



# Renew. Able.

ANNUAL REPORT 2010

Verso simple.™

“The rules of business are changing —fast and frequently. The business environment of the 21st century demands that organizations compress the time between ideas and innovation, between execution and results. Without question, speed, agility and innovation are essential for the new marketplace. But only those companies with a firm grasp of the fundamentals and the drive to embrace the new rules of business will position themselves to thrive.”

JOE FOREHAND  
RETIRED CHAIRMAN AND CEO  
ACCENTURE

Verso Paper Corp. is leading  
the way with real solutions  
that help show how paper  
has a place as a product and  
as an industry in the future.

# Able.

ANNUAL REPORT 2010

**Verso simple.**<sup>™</sup>

# Financial and Operational Highlights

**Verso Paper Corp.** (NYSE:VRS) is a leading North American producer of coated papers, including coated groundwood and coated freesheet, and supercalendered and specialty products. Verso's paper products are used primarily in media and marketing applications, including magazines, catalogs and commercial printing applications such as high-end advertising brochures, annual reports and direct mail advertising. Verso operates four mills in Bucksport, Maine; Jay, Maine; Quinnesec, Michigan; and Sartell, Minnesota. Additional information about Verso is available on our website at [versopaper.com](http://versopaper.com).

	December 31	
	2010	2009
<i>(Amounts in millions, except tons, average sales price and per share amounts)</i>		
<b>Statement of Operations Data</b>		
Revenue	\$1,605.3	\$1,360.9
Operating loss	(3.9)	(77.4)
Net income (loss) <sup>(1)</sup>	(131.1)	106.0
<b>Per Share Data</b>		
Earnings (loss) per share (basic and diluted)	\$ (2.50)	\$ 2.03
Weighted average common shares outstanding		
Basic	52.4	52.1
Diluted	52.4	52.2
<b>Other Financial and Operating Data</b>		
Total tons sold (in thousands)	2,063.6	1,724.5
Average sales price per ton (in \$/ton)	\$ 778	\$ 789
EBITDA <sup>(2)</sup>	124.4	362.6
<b>Balance Sheet Data</b>		
Cash and cash equivalents	\$ 152.8	\$ 152.1
Working capital, net of cash	9.6	58.5
Property, plant, and equipment, net	972.7	1,022.6
Total assets	1,516.1	1,572.7
Total debt	1,228.6	1,192.4
Total stockholders' equity (deficit)	(6.8)	125.3

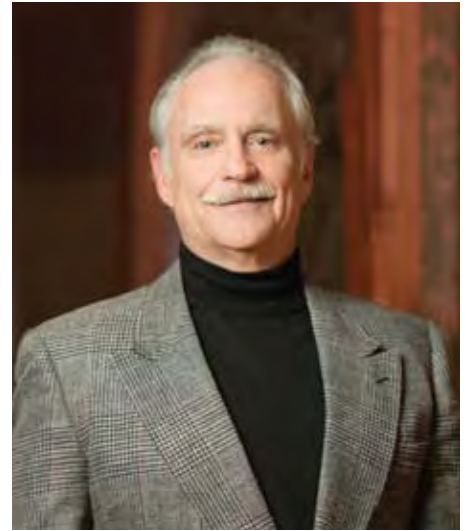
<sup>(1)</sup> Net income for 2009 includes \$238.9 million in net benefits from alternative fuel mixture tax credits provided by the U.S. government for our use of black liquor in alternative fuel mixtures and \$64.8 million in net gains related to the early retirement of debt.

<sup>(2)</sup> Please see pages 23-25 of the enclosed 2010 10-K for a reconciliation of earnings before interest, taxes, depreciation and amortization (EBITDA) to net loss.

# Letter to Shareholders

## Mike Jackson

President and  
Chief Executive Officer



THE ECONOMY of 2010 showed signs of a slow recovery with consumer confidence beginning to build. Statistics around our core customer segments of magazines and catalogs indicate a healthy improvement over 2009 and demonstrate that the print medium has survived tough economic times and is beginning to make clear gains toward renewing its place in the economy.

We think that "Renew. Able." is a great summary of not only the industry, but also of Verso. Our ability to consistently renew our determination, our processes and our company in a proactive way has led us through the worst of the economic downturn and into some very promising new territory.

This renewability stems, in part, from the fact that we continue to adhere to the vision, principles and strategies that we laid out in our Foundation Document, which outlines a corporate culture of speed, agility and innovation. We keep that document close at hand, and we measure all of our business decisions and actions against it continuously.

At the top of our principles is "safe from the start," and I am proud to report that for the fifth consecutive year, we have exceeded our safety goals and are at the top of the first quartile for safety performance among all industries. Our 2010 Total Incident Rate (TIR) and Lost Workday Incident Rate (LWIR) performance were the best in our history, and we're moving closer to our goal of achieving zero injuries at work.

We continue to incrementally improve every aspect of our manufacturing processes with ongoing efficiency projects throughout our facilities. Our R-GAP process helps us to identify and implement opportunities for improvement in areas such as productivity, materials usage, energy conservation, labor costs and workforce planning. This has helped us to achieve an average annual savings of \$48 million over the last five years.

