Verso Second Quarter 2018 Results

Earnings Conference Call and Webcast – August 8, 2018

Forward Looking Statements & Non-GAAP Financial Information

In this presentation, all statements that are not purely historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this presentation include, but are not limited to, our guidance for the third quarter of 2018 and the full year of 2018 and our expectations for pricing and input costs. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "project," "plan," "estimate," "intend," “potential” and other similar expressions. Forward-looking statements are based on currently available business, economic, financial, and other information and reflect management's current beliefs, expectations, and views with respect to future developments and their potential effects on Verso. Actual results could vary materially depending on risks and uncertainties that may affect Verso and its business. Verso’s actual actions and results may differ materially from what is expressed or implied by these statements due to a variety of factors, including those risks and uncertainties listed under the caption “Risk Factors” in Verso’s Form 10-K for the fiscal year ended December 31, 2017 and from time to time in Verso’s other filings with the Securities and Exchange Commission. Verso assumes no obligation to update any forward-looking statement made in this presentation to reflect subsequent events or circumstances or actual outcomes.

Non-GAAP Financial Information

This presentation contains certain non-GAAP financial information relating to Verso, including EBITDA, Adjusted EBITDA and related margins. Definitions and reconciliations of these non-GAAP measures are included in this presentation. Because EBITDA and Adjusted EBITDA are not measurements determined in accordance with GAAP and are susceptible to varying calculations, EBITDA and Adjusted EBITDA, as presented, may not be comparable to similarly titled measures of other companies. You should consider our EBITDA and Adjusted EBITDA in addition to, and not as a substitute for, or superior to, our operating or net income or cash flows from operating activities, which are determined in accordance with GAAP.

Business Overview

B. Christopher DiSantis
Chief Executive Officer

Market Overview

- Continued upward pricing momentum in all Graphic Paper markets through Q2 driven by inflationary costs and alignment of supply and demand. Year-to-date successive price increases are being realized. Supply side structural changes continue to benefit Graphic Papers.
- CFS and CGW demand erosion continues in the first half. Significant increase in CGW imports as domestic capacity cannot satisfy domestic demand.
- Improved Specialty Papers dynamics as supply of C1S specialties tightened due to capacity conversion coupled with sustained strong demand.
- Pulp markets remain strong due to restrictions in China for recovered waste paper. Unbleached Pulp demand has expanded due to worldwide growth in containerboard.
- Containerboard market remains robust with demand for additional kraft liner volumes growing globally. Changes in trade agreements could impact exports.
- Current U.S. Graphic industry OR[1] up vs. first half of 2017.
  - 93% YTD for CFS vs. 86%.
  - 101% YTD for CGW vs. 99%.
- The Euro ended the quarter at $1.16[2]. Imports gained domestic share in coated papers, significantly in CGW, which is a product line of declining importance to Verso.

First half 2018 Graphic Paper Key Market Indicators (US)	vs. Prior Year
CFS Demand [P]	-6.7%
CFS Imports (% of demand) [P,1]	+3.2%
Commercial Printing [R]	-1.7%
CGW Demand [P]	-4.6%
CGW Imports (% of demand) [P,1]	+39.0%
Magazine Ad Pages [R,2]	-18.7%
Catalog Mailings [R, 3]	-2.8%

Source: [P] = PPPC, [R] = RISI

[1] Five Months | [2] Seasonally adjusted | [3] Q1 2018.

Source: [1] RISI (seasonally adjusted data) | [2] Rate as of 7/2/2018.

Q2 2018 Highlights

- Continued strength in 2018 Sales and Adjusted EBITDA[1]; both up significantly vs. Q2 2017.
  - Sales up 10% driven by higher prices and mix.
  - Adjusted EBITDA[1] up $55M.
  - Year-to-date EBITDA[1] up 689% vs. first half 2017.

(Dollars in millions)	Q2-17	Q2-18
Sales	$585	$644
Adjusted EBITDA[1]	$ (4)	$ 51
Adj. EBITDA Margin %	-0.7%	7.9%

- Grew Specialty business to 25% of revenue for Q2 2018, with Sales up 20% over Q2 2017 driven by increased volume, enhanced productivity and gains in price / mix.
- Improved production and operations spending despite increased major maintenance[2] cost.
  - Planned Quinnesec Mill two-year cycle outage completed on time and budget; incremental expenses of $6M to Q2 2018.
  - Anticipated Wisconsin Rapids Mill outage completed with several potential issues identified and repaired.
  - Inflation and freight costs continue to impact results, up $8M and $7M respectively vs. Q2 2017.
- Commenced production on Androscoggin Mill's No. 3 paper machine. Producing qualification orders of virgin kraft linerboard. Investment roughly on target and reflected in annual capital expenditure guidance.
- Drove net debt down $42M in Q2 2018. Subsequent to end of June, made a $46M voluntary payment on the term loan from available liquidity including amounts under our revolver.
- Achieved Canadian Supercalendered (SC) countervailing duties trade case settlement – expect to collect full $42M by year end. None collected as of today.

