A SPECIAL THANK YOU

Verso’s Sustainability Team wishes to acknowledge and thank our nearly 3,000 fellow employees who, even in a very difficult paper market, remained steadfastly committed to our sustainability goals. Their hard work and dedication enabled us to make the changes – both large and small – that helped move our company forward on its path to a sustainable future.
“Continuity gives us roots; change gives us branches, letting us stretch and grow and reach new heights.”

— PAULINE R. KEZER
At Verso, we are committed – in principle and in action – to building a company that is financially successful, environmentally excellent and socially responsible. And as the theme of our 2008 Sustainability Report suggests, we are pursuing these objectives in a dynamic climate where change is the rule rather than the exception. But at Verso, we are defining this change, rather than being defined by it.

Certainly, we factor issues like the strained U.S. economy, increased input costs and an ever-evolving coated paper marketplace into how we operate our business. But external forces have not deterred us from fully integrating our Sustainability Principles into our business decisions, and doing so remains a key strategy.

With a sustainable future in full focus, we implemented many important changes across our company in 2008. Some represent major advances with outcomes that are clearly evident, but most changes were more subtle, delivering incremental results that helped us meet our over-arching sustainability goal of continuous performance improvement. Some of our 2008 highlights include:

**Improving safety performance** (See page 28). “Safe from the Start” is first on Verso’s list of Founding Principles, and a safe and healthy workplace for our employees is of paramount importance. We believe that even one minor injury is too many, and by keenly focusing on reducing the least serious injuries, we’re creating a safety culture that has reduced injuries at all levels. We are extremely proud that our total incidence rate for injuries was 1.97 – 44% below our industry average. Our challenge for the coming year will be to achieve an even higher level of safety excellence, improve on this year’s results and move closer to the goal of zero injuries.

**Becoming a public company** (See page 8). In May, we completed an initial public offering of 14 million shares of common stock, a big step that provided us with greater financial flexibility and enhanced opportunities to invest in our business to support continuous improvement.

**Achieving PEFC chain of custody certification** (See page 11). In addition to increasing our use of certified fiber from 60% to 65% in 2008, our four paper mills were audited by an independent third-party and certified to the Programme for the Endorsement of Forest Certification (PEFC) chain of custody standard (PwC-PEFC-319). PEFC is the world’s largest forest certification system.

**Measuring the carbon footprint of paper products** (See page 24). We’ve reduced greenhouse gas (GHG) emissions per ton produced at our mills 28% since 1998, and we remain on a path to continuous improvement. As we continued to look for ways to reduce GHG emissions from our manufacturing operations in 2008, we completed the first phase of an exciting effort to measure the carbon footprint of our products. Using a lifecycle approach, we developed a model that allows us to look at GHG emissions across the entire paper supply chain, and we completed a comprehensive carbon footprint assessment for one of our 30-lb grades with and without recycled content. We’ll continue to refine our model in 2009, which will help us determine the carbon footprint of other Verso products as well as identify additional opportunities to reduce our overall carbon footprint.

**Achieving ISO 14001:2004 certification** (See page 19). Our four mills were independently audited and certified to the ISO 14001:2004 standard, the internationally recognized standard that identifies specific requirements for organizations that want to implement a comprehensive environmental management system. Continuous environmental performance improvement is the cornerstone of the ISO 14001:2004 standard and is at the center of Verso’s sustainability philosophy. Achieving this certification is a sign to our customers and other stakeholders not only that we are committed to performance improvement, but that we have the systems, processes and policies in place to make it happen.

**Partnering with customers and other stakeholders to drive sustainability through the supply chain** (See page 22). From our sponsorship of events like the Grouve Association of America (GAA) 2008 Environmental Conference that brought together stakeholders from the paper industry, customer companies, environmental groups, academia and government to the expansion of our Verso Paper School to the East Coast, we continued to look for new ways to promote sustainability beyond our own boundaries.

We’re very proud of these achievements and the many others you’ll read about in this report. On the pages that follow, you’ll find a candid review of our 2008 environmental, social and financial performance. Our intent is to share not only our progress, but also to provide a transparent view of areas where we missed the mark and have room for further improvement. If you’d like a quick snapshot of our 2008 progress, please review our 2008 Report Card at the end of this book.

Mike Jackson
President and Chief Executive Officer
A Climate of Change
The climate is changing and so is Verso. Just as a few degrees in climate change can have a significant environmental effect, we believe that Verso’s ever-increasing sustainability efforts will make a valuable contribution to meeting the climate-change challenge. Each year we accelerate business practices that promote a balance among our environmental, social and economic responsibilities, and each year we make progress. Our commitment to continuous performance improvement across every aspect of our business yields results that help us protect and conserve the environment, nurture the well-being of our people and communities, and promote long-term economic success.

Protecting and Conserving the Health of Our Natural Surroundings

Sustainability is most often defined as meeting today’s needs without compromising the ability of future generations to meet their own needs. For Verso, this means adapting and changing to meet evolving customer requirements without depleting resources or damaging the environment.

It’s true that Verso depends heavily on natural resources – trees, water and energy – to manufacture our products, but it’s also true that we are a leader in one of the most sustainable industries in the world. The reasons are simple.

First, the primary raw material in our products, wood fiber from trees, is one of the few truly renewable resources on earth. When trees are grown, harvested and regenerated in sustainably managed forests, they provide a never-ending resource for papermaking. In fact, thanks in great part to the efforts of paper and forest products companies like Verso, there is more forested land in the United States today than there was 50 years ago. Verso promotes sustainable forest management around the globe by proactively encouraging the expansion of credible, third-party certification systems that verify forest ecosystems are being protected and conserved. In addition, we strive to increase the amount of certified fiber we use each year.

Second, Verso uses billions of gallons of water each year, but most of this water passes through the manufacturing process rather than being consumed by it. This means we’re able not only to conserve water by re-using it, but also to clean it and return most of what we use to the environment. We’ve reduced our water use per ton of product by 9% since 2004. To reduce our environmental footprint even further, we continue to improve the operating efficiency of our water recovery and treatment systems to enhance wastewater discharge quality and reduce our absolute water use. Our goal is a 10% reduction by 2010 based on a 2004 baseline.

Third, more than half of the energy used to run our manufacturing operations, about 53%, comes from greenhouse gas-neutral, wood-based biofuels. These include leftovers from the papermaking process, such as bark and other wood residuals, solids that result
from wastewater treatment and wood lignin recovered from the chemical pulping process.

Lastly, we are committed to continuous environmental performance improvement throughout the paper lifecycle, from product development and manufacturing to customer use, recycling and disposal. While year-to-year changes may be incremental, each improvement contributes to our ultimate objectives: a smaller environmental footprint for Verso and a sustainable future for generations to come.

**Nurturing the Well-being of Our People and Our Communities**

“A sense of community” means different things to different people, but ultimately it’s about having common ties that raise our personal concern for one another to a level of collective caring. At Verso, caring begins with our employees. Assuring their health and safety at work is of paramount importance, and we have policies, processes and measurement tools in place to help us achieve continuous safety performance improvement. Working together, we implemented small, but productive changes in 2008 that helped us get better at eliminating hazards, encouraging safe behaviors and preventing injuries. Our commitment to steady improvement resulted in better-than-average safety performance compared to our industry peers and moved us ever-closer to the time when zero injuries is no longer a goal, but a way of life.

Beyond the fundamentals of a safe and healthy workplace, we believe it’s important to nurture concern for one another in every area of our collective worklife. We want to be sure that every Verso employee is secure in the knowledge that our company conducts business ethically and responsibly, and treats all with fairness and respect. Our Verso Paper Code of Conduct and Our Way policies spell out exactly what we expect of one another as Verso employees. In 2008, we revised these guides to reflect changes that resulted from our conversion from private to public ownership. We ask employees to review these documents at least once a year, and they are always available on the Verso intranet. In our local communities, Verso’s reputation as a good neighbor is founded in our business practices – providing good-paying jobs, paying taxes, buying most of the goods and services used to run our business from in-state suppliers and contributing to local causes. But real caring comes from people who selflessly give of themselves to others, and there’s no better way to describe our employees. They are the face of Verso, participating on community boards and commissions, volunteering their time and talents to worthy causes and raising funds for a wide array of not-for-profit organizations. We support their efforts through our Employee Involvement Grant program, which allocates contributions to not-for-profit organizations where our employees volunteer, and through our annual United Way campaign.

**Promoting Long-term Economic Success**

Verso has many goals and objectives, but at the end of the day, our overall sustainability depends on our ability to earn a fair rate of return for our investors. Long-term financial success requires that we run our operations efficiently and cost effectively, that we respond with agility to changes in the marketplace and that we provide our employees with the knowledge and skills needed to help us compete successfully. We’re delivering results using the six strategies outlined in our Verso Foundation Document.

**Using our Integrated Business Management Process.** We implemented this process to more effectively align our Sales and Manufacturing strategies. Better integration provides us with greater visibility of
long-term market opportunities and helps us better understand Verso's capabilities to take full advantage of them. By more effectively synchronizing demand with supply and available resources, we are able to make more timely strategic and tactical choices which, in turn, enhance our market position, reduce costs and improve profitability. In 2008, this process resulted in more proactive rather than reactive decision-making and helped us effectively balance supply with demand in a difficult market.

Growing, developing and retaining our core business while improving margins and channel management. Our product and channel mix strategy led to millions of dollars in improvement in 2008 as market share growth exceeded targets and our revenue per employee surpassed our industry peers.

Gaining manufacturing superiority by benchmarking and reducing operating gaps. We exceeded our 2008 target for reducing realizable operating gaps by nearly 20% and we’ve increased our productivity per mill employee by 43% since 2000.

Enhancing our cash flow by balancing our business platforms with customer needs. With constant attention to our forecasting models, inventory levels and backlog, we effectively balanced supply with demand and improved our cash flow by 16% over 2007.

Growing our organizational capability. We reduced our selling, general and administrative costs to less than 3.5% of sales and implemented our online Enterprise Learning System, making our company-wide training more consistent and cost-effective.

Integrating our sustainability principles into our business decisions. We continued to integrate our sustainability principles into our business decisions, enabling us to effectively balance our financial, environmental and social priorities and further differentiate Verso from our competitors.
A Leadership Position

**Verso** is a leading producer of coated papers in North America, not just because we manufacture nearly 1.8 million tons of paper each year, but also because we consistently meet and exceed the high level of quality and service demanded by the most recognized names in magazine and catalog publishing.

While our company is relatively new, our nearly 3,000 employees represent a long and distinguished papermaking tradition. It is their hard work and commitment to excellence that have helped Verso achieve our current market position as North America’s second largest producer of coated groundwood papers and lowest-cost producer of coated freesheet papers. We also have a strategic presence in supercalendered (SC) papers, a developing position in specialty papers, and we produce approximately 878,000 tons of kraft pulp annually.

**Verso Mission**

To create value for our stakeholders by providing business solutions and developing innovative products and services that exceed expectations.