Also in 2010, our goal was to execute our green energy/green power producer strategy with innovations that will lower costs in order to improve our revenue. Every business has to focus on energy, but as a pulp and paper company there are two specifics that make it even more important for us: first, we are energy intensive; and second, we are green energy rich. Our use of biomass as fuel, our infrastructure of combined heat and power (CHP), and our shovel-readiness for energy updates and improvements all worked together to align Verso with the national agenda to decrease dependence on fossil fuels and meet higher standards of green energy production.

Our 2010 energy initiatives focused on four areas: the \$21 million thermal energy projects at three of our mills, which include the \$9.3 million U.S. Department of Energy (DOE) grant we were awarded in November 2009; a \$45 million renewable energy project at our Quinnesec Mill; a \$42 million renewable energy project at our

Bucksport Mill; and a series of energy efficiency projects and other efforts across our mill system designed to close the gap between our energy-related operational practices and what we believe to be achievable best practices.

Ultimately, our ability to produce and utilize more green energy is one of the essential elements in positioning Verso for success in the 21st century. It's the key to growing our business, retaining jobs, creating new opportunities, reducing our environmental footprint and to providing green energy to the public power grid in the future. Upon completion of our five-year strategic energy initiative, Verso will increase our power sales by 50%, increase internal power generation by 36%, and reduce our carbon footprint by 10%. We will not only have improved our business, but also will be contributing to the renewable energy goals of our nation.

The outlook for 2011 is very exciting. Our core customer segments are recovering, and opportunities exist for new products that build on our strengths and are logical progressions of our core business. We're moving into new territories such as nanotechnology, and we're continuing to transform our business to meet the needs of shareholders, customers, employees and other key stakeholders.

*Mike JACKSON*  
Mike Jackson  
President and Chief Executive Officer

## Market. Able.

# Print Rekindles Its Place In Our Economy.

WITH THE TOUGH ECONOMY in 2008 and 2009 and increasing utilization of electronic communications, the print medium suffered a blow. As the dust settles, we calculate that about 15% of our core demand by magazines and catalogs will not return. However, the 2010 statistics show that our industry is stabilizing and that print still plays a viable role in our economy. Publishers and retailers are beginning to navigate the waters of multichannel marketing with more success. Innovative initiatives are proving that print and digital media work well together and are not mutually exclusive. An improving economy means ad placements are up and consumers are shopping. And when 96% of adults under age 35 are reading magazines, it shows that paper still connects in a powerful way. As one of the leading U.S. manufacturers of coated papers, Verso supplies 1.8 million tons of paper for some of the most recognizable catalogs and magazines in the nation. We believe in these customer segments and will continue to provide the products and services that best serve their economic, social and environmental demands.

## 2010 Sales by Customer Segment\*

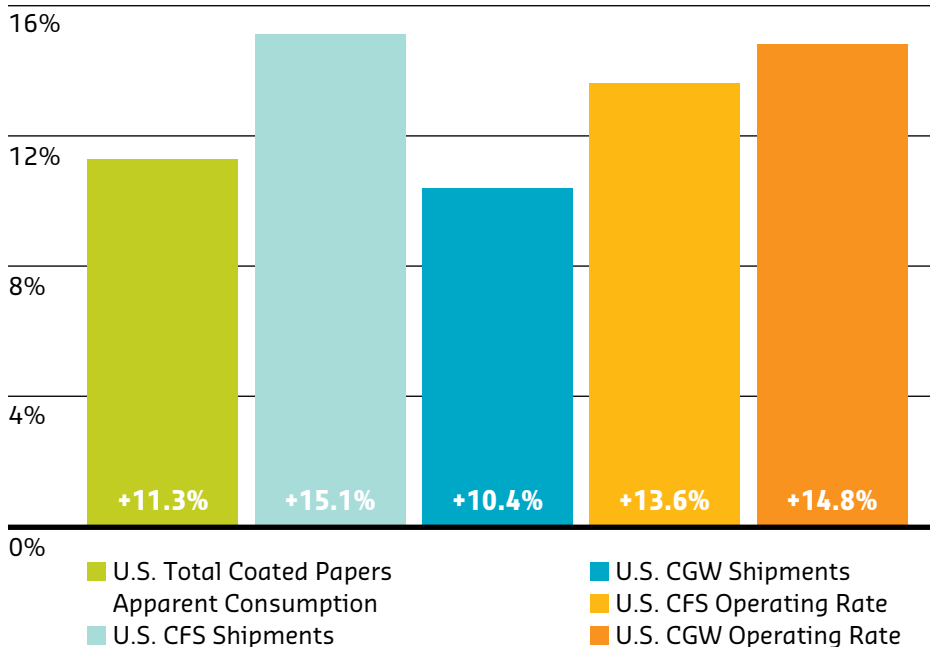
Market Leader in Catalog and Magazine Customer Segments



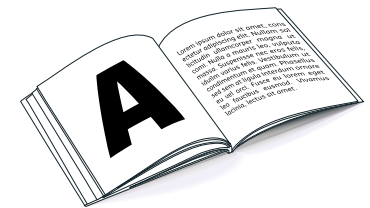
\* Excluding pulp sales  
Source: Verso 2010 10-K, page 9

## Coated Papers Showing Signs of Recovery

2010 vs 2009 (Percentage change in tons)



Source: RISI Paper Trader, January 2011



“The growth in magazine advertising over the past year reflects a strengthening economy and the confidence that advertisers and marketers have in magazine brands to influence purchase behavior and effectively reach consumers.”