Firm economic turnaround in process and building momentum in earnings and cash flow going into the strong season.

[1] See Appendix for definitions of EBITDA and Adjusted EBITDA.
[2] See Major Maintenance slide for schedule.

Strategy

- Maintain solid position as the preferred North American supplier in the Graphic Papers space with an advantaged cost, service and market leadership position.
- Grow high value Specialty and Packaging lines organically and through select, sustainable conversions to offset anticipated erosion (treadmill effect) in Graphic Papers end market applications.
  - Progress with C1S Specialty growth and other grades across the whole system – Androscoggin joins Stevens Point as an all Specialty and Packaging mill.
  - High activity at Androscoggin Mill.
    - Started up No. 3 paper machine successfully in late July. Expect run rate of 200K tons by year end of lighter basis weight (16 lb. – 35 lb.) linerboard. Product qualifications in process with over 40 highly interested customers.
    - PM3 conversion costs are projected to be $19M in capital costs and $11M in other start-up costs.
    - Approved a two-phase project for No. 4 paper machine to increase machine capacity on C1S specialties. First phase expected to be complete this year.
    - Approved a project to increase capacity on No. 5 paper machine to service machine-glazed (MG) Specialty growth.
- Focus on key economic areas for Verso.
  - Maintain what we believe is an industry-leading SG&A cost / sales ratio and minimize working capital.
  - Improve mill cost structure, continue to implement anti-inflationary countermeasures and maximize margin arbitrage.
  - Eliminate expensive, restrictive term loan prior to year end from internal cash flow. Continue to fund and manage pension to reduce overhang on valuation.
  - Think and act like owners in capital allocation and risk management.
- Continue to evaluate strategic alternatives – no updates to share.

Value Proposition – Why Invest in Verso?

Growth in Specialty and Packaging

Favorable Graphic Paper Dynamics

System-wide Price Appreciation

Strong Cash Flow Generation

Vertically Integrated, World Class Assets

Talented, High Performing Team

Rapidly Deleveraging Balance Sheet

Net Operating Losses Limit Tax Liability

Improving Pension Position

Financial Overview

Allen Campbell
SVP and Chief Financial Officer

Value Proposition – Financial Focus

- Strong cash flow generation.
  - Graphic Paper supply / demand balance very favorable, improving margins.
  - Verso's mix of Specialty Paper and Packaging revenue continues to grow.
  - First half 2018 Adjusted EBITDA was 4.2X first half 2017. Adjusted EBITDA LTM of $204M.
  - Industry leading percent of SG&A to sales revenue.
  - Strong tailwinds into second half.

- Rapidly deleveraging balance sheet to 0.84x net leverage[1].
  - Significant progress extending payable days. Maintaining accounts receivable days.
  - Inventory reduction strides continue.
  - Canadian trade case settlement achieved. Payments expected in the second half of 2018 totaling $42M.
  - Term loan reduced to $50M remaining balance in July.

- Improving pension position.
  - Rising discount rates, contributions and favorable asset returns are expected to reduce the pension underfunding in the range of $325 to $350M[2] by year end 2018.
  - Exploring alternatives to reduce liability and expenses.

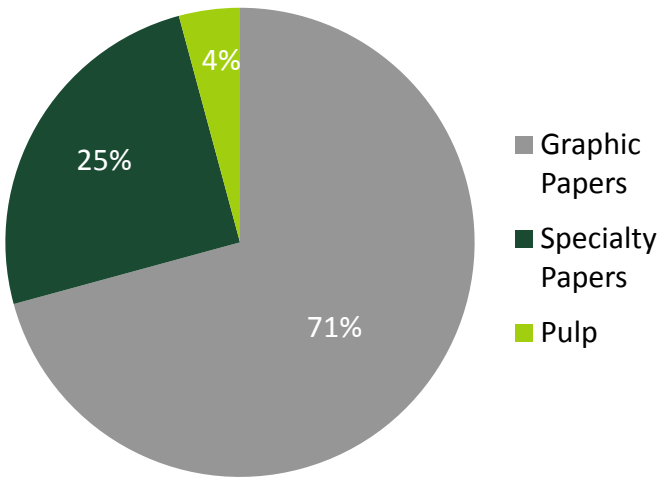
- Net operating losses limit tax liability.
  - Significant tax shield available with estimated net operating losses of $100M without limitation.
  - Additional $190M with restricted usage of $10M per year ($24M accumulated).

[1] Net leverage = net debt / Adjusted EBITDA. See Appendix.
[2] Based on current actuarial data. Year end liability highly dependent on second half asset returns and interest rate changes.

