




2017

Annual Report



Behind every Verso product is passion, process, teamwork, craftsmanship and respect for our environment.

Verso's Founding Principles

- 01** Safe from the start
- 02** Accountability, truth & transparency
- 03** Engaged & enthusiastic people
- 04** Anticipate change
- 05** Initiative & resourcefulness
- 06** Understand customer needs
- 07** Use teamwork to execute & deliver superior results
- 08** Do the right things for the company as a whole
- 09** Respect a sustainable balance among economic, social & environmental needs
- 10** Act with speed, simplicity & decisiveness
- 11** Understand & mitigate business risks

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B. Christopher DiSantis
President and Chief Executive Officer

To Our Stockholders

2017 was a year of contrasts at Verso. The graphic papers industry experienced an accelerated decline that led to a very difficult first half of the year, but our company rebounded significantly in the second half and we believe that we are well positioned for continued financial performance improvement for the foreseeable future.

Our 4,200 dedicated associates made important contributions and sacrifices for this striking turnaround, and it is on their behalf that I thank our stockholders for their strong support as we continue to pursue Verso's corporate mission to create value for all our stakeholders.

The key drivers of value creation at Verso are operational excellence, unique customer partnerships, ambitious cost management and strategic agility to reposition assets and constantly evaluate better alternatives. Our team's keen attention to these drivers, aided by meaningful capacity changes in the graphic papers industry in the latter part of 2017, resulted in solid run-rate results and positive enterprise momentum. These results included a significant rebound in adjusted EBITDA to finish the year at \$134 million, a \$113 million reduction in net debt, an increase in liquidity to \$216 million, improved sales volume and materially reduced overhead costs. In addition, our 2017 cash flow, bolstered by aggressive working capital management and growing price realization, was exceptional.

Our manufacturing team, supported by an outstanding Center of Excellence, identified more than 650 initiatives aimed at improving equipment reliability, enhancing process efficiency, reducing cost and elevating productivity. Verso's R-Gap process continues to serve as the engine for cost savings across our manufacturing platform. Using this process, we compare Verso's baseline operations to world-class manufacturing benchmarks to identify and close the realizable gaps between the two.

With the support of our multifunctional team, we embarked on an ambitious inventory reduction initiative to effectively synchronize supply and demand. By year end, this initiative achieved a \$60 million reduction in total inventory. Our inventory reduction efforts temporarily increased our downtime at certain mills, but resulted in increases in cash flow. In addition, our sourcing team successfully negotiated extended terms with many raw materials, chemical and other suppliers, further cementing long-term relationships with some and developing positive new associations with others. This effort yielded a significant stretch in accounts payable. Additional multi-sourcing efforts of our supply base are in process across all our major purchase categories as part of our continuing efforts to enhance Verso's competitiveness and optionality.

\$113M

reduction in net debt

I am pleased to report that Verso not only met, but exceeded our goal to reduce corporate overhead by 10% in 2017. Through organizational restructuring, the consolidation of our corporate offices in Memphis, Tennessee, and Miamisburg, Ohio, into one location in Miamisburg, and ordinary course attrition, we reduced SG&A and other overhead by an aggregate of more than \$31 million compared to 2016. Our year-end SG&A ratio was 3.9 percent of revenue, which we believe is the lowest among our public industry peer group. In addition, we continued to generate cost savings from the restructuring and harmonization of our benefits and compensation systems, and began streamlining our information technology group and outsourcing levels under the leadership of a new chief information officer. Significant offsets to these gains included substantial price deflation, volume erosion, downtime and material cost increases, particularly in the first half of the year, from which we recovered nicely.

On the commercial side, we continued to expand Verso's specialty papers business, which at year-end accounted for approximately 23% of sales. Much of this growth is attributed to upgrading mix on the No. 4 paper machine and the development of innovative new products on No. 5 at Verso's Androscoggin Mill in Jay, Maine. Among these is a new line of lightweight, natural kraft machine glazed and grease resistant papers which answered the call from foodservice, industrial and flexible packaging customers who want to incorporate a natural look and feel into their products. These products are an outstanding complement to Verso's growing portfolio of specialty papers and they provide an excellent opportunity for long-term, sustainable growth. We are very proud that Avery Dennison Corporation, a valued customer and global leader in label and packaging solutions, presented its Best Supplier Innovation Award to Verso, recognizing us as "a key partner in the successful implementation of new products and ideas."