ANDREW JUNG  
CHIEF MARKETING OFFICER  
MAGAZINE PUBLISHERS OF AMERICA

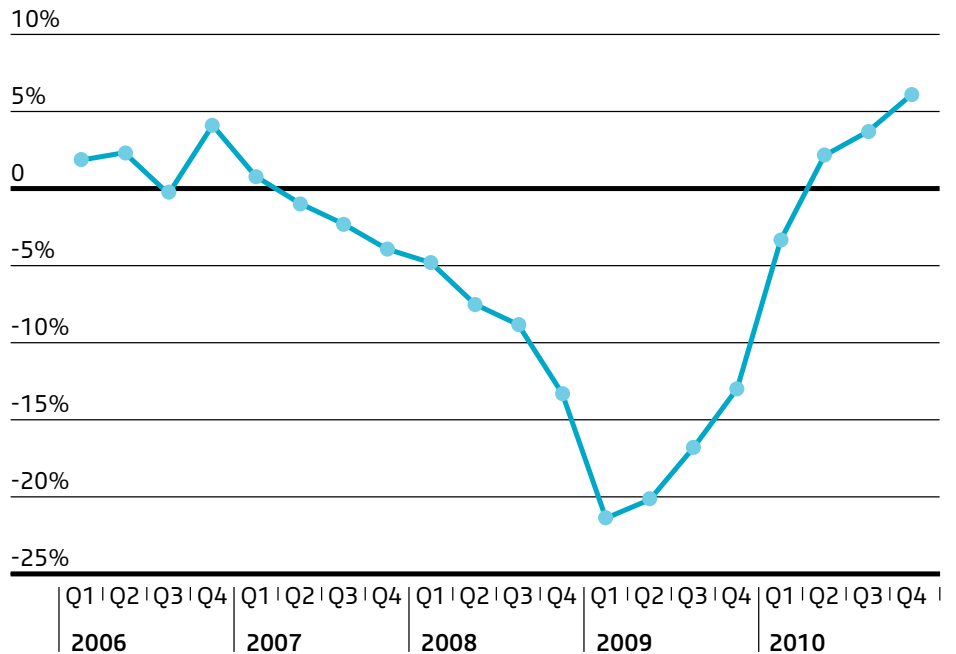
## Print Plus Digital Gets Quick Response

Digital initiatives, such as quick response codes, create cross-platform marketing opportunities for advertisers in both magazines and catalogs. These useful, efficient little marvels are also known as QR codes. Virtually everywhere in Europe and Japan, they're just starting to gain popularity in the U.S. QR codes are readable by almost all smartphones and, with a simple scan, can drive a mobile phone user to any type of content—a website, someone's contact information, or even a simple message.

Scan this for quick access to Verso investor information:



## Catalog Mailings On the Rise



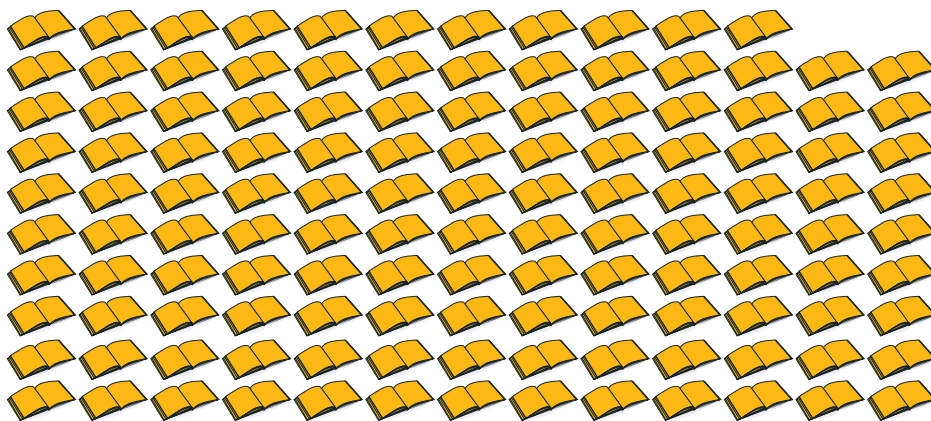
Percentage change in catalogs mailed compared to same quarter of previous year

Catalog mailings are showing signs of recovery, in part because they work well with digital media. Research conducted by the USPS and Comscore found that recipients of printed catalogs are twice as likely to make an online purchase.

