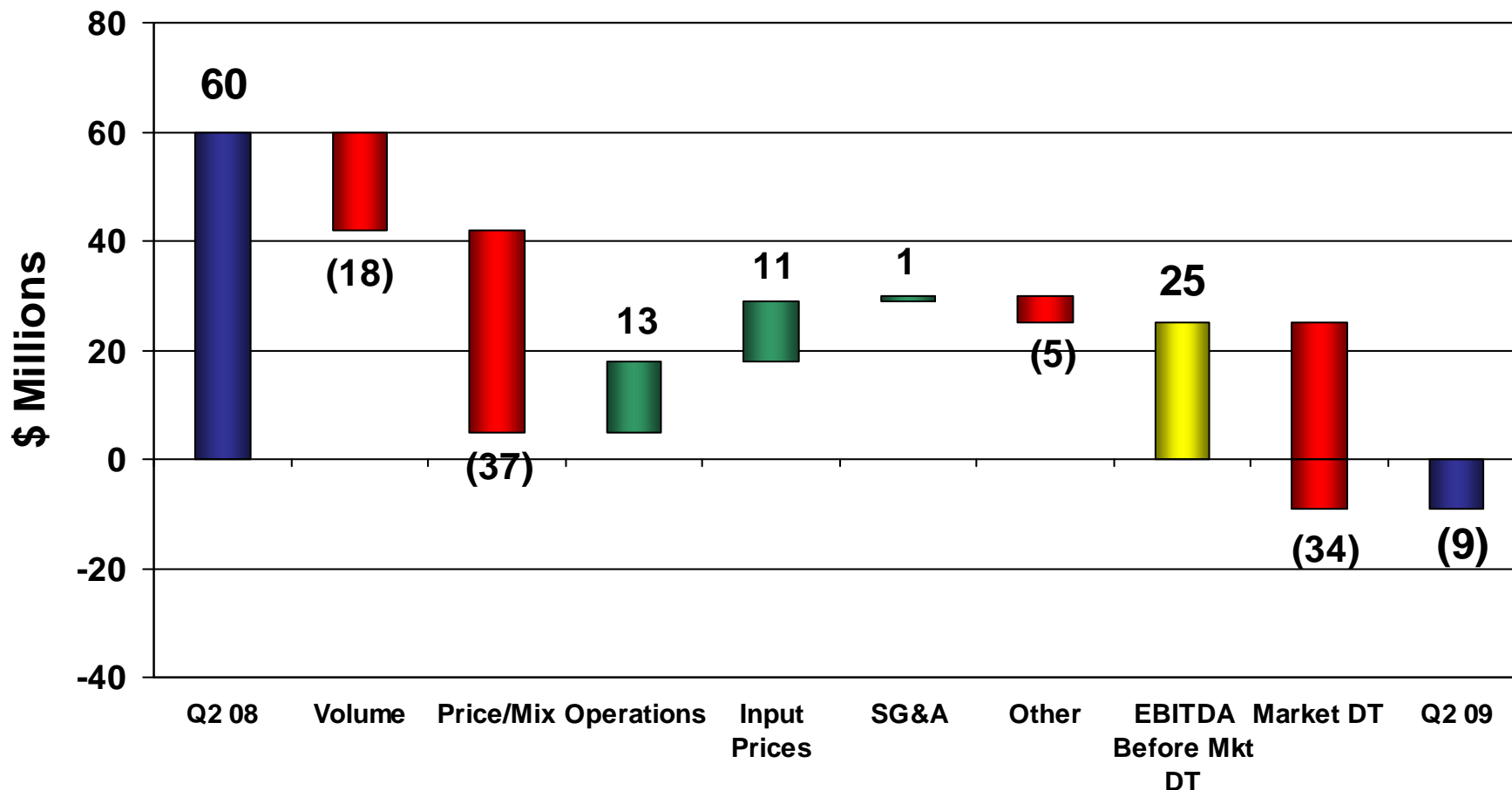
	Q2 2008	Q1 2009	Q2 2009
Coated Volume (M tons)	425	271	291
Market Related Downtime (M Tons) Paper/Pulp	0 / 0	126 / 13	141 / 12
Coated Price (per ton)	\$947	\$946	\$883
HW Pulp Price*	\$586	\$433	\$382
Net Revenues	\$452 million	\$287 million	\$298 million
Adj. EBITDA	\$60 million	\$4 million	(\$9) million