We continued to innovate and invest in Verso's graphic papers business, collaborating with our customers to meet their long-term needs and address emerging market trends. For example, we added the Sterling® Ultra TrueJet® product line to our portfolio, creating multiple finishes for text and cover weights to meet the growing demand for coated inkjet papers. We also responded

to our customers' desire for whiter, brighter papers with Verso's Brilliantly Brighter initiative. Our product development, manufacturing and commercial teams worked together to increase the whiteness and brightness of every product in our coated and digital sheeted portfolios with no resulting cost increases or compromises to performance. Verso's commitment to listen, understand and deliver solutions remains the key to our many successful, long-standing customer relationships.

Although 2017 was a very challenging year, we are very proud of Verso's substantial progress in charting and implementing a strategic path toward sustainable competitiveness and value creation. Our low cost conversion strategies, industry leading SG&A structure, outstanding graphic paper assets, extensive pulp making capabilities and fast growing specialty business position Verso to take full advantage of improving market dynamics and to create long-term value for our stockholders.

Thank you for your support,

B. Christopher DiSantis

President and Chief Executive Officer

Long-Standing Customer Relationships

We market and sell our products to approximately 300 customers which comprise approximately 1,700 end-user accounts. We have long-standing relationships with many leading magazine and catalog publishers, commercial printers, specialty retail merchandisers and paper merchants. Our relationships with our 10 largest coated paper customers average more than 20 years. We reach our end-users through several distribution channels, including direct sales, commercial printers, paper merchants and brokers.



Alan J. Carr
Co-chairman of the Board
Chairman, Compensation
Committee



Eugene I. Davis
Co-chairman of the Board
Chairman, Strategic Alternatives
Committee

To Our Stockholders

This was a year of transformation at Verso that we believe evidenced the effectiveness of our strategy. The company’s outstanding manufacturing assets, premiere customer lineup, exceptionally broad and rapidly diversifying product portfolio, and dedicated team of associates are the cornerstones of our competitiveness.

However, persistent headwinds in the graphic papers business—which accounted for 71% of Verso’s total revenue for the fiscal year ended December 31, 2017—presented challenges that the company needed to address in order to plot a sustainable trajectory for the future. In response, we set a course on two parallel paths.

First, we developed a holistic business strategy that included increased growth of our specialty papers business which, in turn, enabled us to reduce our dependence on traditional graphic grades, ambitious cost savings measures, prudent balance sheet management and debt reduction, market share gains and solidified long-term customer alliances, and the pursuit of relatively low-cost investment projects aimed at the repositioning and speed-up of certain assets. For example, in February 2018, we announced that the company intends to make a \$17 million investment (supported by a \$4 million grant from the state of Maine) to upgrade and restart the No. 3 paper machine at the Androscoggin Mill. The project, which is expected to be completed in the third quarter of 2018, should enable Verso for the first time to manufacture containerboard products for the growing packaging market, make the mill more competitive globally and position it for future success.

Second, in September 2017, the company announced that the Board of Directors, in an effort to maximize value to Verso’s stockholders, had created a Strategic Alternatives Committee to explore a wide variety of strategic options. In January 2018, we announced that the Committee had been requested to expand its evaluation of potential transactions to include a potential sale or merger of the entire company. Of course, there is no assurance that the review of possible strategic alternatives will result in any transaction or other path and we do not intend to make any further disclosure concerning these matters until a definitive transaction agreement is reached or a determination is made that none will be pursued.

As Verso’s Board of Directors continues to seek out and thoroughly evaluate every potential opportunity for value creation, we remain keenly focused on making the right decisions for our stockholders. We believe that the company is well positioned in today’s significantly improved market to create value for our stockholders, and we have the highest level of confidence that our Chief Executive Officer, Christopher DiSantis, and his team will continue to successfully navigate Verso’s progression.

We thank you for your interest and support.