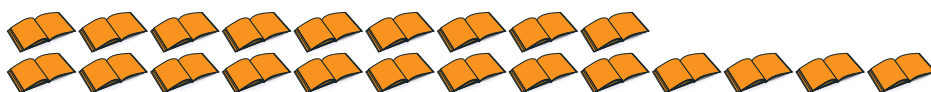
Source: RISI Paper Trader, February 2011

## Magazines Posting Ad Page Increases

**2010** 128 magazines posted increases in ad pages.



**2009** 22 magazines posted increases in ad pages.

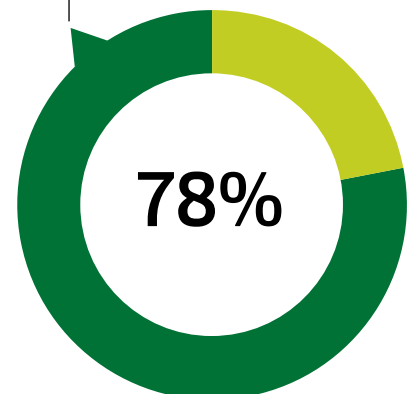


According to Publishers Information Bureau, ad revenue and page totals grew in seven of 12 major advertising categories in 2010, with 141,865 pages of advertising, a 0.7% increase over 140,030 pages in 2009.

## Page Turners Turn Profits

Print is still a primary driver of sales and store traffic.

Percentage of consumers who use catalogs to browse and discover new products and services.



Source: Art Technology Group (ATG), "Cross-Channel Commerce: The Consumer View" March 2010, a consumer research study commissioned by ATG

**Expand. Able.**

# New Product Capabilities Radiate From Our Core.

OUR PRIMARY FOCUS remains our core products of magazine, catalog, retail and commercial print papers, and these products are continuously evolving to meet changing customer demands. We are leaders in lightweight and ultra-lightweight coated paper products that allow discerning customers to minimize postage costs and decrease their carbon footprint without sacrificing performance or quality.

In recent years we have expanded our portfolio by using these existing competencies to develop lightweight uncoated papers and coated one side (C1S) label and release papers to supply the packaging market, as well as technical papers designed for specialty printing applications. These are products for which we have a particular expertise and which maximize the productivity of our equipment.

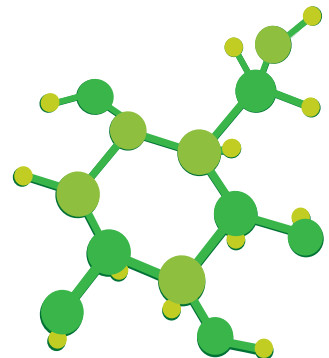
Future product potential for Verso is very exciting as nanotechnology advances will soon allow us to further exploit our capabilities, resources and infrastructure. Our R&D team is working with some of the best scientific minds in the nation to explore the possible applications of nanotechnology to cellulosic materials. And President and CEO Mike Jackson will be a keynote speaker at the 2011 TAPPI International Conference on Nanotechnology for Renewable Materials, speaking on the importance of nanotechnology/nanomaterials to the forest products industry of the 21st century.

## Jackson to Keynote Nanotechnology Conference

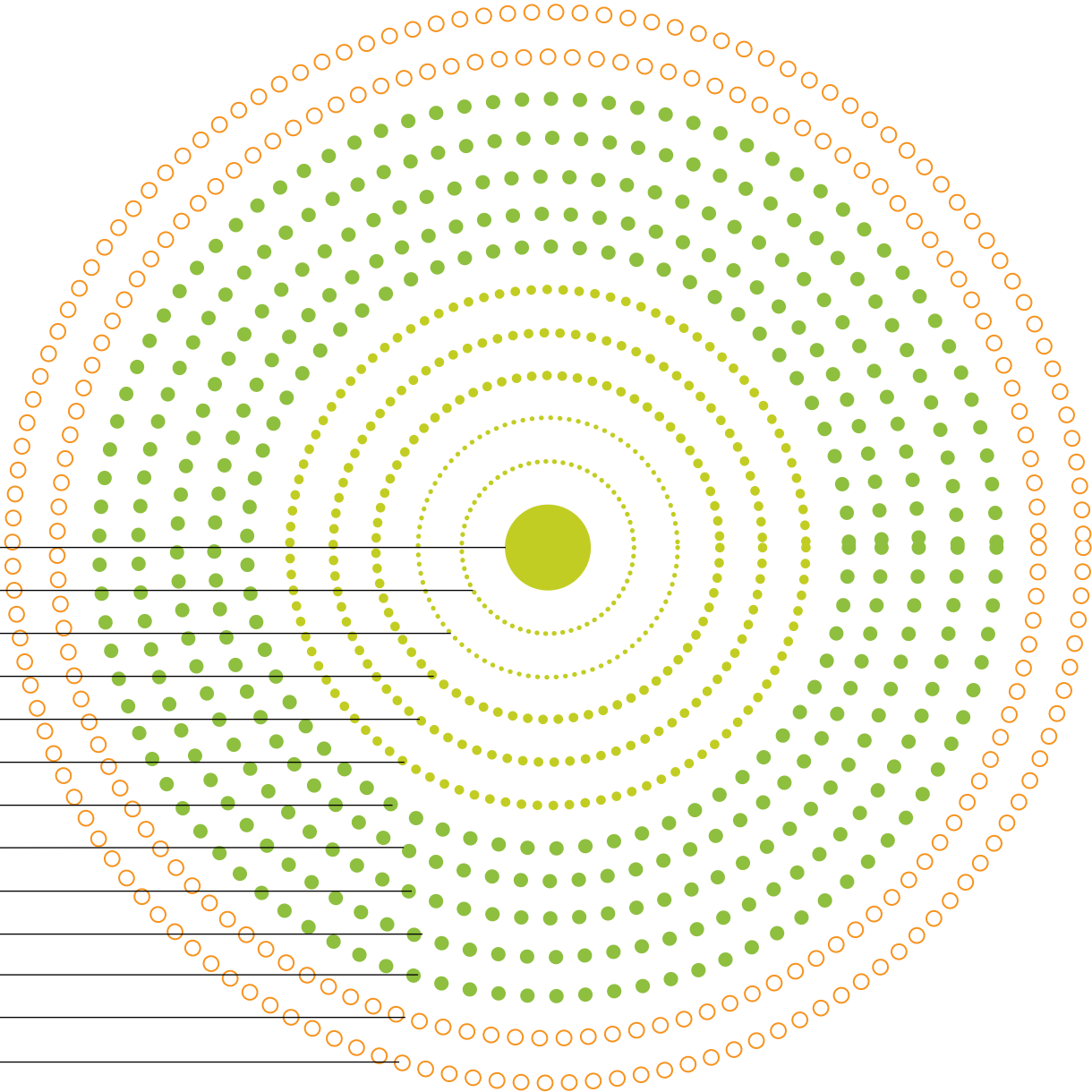
As keynote speaker for the 2011 TAPPI International Conference on Nanotechnology for Renewable Materials, our President and CEO Mike Jackson will outline how the paper and forest products industry is well positioned to be a part of the nanotechnology revolution. Cellulose is our industry's principle raw material, and cellulose nanotechnology R&D efforts are in alignment with our nation's goals to become less dependent on foreign oil and preserve/create jobs. Cellulose is in abundant supply in the U.S., is a renewable resource, and