Key Metrics

	Q2-17	Q2-18	Δ	Δ %
Shipments (000 tons)				
- Paper	661	663	2	0%
- Pulp	58	43	(15)	-26%
Total	719	706	(13)	-2%
NSP ($/ton)				
- Paper	$ 839	$ 931	$ 92	11%
- Pulp	$ 524	$ 628	$ 104	20%
Inventory ($M)	$ 408	$ 373	$ (35)	-9%

Q2 2018 Revenue



- Paper price has experienced a strong recovery, up $92/ton from a low in Q2 2017 and up $26/ton from Q1 2018.
- Pulp price up 20% vs. Q2 2017, up $31/ton vs. Q1 2018.
- Paper shipments improved in mix with growth in both C1S and MG Specialty together with CFS.
- Pulp shipments down 26% as a result of utilizing pulp production to dry furnish machines during the Q2 outages.
- Inventory down $35M vs. Q2 2017 driven by finished goods reduction initiatives and $25M vs. Q1 2018 driven by seasonal usage of wood inventory and internal consumption of pulp during the outages.

Q2 2017 to Q2 2018 Profit and Loss

(Dollars in millions)	Q2-17	Q2-18	QoQ Δ
Net sales	$ 585	$ 644	$ 59
Costs and expenses:			
Cost of products sold	574	581	7
Depreciation and amortization (D&A)	27	28	1
Selling, general and administrative expenses	24	28	4
Restructuring charges	2	1	(1)
Other operating (income) expense	-	2	2
Operating income (loss)	**(42)**	**4**	**46**
Interest expense	10	6	(4)
Other (income) expense	(3)	(3)	-
Income (loss) before income taxes	**(49)**	**1**	**50**
Income tax expense (benefit)	-	-	-
Net income (loss)	**$ (49)**	**$ 1**	**$ 50**
Income (loss) per share (basic and diluted):	**$ (1.42)**	**$ 0.03**	**$ 1.45**
Gross margin (excl. D&A)	$ 11	$ 63	$ 52
Gross margin %	1.9%	9.8%	7.9%

Impact to EBITDA

Fiber	R
Chemicals	R
Energy	Y
Major Maint.	R
Freight	R
Ops.	G

Positive net income in Q2 2018

- SG&A expense increased to 4.3% (3.4% adjusted[1]) of revenue for Q2 2018, driven by $3M increase in costs associated with strategic alternatives initiative and $2M increase in non-cash equity award expense.
- Other operating expense in Q2 2018 includes $2M in fees associated with 2016 Chapter 11 cases.
- Interest expense lower, driven by significant pay-down on term loan.
- Other non-operating income includes $3M in Q2 2017 and Q2 2018 associated with non-operating components of net periodic pension income in connection with the adoption of a new accounting standard in 2018.

[1] See Appendix for reconciliation of SG&A to adjusted SG&A.

Q2 2017 to Q2 2018 Adjusted EBITDA[1]