# Input prices down over \$11MM Q/Q



Segment	2Q09 vs. 2Q08	2Q09 vs. 1Q09	Comments
<b>Chemicals</b>			Average latex and starch prices are lower than last year. Clay prices are down 3% vs. Q1 09. Starch is down 5% vs. Q1 09, and Latex is down 12% vs. Q1 09.
<b>Wood</b>			Down 6% vs. Q2 08. Down 4% vs. Q1 09, largely due to lower fuel costs and lower demand.
<b>Energy</b>			Prices are down year over year, and qtr over qtr. Down 25% vs. Q2 08; down 8% vs. Q1 09, however, gas hedge settlements are unfavorable YTD.
<b>Distribution</b>			Approximately \$10/ton lower than Q2 08

# Adjusted EBITDA\* – Q2 09 vs. Q2 08



\*Reconciliation to GAAP in Appendix

## **In summary, Q2 09 results were significantly impacted by the fall-off in demand resulting from the unprecedented economic conditions**

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- Continued close monitoring of supply and demand; 153,000 tons of market downtime
- Coated price down 7% from Q1. Pulp price lower than Q1, but improving
- Input prices were down \$11 million sequentially
- \$33MM improvement in working capital
- R-GAP program and other cost savings efforts delivered over \$14 million
- CapEx management remains on track
- Refinancing enhanced our liquidity, eliminated debt covenants and extended the maturity of our balance sheet

# Liquidity improved \$105 million and covenants eliminated



Liquidity	6/30/09 \$MM
Revolver	200
- Balance Drawn*	111
- Letters of Credit	31
Remaining Capacity**	43
Cash	140
<b>Total Liquidity</b>	<b>183</b>

\*Balance drawn at \$84MM as of July 28, 2009

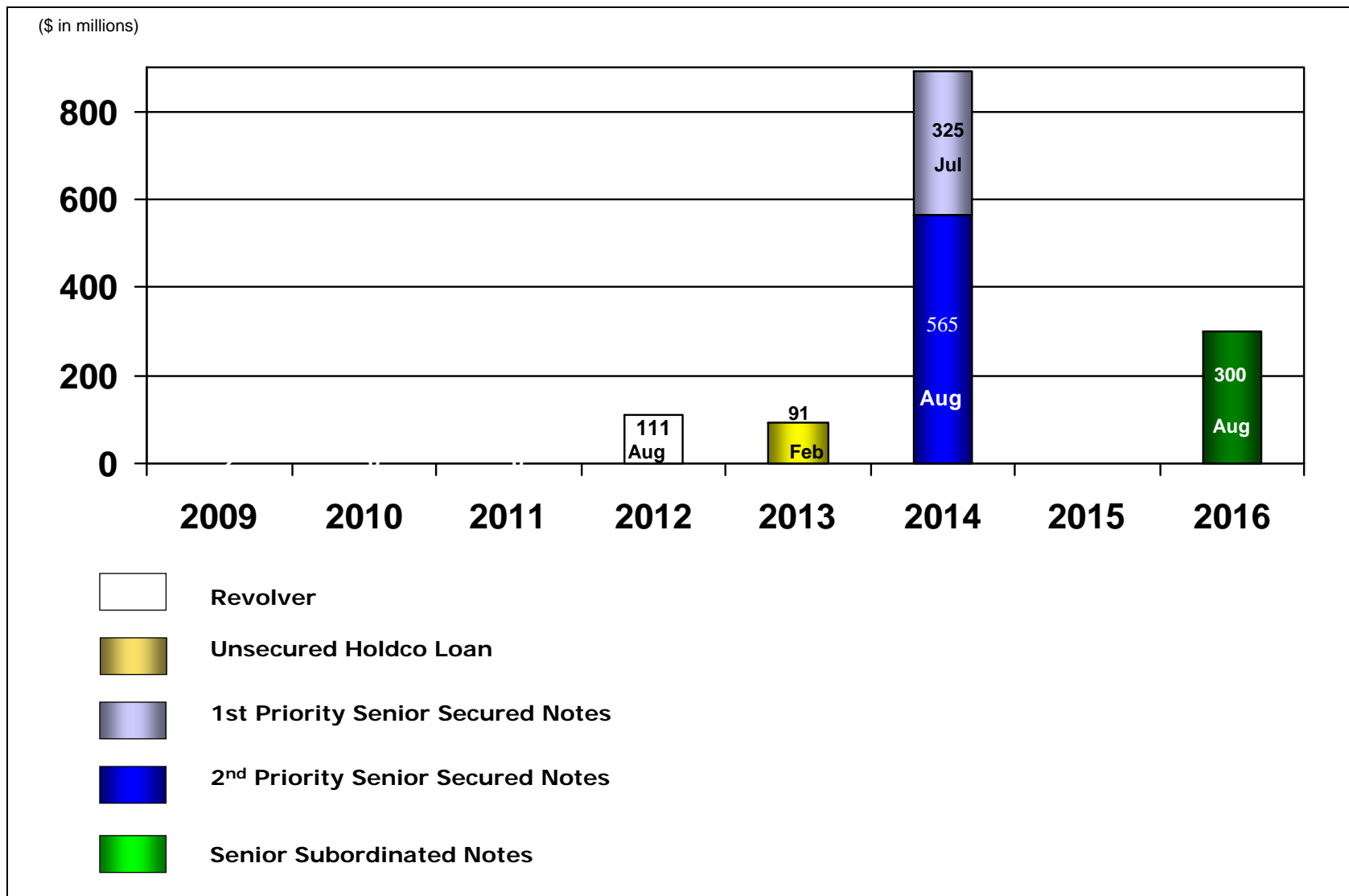
\*\*Excluded approx \$15MM due to Lehman default