cellulose waste recovery from harvesting and manufacturing operations is a source of renewable green energy for the industry. As a mainstay of our nation's economic infrastructure currently responsible for over 900,000 high-paying jobs, the U.S. paper and forest products industry has the potential to increase that number through innovation in technologies and manufacturing processes needed to produce new materials that are being developed from nanocellulose.

- ▲ Coated Freesheet #3
- ▲ Coated Groundwood #4
- ▲ Coated Groundwood #5
- ▲ Supercalendered A+
- ▲ Supercalendered A
- ▲ Supercalendered B
- ▲ Uncoated Groundwood LW Text
- ▲ Lightweight Opaques
- ▲ Lightweight Flex Packaging
- ▲ Lightweight Sugar Packet
- ▲ Lightweight Base Papers
- △ Agricultural Applications
- △ Advanced Biofuels



# Product Pipeline



“We will continue to build our future by growing margin, instituting supply discipline, expanding our product capability, reducing costs and implementing a flexible energy platform.”

ROBERT P. MUNDY  
SENIOR VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER

- ▲ Core Coated & SC Papers
- ▲ New Lightweight Papers
- △ R&D Products

## Reduce. Able.

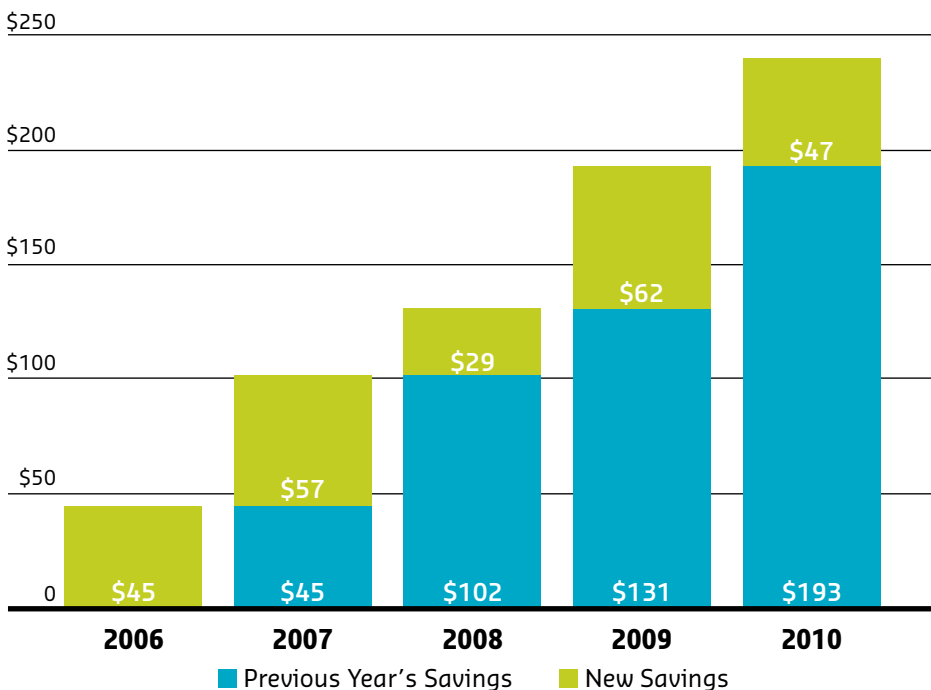
# Implementing Continuous Improvement Initiatives.

VERSO has a proven track record of cost savings in manufacturing. Our R-GAP process is a continuous cost improvement program that compares existing manufacturing processes to the theoretical “best-in-class” benchmarks. At any given time, we have hundreds of improvement initiatives ongoing. This program requires minimal capital expenditure and has proven to be highly successful, with an average annual savings of \$48 million over the last five years. We expect significant future additional savings as we identify and implement opportunities such as productivity, materials usage reductions, energy conservation, material and chemical substitution, labor costs and workforce planning improvements.