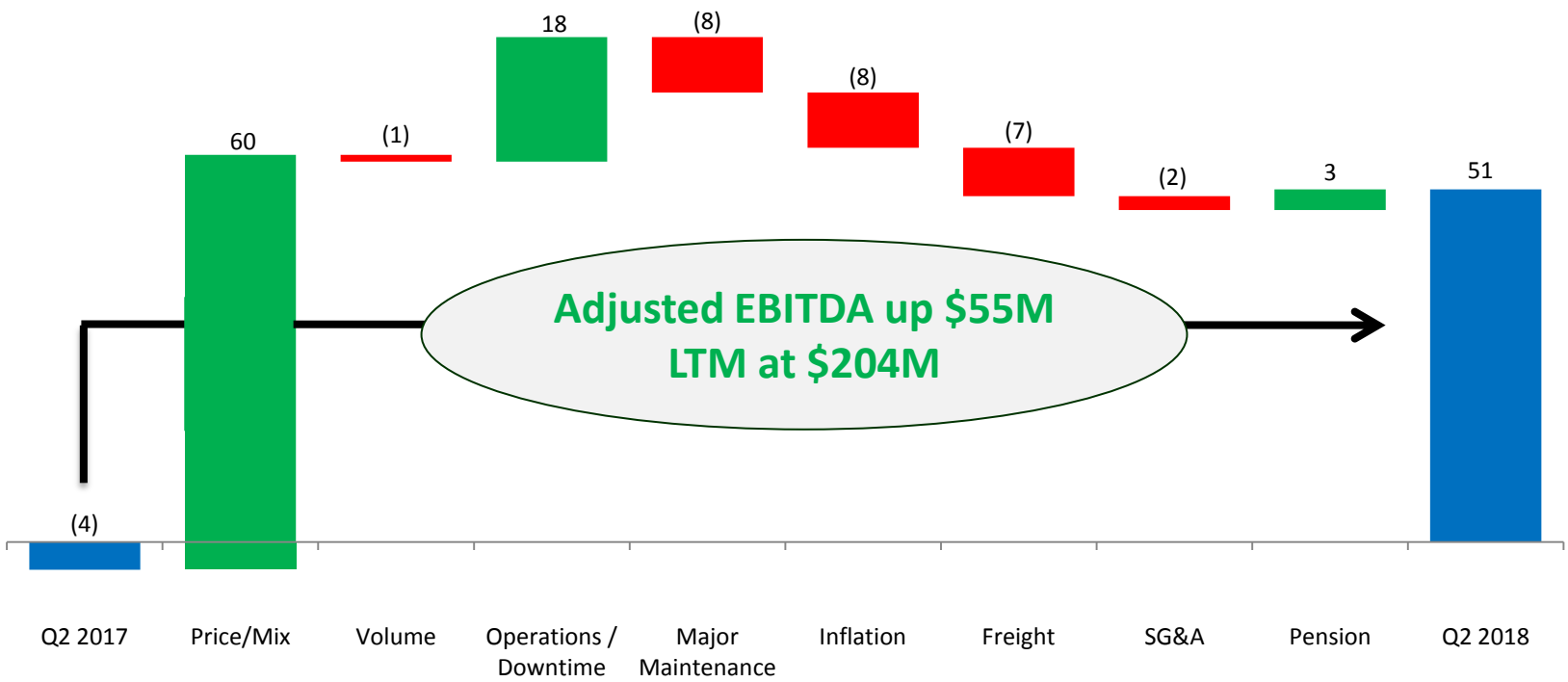
(Dollars in millions)	Q2-17	Q2-18	QoQ Δ
Net income (loss)	**$ (49)**	**$ 1**	**$ 50**
Income tax expense	-	-	-
Interest expense	10	6	(4)
Depreciation and amortization	27	28	1
EBITDA	**$ (12)**	**$ 35**	**$ 47**
Restructuring charges	2	1	(1)
Non-cash equity award compensation	1	3	2
Post-reorganization costs	-	2	2
Other severance costs	5	-	(5)
Strategic initiatives costs	-	3	3
Andro PM No. 3 startup costs	-	7	7
Adjusted EBITDA	**$ (4)**	**$ 51**	**$ 55**
Adjusted EBITDA Margin %	-0.7%	7.9%	8.6%

Adj. EBITDA improvement of $55M

- Improvement in Adjusted EBITDA margin by 8.6% points from Q2 2017.
- Restructuring charges are associated with the Wickliffe Mill closure and former Memphis HQ consolidation.
- 2018 includes $3M in professional fees and other charges associated with strategic alternatives initiative, and $7M related to the upgrade of the No. 3 paper machine and pulp line at the Androscoggin Mill.

[1] See Appendix for definitions of EBITDA and Adjusted EBITDA.

Q2 2017 to 2018 Adjusted EBITDA[1] Bridge ($M)