Net Debt	6/30/09 \$MM
Revolver	111
First Lien Notes	299
First Lien Debt	410
Less: Cash	140
<b>Net 1<sup>st</sup> Lien Debt/ Adjusted EBITDA</b>	<b>1.7 X</b>
Sec Priority Sr. Notes	565
Senior Sub notes	300
Opco Net Debt	1,135
<b>Net OPCO Debt/ Adjusted EBITDA</b>	<b>7.3 X</b>
Unsecured Term Loan <sup>1</sup>	91
Holdco Net Debt	1,226
<b>Net Total Debt/ Adjusted EBITDA</b>	<b>7.9 X</b>
LTM Adjusted EBITDA <sup>2</sup>	155.7

<sup>1</sup>Assumes all active trades have settled

<sup>2</sup>Includes the proforma effect of unrealized cost savings from our profitability program. See Appendix for reconciliation to GAAP.

# No Near Term Maturities





**Michael A. Jackson**

**President and  
Chief Executive Officer**

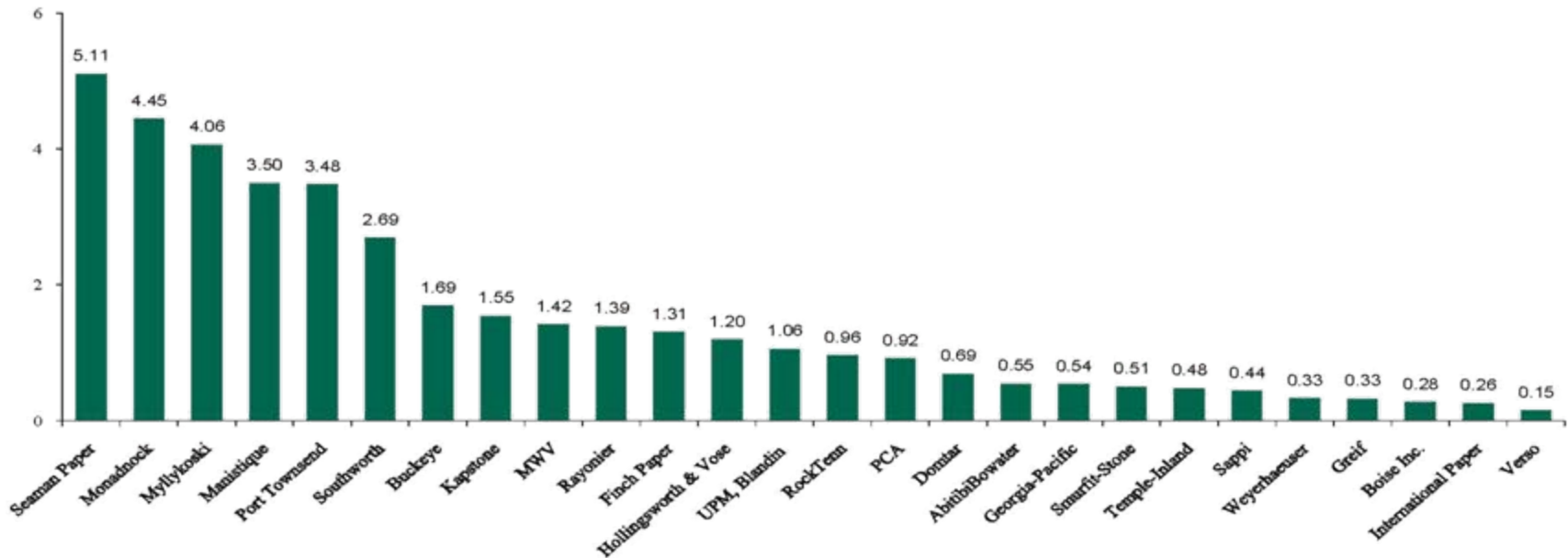


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# 2008 Lost Workday Cases Rate With Days Away from Work