**Verso At-a-Glance**

**Headquarters:** Memphis, Tennessee

**Paper Mills:** 4, located in Maine (2), Michigan and Minnesota, with 11 paper machines

**Sales Offices:** 12, located strategically in key U.S. magazine, catalog and commercial print markets

**Distribution Channels:** Direct sales, publication printers, paper merchants and brokers

**Products:**
- Coated groundwood papers, used primarily in catalogs and magazines
- Coated freesheet papers, used primarily for magazine covers and general commercial print applications such as annual reports and brochures
- Supercalendered papers, used primarily for retail advertising inserts and high-volume magazines and catalogs
- Specialty papers, used in food packaging and commercial printing applications
- Northern Bleached Hardwood Kraft Pulp, the majority of which is used internally, with the remainder sold as market pulp

**Customer Service Center:** West Chester, Ohio

**WebExpress™ Quick Ship Points:** 5, located in California, Florida, Illinois, Pennsylvania and Texas

**Research Center:** Harriman, New York

**KEY CHANGE IN 2008**

**Initial Public Offering.** In May 2008, Verso Paper Corp. completed an initial public offering (IPO) of our common stock, with 14 million shares sold. Our IPO allowed us to pay down a significant portion of our debt, about $153 million, giving us greater financial flexibility and enhanced opportunities to invest in our business to support continuous improvement.
Sustainability Governance

**TO ASSURE** accountability and transparency, we’ve fully integrated our sustainability management structure into our corporate governance, and we’ve incorporated a variety of checks and balances to help us track safety and environmental performance and identify areas for continuous improvement. These include:

- Annual independent audits and internal management reviews of our environmental management systems;
- Comprehensive, independently managed environmental compliance audits to assure compliance with all applicable federal, state and local environmental regulatory requirements, permits and compliance plans (every three years for pulp and paper mills and every four years for non-administrative operations such as woodyard facilities and our fiber farm);
- Occupational Health and Safety Administration (OSHA) on-site assessments and verifications conducted every three to five years (as part of our membership in the Voluntary Protection Program) to verify our compliance with regulatory requirements and to audit the performance of our management system to prevent injuries; and
- Annual Key Element Surveys in which mill employees review safety compliance and management system performance.

**CORPORATE SUSTAINABILITY COMMITTEE**
Includes all of Verso’s Executive Leaders, develops corporate policy and meets regularly to direct strategy in all areas of corporate sustainability.

**Sustainability Governance**

**Key Changes in 2008**
ISO 14001:2004 certification. In 2008, our mills were independently audited and certified to the internationally recognized ISO 14001:2004 environmental management system (EMS) standard which identifies specific requirements for organizations that want to implement a comprehensive EMS aimed at continuous environmental performance improvement. The standard requires that Verso’s mills be audited annually to verify that the EMS is operating efficiently and that employees are aware of their environmental responsibilities.

**Sarbanes-Oxley review.** We conducted an assessment of Verso’s internal control over financial reporting in conjunction with our required certifications under the Sarbanes-Oxley Act (SOX). The SOX project included a comprehensive review of all relevant processes and controls to verify that they are working as expected. An independent audit of the effectiveness of our internal control over financial reporting will be conducted next year.

**Operational Performance**
Responsible for operational management and day-to-day environmental, health and safety performance.

**Corporate Overview**

**Cross-Functional Employee Sustainability Teams**
Make recommendations for improvement on sustainability policies and objectives and track performance in their respective areas.
Advancing Responsible Forestry

The primary raw material used in Verso’s products is one of the few truly renewable resources on earth – wood fiber from trees.

Our company depends on a steady supply of trees to stay in business, so encouraging responsible forestry is a top priority for us. But our commitment to responsible forest management isn’t just about growing trees to make paper. It’s about keeping the earth healthy by protecting and conserving forest ecosystems – wildlife, plants, soil, air and water quality – for future generations to use and enjoy.

Because of our industry’s intimate connection with the world’s forests, we believe Verso and other paper companies have a special responsibility not only to procure wood from responsibly managed forests, but also to promote sustainable forestry practices whenever and wherever we can. Third-party certification to credible forest management certification standards has proven to be one of the most effective tools available to increase the amount of responsibly managed forests worldwide. These standards help assure that trees are grown, harvested and regenerated in harmony with nature.

VERSO WOOD FIBER PROCUREMENT POLICY

Verso will not procure wood that is harvested:
- illegally;
- in violation of traditional or civil rights;
- from forests where high conservation values are threatened by management activities;
- from forests being converted to plantations or non-forest use; or
- from forests where genetically modified trees are planted.

Verso strives to incrementally increase the amount of certified fiber we use each year and works with other stakeholders to encourage forest certification globally, not only to secure Verso’s future, but also to assure healthy, sustainable forests in perpetuity. By assuring sustainable forests, we also help assure their continuing contribution to global climate change mitigation, that is, absorbing and storing huge amounts of the greenhouse gas carbon dioxide.
Verso recognizes and supports all credible forest certification systems, including the FSC, PEFC, SFI, CSA, ATFS and Master Logger (ML) standards because we believe all contribute to the expansion of responsible forest management worldwide.

In 2008, our four paper mills were certified to the Programme for the Endorsement of Forest Certification (PEFC) chain of custody standard (PwC-PEFC-319). PEFC, the largest forest certification system in the world, assesses and mutually certifies national forest certification systems. Currently, PEFC has 35 independent national forest certification systems as members, 26 of which have completed a rigorous assessment process that involves public consultation and evaluation by independent auditors as well as independent peer review by a PEFC panel of experts. In North America, these include the Sustainable Forestry Initiative® (SFI), American Tree Farm System (ATFS) and Canadian Standards Association (CSA) certification systems.

Under mutual recognition agreements between PEFC and SFI, between PEFC and ATFS, and between PEFC and CSA, any wood fiber that comes from SFI-certified, ATFS-certified or CSA-certified lands can be tracked, documented and certified to the PEFC chain of custody standard. PEFC requires certificate holders like Verso to have adequate purchasing measures for all fiber sources to assure certified products don’t include raw material from controversial sources.

In 2007, Verso’s mills were independently audited and certified to the Forest Stewardship Council (FSC) chain of custody standard (SW-COC-002775). The FSC believes that its forest certification standard is the global benchmark for responsible forest management.

Verso helps customers demonstrate their commitment to forest sustainability by offering the on-product labeling options that are available through FSC, PEFC and SFI.

Championing Chain of Custody Certification

As customer demand for certified paper products has grown, Verso has not only increased our use of third party-certified fiber – to 65% in 2008 – but also has become a champion for chain of custody (CoC) certification. Certification to a chain of custody standard verifies that Verso has a process in place to document the amount of third-party certified fiber as it moves through the supply chain from the forest through the manufacturing process to the paper-buying customer.
Supporting Biodiversity Research

One of the primary objectives of responsible forest management is maintaining biodiversity in the forest landscape. In recent years, concerns have been raised by stakeholders about the interrelationships between forest management and declining populations of woodland caribou in Canada.

Some view active forest management and caribou viability as fundamentally incompatible. Verso, however, believes that sustainable forest management may be part of the solution for sustaining Canada’s caribou populations, and in 2008 became a primary sponsor of a multi-year research program to identify options for enhancing the viability of caribou populations in managed boreal forests.

The program, conducted by the National Council for Air and Stream Improvement (NCASI), will evaluate the relationship between caribou habitat change and nutrition and look for ways to enhance caribou viability through active forest management of the food supply. Verso also participates on NCASI’s Caribou Advisory Committee.

Previous field research indicates that past declines in caribou populations resulted from complex interactions among disturbances like wildfire, predator-prey relationships and habitat change. In the future, scientists expect that caribou populations will be further challenged by expanding human development and potential climate changes. A progressive change toward mild winters and longer, warmer summers may greatly alter habitat and other environmental conditions for caribou, especially if the potential for catastrophic wildfires is increased. The NCASI study will investigate how all of these habitat changes influence caribou food supplies.

Based on their findings, researchers will develop forest management and decision-support tools to help wildlife biologists and forest planners identify ways to enhance nutrition and sustain woodland caribou populations.
Growing the Forest Certification Effort

**WHILE VERSO** recognizes and supports the growth of all credible forest certification systems and participates in a variety of efforts to encourage their expansion globally, our greatest opportunities for influence and primary focus are in the regions of the United States where we operate our manufacturing facilities – the Northeast and Upper Midwest.

- In August 2008, we provided a two-year, $100,000 grant to the Trust to Conserve Northeast Forestlands (TCNF) to expand participation in its Forest Stewardship Council group certification program. Group certification programs not only promote responsible forestry practices, but also help make the certification process more accessible and affordable to landowners. The TCNF program seeks to identify small, family forestland owners and to certify their lands at minimal cost to the FSC forest management standard. The Verso grant provides resources to expand the program throughout the six states covered under the group (Maine, Connecticut, New Hampshire, Massachusetts, New York and Vermont) with a goal of 100,000 additional acres certified after the first 12 months.

  The TCNF program has traditionally enrolled family forestlands ranging up to about 2,500 acres, but under the terms of the grant, Verso is encouraging the Trust’s FSC group certification program to also include well-managed forests larger than typical family forest parcels. Verso’s 22,000-acre, company-managed timber deed near Nicatous Lake, Maine, was enrolled in the Trust program and has met all requirements for FSC group certification. This parcel is owned by Robbins Lumber Company, which jointly committed to these forest management standards with Verso.

- Verso continued our underwriting support of the Master Logger program in Maine, New Hampshire, Massachusetts, Vermont, Michigan and Minnesota, including logger training programs and paying the cost of certification audits for fiber suppliers who completed the certification program. In addition, we donated $15,000 to reward program progress in Minnesota and also worked with the Wisconsin program to gain broader customer acceptance.

- In cooperation with the Maine Forest Service, the Maine Forest Products Council and two other paper companies, we provided a $6,000 grant to an environmental consulting firm to conduct a detailed gap analysis on the status of Maine’s laws, regulations and information systems as they relate to the standard requirements for group forest certification. The final report, published in September 2008, details the forest practices monitoring and information systems routinely compiled by various state agencies and suggests ways for certification managers to use this information to help demonstrate compliance to the specific certification requirements.

- We continued to work with the Small Woodland Owners Association of Maine (SWOAM) and the ATF system to expand membership in that system, which is now endorsed under the PEFC group certification standard.

- With a $5,000 grant, Verso sponsored a successful “Green Summit” in Maine that brought together state government officials, paper customers and other wood consumers to promote all credible forest certification standards.

- Verso paid dues totaling more than $60,000 to the Maine, Michigan, Minnesota, New Hampshire and Wisconsin SFI Implementation Committees (SICs). These important committees work at the state and regional levels to expand certification, promote best management practices and deliver training to loggers and other forest professionals.

- Verso actively participates in state forestry organizations like the Maine Forest Products Council and Michigan Forest Products Council, which develop plans with local landowners and wood consumers to increase forest certification to credible standards.