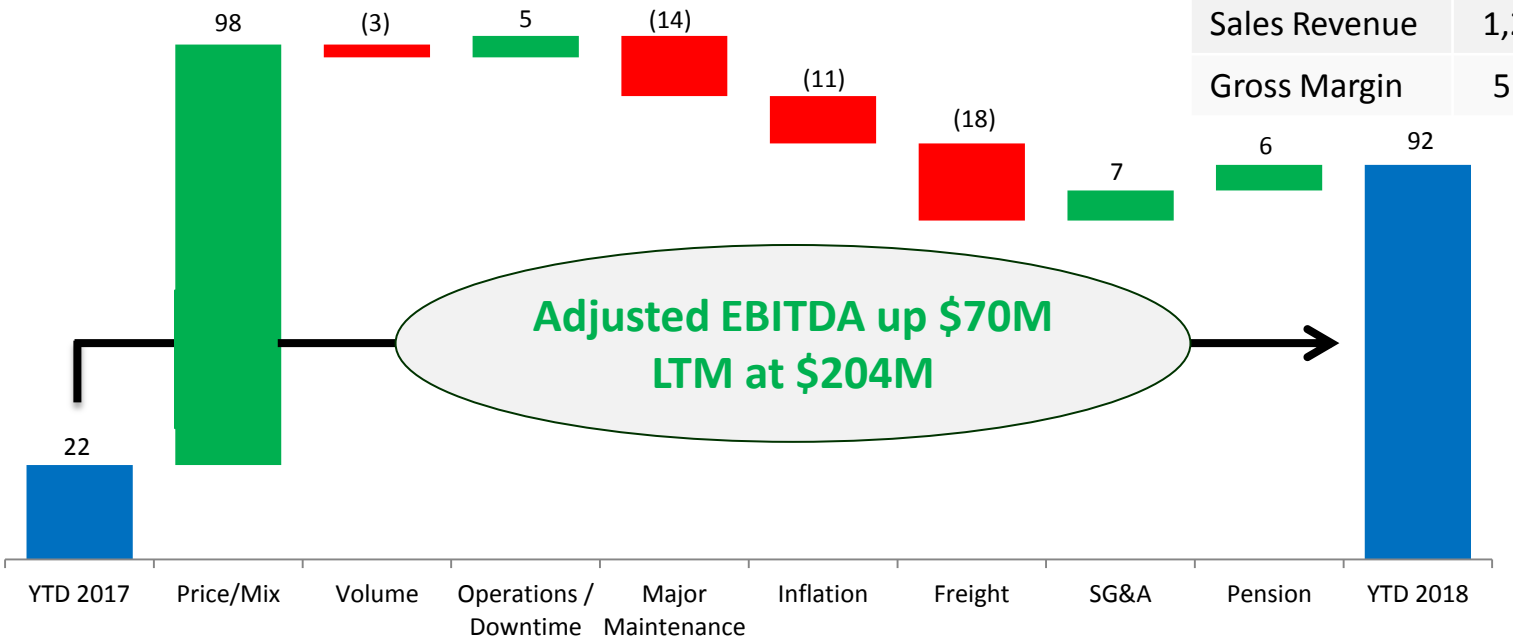


- Significant rebound from negative Adjusted EBITDA of ($4M) in Q2 2017 to $51M in Q2 2018 for a year-over-year increase of $55M.
- Price up and mix favorable across the product lines.
- Major maintenance due to biannual outage at the Quinnesec Mill.
- Logistics costs remain unfavorable in Q2 2018 due to continued increases in freight rates and surcharges. Other input costs were unfavorable primarily due to higher chemical and fiber prices.

[1] See Appendix for definitions of EBITDA and Adjusted EBITDA.

2017 YTD to 2018 Adjusted EBITDA[1] Bridge ($M)

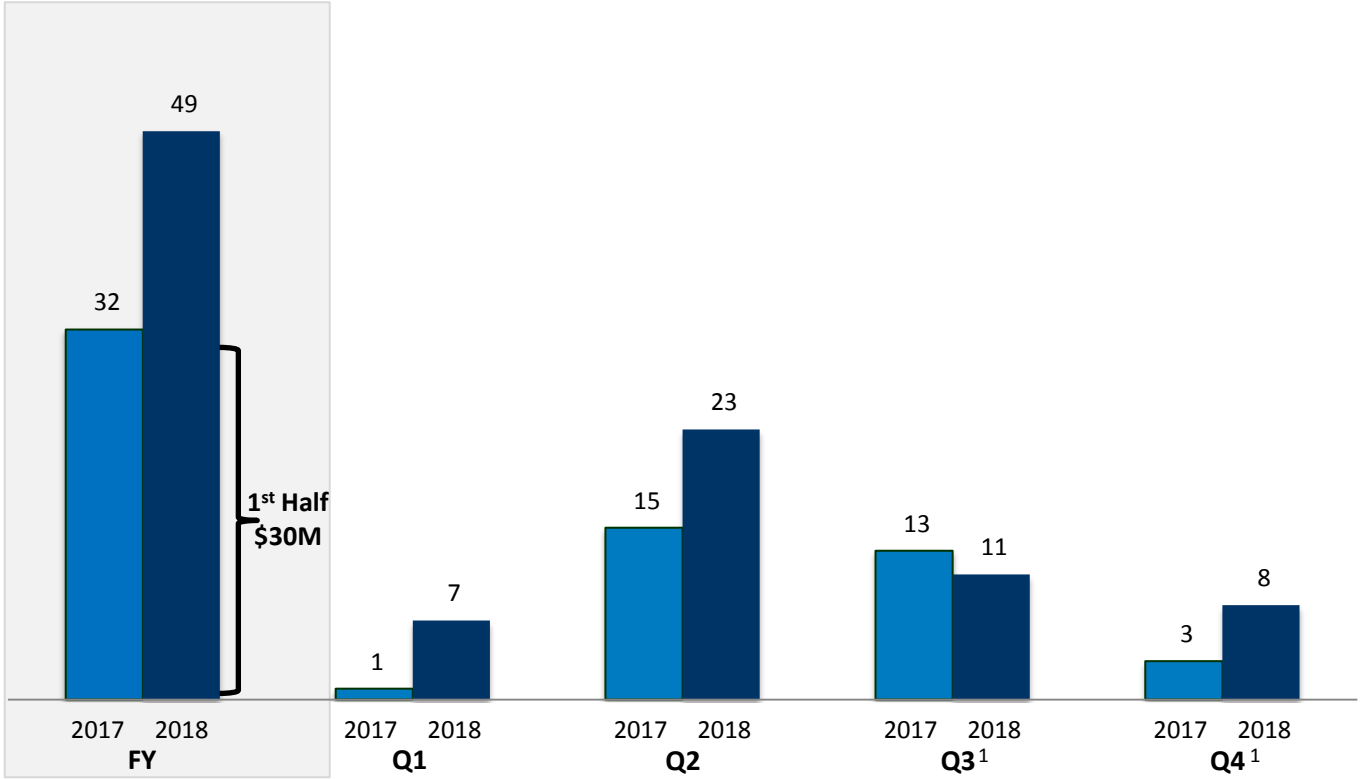
	2017	2018
Sales Revenue	1,201	$1,283
Gross Margin	5.4%	9.4%