## Newsprint, Pulp, Paper, Paperboard Mills

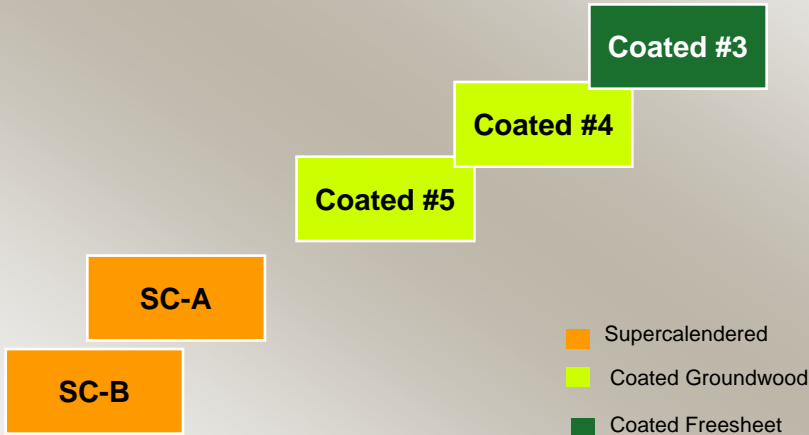


# Verso is applying its core competencies to other markets to expand its revenue and balance its portfolio

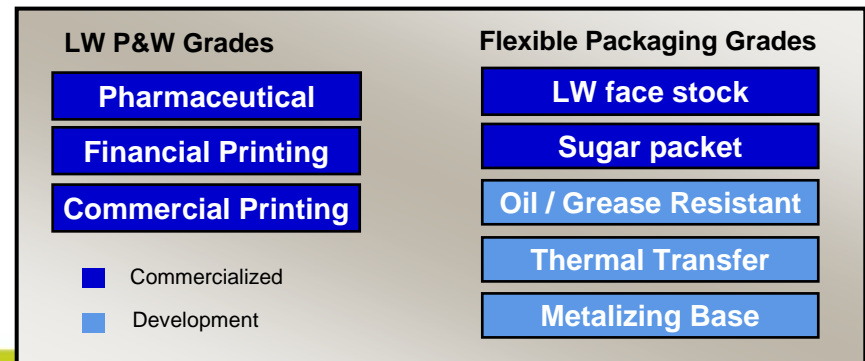
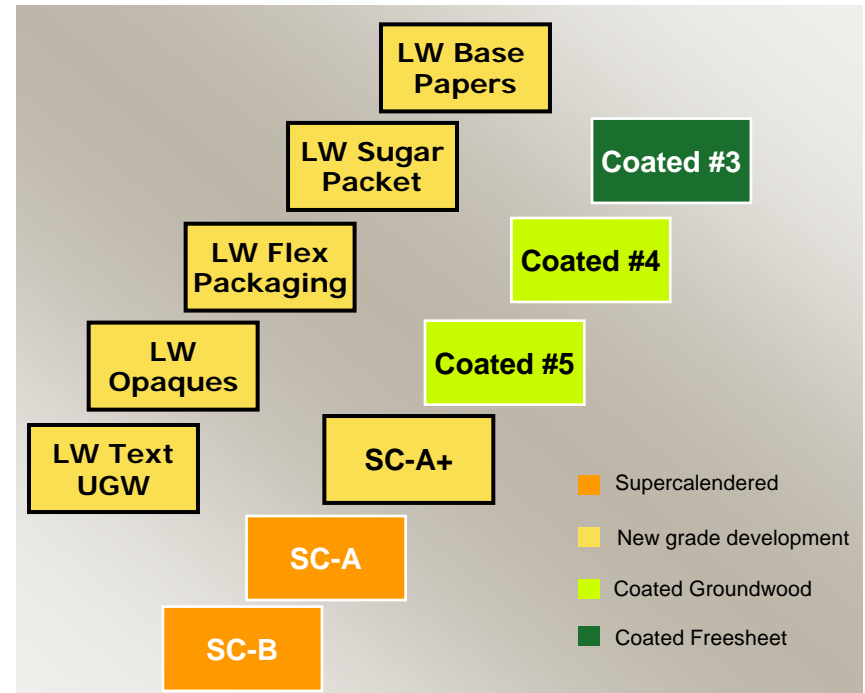