- Our Fiber Supply Teams met with targeted owners of large, non-certified forests to help them better understand the certification process and encourage their participation, and a number of these ownerships achieved certification during 2008.

- As the first founding sponsor of the Forest Stewardship Council Family Forest Alliance (FFA), Verso continued to support work with landowner associations, government agencies and other family forest advocates to extend forest certification to small, family forest owners. During 2008, FFA focused on efforts to develop family forest standards as a part of the FSC standards revision process. Alliance partners also initiated carbon credit projects for family forest owners, supported marketing alliances and participated in FSC’s global efforts with small forest holders. In 2009, FFA will turn its attention toward combining regional efforts into a national strategy for supporting expanded family forest certification.

- Verso participates in a variety of industry-driven efforts, such as the Magazine Publishers of America (MPA) Environmental Working Group and the Direct Marketing Association (DMA) Committee on Environment and Social Responsibility. Among their wide-ranging sustainability objectives, these organizations proactively promote the increased use of certified fiber and paper.
Protecting and Conserving the Environment

**AT VERSO,** one important measure of our sustainability progress is reduction in our environmental footprint. We strive to reduce our impact on the environment through continuous performance improvement, with a focus on efficient resource use and reducing pollution. As a mature business with facilities that have spent decades working toward greater sustainability, most of our annual environmental improvement now comes as steady, incremental change. Some of our 2008 advances were achieved through special initiatives, while others resulted from our ongoing efforts to enhance performance of our existing equipment, processes and systems.

**VERSO ENVIRONMENT, HEALTH AND SAFETY OBJECTIVES**
- Attain an injury-free workplace
- Maintain an effective EHS management system
- Protect the environment by preventing pollution and eliminating process excursions at our paper mills
- Monitor and reduce our carbon footprint
- Partner with state and federal agencies, environmental groups, customers and other interested stakeholders to develop innovative approaches that help improve environmental performance

**KEY CHANGES IN 2008**
*ISO 14001:2004 certification.* The environmental management system (EMS) at our four paper mills was independently audited and certified to the ISO 14001:2004 EMS standard.

*Significantly reduced air emissions.* We reduced emissions of sulfur dioxide (SO$_2$) by 37% and emissions of nitrogen oxides (NO$_x$) by 13 percent.

*Regional Greenhouse Gas Initiative (RGGI).* Verso participated in the RGGI, a mandatory, market-based system adopted by 10 Northeastern and Mid-Atlantic states to cap and reduce carbon dioxide emissions from the power sector by 10% by 2018.
Verso Environmental Data

**WE REPORT** our annual sustainability progress using actual year-over-year environmental data as well as year-over-year production data. It should be noted that our 2008 production was reduced due to market-related downtime and to downtime related to the conversion of the No. 1 paper machine at our Bucksport Mill from coated papers to specialty papers. Please see our Report Card at the end of this report for additional details on our environmental progress.

**Energy Sources for Paper Making**

- **Biomass:** 53.4%
- **Natural Gas:** 27.4%
- **Coal:** 7.3%
- **Purchased Electricity and Steam:** 5.3%
- **Oil:** 0.6%
- **Other:** 1.2%

**Solid Waste Landfilled**

- **Total Solid Waste Generated:** 174,494 tons

**Solid Waste Uses**

- **Landfilled:** 34%
- **Beneficially Reused:** 42%
- **Burned for Energy:** 24%

**Air Emissions**

- **Total Sulfur Dioxide (tons):**
  - 2006: 7,000
  - 2007: 6,000
  - 2008: 5,000

- **Total Nitrogen Oxides (tons):**
  - 2006: 3,000
  - 2007: 2,000
  - 2008: 1,000

**Water Discharges**

- **Biochemical Oxygen Demand (millions of lbs.):**
  - 2006: 2.5
  - 2007: 2.0
  - 2008: 1.5

- **Total Suspended Solids (millions of lbs.):**
  - 2006: 2.5
  - 2007: 2.0
  - 2008: 1.5

**Wastewater Flow**

- **Total Wastewater Flow (billions of gallons):**
  - 2006: 1.5
  - 2007: 1.0
  - 2008: 0.5

**Pulp & Paper Production**

- **Millions of Tons:**
  - 2006: 7,000
  - 2007: 6,000
  - 2008: 5,000

- **Total Solid Waste Landfilled (tons):**
  - 2006: 2.0
  - 2007: 1.5
  - 2008: 1.0
  - 2009: 0.5
  - 2010: 0
Environmental Compliance

Verso’s excellent environmental compliance record is attributed to employee involvement in virtually all aspects of environmental performance.

Our employee-driven environmental audit process supplemented by independent assessments of our environmental management system helps assure we’ve identified and addressed environmental issues that could potentially lead to a process excursion or other environmental incident. In 2008, we received four official notices from regulatory agencies related to environmental compliance issues.

1. In January, the Androscoggin Mill received a Letter of Warning from the Maine Department of Environmental Protection (DEP) and a Compliance Order from the Town of Jay after the mill reported data related to river temperature. In September 2007, monitoring data indicated that the mill may have exceeded its requirement during warm weather periods to limit the increase in river water temperature in the Androscoggin River by 0.5 degrees Fahrenheit. Subsequently, the mill requested a Consent Agreement with the Maine DEP so that it could define a thermal mixing zone while normal mill operations continued, and that agreement was approved by the Maine Board of Environmental Protection in September 2008. In addition to the temperature issue, the agreement resolved a number of compliance issues dating back to 2006. These included leaks from the wastewater collection box, a sludge conveyer line (see No. 2 below), a clarifier and an effluent line; several discharges of landfill wastewater during rainstorms; and overdue calibration of a gas cylinder used to check the accuracy of continuous emission monitors. The mill paid an $11,350 fine.

2. In January, the Androscoggin Mill received a Notice of Violation (NOV) from the Maine DEP and a Compliance Order from the Town of Jay following a self-reported November 2007 leak in a line that conveys wastewater treatment solids at the mill. Approximately 2,400 gallons reached a nearby stream.

3. In January, the Androscoggin Mill received a Compliance Order from the Town of Jay related to a self-reported November 2007 leak of mill landfill wastewater into a newly installed stormwater diversion system. This system redirects heavy stormwater runoff away from the wastewater treatment system and into the Androscoggin River. The mill built the system under the direction of the DEP and the town in order to reduce the volume of clean stormwater treated in the mill’s wastewater treatment system. The mill installed new engineering controls to prevent a further occurrence of leaks.

4. In April, the Bucksport Mill received a NOV from the Maine DEP that resulted from a February 2008 hazardous waste inspection. The NOV cited management deficiencies involving spent fluorescent tubes, open containers, missed inspections, unlocked accumulation areas, aisle space, satellite accumulation areas, missing paperwork and names of emergency coordinators. All deficiencies have been corrected.

Our sustainability philosophy drives us to go beyond compliance and exceed government standards wherever we can.
Sustainably managed forests, like all forests, absorb CO₂ from the atmosphere and store it. But young trees in managed forests grow quickly and absorb significantly more carbon in the process. This increased growth and storage, combined with greater resistance to catastrophic fires and disease, make managed forests more effective than unmanaged forests in removing CO₂ from the atmosphere. In addition, about one-third of the carbon in wood harvested each year ends up in long-lived products such as lumber, books and archived paper and is often stored for decades, sometimes even centuries. It is estimated that the carbon stored by U.S. forests and forest products each year is enough to offset approximately 10% of all U.S. CO₂ emissions.

Like Verso, the paper and forest products industry as a whole depends on carbon-neutral biofuels to meet its energy needs. In fact, our industry uses more biomass energy than any other manufacturing sector in the United States. Our industry also is a leader in recovery and recycling, which not only extends the fiber supply, but also reduces methane emissions that result when paper decays in landfills. According to the American Forest & Paper Association, more than 56% of the paper consumed in the United States is recovered and used in new paper products, resulting in avoided emissions of 21.1 million metric tons of CO₂-eq. As the industry pushes toward its goal recovery rate of 60% by 2012, these avoided emissions will continue to increase.

Of course, improved technology will continue to play a critical role in climate change strategies as we look for new and better ways to become more energy efficient. Improved technology contributed to our industry’s 13% reduction in greenhouse gas emissions per ton of product (intensity) between 2000 and 2006 and has played a key role in helping Verso reduce our energy use, water use and greenhouse gas emissions. While we expect to make continuing incremental improvements, we believe that government/private partnerships are needed to encourage investment in both existing and breakthrough technologies to further mitigate the risks associated with climate change.

**VERSÓ’S GREENHOUSE GAS EMISSIONS**

Since 1998, absolute emissions went down while production went up.
Environmental Stewardship

Verso’s Climate Change Strategy

As worldwide debate continues over broad-based, long-term strategies to reverse global climate change, we believe entities that use fossil fuel resources, like Verso, can and must take steps now to reduce greenhouse gas emissions. Aligned with our sustainability goal for continuous performance improvement, our climate change mitigation strategy has resulted in a 28% reduction in greenhouse gas emissions per ton of production since 1998. Our climate change mitigation strategy includes eight focus areas:

- Increasing the energy efficiency of our operations to reduce emissions of GHGs, including CO₂, methane (CH₄) and nitrous oxide (N₂O).
- Optimizing the use of carbon-neutral biofuels to manufacture our products.
- Encouraging responsible forestry practices globally to assure the world’s forests remain healthy and continue their important climate change mitigation role – absorbing and storing CO₂.
- Minimizing our use of purchased electricity from power plants that burn fossil fuels where economically feasible.
- Developing products with a smaller carbon footprint, including lighter weight papers that require less energy to produce and ship.
- Communicating our expectations of key suppliers’ efforts to reduce their GHG emissions.
- Improving transportation efficiency of raw materials and chemicals to our mills to reduce transportation-related GHG emissions.
- Promoting the recovery of paper, especially magazines and catalogs, for recycling, in order to divert waste paper from landfills and prevent methane emissions that result when paper biodegrades.

A Sampling of 2008 Greenhouse Gas Reduction Projects

During 2008, Verso initiated a number of projects designed to enhance energy efficiency and reduce greenhouse gas emissions (CO₂-eq.) by more than 55,000 tons.

Androscoggin Mill
- Installed high-pressure wire-cleaning showers on four paper machines, reducing heated fresh water use by 1 million gallons per day as well as corresponding energy needed to heat that water.
- Installed a booster pump, allowing the re-use of warm whitewater overflows from the paper machines to replace 1 million gallons per day of steam-heated fresh water in the bleach plant, thus reducing the energy required to heat that water.

Bucksport Mill
- Installed metering equipment, implemented advanced controls and introduced new energy management practices that reduced steam and natural gas use.
- Completed a project that improved hydrogen purity in the gas turbine generator, resulting in more electricity for the same amount of natural gas consumed.
- Installed advanced controls to coordinate loading/unloading and start-up/shut-down of mill-wide air compressors, thus improving energy efficiency.