Turn to Us for:

- 01 Quality products
- 02 Manufacturing scale and flexibility
- 03 Unparalleled service and support
- 04 Sustainability focus
- 05 Collaborative solutions

At a Glance: Verso Corporation 2017

Verso Corporation (NYSE: VRS) is the leading North American producer of coated papers, which are used primarily in commercial print, magazines, catalogs, high-end advertising brochures and annual reports, among other media and marketing applications. We produce a wide range of products, from coated freesheet and coated groundwood, to specialty papers, inkjet and digital papers, supercalendered papers and uncoated freesheet. We also produce and sell market kraft pulp, which is used to manufacture printing and writing paper grades and tissue products.



\$2.46 billion
Annual Sales in 2017



4,200
Verso Employees

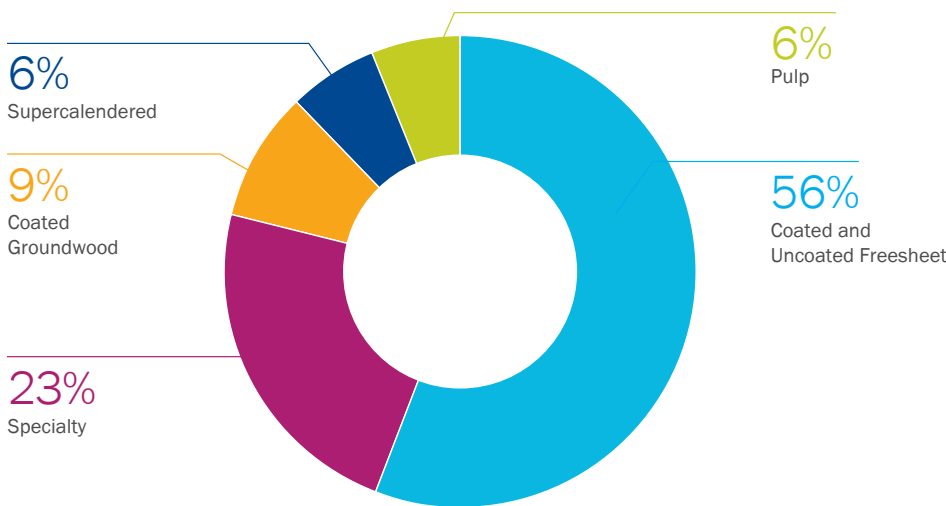


Verso Operates Seven Mills in the United States:
Maine, Maryland, Michigan (2), Minnesota and Wisconsin (2)



Headquarters
Miamisburg, Ohio

2017 Revenue by Product Area



Product Portfolio

Printing Papers

Coated Freesheet
Uncoated Freesheet
Coated Groundwood
Supercalendered

Specialty Papers

Label and Converting
Flexible Packaging
Technical Papers

Pulp

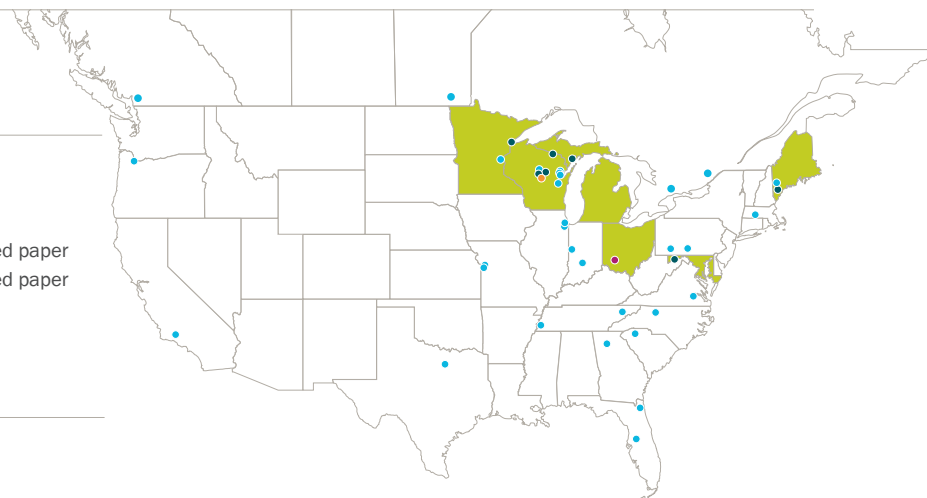
Northern and Southern Bleached Hardwood Kraft
Northern Bleached Softwood Kraft
Deinked Pulp