## 2008 Product Offering

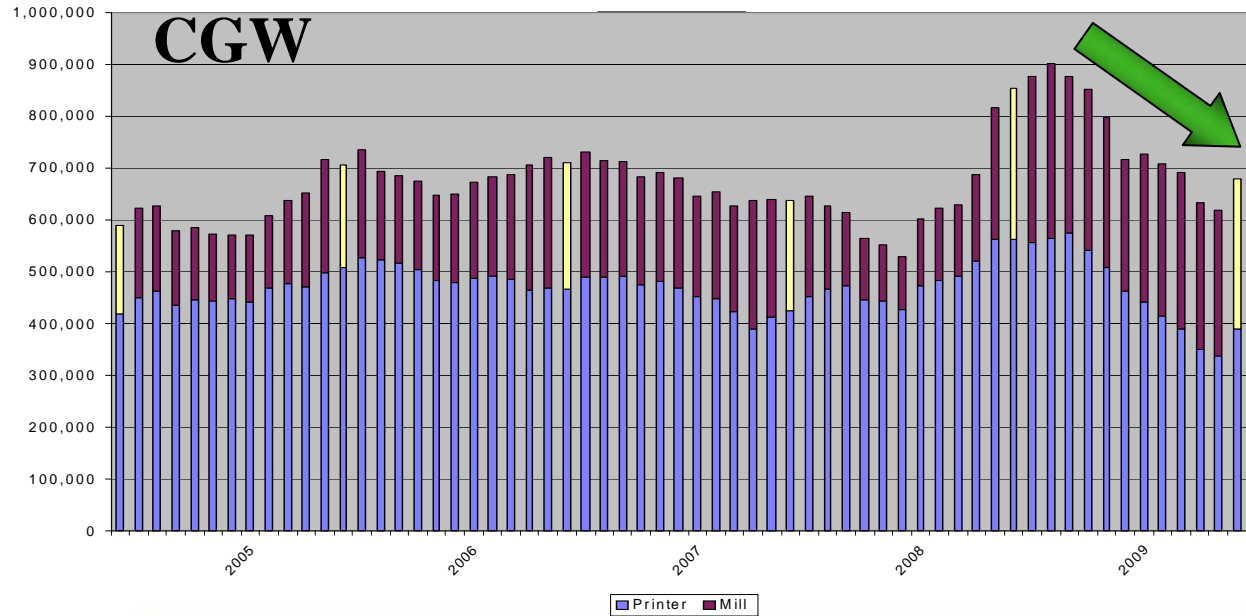
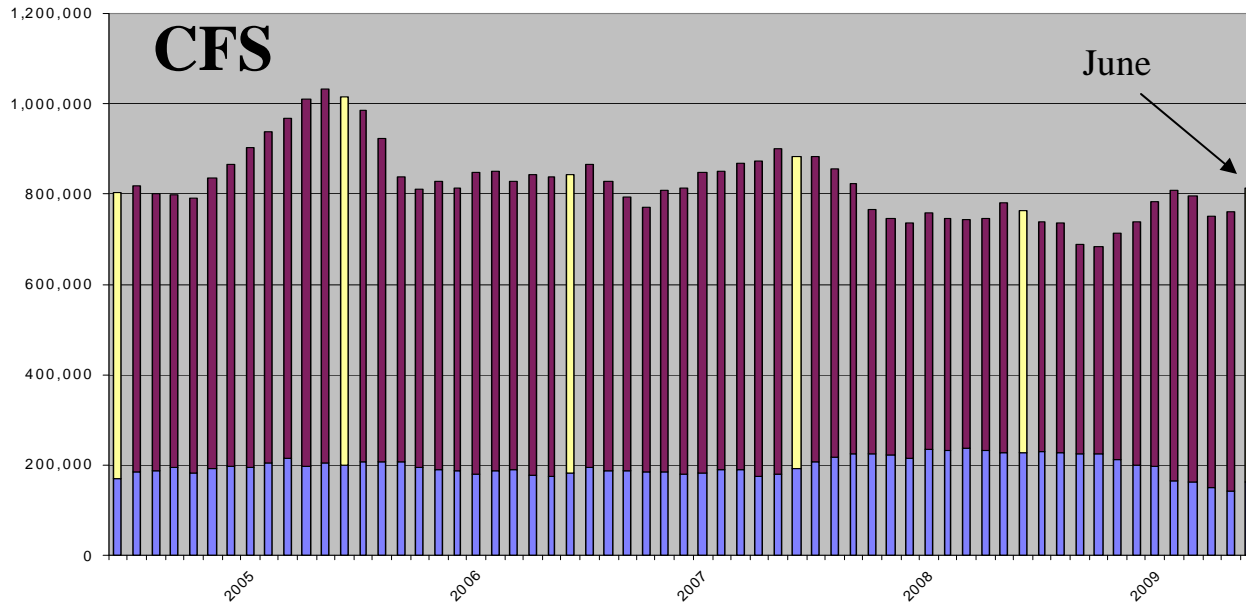
Sunday Magazines Catalogs Retail Inserts & Flyers	Magazines Catalogs Coupons Inserts & Flyers Work Books & Manuals	Upscale Catalogs & Magazines Commercial Printing Books Hard Cover Coated Books Annual Reports Labels
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## 2009 and Beyond Product Offering