Quinnesec Mill
- Replaced air diffusers in the activated sludge plant, resulting in a 700 KW reduction in electrical energy consumption.
- Installed metering equipment, implemented advanced controls and introduced new energy management practices that reduced steam and natural gas use.

Sartell Mill
- Installed an overfire air system that improved power boiler efficiency approximately 3% by improving air distribution and combustion control in the furnace.
- Installed a filter screen to allow the re-use of paper machine whitewater in the paper machine wire-cleaning showers, replacing about 1 million gallons per day of steam-heated fresh water.
- Improved primary refiner controls in the thermo-mechanical pulp-making process, resulting in reduced electrical demand.
- Installed a variable speed drive on a mill water supply pump to reduce energy losses associated with re-circulating flow to control water pressure.
- Replaced a mill compressed air dryer with a more efficient design.
Regional Greenhouse Gas Initiative

While most of Verso’s climate change mitigation efforts focus on our own supply chain, we also participate in wider-ranging stakeholder efforts to develop effective solutions. One of these, the Regional Greenhouse Gas Initiative (RGGI), is a mandatory, market-based effort adopted by 10 Northeastern and Mid-Atlantic states to cap and reduce carbon dioxide emissions from the power sector by 10 percent by 2018.

As net energy producers that contribute to the regional energy grid, Verso’s Maine mills began participating in RGGI in 2008, and a number of our employees were pro-actively involved in shaping the program to help assure the critical balance among environmental, social and economic concerns. This included work with the Maine Department of Environmental Protection and Public Utilities Commission, as well as participation on a gubernatorial RGGI trust fund task force.

Under RGGI, the 10 participating states sell carbon allowances at auction and invest the proceeds in energy efficiency and renewable energy projects and programs that benefit energy consumers and the environment. The first two quarterly RGGI auctions of carbon allowances took place in September and December 2008, raising $145 million.

ISO 14001:2004
Enhancing Environmental Management

In 2008, the environmental management system (EMS) at our four paper mills was independently audited and certified to the internationally recognized ISO 14001:2004 EMS standard. Certification to this standard verifies that Verso has met specific requirements for organizations that want to implement a comprehensive EMS aimed at continuous environmental performance improvement.

Based on the Plan-Do-Check-Act model, our EMS is an employee-driven, process-based system that requires us to systematically analyze all of our environmental policies and procedures to identify opportunities for improvement and develop plans to address them. After implementing these plans, we conduct extensive audits to determine if we achieved the desired results and if we did not, we take further action.

ISO 14001:2004 certification requires that Verso’s mills be audited annually to verify that our EMS is operating efficiently and that our employees are aware of their environmental responsibilities.

Verso has reduced greenhouse gas emissions per ton produced at our mills by 28% since 1998.
During 2008, Verso invested more than $22 million in a variety of projects that contributed to continuous improvement in environmental performance, including:

- a $2 million investment to replace and upgrade the Androscoggin Mill’s cooling tower, which cools process water for re-use;
- a $1.9 million investment to replace the Androscoggin Mill’s return-activated sludge line, a key component that ensures extremely high efficiency at the mill’s wastewater treatment plant;
- a $1.5 million investment to upgrade and enhance effluent efficiency of the Androscoggin Mill’s wastewater treatment plant;
- a $1.5 million investment in two key projects at the Androscoggin Mill designed to reduce fresh water consumption in the papermaking process (see Androscoggin Mill GHG reduction projects, page 18);
- a $0.4 million investment at the Bucksport Mill to replace and improve a key part of the waste treatment mixing system; and
- over $15 million invested in multiple projects designed to enhance operational and energy efficiency at our mills. Combined with other non-capital initiatives, these projects resulted in an improvement of nearly 744,000 MMBtus in energy efficiency.
2008 Environmental Awards

AF&PA 2008 Environmental and Energy Achievement Award

The American Forest & Paper Association (AF&PA) presented Verso’s Bucksport Mill with its 2008 Environmental and Energy Achievement Award in recognition of the Bucksport Environmental Innovation Partnership (BEIP). The BEIP is a collaborative effort among the Bucksport Mill, the Maine Department of Environmental Protection (DEP), the U.S. Environmental Protection Agency (EPA), the Town of Bucksport, the University of Maine, environmental groups and interested citizens to help the mill further reduce its environmental footprint.

The BEIP began with an agreement the mill reached with the DEP and EPA to identify and implement a series of plant-wide emissions reduction projects in lieu of previously mandated air emissions control equipment for a gas turbine that was installed at the mill in 2001. The gas turbine had already resulted in a 70% reduction in air emissions and significant reductions in solid waste. The mill and DEP agreed that the plant-wide projects would provide greater environmental benefits at a lower cost.

The BEIP evaluated nearly two dozen projects and ultimately approved eight at a cost to the Bucksport Mill of more than $3.5 million. These included technical improvements to all four of the mill’s paper machines and the conversion to natural gas in one of the mill’s boilers. These improvements reduced nitrogen oxide (NOx) emissions by 30%, sulfur dioxide (SO2) emissions by 54%, water use by 8% with additional reductions expected, and sewer losses by 19%. The projected annual savings from these projects are $1.3 million.

Minnesota Wastewater Treatment Facility Operational Award

Verso’s Sartell Mill was awarded a 2008 Minnesota Wastewater Treatment Facility Operational Award by the Minnesota Pollution Control Agency. This commendation recognized the mill for outstanding operation and maintenance of its wastewater treatment facility. The award process included a thorough review of a plant’s operation, compliance record, inspection results and documentation.

Verso President and CEO Mike Jackson accepts the 2008 Environmental and Energy Achievement Award on behalf of the Bucksport Mill from AF&PA President and CEO Donna Harman.
Partnering with Stakeholders to Drive Continuous Performance Improvement

**Collaboration**, environmental innovation and performance improvement often go hand in hand at Verso. In 2008, we partnered with customers, suppliers, environmental groups, state and federal agencies and others on a variety of initiatives and programs that not only sparked new ideas for improving our own environmental performance, but also allowed us to share our environmental expertise to help others meet their sustainability goals.

**Climate Change Conference Highlights Progress and Innovation**

Because the paper industry uses a renewable resource - trees from sustainably managed forests - to manufacture our products, and trees in sustainably managed forests are one of the earth’s best weapons against climate change, Verso believes we have a unique responsibility as well as invaluable opportunities to contribute to climate change solutions. In June, we sponsored the Gravure Association of America’s (GAA) annual environmental conference to give stakeholders the opportunity to learn about the paper industry’s latest climate change-related research and innovations.

Leaders from the catalog and magazine publishing industries, paper and forest products companies, environmental groups, government and other key stakeholders met in Bar Harbor, Maine, to discuss climate change mitigation strategies such as promoting sustainable forestry, improving manufacturing efficiency, increasing the use of renewable biofuels and optimizing transportation efficiency.

In addition to sponsoring and helping to organize the conference, representatives from Verso shared information on some of our climate change initiatives, including measuring the carbon footprint of our products, making data-based energy efficiency improvements at our mills and exploring options for second-generation biofuel investments.

**Verso Encourages Sustainability Across the Supply Chain**

Because the sustainability of Verso’s products reaches beyond our own manufacturing facilities to our supply chain partners, we believe it’s important that they meet both Verso’s sustainability expectations and those of our customers. In 2008, we completed the planning phase of a program to establish key sustainability performance expectations for our pulp, energy and key raw materials suppliers. Aligned with our own sustainability objectives, these expectations relate to social responsibility, climate change, sustainable forestry, resource conservation and pollution prevention.

We plan to complete efforts to build awareness of Verso’s sustainability expectations among our suppliers in early 2009. Suppliers will then be expected to provide evidence they have adopted, implemented and are maintaining an environmental management system with elements similar to those outlined in the ISO 14001:2004 EMS standard. In addition, suppliers will be asked to report annually on greenhouse gas emissions generated by the manufacture of products supplied to Verso, along with a detailed explanation of the methodology used to calculate those emissions. Pulp suppliers also will be expected to report measures related to certified fiber and chain of custody certification, bleaching processes, water and energy use, energy sources,
air emissions, waste discharges, solid waste and modes of transportation. Energy suppliers will be expected to report on the types of fuel and the percentage of each used in producing energy sold to Verso.

New Yorkers Learn that Recycling Magazines is Excellent

With our most expansive campaign to date, Verso, customer Time Inc. and the National Recycling Coalition launched ReMix – Recycling Magazines is Excellent! – in New York City in 2008. ReMix, a national public education campaign to encourage residential recycling of magazines and catalogs, began several years ago when a study by Verso and Time found that while 95% of all unsold newsstand magazines are recycled, only about 17% of sold magazines are recycled. Before the launch of the New York City campaign, ReMix pilot campaigns were successfully conducted in Boston, MA; Prince George’s County, MD; Milwaukee, WI; and Portland, OR.

The New York City campaign kicked off with a news conference hosted by Mayor Michael Bloomberg in the lobby of the Empire State Building in January. Beginning the first week in February, ReMix advertising appeared across the city, in full-page public service advertisements in consumer magazines including TIME, Cosmopolitan, Country Living and Sports Illustrated, as well as on outdoor boards, city buses and sanitation trucks, in subway cars and stations, in movie theatres, on cable television, and many other media outlets. The total value of paid media and in-kind advertising donations for the ReMix campaign exceeded $7 million.

By the end of 2008, New York City saw a 29.3% increase in the recovery of magazines and catalogs compared to baseline numbers, the best results so far for the ReMix program.

Maine Forest Stakeholders Seek Sustainable Harvests

Verso provided leadership on the Maine Governor’s Task Force to optimize wood harvesting in the state. This group is charged with making recommendations on how best to promote harvest sustainability and assure a stable wood supply for all Maine wood consumers. Participating with Verso on this task force were representatives from the pulp and paper, logging, bio-energy and wood pellet industries as well as representatives of government agencies and environmental advocacy groups.

Paper School for Non-papermakers Expands to the East Coast

In the fall of 2008, we expanded our popular Verso Paper School – the premier papermaking school of its kind in the country – to include a session at our Androscoggin Mill in Maine. We continued to offer spring and summer Paper School sessions at our Sartell Mill in Minnesota. Created to help our customers and other stakeholders better understand the papermaking process, the two-day sessions trace the papermaking process from tree seedlings in the forest to wrapped rolls of paper ready to ship to customers. The program, which includes classroom time as well as time on the mill floor, is designed to help participants understand the processes and technology used to make paper and provide an overview of how Verso integrates sustainability into all aspects of our business.

Joining the three founding partners for the New York City ReMix campaign were the Hearst Corporation, Pratt Industries, Time Warner Cable, the Council on the Environment of New York City and its Office of Recycling Outreach and Education, and the city Department of Sanitation.

Maine Governor John Baldacci (second from right, top) joined a wide range of stakeholders at the Verso-sponsored GAA conference on global climate change. Advertisements promoting the ReMix public education campaign on magazine and catalog recycling appeared on New York City bus shelters and in many other venues across the city (center). Participants in Verso’s Paper School learned the basics of how paper is made (bottom).
Demonstrating Product Stewardship

At Verso, our approach to product stewardship begins in the forest and extends through each step of the paper lifecycle – from product development and manufacturing to customer use, recycling and disposal. With each of these steps comes opportunities to enhance the sustainability of our products which, in turn, helps our customers meet their sustainability objectives.