## Increasing Operational Efficiency

### Cumulative Annual Savings

(Dollars in millions)



Source: Verso Data



“In 2010, we continued to drive significant savings to our bottom line, set an all-time safety record for our business, and improved on an already low level of working capital.”

MIKE JACKSON  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

### R-GAP Program

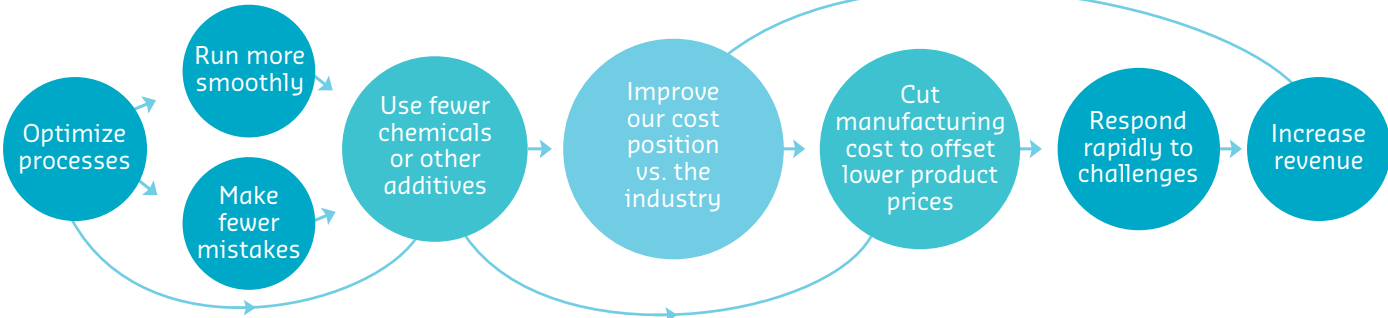


### Assessment



**Average Annual Savings of \$48 Million Over Last 5 Years**

### Verso's R-GAP Process Enables Us To:



## Transform. Able.

# Renewability Is Our Natural Resource for Transformation.

AS INDUSTRY in America investigates a balanced formula for competitive and responsible success in the 21st century, clean energy has emerged as a major part of the equation. Our government has named energy independence as critical for economic growth and even national security. President Obama has laid out a blueprint for the future that includes making the best use of abundant resources, figuring out how we use them as cleanly and efficiently as possible, and transforming our energy system into one that is far more efficient and cleaner.

The pulp and paper industry is uniquely positioned to play a major role in meeting these energy challenges, as we inherently make the best use of abundant resources and utilize those resources in a way that is cleaner and more efficient than most other industries. At Verso, we have the expertise and long history in utilizing a renewable resource to transform our company, and in 2010, we leveraged our strengths relative to the national agenda by aggressively and proactively pursuing opportunities that would enable us to advance an energy strategy we have long had in place. Partnerships with federal, state and local governments have secured us alternative funding for rapid implementation of the energy initiatives we outlined in 2009, which we implemented—on time and within the budgets that we promised.