- Excellent first half of 2018 with year-over-year increase of $70M of Adjusted EBITDA.
- Price up across the product lines with favorable mix.
- Major maintenance costs were unfavorable to prior year, primarily because of outages at the Quinnesec and Luke mills that did not occur in the first half of 2017.
- Logistics costs remain unfavorable in Q2 2018 due to continued increases in freight rates and surcharges. Other input costs were unfavorable primarily due to higher chemical and fiber prices.
- SG&A was favorable due to realization of cost savings initiatives.

[1] See Appendix for definitions of EBITDA and Adjusted EBITDA.

Major Maintenance ($M)

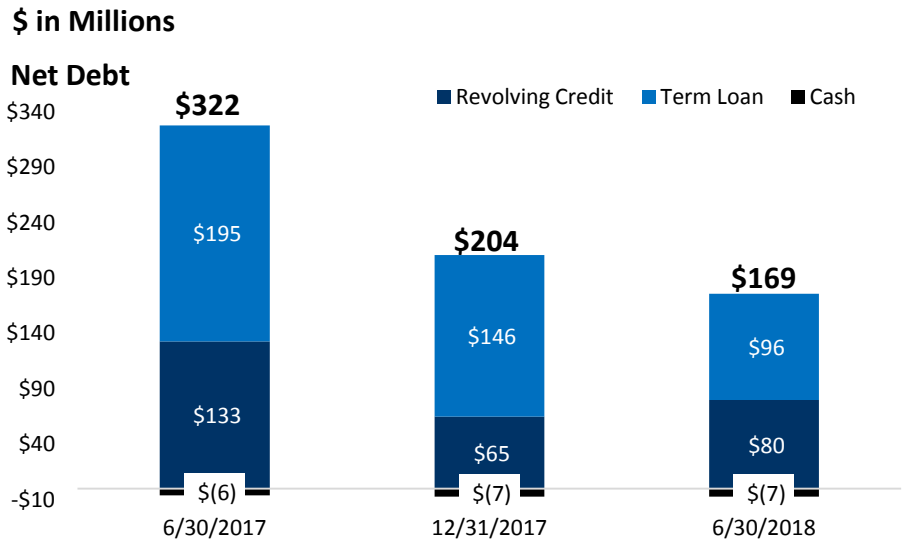


Major Outage Timing

	Q1	Q2	Q3	Q4
2017	No Major Outage	Wisconsin Rapids	Androscoggin Escanaba	Luke (partial)
2018	Luke	Quinnesec Wisconsin Rapids	Androscoggin	Escanaba

[1] Amounts for Q3 and Q4 2018 are forecasts.

Liquidity and Net Debt



Liquidity	6/30/17	12/31/17	6/30/18
Revolving credit facilities[1]	$355	$314	$327
Less: Balance drawn	133	65	80
Less: Letters of credit	57	40	38
Remaining ABL availability	165	209	209
Cash	6	7	7
Total liquidity	**$171**	**$216**	**$216**

- Reduced net debt[2] by $153M LTM.
- Reduced net leverage[3] to 0.84x Adjusted EBITDA vs. covenant of 2.0x.
- Improved liquidity by $23M in Q2 reversing the decline in Q1.
- Increased liquidity by $45M LTM.
- Paid down term loan in July to $50M remaining balance.

Rapidly deleveraging the balance sheet, decreasing risk and increasing optionality.

[1] $375M ABL facility limited by borrowing base.
[2] Net debt = debt outstanding less cash. See Appendix.
[3] See Appendix.

Guidance

Q3 2018

- Net sales of $700-720M. Pricing will be favorable to Q2.
- Capital expenditures expected to be $20-25M, including residual investment for the No. 3 machine at the Androscoggin Mill.
- Cash pension funding of $20-22M.
- Major maintenance expected to decrease by $12M vs. Q2.
- Net income positive, earnings up substantially over Q2.