# Inventory Trends



■ Printer ■ Mill

# Outlook for Third Quarter 2009

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## **Economic Outlook Still Very Challenging**

- Volumes will be up sequentially, though down year over year
- Significantly less market downtime expected for Q3

## **Prices Expected to Remain Under Pressure**

## **Input Prices Will Continue to Trend Down**

- Expect sequential quarterly improvement throughout 2009; additional improvement as energy hedges roll-off

## **R-GAP Cost-Savings Continue to Add to Bottom Line**

- Operational improvements focus on material and energy usage reductions with Q/Q improvements despite market downtime

## **Remediation Plan Will Continue to Add Cost Savings**

## **Continue to Evaluate Debt Paydown Opportunities**

## **No Significant Swing in Working Capital**

# Appendix

# Quarterly Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA



\$MM	Q2 2008	Q1 2009	Q2 2009	LTM 6/30/09
Net income (loss)	(\$45)	\$55	(\$10)	\$29
Income tax expense (benefit)	--	--	--	--
Interest expense	34	27	28	112
Depreciation and amortization	35	34	33	135
EBITDA <sup>1</sup>	24	116	51	276
Adjustments	36	(112)	(60)	(168)
Proforma Effects of Profitability Program				48
Adjusted EBITDA <sup>1</sup>	\$60	\$4	(\$9)	\$156

<sup>1</sup>EBITDA and Adjusted EBITDA are not measures of our performance under accounting principles generally accepted in the United States ("GAAP"), are not intended to represent net income (loss), and should not be used as an alternative to net income (loss) as an indicator of performance. EBITDA is shown because it is a primary component of certain covenants under our senior secured credit facilities and is a basis upon which our management assesses performance. In addition, our management believes EBITDA and Adjusted EBITDA are useful to investors because these and similar measures are frequently used by securities analysts, investors, and other interested parties in the evaluation of companies with substantial financial leverage. The use of EBITDA and Adjusted EBITDA instead of net income (loss) has limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Adjusted EBITDA is EBITDA further adjusted to exclude unusual items and other pro forma adjustments permitted in calculating covenant compliance in the indentures governing our outstanding notes to test the permissibility of certain types of transactions. Adjusted EBITDA is modified to reflect the amount of net cost savings expected to be realized as part of the company's cost savings program.

# Adjusted Net Income / EPS Reconciliation



	Q2 08	Q1 09	Q2 09
Net Income (\$ millions)	(\$44.7)	\$54.5	(\$10.2)
Special Items	\$36.0	(\$112.3)	(\$60.1)
<b>Adjusted Net Income</b>	<b>(\$8.7)</b>	<b>(\$57.8)</b>	<b>(\$70.3)</b>

Shares Outstanding (MM) *	52.047	52.047	52.047
Earnings per Share	(\$0.86)	\$1.05	(\$0.20)
Special Items	\$0.69	(\$2.16)	(\$1.15)
<b>Adjusted Earnings per Share</b>	<b>(\$0.17)</b>	<b>(\$1.11)</b>	<b>(\$1.35)</b>

\* For comparative purposes, 52MM shares outstanding used for all periods; weighted average shares outstanding for Q2 08 were 44.508MM