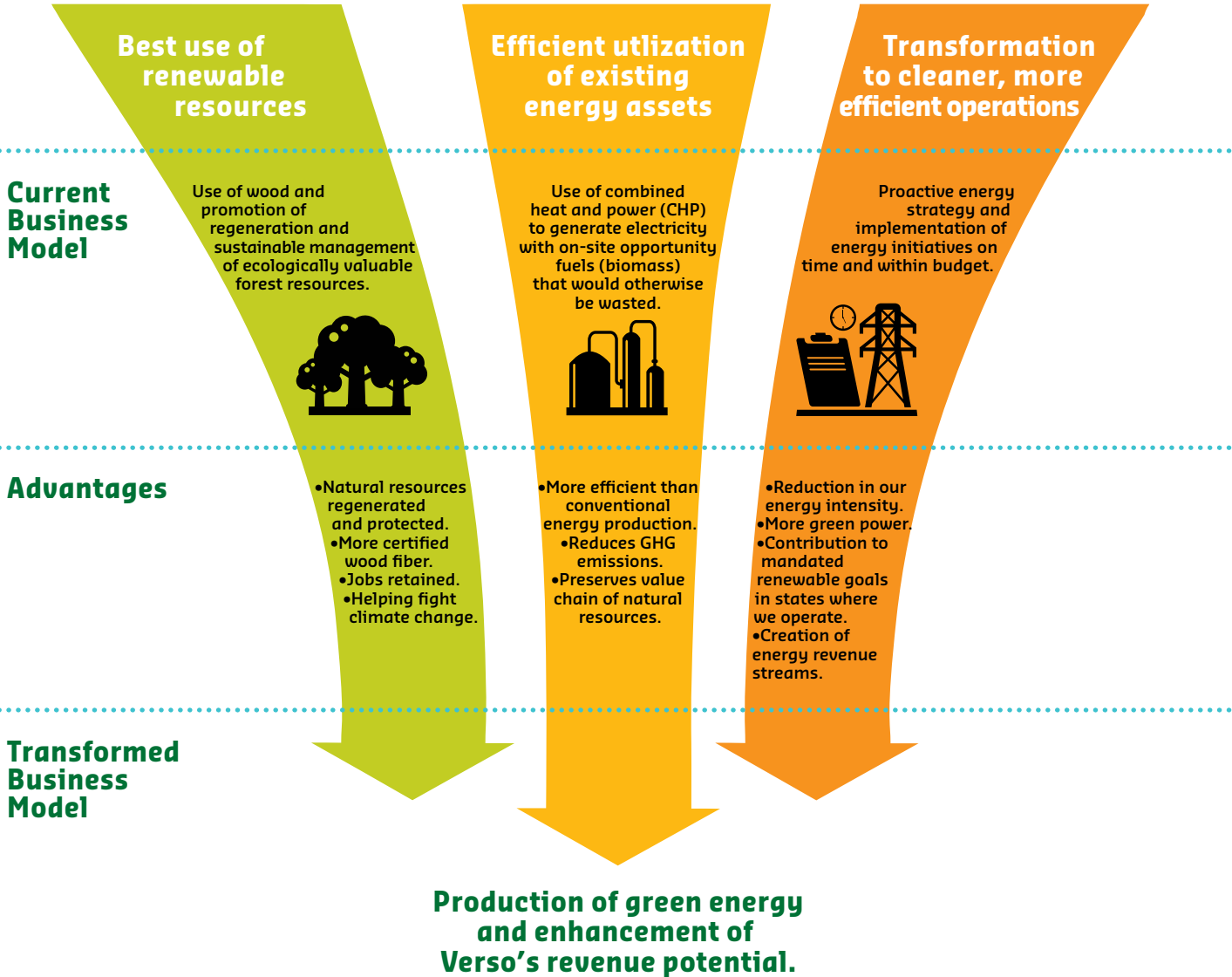
## Energy Initiatives At-a-Glance

INITIATIVES	(Dollars in millions)
<b>Thermal Energy Projects (Includes DOE 44 Area 3 Grant)</b>	<b>\$21</b>
12 Projects across 3 Mills	
<b>Quinnesec Renewable Energy Project</b>	<b>45</b>
Upgrade Biomass Delivery System	
Upgrade Combination Boiler	
New Turbine Generator	
<b>Bucksport Renewable Energy Project</b>	<b>42</b>
Upgrade Biomass Handling System	
Modify Combination Boiler	
New Turbine Generator	
<b>Energy R-GAP</b>	<b>6</b>
<b>Total Capital</b>	<b>\$114</b>
Government Grants (Anticipated)	(36)
NMTC Financing	(7)
<b>Net Capital</b>	<b>\$71</b>
<b>Expected Initiatives Savings</b>	<b>\$50MM</b>
<b>Verso Initiatives ROI (Pre-incentives)</b>	<b>44%</b>
<b>Verso Initiatives ROI (Post-incentives)</b>	<b>71%</b>

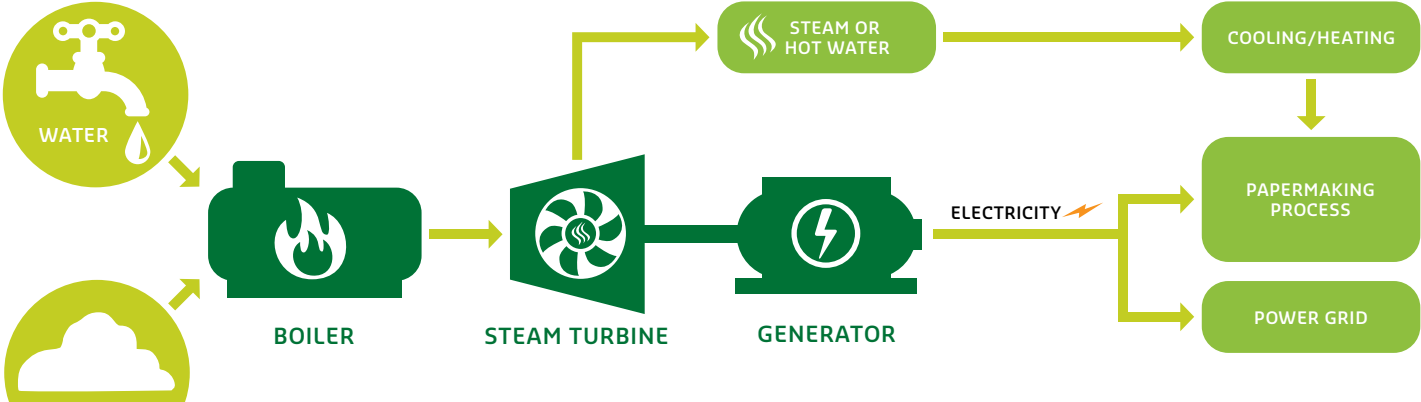


“By leveraging our state-of-the-art expertise and long history of using a renewable resource—wood fiber from trees—we may one day be as known for our green energy production as we are for our lightweight papers.”

MARK DANIEL  
VICE PRESIDENT,  
ENERGY AND TECHNOLOGY



### Generating Green



The process of combining electricity generation with the use of process steam for heating is called a combined heat and power (CHP) cycle.