Annual Production Capacity:

2.9 Million Tons of Paper

Mill	Capacity (000 Tons)	Grades Produced
Duluth, MN	270	Supercalendered paper
Escanaba, MI	730	Coated, specialty and uncoated paper
Jay (Androscoggin), ME	250 ¹	Coated, specialty and uncoated paper
Luke, MD	450	Coated paper
Quinnesec, MI	430	Coated paper
Stevens Point, WI	200	Specialty paper
Wisconsin Rapids, WI	540	Coated paper

Total 2.9 Million Tons of Paper



¹ In January 2017, Verso announced the idling of its No. 3 paper machine and associated equipment at the Androscoggin Mill in Jay, Maine in response to declining customer demand. In July 2017, we announced that the No. 3 machine would permanently shut down effective August 1, reducing annual coated paper production capacity at the mill by approximately 200,000 tons. On February 15, 2018, we announced a plan to upgrade and restart the No. 3 paper machine in the third quarter of 2018, increasing annual paper production capacity by approximately 200,000 tons.

● Headquarters ● Paper Mills
● Technical Center ● Distribution Centers & Warehouses

Leadership

Executive Officers

B. Christopher DiSantis

President and Chief Executive Officer

Adam St. John

Senior Vice President of Manufacturing

Michael A. Weinhold

President of Graphic Papers

Allen J. Campbell

Senior Vice President and
Chief Financial Officer

Kenneth D. Sawyer

Senior Vice President of Human Resources
and Communications

Board of Directors

Robert M. Amen

Retired Chairman of the Board
and Chief Executive Officer
International Flavors & Fragrances Inc.

Alan J. Carr

Co-chairman of the Board
Verso Corporation

Founder and Chief Executive Officer
Drivetrain Advisors Ltd.

Eugene I. Davis

Co-chairman of the Board
Verso Corporation

Chairman and Chief Executive Officer
PIRINATE Consulting Group, LLC

B. Christopher DiSantis

President and Chief Executive Officer
Verso Corporation

Jerome L. Goldman

Retired Corporate Tax Partner
Ernst & Young LLP

Steven D. Scheiwe

Founder and President
Ontrac Advisors, Inc.

Jay Shuster

Managing Member and President
Shuster Group, LLC

- Member of Audit Committee
- Member of Compensation Committee
- Member of Corporate Governance and Nominating Committee
- Member of Finance and Planning Committee
- Member of Strategic Alternatives Committee

Corporate Information

Corporate Office

Verso Corporation
8540 Gander Creek Drive
Miamisburg, OH 45342
877-855-7243
versoco.com

Registrar and Transfer Agent

Computershare Inc.
211 Quality Circle, Suite 210
College Station, TX 77845
800-368-5948
www-us.computershare.com/investor/contact

Form 10-K/Investor Contact

An online copy of Verso's annual report on Form 10-K for 2017 filed with the Securities and Exchange Commission (SEC) is available in the Investors section of Verso's website at versoco.com. Additional printed copies are available from Verso upon request at no charge. These requests and other investor inquiries should be directed to Allen J. Campbell, Senior Vice President and Chief Financial Officer, at Verso's corporate office.

Annual Stockholders Meeting

The 2018 annual meeting of Verso's stockholders will be held at the offices of Akin Gump Strauss Hauer & Feld LLP in New York, New York, on September 24, 2018, beginning at 3 p.m. (EDT).

Independent Auditors

Deloitte & Touche LLP

Certifications

The certifications by Verso's CEO and CFO required by the rules of the SEC are included as exhibits to Verso's annual report on Form 10-K filed with the SEC. Verso also will file with the New York Stock Exchange the CEO's certification and the annual written affirmation required by the NYSE's rules.

Note: All data as of December 31, 2017, unless otherwise noted.



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 Please recycle

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