# Special Items

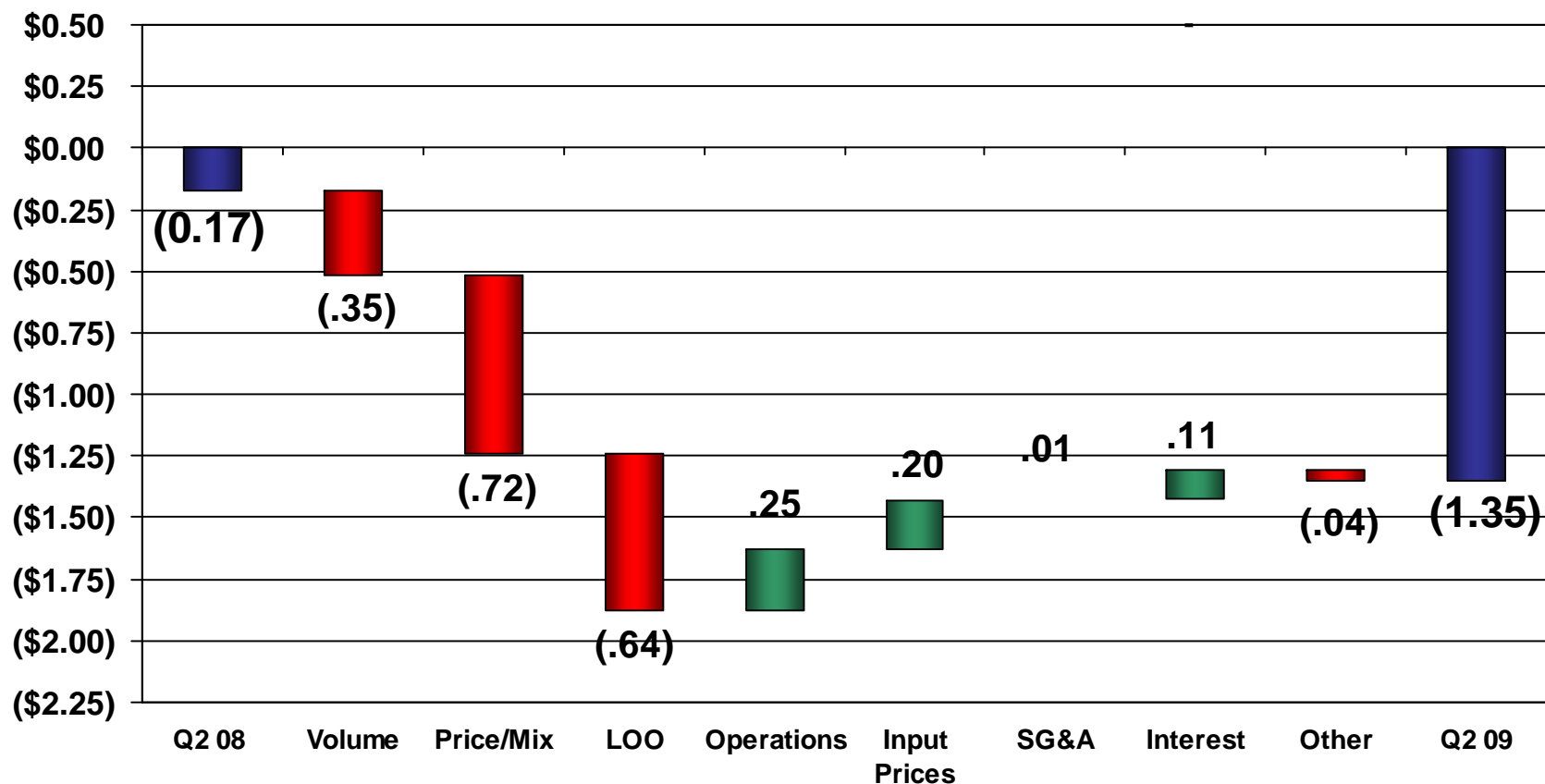


	Q2 08		Q1 09		Q2 09	
Special Items (net of tax)	\$ Million	Earnings Per Share	\$ Million	Earnings Per Share	\$ Million	Earnings Per Share
SOX Compliance, Infrastructure, Other	\$36.0	\$0.69	\$1.0	\$0.02	\$3.2	\$0.06
Alternative Fuels, Gain on Debt Retirement	--	--	(\$113.3)	(\$2.18)	(\$63.3)	(\$1.21)
<b>Total Special Items</b>	<b>\$36.0</b>	<b>\$0.69</b>	<b>(\$112.3)</b>	<b>(\$2.16)</b>	<b>(\$60.1)</b>	<b>(\$1.15)</b>

Q2 09 special items of SOX, Infrastructure, Other primarily consists of new product development costs, SOX compliance expenses, and write-off of receivables related to changes in state of Maine's equipment tax incentive program.