Measuring the Carbon Footprint of Our Products

In 2008, Verso completed the first phase of a comprehensive program to determine the carbon footprint of our paper products by grade. This study, one of the most thorough carbon assessments of paper products to date, included a forest-to-gate estimate of carbon dioxide equivalents (CO₂-eq.) for a 30-pound coated paper with post-consumer waste content – Advocate® Hi-Bulk™ produced at our Bucksport Mill – versus a similar product with no post-consumer waste content. Verso is an industry leader in manufacturing such lightweight paper products, which require less resources – energy, wood fiber, water and chemicals – to produce.

Verso worked with Franklin Associates, Ltd. (FAL), an internationally recognized lifecycle inventory consultant, to help establish a methodology, guide the carbon footprint study and develop needed data. Our study followed the Greenhouse Gas (GHG) Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development, as well as FAL’s lifecycle inventory methodology for product systems, which is consistent with ISO 14040 and ISO 14044 lifecycle assessment standards.

Methodology

Using 2006 data, our lifecycle analysis included the planting and harvesting of trees; sawmill operations from which wood chips were obtained; paper mill operations for producing the different types of pulp used in the product; collection of waste paper used to produce the recycled pulp in the product; paper recycling operations; and all steps in the manufacture of different coating components, including raw materials acquisition and transportation from the source. We didn’t audit data on coating components and purchased pulp, which was self-reported by suppliers. We also included energy transmission line losses and pre-combustion footprints in our energy statistics. For recycled content, no GHG emissions were associated with the manufacture of the original paper. GHG emissions for the recycled pulp began with the collection of post-consumer waste.

Results

The carbon footprint for Verso’s 30-pound product with no recycled content measured 1.81 tons of CO₂-eq. per ton of paper produced. This falls into the lower mid range when compared with two published carbon footprint assessments for other magazine papers. There is little detailed information available on the methodologies or what was excluded in these studies, so valid comparisons to Verso’s results are somewhat difficult.

As would be expected when CO₂–eq. from fiber recovery, cleaning, de-inking, re-drying and delivery to the mill are added to the equation, the carbon footprint of the 30-pound paper containing recycled content – both 10% and 30% – was slightly higher than that of the product with 100% virgin fiber. At 10% recycled content, the CO₂-eq. increased by 0.7%; at 30% recycled content, the CO₂-eq. increased 2.5%. One factor not included in these results was methane emissions that were avoided by using recovered paper to produce recycled pulp rather than sending it to a landfill.
End-of-life Factors  To factor avoided emissions into the equation, Verso used an end-of-life methodology that calculates global warming potential (GWP) credits based on avoided disposal of office paper with 80% going to landfills and 20% to waste-to-energy facilities. Estimated GWP credits are based on methane produced from maximum degradation of office paper (based on landfill simulation experiments), the average methane recovery rate for U.S. landfills, the average waste-to-energy use of landfill methane, and carbon sequestration in paper that does not decompose.

When these landfill credits are considered, the carbon footprint of Verso’s Advocate HB® 30-pound paper with recycled content is lower than that of the 100% virgin product: 4.4% lower with 10% recycled content and 12.8% lower with 30% recycled content.

While landfill credits can be helpful in evaluating the overall carbon footprint of paper products, their use comes with several cautionary notes. The protocols for calculating and reporting landfill credits are very inconsistent, making them somewhat controversial. Also, landfill rates of paper decay and resulting emissions can vary greatly depending on moisture content and the type of waste paper. And while some landfills recover methane emissions, those recovery rates vary dramatically across North America.

Interpreting the Results  Many operational factors can affect carbon footprint results. For the purposes of Verso’s carbon footprint study, where 10% and 30% recycled content were used, all other pulps and additives were decreased proportionally. No adjustments were made for losses in paper strength or optical qualities, drops in paper machine efficiency or changes in overall energy requirements from the use of recycled pulp. While these changes may be minimal at 10% recycled fiber content, they could be potentially significant at 30%, requiring increases in softwood kraft, refining and coating changes.

When considering global warming potential credits associated with the avoided disposal of a particular recycled content paper, it is often assumed that the recycled fiber in that product would not otherwise have been diverted from the landfill. However, in today’s marketplace, that’s not the most likely scenario. Given the 2008 demand for recovered fiber globally, it’s quite likely that paper not diverted from the landfill for use in a coated paper product would be diverted for beneficial use elsewhere, perhaps in another paper product that doesn’t require as much energy for de-inking and transportation.

Verso will continue to refine its lifecycle assessment model in 2009 and use it to determine the carbon footprint of its other paper grades. This model also will help us identify additional opportunities to reduce our overall carbon footprint.
Recovered Fiber and Recycled-content Products

Recycling is an important part of the paper lifecycle. It not only extends the useful life of a valuable resource, but also reduces greenhouse gas emissions. Methane, a greenhouse gas, is released into the atmosphere when paper bio-degradates in landfills. Using recovered paper in our products is one on the many ways Verso helps our customers meet their environmental goals. We purchased 11,646 tons of recovered fiber to make recycled-content products at our four paper mills in 2008. That was a 2% increase over 2007. Our use of recovered fiber also contributes to the paper industry’s goal of recovering 60% of all paper produced in the United States by 2012. This is widely believed to be the maximum achievable rate for paper recovery, since many types of paper such as sanitary, tissue and food-contact products are not suitable for recycling. Also, much of the remaining 40% is located in low-density population areas, making recovery too energy-demanding and costly. Even so, the paper industry continues to look for ways to make paper recovery in rural areas more cost effective and energy efficient. Today, about 57.4% of all U.S. paper is recovered.

Chain of Custody-certified Papers

Another way we help our customers meet their sustainability objectives is by verifying the amount of certified fiber we use. With the certification of our four paper mills to the Programme for the Endorsement of Forest Certification (PEFC) chain of custody standard in 2008, we now have the capability to offer PEFC chain of custody-certified products across all paper grades. Our mills were certified to the Forest Stewardship Council (FSC) chain of custody standard in 2007, and we increased our FSC-certified product offerings in 2008. We will continue to increase our certified offerings in 2009.

Verso helps our customers demonstrate their commitment to forest sustainability by offering the on-product labeling options that are available through FSC, PEFC and SFI.
Moving Toward Safety Excellence: A Message from Our EHS Director

When I joined Verso in 2008, our company’s strong commitment to continuous safety performance improvement was evident right away. “Safe from the start” tops the list of Verso’s Founding Principles, and Verso’s people have a long history of delivering improved safety results. We are extremely proud that Verso’s Total Incidence Rate (TIR), our number of OSHA-recordable injuries, is well below that of our industry peers. But safety isn’t about numbers; it’s about real people. To make sure everyone goes home safely every day, we must push beyond better-than-average performance to a level of excellence where those things that cause injury are eliminated. Henry Ford once said, “If you believe you can do a thing, or you believe you cannot do a thing, you are right.” Ultimately, we believe zero injuries is an achievable goal.

When it comes to safety, we also believe that caring and accountability must be synonymous. The time to care most is before anyone is hurt. We show how much we care about one another by our insistence on and persistence in doing the right things and providing a safe work environment. When we understand safety expectations and those expectations are consistently and continuously discussed, modeled and insisted upon, expectations become reality. That’s not to suggest that achieving an injury-free environment ever becomes automatic or easy; it requires commitment, hard work, attention to detail and leadership at all levels. At Verso, we are keenly focused on the two H’s – hazard elimination and housekeeping. Our people have done a great job of reducing risk to their co-workers through their collective effort to recognize, report and eliminate hazards. Our challenge now is to raise the bar to a new level of awareness and root out those more-difficult-to-detect hazards that pose danger. We’re also committed to “do what we say we’re going to do” when it comes to housekeeping.

Most injuries are the result of several breakdowns in the safety process, and breakdowns often begin with a lapse in attention to simple housekeeping details. Neglecting to pick it up if you dropped it, clean it up if you spilled it or put it back where you got it, may seem inconsequential in the moment, but we know such lapses may trigger other events that cause injury. We see great opportunity for safety improvement by improving our housekeeping consistency and hazard recognition skills. Our safety processes are driven by our great people, and underlying that drive is a deep commitment to safety excellence generated by genuine concern for one another. With our sights set on continuous safety performance improvement, we challenge ourselves to greater safety excellence with the question, “How much will you care in 2009?” Together, we will take a big step toward caring at the highest level.

Sincerely,

David Sams
EHS Director
### 2008 Safety Performance

**Our safety process** is grounded in objective metrics and guided by a Central Safety Committee at each of our mills. Employees from all areas and all levels of responsibility across each mill work together on these committees to manage our safety programs and track safety progress using results from our annual “Key Element Survey.”

We conduct this comprehensive audit each year to help identify areas for improvement and develop specific safety improvement goals that are backed by targeted action plans. We also conduct quarterly safety compliance audits and an annual safety data review to identify further opportunities for improvement.

**Verso Paper Corp. Environment, Health and Safety Policy**

Verso Paper Corp. is committed to conducting business in an ethical and sustainable manner. We demonstrate our commitment to our customers, employees and other stakeholders through our world-class environmental, health and safety (EHS) performance. Everyone at Verso works together to maintain a healthy and safe workplace, and we operate our facilities in an environmentally responsible manner with an emphasis on preventing pollution. We have implemented an EHS management system that drives us forward on a path of continuous improvement. Verso also strives to offer products and services that consider environmental and safety impacts throughout their lifecycles.

To achieve this commitment, we will:

- Meet or exceed compliance with all applicable environmental, health and safety laws and regulations as well as the requirements of all voluntary programs to which we subscribe;
- Maintain an effective EHS management system, including policies, procedures and training;
- Establish meaningful EHS objectives and targets and report to stakeholders on our performance;
- Expect suppliers to operate in a manner that is consistent with our EHS policy;
- Partner with customers to assist them in improving their EHS performance; and
- Evaluate and improve our EHS performance by monitoring results through effective management reviews and qualified, independent assessments.

### Key Changes in 2008

**New Environment, Health and Safety Director.** We created the position of Environment, Health and Safety Director reporting directly to the Senior Vice President of Manufacturing to further sharpen our focus on EHS performance improvement.

**Improved safety performance.** We improved our 2008 safety performance and demonstrated better-than-average safety results compared to our paper industry peers with our Total Incidence Rate (TIR) at 1.97 and our Lost Workday Incidence Rate (LWIR) at 0.15.

**OSHA Voluntary Protection Program (VPP) recertification.** Our Androscoggin, Quinnesec and Sartell Mills were recertified at the highest level – Star status – to the Occupational Safety and Health Administration’s VPP.