Full Year 2018

- Revenue and pricing favorable to prior year.
- Continued headwinds in logistics / freight and other input costs.
- Capital expenditures in the range of $60-70M inclusive of all strategic projects.
- Cash taxes of $0-2M, primarily state income and franchise taxes.
- Major maintenance costs up $17M vs. 2017.
- Cash pension funding of approximately $45M.
- SG&A less than 4% of net sales.
- Expect to receive Canadian trade case settlement payments of up to $42M before the end of 2018.
- Second half 2018 Adjusted EBITDA and net income substantially higher than first half 2018 and second half 2017.

Q&A

Growth in Specialty and Packaging

Favorable Graphic Paper Dynamics

System-wide Price Appreciation

Strong Cash Flow Generation

VERSO®

Vertically Integrated, World Class Assets

Talented, High Performing Team

Rapidly Deleveraging Balance Sheet

Net Operating Losses Limit Tax Liability

Improving Pension Position

Finance Appendix

EBITDA and Adjusted EBITDA Definitions

EBITDA consists of earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA reflects adjustments to EBITDA to eliminate the impact of certain items that we do not consider to be indicative of our ongoing performance. We use EBITDA and Adjusted EBITDA as a way of evaluating our performance relative to that of our peers and to assess compliance with our credit facilities. We believe that EBITDA and Adjusted EBITDA are non-GAAP operating performance measures commonly used in our industry that provide investors and analysts with measures of ongoing operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets among otherwise comparable companies.

We believe that the supplemental adjustments applied in calculating Adjusted EBITDA are reasonable and appropriate to provide additional information to investors.

YTD 2017 to YTD 2018 Profit and Loss

(Dollars in millions)	YTD Q2-17	YTD Q2-18	YoY Δ
Net sales	$ 1,201	$ 1,283	$ 82
Costs and expenses:			
Cost of products sold	1,136	1,162	26
Depreciation and amortization (D&A)	60	55	(5)
Selling, general and administrative expenses	57	53	(4)
Restructuring charges	4	2	(2)
Other operating (income) expense	-	2	2
Operating income (loss)	**(56)**	**9**	**65**
Interest expense	19	17	(2)
Other (income) expense	(5)	(7)	(2)
Income (loss) before income taxes	**(70)**	**(1)**	**69**
Income tax expense (benefit)	-	-	-
Net income (loss)	**$ (70)**	**$ (1)**	**$ 69**
Income (loss) per share (basic and diluted):	**$ (2.03)**	**$ (0.03)**	**$ 2.00**
Gross margin (excl. D&A)	$ 65	$ 121	$ 56
Gross margin %	5.4%	9.4%	4.0%

VERSO.

YTD 2017 to YTD 2018 Adjusted EBITDA

(Dollars in millions)	YTD Q2-17	YTD Q2-18	YoY Δ
Net income (loss)	**$ (70)**	**$ (1)**	**$ 69**
Income tax expense	-	-	-
Interest expense	19	17	(2)
Depreciation and amortization	60	55	(5)
EBITDA	**$ 9**	**$ 71**	**$ 62**
Restructuring charges	4	2	(2)
Non-cash equity award compensation	1	4	3
Post-reorganization costs	-	2	2
Other severance costs	5	-	(5)
Strategic initiatives costs	-	5	5
Andro PM No. 3 startup costs	-	7	7
Other items, net	3	1	(2)
Adjusted EBITDA	**$ 22**	**$ 92**	**$ 70**
Adjusted EBITDA Margin %	1.8%	7.2%	5.4%

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

(Dollars in millions)	12 Months Ended December 31, 2017	Six Months Ended June 30, 2017	Six Months Ended June 30, 2018	12 Months Ended June 30, 2018
Net income (loss)	**$ (30)**	**$ (70)**	**$ (1)**	**$ 39**
Income tax expense (benefit)	(8)	-	-	(8)
Interest expense	38	19	17	36
Depreciation and amortization	115	60	55	110
EBITDA	**$ 115**	**$ 9**	**$ 71**	**$ 177**
Adjustments to EBITDA:				
Restructuring charges [1]	9	4	2	7
Non-cash equity award compensation [2]	1	1	4	4
(Gain) loss on disposal of assets [3]	3	-	-	3
Post-reorganization costs [4]	1	-	2	3
Other severance costs [5]	6	5	-	1
Strategic initiatives costs [6]	3	-	5	8
Androscoggin PM No. 3 startup costs [7]	-	-	7	7
Extinguishment of NMTC obligation [8]	(7)	-	-	(7)
Other items, net [9]	3	3	1	1
Adjusted EBITDA	**$ 134**	**$ 22**	**$ 92**	**$ 204**