# Executive Officers and Board of Directors

**Michael A. Jackson**  
President, Chief Executive Officer and Director

**Lyle J. Fellows**  
Senior Vice President  
Manufacturing and Energy

**Robert P. Mundy**  
Senior Vice President and  
Chief Financial Officer

**Michael A. Weinhold**  
Senior Vice President  
Sales, Marketing and Product Development

**Peter H. Kesser**  
Vice President, General Counsel and  
Secretary

**Kenneth D. Sawyer**  
Vice President of Human Resources

**Benjamin Hinchman, IV**  
Vice President and  
Chief Information Officer

**Michael E. Ducey** <sup>(1)</sup>  
Director  
Chairman of the Board  
TPC Group Inc.

**Thomas Gutierrez** <sup>(1)</sup>  
Director  
President, Chief Executive Officer and  
Director, GT Solar International Inc.

**Scott M. Kleinman** <sup>(2)(3)</sup>  
Director  
Partner  
Apollo Management, L.P.

**David W. Oskin** <sup>(1)(3)</sup>  
Director  
President  
Four Winds Ventures, LLC

**Eric L. Press**  
Director  
Partner  
Apollo Management, L.P.

**L.H. Puckett, Jr.**  
Director

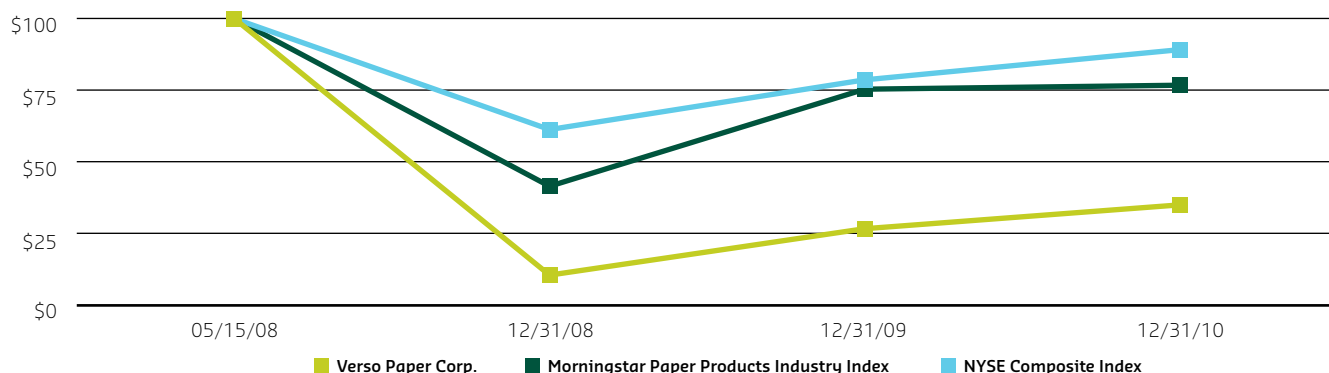
**David B. Sambur** <sup>(2)</sup>  
Director  
Principal  
Apollo Management, L.P.

**Jordan C. Zaken** <sup>(2)</sup>  
Director  
Partner  
Apollo Management, L.P.

- <sup>(1)</sup> Audit Committee  
<sup>(2)</sup> Compensation Committee  
<sup>(3)</sup> Corporate Governance and Nominating Committee

## Performance Graph

The graph below compares Verso's cumulative total shareholder return on common stock with the cumulative total returns of the NYSE Composite Index and the Morningstar Paper Products Industry Index.



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# Corporate Information

## Corporate Office

Verso Paper Corp.  
6775 Lenox Center Court, Suite 400  
Memphis, TN 38115-4436  
Telephone: (901) 369-4100  
Website: [versopaper.com](http://versopaper.com)

## Registrar and Transfer Agent

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, New Jersey 17016-3572  
Telephone: (800) 368-5948  
E-mail: [info@rtco.com](mailto:info@rtco.com)  
Website: [www.rtco.com](http://www.rtco.com)

## Form 10-K/Investor Contact

A copy of Verso Paper Corp.'s annual report on Form 10-K for 2010 filed with the Securities and Exchange Commission is available on Verso's website at [www.versopaper.com](http://www.versopaper.com). It also is available from Verso upon request at no charge. These requests and other investor contacts should be directed to Robert P. Mundy, Senior Vice President and Chief Financial Officer, at Verso's corporate office.

## Annual Meeting

The 2011 annual meeting of stockholders will be held on Thursday, May 19, 2011, at 10:00 a.m. (Central Time) at Verso's corporate office.

## Independent Auditors

Deloitte & Touche LLP  
Memphis, Tennessee

## Certifications

Verso Paper Corp. has filed annual written affirmations and CEO certifications pursuant to Section 303A.12 of the NYSE's Listed Company Manual. The certifications by Verso's CEO and CFO required by Section 302 of the Sarbanes-Oxley Act of 2002 are included as exhibits to Verso's 2010 annual report on Form 10-K filed with the SEC.

## Production Notes

The interior pages of this report are printed on 10% recycled Influence® Plus Matte, 100# text, produced by the people at our Quinnesec Mill, where 83% of the energy used for production comes from carbon-neutral biofuel. The cover of this report is printed on 10% recycled-content paper.



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