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*Injury rates reflect medical cases updated as of January 31, 2009.*

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**Lost Workday Incidence Rate**
Our commitment to VPP principles has helped us achieve continuous safety performance improvement to a level that exceeds our industry peers. Our 2008 total incidence rate (TIR) was 1.97 and our lost workday incidence rate (LWIR) was 0.15, compared to recently published industry averages of 3.5 and 1.1 respectively.

During a site visit to our Bucksport Mill, OSHA officials and mill representatives agreed the facility has more work to complete in preparation for VPP participation. Bucksport employees continue to work on opportunities identified by OSHA and remain committed to achieving VPP certification.

**Verso Mills Re-certified to VPP**

**Verso’s** Androscoggin, Quinnesec and Sartell mills were recertified to the Occupational Safety and Health Administration’s (OSHA) Voluntary Protection Program (VPP) in 2008. To be accepted into this prestigious program, a facility must demonstrate a facility-wide commitment to safety along with sustainable systems supporting strong health and safety management. These systems are the foundation of our safety process.

Our commitment to VPP principles has helped us achieve continuous safety performance improvement to a level that exceeds our industry peers. Our 2008 total incidence rate (TIR) was 1.97 and our lost workday incidence rate (LWIR) was 0.15, compared to recently published industry averages of 3.5 and 1.1 respectively.

During a site visit to our Bucksport Mill, OSHA officials and mill representatives agreed the facility has more work to complete in preparation for VPP participation. Bucksport employees continue to work on opportunities identified by OSHA and remain committed to achieving VPP certification.

**Sartell Mill Receives Governor’s Safety Award**

Verso’s employee-driven safety process resulted in a 2008 honor for our Sartell Mill – the Governor’s Safety Award for Excellence in Workplace Safety and Health – Award of Honor. Since 1934, the annual Governor’s Safety Awards, administered by the Minnesota Safety Council, have spotlighted Minnesota employers with exceptional safety records. Participants submit injury information which is compared with state and national data, as well as the entrant’s past performance. Ongoing safety programs and activities are also considered.

Pictured, from left: Steve Sviggum, commissioner, Minnesota Department of Labor and Industry; Tim Gratke, co-chair, Sartell Mill Safety Action Committee; and Jean Krause, chair of the board, Minnesota Safety Council.
Treating People with Respect and Fairness

**Verso’s commitment** to sustainability extends to every company resource, including our most valuable one – our people. Treating our employees with respect and fairness is a core value that provides the foundation for all that we do.

Our relationship with employees and other stakeholders is grounded in the mutual expectation of legal and ethical behavior, equal opportunity and respectful interaction. While many things changed at Verso during 2008, our commitment to these standards remained steadfast.

**Conducting business responsibly.** Our vision is to be a company with passion that is trusted and respected by all. To help us achieve this goal, we implemented the Verso Code of Conduct. The Code of Conduct provides all of our employees with clear, concise and firm guidelines for ethical business conduct that are supported and reinforced at all levels of Verso. We also published Verso’s Our Way policies to spell out exactly what we expect of one another as Verso employees. Our Way focuses on the Three Cs: our culture, our colleagues and our compliance commitment. Each policy contained in Our Way is grounded in Verso’s Founding Principles to encourage an environment of mutual respect, accountability, truth and transparency.

**Ensuring equal employment opportunity.** Verso provides equal employment opportunity for all qualified individuals, regardless of their age, gender, marital status, national origin, race, color, religion, disability, sexual orientation, military or veteran status, or any other category protected by applicable law. All employment decisions are based on job-related requirements. This policy pertains to recruiting, hiring, training and development, promotions, compensation, benefits, transfers, education, company activities and all other aspects of employment with Verso.

Our leaders are responsible for making employees aware of this policy, for implementing it through diversity awareness at all company operations within their areas of responsibility and for ensuring that all personnel actions are administered in a manner consistent with this policy.

**Providing a great work environment.** Attracting and retaining top talent is a key focus at Verso. To accomplish this, we offer competitive compensation, health and welfare benefits and opportunities for advancement and training. Our compensation program is based on competitive market analysis, job responsibilities and individual performance. In addition, to enhance our employees’ well-being we offer a 401(k) savings plan with an attractive matching company contribution along with a defined contribution retirement plan. We also pride ourselves on our people development program which promotes continual dialogue on learning and growth opportunities between supervisors and employees. To complement this important program, we continue to develop training programs and offer a competitive education assistance program.

**Promoting a culture of compliance.** All of our employees and contractors are expected to comply with the laws, rules and regulations that apply to Verso. This requirement applies to both the letter and the spirit of the law.

**Participating in the collective bargaining process.** Some 35% of our employees are represented by labor unions, including the United Steelworkers of America, the International Association of Machinists and Aerospace Workers, the International Brotherhood of Electrical Workers and the Office and Professional Employees International Labor Union. We participate in the collective bargaining process with these employees to establish wages, benefits and other workplace requirements. Contract agreements with union employees at our Bucksport, ME, and Sartell, MN, mills will expire in 2011. Our Androscoggin Mill in Maine and our Quinnesec Mill in Michigan are union-free facilities.
Supporting Our Local Communities

Being sustainable means being an integral part of the communities where we operate, and Verso is woven into the fabric of our local communities on many levels. From a purely business standpoint, we provide economic support by employing nearly 3,000 people across the United States, primarily in Maine, Michigan, Minnesota, Ohio and Tennessee. As a leading employer, we pay among the highest wages in the communities where we do business and in our mill communities we contribute a significant percentage of the local tax revenue.

In addition, we support local economies by purchasing the lion’s share of goods and services needed to run our operations from local/regional suppliers. In 2008, these purchases totaled more than $265 million from nearly 2,400 companies. Added to that is nearly $252 million in local/regional purchases of wood needed to make our products. We remain committed to increasing diversity among our suppliers and in 2008 continued our participation in a 2nd Tier Diversity Spend Program with one of our large magazine customers. As a participant in this program, Verso quarterly tracks our spending with women and minority-owned businesses.
Social Responsibility

Leading with Their Hearts: Verso’s Employee Volunteers

Nowhere is leadership and dedication to community service more evident than among Verso’s employee volunteers. With unwavering commitment and enthusiasm, they drive our community participation, contributing thousands of hours each year in company-sponsored and individual efforts that enhance the quality of life in our communities.

Together with our employees, Verso makes financial and in-kind contributions to support a wide range of community organizations. In 2008, our annual United Way campaign remained the centerpiece of our contribution efforts. Employees across the company volunteered their time to hold bake sales, raffles and other events to raise money that, combined with company contributions, totaled nearly $275,000, a 10% increase over 2007. We selected the United Way as our primary avenue for contributions because of its focus on identifying specific local needs and because all money raised remains in our local communities to help our neighbors.

Through our corporate Community Giving Program, Verso offers Employee Involvement Grants to encourage and support our employees in their volunteer efforts, and we give preference in allocating funds to organizations where our employees volunteer their time and talents. Any regular, full-time employee with at least 90 days of Verso service and a minimum of six months active volunteer service is eligible to apply for a grant for his or her charitable organization. To receive a contribution, organizations must be classified under Section 501(c)(3) of the Internal Revenue Service Code. Certain other municipal, county, state and federal entities, such as accredited schools, also are eligible.

In 2008, we presented our first annual Verso Volunteer Service Awards, honoring 12 employees for their community service. In this employee-driven awards program, co-workers nominated one another and recipients were chosen by employee teams at each of our major facilities. Each recipient received an award certificate and a small gift. The organizations for which they volunteer received cash contributions.

Giving High School Students a Positive Voice

At the local high school in Bucksport, Maine, students were eager to have a voice in their school and in the local community, but there were no funds available to re-start a school newspaper that had not published for nearly 10 years. Knowing that Verso supports projects designed to enrich the community, history teacher Kim Laplant and student Gabe Souza approached our Bucksport Mill for help. Verso provided a cash donation to get the publication up and running.

“The students involved in the newspaper are from many different groups at the school,” Souza said. “Even students who are not involved in other activities were passionate about getting the newspaper started. We believe this is because the paper gives them a voice on different issues and events at the school,” he says. While some want to make a difference on particular issues, others simply want a positive voice from the students … a voice that will cover some of the less publicized events and those students who participate in them.”

“We’ve experienced first-hand the rewards that hands-on learning gives our students,” Laplant said. “A school
newspaper will improve students’ learning through researching issues and developing stories without bias, enhance their people skills through interviewing for stories and working together, and sharpen their people and communication skills through interviewing people and writing stories. These skills are all crucial for students to become successful members of the workforce,” she said.

The first issue of The Voice was published in March 2008. The paper is distributed at the school and is also distributed to the local community as an insert in The Bucksport Enterprise, the local weekly newspaper.

Teaching Fairgoers About Sustainable Forestry

Thanks in part to a $5,000 contribution from Verso, thousands of attendees at the 2008 Upper Peninsula (UP) State Fair had the opportunity to learn about the region’s sustainable paper and forest products industry at the Growing UP Foresters exhibit, presented by the Michigan Department of Agriculture. This hands-on exhibit included a hiking trail that led to several stations showcasing living things in the forest and products derived from the wood that grows there.

According to Debbie Mulvaney, the fair’s special events coordinator, some 300 men, women and children passed through the exhibit each hour. “The purpose of the exhibit was to make them aware of their natural surroundings, their heritage, the economic impact of the forest products industry and the technology involved,” she said. “The display also offered ideas for forest-related careers in the region.”

In a letter to Verso, Mulvaney said the 2008 fair was one of the best-attended and best-received in history, thanks in no small part to Verso’s sponsorship and participation in the Growing UP Foresters exhibit. Employees from Verso’s Quinnesec Mill also helped staff the exhibit.

Created in 2006, the exhibit was expanded in 2008 to include a station called “UP in the Treetops,” featuring hands-on activities related to native birds. Other stations included a “critter condo,” wetlands station, model weigh station for logging trucks, hunting camp and forest products station. The highlight of the 2008 exhibit was a new forest fire display at the end of the trail that bore an important message: Everything in the forest could be lost if we don’t take care of it.

Helping to Bridge a School’s Financial Gap

Just about everyone agrees that education is a top priority in our communities, but it’s a fact of life that many schools lack the desired level of financial resources. That’s why employees in our Headquarters office decided to participate in the Memphis Adopt-A-School program. The program provides an avenue for businesses like ours to partner with a school to achieve a shared objective: to produce educated citizens that contribute to the economic and social health of the community.

Our adopted school, Fox Meadows Elementary, is located just three miles from our Memphis office. To kick off our partnership, we participated in an open house at the school, where our employees had the opportunity to interact with proud students who displayed their artwork and other projects. Verso made an initial financial contribution to the school that was used to purchase some audio visual technology. “The funds were put to great use,” said Fox Meadows Adopt-A-School Coordinator Amy Murdock. In addition to the AV equipment, the funds also helped with some much needed maintenance around the school,” she said.