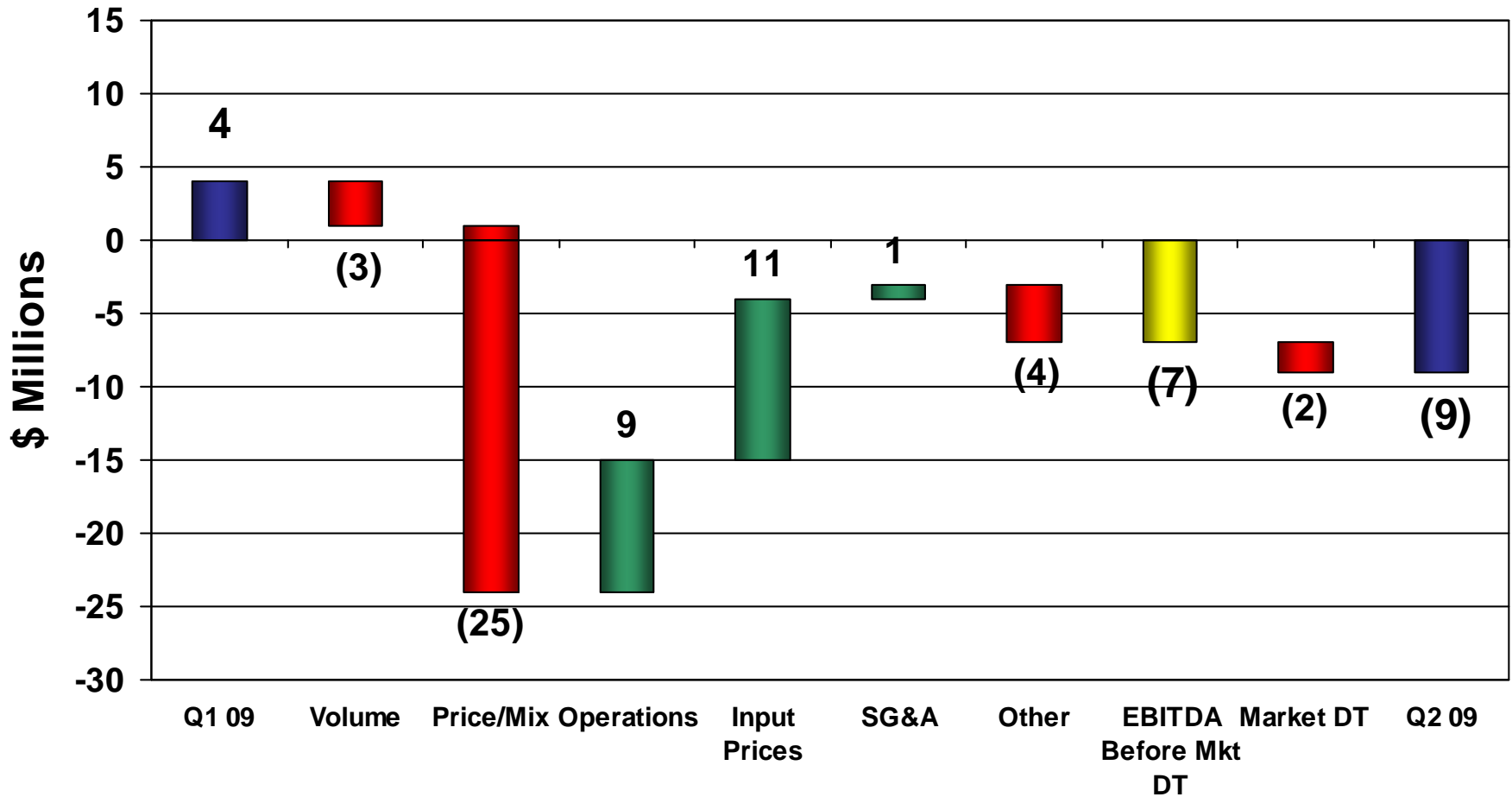
Reconciliation to GAAP provided in Appendix

# EPS Before Special Items – Q2 09 vs. Q2 08



(For comparative purposes, 52MM shares outstanding used for all periods)

# Adjusted EBITDA\* – 2Q 09 vs. 1Q 09



\*Reconciliation to GAAP in Appendix