In addition to the company contribution, employees held some fun internal competitions to raise money for the school, and employees purchased gifts for several student families during the holidays. In 2009, Verso’s Memphis employees look forward to expanding their efforts at Fox Meadows Elementary, not only with financial support, but also through participation in classroom activities.
Promoting a Valuable Ecological and Economic Resource

In July 2008, Verso’s Androscoggin Mill joined forces with the Androscoggin River Watershed Council (ARWC) as a sponsor of the 13th Annual Source to the Sea Canoe Trek. This event, created to raise awareness of the Androscoggin River as an important ecological and economic resource, attracts thousands of participants over a three-week period each year. The trek highlights sections of the 174-mile long river amid scenic and historic landmarks along its banks. The ultimate goal of the trek is to encourage preservation of the river’s natural, economic and recreational resources for future generations.

In addition to financial support, the mill provided a shuttle van and employee-volunteer drivers for three days to transport canoe and kayak paddlers to and from designated parking and carry-in/carry-out sites along the banks of the river. In partnership with the ARWC, the mill also hosted a barbeque lunch for students of the Rumford Group Home and other trek participants on Pine Island, a recreational site maintained by the mill as a requirement of its Federal Energy Regulatory Commission permit. The island has locations for picnics, walking and fishing, as well as a wheelchair-accessible platform for fishing and canoe/kayak access.

Benefiting the Environment While Supporting our Troops

In May 2008, Verso employees began participating in Cell Phones for Soldiers, a program designed to recycle cell phones and PDAs and “turn them into” pre-paid calling cards for U.S. service members. The Cell Phones for Soldiers program collects devices, sells them to a recycler and then uses the proceeds to purchase and deliver one-hour phone cards to active-duty military personnel worldwide. Our employees donated 72 phones and PDAs as of year-end and we hope to expand the program in 2009 by encouraging employee families and suppliers to participate.

In addition to supporting our military, this cell phone recycling program also benefits the environment. More than 60% of all cell phones and PDAs in the United States end up in landfills. While these devices contain only trace amounts of toxins like lead and arsenic, multiplied by millions they become an environmental problem when buried in the ground. By participating in Cell Phones for Soldiers, Verso is better able to coordinate our efforts to responsibly dispose of company-owned cell phones and PDAs at the end of their useful lives and support our men and women in uniform in the process.

Helping First Graders Do Their Best

For the second year, Verso’s Sartell Mill helped sponsor the My Favorite Book program, benefitting some 500 first-grade students in Sartell, Sauk Rapids and St. Cloud, MN. The program is designed to teach elementary-age children about “Doing their Best” and “Being their Best.” At a time in their lives when children are learning how the world works and how they fit in, My Favorite Book helps them focus on things such as good manners, making the world a better place, the importance of community and the people in it, being good to your body and following rules to avoid getting in trouble.

As a sponsor of the Source to the Sea Canoe Trek, Verso helps promote the Androscoggin River’s natural, economic and recreational value (top). In May, Verso began participating in an innovative program called Cell Phones for Soldiers that benefits both the environment and the men and women who serve in the U.S. military (bottom).
Being Accountable and Transparent

**Accountability** and transparency are among Verso’s Sustainability Principles, but more than that, they are among the core principles on which our company was founded. We are committed to evaluating our progress – environmental, social and economic – and to sharing both our successes and challenges with stakeholders. We know that stakeholders receive information in a variety of ways, so we use a number of different channels to communicate with them.

**EPAT™.** Through EPAT, Verso shares highly detailed performance information in six key areas, each representing a desired outcome for environmentally preferable paper. These include water, air and climate quality, waste, efficiency, the health of natural systems, and community and human well-being. Data for each indicator is reported by unit of paper produced and then normalized using a performance range determined through research on overall industry performance. EPAT data give paper buyers the ability to incorporate apples-to-apples environmental comparisons in the paper procurement process. The ability to make direct environmental comparisons between paper suppliers not only helps paper buyers make more informed purchasing decisions, but also provides a highly transparent way for Verso’s customers to see our progress toward continuous environmental performance improvement.

**Annual sustainability report.** We publish our annual sustainability report to provide stakeholders with an overview of our sustainability progress for the previous calendar year. As in this 2008 edition, we share our sustainability commitments and policies, report performance data and offer commentary on initiatives that best represent our areas of focus for the year.

**Online communication.** We maintain a dedicated section on our corporate Web site (www.versopaper.com/sustainability) to give stakeholders anytime access to information about sustainability at Verso. The site includes current news, information on our sustainability policies, positions and programs, and the most recent edition of our annual Sustainability Report.

**Simply Green™ position papers.** Verso publishes Simply Green: Straight Talk on Sustainability, a series of position papers on sustainability-related issues that are distributed to customers and other stakeholders as they are published or updated, and they are also available on our Web site. These papers provide an in-depth view of Verso’s positions on key sustainability issues affecting our business today, as well as our vision for the future.

**VersoView™.** We publish VersoView, a periodic newsletter to update a variety of stakeholders on important happenings at Verso, with sustainability topics often the focus. In 2008, editions of VersoView included details on Verso’s PEFC chain of custody certification, our partnership in NCASI’s caribou habitat study, and environmental accomplishments at our mills.

**Stakeholder dialogue.** We communicate regularly on sustainability topics with a wide range of stakeholders, including customers, employees, governmental agencies, environmental non-governmental organizations, community groups, industry associations and suppliers.

**Media.** Verso uses the trade media – both editorial and paid advertising – extensively to share our sustainability commitment and progress.
Building a Sustainable Economic Future

**Financial sustainability** is Verso’s ultimate objective, for without it our other goals become immaterial. Economic success is the engine that drives our ability to provide the return our investors expect, to take advantage of opportunities to keep our business competitive in an ever-changing marketplace and to meet the environmental and social requirements that contribute to the sustainability of our own neighborhoods and the world beyond.

### 2008 Financial Highlights*

Verso Paper Corp. had $1.77 billion in 2008 revenues, compared to revenues of $1.63 billion in 2007. Operating income was $62 million compared to $30 million the prior year, and we experienced a net loss of $62.8 million compared to net loss of $111.5 million in 2007. EBITDA was $196.5 million in 2008 versus $153.2 million the prior year. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. It is a performance measure which investors and analysts typically use to compare a company with its peers. It provides a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other pro forma adjustments permitted in calculating covenant compliance under our debt instruments. Additional details of our 2008 financial results can be found on our Web site at www.versopaper.com.

Despite difficult conditions in the credit markets and the national economy, Verso has no near-term debt maturities or covenant compliance issues. Input prices, especially for energy and raw materials, continued at historically high levels in 2008. Although some prices moderated toward the end of the year, input prices will continue to be a challenge in 2009. Verso has demonstrated that we can continue to create value in a challenging economic environment by maintaining our disciplined approach to balancing our supply with customer demand and to managing our cost structure and financial position.

* As a result of Verso’s initial public offering of common stock in May 2008, we now report financial results as Verso Paper Corp. Our financial results for 2008 and 2007 reflect this change.
2008 Summary Results

($ in millions, except per share amounts)

Financial Position at December 31,

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital</td>
<td>$151.9</td>
<td>$87.2</td>
<td>74%</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,636.4</td>
<td>1,603.5</td>
<td>2%</td>
</tr>
<tr>
<td>Total debt</td>
<td>1,357.7</td>
<td>1,419.6</td>
<td>-4%</td>
</tr>
<tr>
<td>Stockholders’ equity (deficit)</td>
<td>(10.0)</td>
<td>(75.1)</td>
<td>-87%</td>
</tr>
</tbody>
</table>

Operations for the years ended December 31,

Net sales

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,766.8</td>
<td>$1,628.8</td>
<td>8%</td>
</tr>
</tbody>
</table>

Costs and expenses:

<table>
<thead>
<tr>
<th>Cost item</th>
<th>2008</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of products sold (exclusive of depreciation, amortization and depletion)</td>
<td>1,463.2</td>
<td>1,403.0</td>
<td>4%</td>
</tr>
<tr>
<td>Depreciation, amortization and depletion</td>
<td>134.5</td>
<td>123.2</td>
<td>9%</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>79.7</td>
<td>53.2</td>
<td>50%</td>
</tr>
<tr>
<td>Restructuring and other charges</td>
<td>27.4</td>
<td>19.4</td>
<td>41%</td>
</tr>
</tbody>
</table>

Operating income

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>62.0</td>
<td>30.0</td>
<td>107%</td>
</tr>
<tr>
<td>Interest income</td>
<td>(0.8)</td>
<td>(1.5)</td>
<td>-47%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>125.6</td>
<td>143.0</td>
<td>-12%</td>
</tr>
</tbody>
</table>

Net loss

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$(62.8)</td>
<td>$(111.5)</td>
<td>-44%</td>
</tr>
<tr>
<td>Loss per share</td>
<td>$(1.35)</td>
<td>$(2.93)</td>
<td>-54%</td>
</tr>
</tbody>
</table>

The following table reconciles net loss to EBITDA and Adjusted EBITDA for the periods presented:

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$(62.8)</td>
<td>$(111.5)</td>
<td>-44%</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>124.8</td>
<td>141.5</td>
<td>-12%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>134.5</td>
<td>123.2</td>
<td>9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>196.5</td>
<td>153.2</td>
<td>28%</td>
</tr>
<tr>
<td>Unusual and other pro forma adjustments (1)</td>
<td>41.7</td>
<td>28.0</td>
<td>49%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$238.2</td>
<td>$181.2</td>
<td>31%</td>
</tr>
</tbody>
</table>

(1) Reflects the elimination or addition of unusual items and other pro forma adjustments permitted in calculating compliance with our debt covenants.
Glossary

Key to Terminology Used in This Report

Biofuel – Fuel that is derived from biomass — recently living organisms or their metabolic byproducts, such as bark and other wood residuals, the solids that result from mill effluent treatment, and spent pulping liquor generated as a byproduct in the manufacture of pulp from wood. It is carbon-neutral and is a renewable energy source, unlike other natural resources such as petroleum, coal and nuclear fuels, which are finite.

Biochemical oxygen demand (BOD) – BOD is a common measure of the amount of oxygen consumed in the biological process that breaks down organic matter in water.

Carbon dioxide equivalent (CO2-eq.) – Carbon dioxide is recognized as a greenhouse gas that contributes to global climate change. Other greenhouse gases have varying degrees of climate change potential. To provide a common frame of reference, the potential of greenhouse gases such as methane and nitrous oxide is often expressed as the equivalent amount of CO2.

Carbon footprint – The total set of greenhouse gas emissions caused directly and indirectly by an individual, organization, event or product. For example, in the daily operations of a paper mill it can include a measure of the amount of carbon dioxide and carbon dioxide equivalents emitted by the combustion of fossil fuels. For a paper product, it is the measure of CO2-eq. emissions as determined by a lifecycle analysis.

Carbon neutral – The point at which greenhouse gas emissions released into the atmosphere by a particular activity, like manufacturing paper products or driving fossil-fueled vehicles, is balanced with an equal amount of carbon sequestration or carbon offsets from a third party.

Carbon offset/carbon allowance – A carbon offset or carbon allowance is a credit that an individual or organization can purchase to negate its carbon emissions, thereby achieving carbon neutrality. Revenue generated from the purchase of offsets is typically invested in renewable energy and other environmentally friendly projects.

Certified fiber – Wood fiber that originates from a forest which has achieved third-party certification to a credible forest management certification standard.

Chain of custody (CoC) certification – A process that assures documentation of the amount of third-party certified wood fiber as it moves through the supply chain from a certified forest through a pulp/paper mill to the customer. The various forest certification standards (FSC, PEFC, SFI, etc.) have differing CoC requirements. Some of the certification standards offer opportunities for product labeling if all CoC requirements are met, products contain a specified amount of certified fiber credits and all other uncertified fiber comes from responsibly managed forests.

Forest management certification – Certification by an accredited, independent auditor that a forest is managed in accordance with the principles of sustainable forest management.

Global climate change – Ongoing changes in average weather conditions, including the rise in the earth’s surface temperature often referred to a global warming.

High conservation value forests – Forest areas with unique biological, geological, cultural or historical significance.

Initial public offering (IPO) – A first and one-time only sale of publicly tradable stock in a company that has previously been owned privately.

ISO 14001:2004 – A voluntary standard that specifies the requirements for an environmental management system
(EMS). The ISO 14001:2004 standard provides guidelines to help organizations systematize and improve their environmental management efforts and achieve continuous environmental performance improvement. The standard is not designed to aid the enforcement of environmental laws and does not regulate the environmental activities of an organization.

**Lignin** – The organic “glue” that holds wood fibers together in trees.

**Lost Workday Incidence Rate (LWIR)** – When an employee must miss an entire day or more of work due to a work-related illness or injury, it is considered a “lost workday” injury. LWIR is calculated as the number of lost workday injuries per 200,000 hours worked.

**Post-consumer content** – Recovered paper fiber used in recycled products that is collected from consumers. It does not include, for example, recovered paper fiber such as paper waste from a mill or unsold copies of newsstand magazines. Any fiber collected for recycling that has not been used by a consumer is called pre-consumer content.

**Realizable operating gap** – Sometimes abbreviated R-gap, this is the difference between our current operating practices and achievable best practices.

**Recovered fiber** – Paper products that are collected for re-use in recycled products.

**Renewable resource** – Any resource that is naturally replenished, such as the trees grown to make paper.

**Sarbanes-Oxley Act of 2002 (SOX)** – SOX is legislation enacted by Congress in response to high-profile corporate financial scandals to protect shareholders and the general public from accounting errors and fraudulent practices by public companies. The act is administered by the Securities and Exchange Commission (SEC), which sets deadlines for compliance and publishes rules on requirements. SOX is not a set of business practices and does not specify how a business should store records; rather, it defines which records are to be stored and for how long.

**Sustainable business practices** – Business practices that provide products of value for a growing world population without diminishing resources or degrading the environment.

**Total incidence rate (TIR)** – TIR is calculated as the number of “OSHA-recordable” injuries and work-related illnesses (cases requiring medical treatment and/or work restrictions) per 200,000 hours worked. It is roughly comparable to the percentage of people injured in the workforce each year.

**Total suspended solids (TSS)** – TSS is the measure of solids retained on a filter placed in the flow of a mill wastewater stream.

**Voluntary Protection Program (VPP)** – This U.S. Occupational Health and Safety Administration (OSHA) program requires participating facilities to demonstrate a facility-wide commitment to health and safety, along with sustainable systems in all areas of health and safety management. VPP status is awarded on two levels, Star and Merit. Star participants must meet all VPP requirements, including an on-site review, an annual evaluation and a continuous improvement plan. Merit status is awarded to facilities that demonstrate the commitment and potential to achieve Star status.
2008 Sustainability Report Card

Our sustainability platform is simple: Do what is right.

It’s simple. Our sustainability philosophy touches every part of our business—from the forests where we procure our fiber to manufacturing to final disposition of our products. Our paper originates with one of the earth’s few truly renewable resources—wood fiber from trees—and we are committed to procuring wood fiber only from forests that are sustainably managed. We combine that commitment to sustainable forestry with a dedication to continuous environmental improvement in our operations—not simply because it’s required by law, but because it’s the right thing to do.

We also work closely with our customers to assure that Verso’s products help them achieve their sustainability objectives and fulfill their customers’ demand for environmentally preferable paper. We welcome partnerships and dialogue on sustainability issues with our many stakeholders, and pledge to be accountable and transparent in reporting progress on our sustainability objectives.

Here’s how we’re doing...
### Sustainability Report Card

**Jan. - Dec. 2008**

**Verso Paper Corp.**

<table>
<thead>
<tr>
<th>Subject</th>
<th>Description</th>
<th>Progress</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Use</td>
<td>Percent of certified fiber in Verso products</td>
<td>Increased from 60% to 65%, surpassing our goal of 64%</td>
<td>Very good - goal surpassed</td>
</tr>
<tr>
<td>Certification to PEFC Chain of Custody Standard</td>
<td>Achieved, in addition to maintaining FSC Chain of Custody Certification</td>
<td></td>
<td>Very good - goal met</td>
</tr>
<tr>
<td>Use of wood-based, carbon-neutral biofuel</td>
<td>Remained the same at 53%</td>
<td>Needs improvement - must continue to balance environmental benefits with rising fuel costs</td>
<td>Needs improvement</td>
</tr>
<tr>
<td>Wastewater returned to surface waters</td>
<td>Remained level at 29 billion gallons</td>
<td></td>
<td>Needs improvement</td>
</tr>
<tr>
<td>Total energy use</td>
<td>Increased less than 0.5%, but reduced oil use by 38% and coal use by 7%, replacing them with cleaner-burning natural gas</td>
<td>Acceptable progress; slightly more energy use, but cleaner burning fuels</td>
<td>Acceptable progress based on customer demand</td>
</tr>
<tr>
<td>Recovered fiber use</td>
<td>Increased to 11,646 tons from 11,423 in 2007 — up 2%</td>
<td>Acceptable progress based on customer demand</td>
<td>Acceptable progress based on customer demand</td>
</tr>
<tr>
<td>ISO 14001:2004 certification</td>
<td>Achieved at all four mills</td>
<td>Excellent progress</td>
<td>Excellent - goal met</td>
</tr>
<tr>
<td>Sulfur dioxide (SO₂) emissions</td>
<td>Reduced to 2,086 tons from 3,314 tons in 2007 — down 37%</td>
<td>Excellent progress</td>
<td>Excellent progress</td>
</tr>
<tr>
<td>Nitrogen oxide (NOₓ) emissions</td>
<td>Reduced to 3,359 tons from 3,863 tons in 2007 — down 13%</td>
<td>Excellent progress</td>
<td>Excellent progress</td>
</tr>
<tr>
<td>Biochemical oxygen demand (BOD)</td>
<td>Increased to 2.86 million lbs. from 2.12 million lbs. in 2007 — up 35%</td>
<td>Needs improvement; focus on reducing wastewater input at the Androscoggin Mill</td>
<td>Needs improvement; focus on reducing wastewater input at the Androscoggin Mill</td>
</tr>
<tr>
<td>Total suspended solids (TSS)</td>
<td>Increased to 8.01 million lbs. from 5.78 million lbs. in 2007 — up 39%</td>
<td>Needs improvement; focus on reducing wastewater input at the Androscoggin Mill</td>
<td>Needs improvement; focus on reducing wastewater input at the Androscoggin Mill</td>
</tr>
<tr>
<td>Greenhouse gas emissions (CO₂-eq.)</td>
<td>Reduced 72,000 tons in 2008</td>
<td>Good progress relative to reduced production</td>
<td>Good progress relative to reduced production</td>
</tr>
<tr>
<td>REQUIRED COURSES</td>
<td>Description</td>
<td>Progress</td>
<td>Grade</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------</td>
<td>----------</td>
<td>-------</td>
</tr>
<tr>
<td><strong>Solid Waste</strong></td>
<td>Solid waste total tons</td>
<td>Reduced to 174,494 tons from 187,343 tons in 2007 — down 7%</td>
<td>Good progress</td>
</tr>
<tr>
<td></td>
<td>Solid waste sent to landfills</td>
<td>Reduced to 74,679 tons from 78,756 tons in 2007 — down 5%</td>
<td>Good progress</td>
</tr>
<tr>
<td><strong>Safety</strong></td>
<td>Total Incidence Rate (TIR)</td>
<td>Decreased to 1.97, but missed our goal of 1.7</td>
<td>Working much safer, but not safe enough</td>
</tr>
<tr>
<td></td>
<td>Lost Workday Incidence Rate (LWIR)</td>
<td>Decreased to 0.15, but missed our goal of 0.13</td>
<td>Excellent progress; industry leader, but not good enough</td>
</tr>
<tr>
<td></td>
<td>OSHA Voluntary Protection Program Recertification</td>
<td>Recertified the Androscoggin, Quinnesc and Sartell Mills</td>
<td>Goal met</td>
</tr>
<tr>
<td></td>
<td>Bucksport Mill has more work to complete before being certified</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Social Responsibility</strong></td>
<td>Code of Conduct</td>
<td>Updated the Code to reflect changes that resulted from Verso’s conversion from private to public ownership</td>
<td>Goal met</td>
</tr>
<tr>
<td><strong>United Way Campaign</strong></td>
<td>United Way Campaign</td>
<td>Increased combined company and employee contributions to nearly $275,000, up 10% from 2007</td>
<td>Goal met</td>
</tr>
<tr>
<td><strong>Versa Volunteer Service Awards</strong></td>
<td>Versa Volunteer Service Awards</td>
<td>Presented our first Versa Volunteer Service Awards, honoring 12 employees for their community service</td>
<td>Goal met</td>
</tr>
<tr>
<td><strong>Transparency</strong></td>
<td>Communicating with Stakeholders</td>
<td>Sponsored the Gravure Assn. of America’s environmental conference on climate change; encouraged transparency across the paper supply chain with a new initiative to establish key supplier sustainability expectations; became a dues-paying member of EPAT; updated the sustainability section of our corporate Web site; updated our corporate position papers; published articles on Verso’s sustainability efforts in key trade publications; communicated sustainability messages through trade advertising; and published our 2007 Sustainability Report</td>
<td>Excellent progress</td>
</tr>
</tbody>
</table>
HEADQUARTERS
MEMPHIS
6775 Lenox Center Court
Suite 400
Memphis, TN 38115-4436
901 369 4100

REGIONAL SALES OFFICES

ALTANTA
7 Knob Hill Circle
Decatur, GA 30030
404 254 0744

BOSTON
690 Canton Street
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781 320 8660

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704 243 6416

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800 258 8852

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Atkinson, NH 03811
603 362 4488

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732 295 7679

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212 559 2700

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Wayne, PA 19087
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The Verso Paper Corp. officer responsible for this report is:

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REPORTING PERIOD
January 1 through December 31, 2008

Please direct questions about this report to:
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ON THE INTERNET
www.versopaper.com

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