(1) Charges are primarily associated with the announced closure and relocation of the Memphis office headquarters and closure of the Wickliffe Mill.
(2) Amortization of non-cash incentive compensation.
(3) Realized (gains) and losses on the disposal of assets.
(4) Fees associated with our 2016 Chapter 11 cases.
(5) Severance and related benefit costs not associated with restructuring activities.
(6) Professional fees and other charges associated with strategic alternatives initiative.
(7) Costs incurred in connection with the upgrade of previously shuttered No. 3 paper machine and pulp line at the Androscoggin Mill.
(8) Extinguishment of obligation in December 2017 in connection with the unwind of a New Market Tax Credit (NMTC) transaction entered in 2010.
(9) Costs incurred in 2017 in connection with the re-engineering of information systems, costs in 2017 associated with the temporary idling of the No. 3 paper machine at the Androscoggin Mill and miscellaneous other non-recurring adjustments in 2017 and 2018.

Q2 2018 P&L Adjusted EBITDA Add Back Items

The table below shows the Company's consolidated income statement as presented under U.S. GAAP in the first column, then adjusted to reflect the adjustments the Company uses to get from EBITDA to Adjusted EBITDA.

(Dollars in millions)	Reported Q2-18	Adjustments to EBITDA	After Adjustments to EBITDA	Reported YTD Q2-18	Adjustments to EBITDA	After Adjustments to EBITDA
Net sales	$ 644	$ -	$ 644	$ 1,283	$ -	$ 1,283
Costs and expenses:						
Cost of products sold (exclusive of depreciation and amortization)	581	7 (1)	574	1,162	7 (1)	1,155
Depreciation and amortization	28	-	28	55	-	55
Selling, general, and administrative expenses	28	6 (2)	22	53	10 (2)	43
Restructuring charges	1	1 (3)	-	2	2 (3)	-
Other operating (income) expense	2	2 (4)	-	2	2 (4)	-
Operating income (loss)	**4**	**(16)**	**20**	**9**	**(21)**	**30**
Interest expense	6	-	6	17	-	17
Other (income) expense	(3)	-	(3)	(7)	-	(7)
Income (loss) before income taxes	**1**	**(16)**	**17**	**(1)**	**(21)**	**20**
Income tax benefit	-	-	-	-	-	-
Net income (loss)	**$ 1**	**$ (16)**	**$ 17**	**$ (1)**	**$ (21)**	**$ 20**

(1) Costs incurred in connection with the upgrade of previously shuttered No. 3 paper machine and pulp line at the Androscoggin Mill, severance and related benefit costs not associated with restructuring activities and (gain) loss on disposal of assets.
(2) Professional fees and other charges associated with strategic alternatives initiative, severance and related benefit costs not associated with restructuring activities, non-cash equity award expense and miscellaneous other non-recurring adjustments.
(3) Charges are primarily associated with the closure of the Wickliffe Mill.
(4) Fees associated with our 2016 Chapter 11 cases.

Q2 2017 P&L Adjusted EBITDA Add Back Items

The table below shows the Company's consolidated income statement as presented under U.S. GAAP in the first column, then adjusted to reflect the adjustments the Company uses to get from EBITDA to Adjusted EBITDA.

(Dollars in millions)	Reported Q2-17	Adjustments to EBITDA	After Adjustments to EBITDA	Reported YTD Q2-17	Adjustments to EBITDA	After Adjustments to EBITDA
Net sales	$ 585	$ -	$ 585	$ 1,201	$ -	$ 1,201
Costs and expenses:						
Cost of products sold (exclusive of depreciation and amortization)	574	1 (1)	573	1,136	2 (1)	1,134
Depreciation and amortization	27	-	27	60	-	60
Selling, general, and administrative expenses	24	5 (2)	19	57	7 (2)	50
Restructuring charges	2	2 (3)	-	4	4 (3)	-
Operating income (loss)	**(42)**	**(8)**	**(34)**	**(56)**	**(13)**	**(43)**
Interest expense	10	-	10	19	-	19
Other (income) expense	(3)	-	(3)	(5)	-	(5)
Income (loss) before income taxes	**(49)**	**(8)**	**(41)**	**(70)**	**(13)**	**(57)**
Income tax benefit	-	-	-	-	-	-
Net income (loss)	**$ (49)**	**$ (8)**	**$ (41)**	**$ (70)**	**$ (13)**	**$ (57)**

(1) Severance and related benefit costs not associated with restructuring activities, costs associated with the temporary idling of the No. 3 paper machine at the Androscoggin Mill and (gain) loss on disposal of assets.

(2) Severance and related benefit costs not associated with restructuring activities, non-cash equity award expense, costs incurred in connection with the re-engineering of information systems and miscellaneous other non-recurring adjustments.

(3) Charges primarily associated with the closure and relocation of the Memphis office headquarters and closure of the Wickliffe Mill.

Q2 2018 Total Leverage and Fixed Charge Coverage Ratios

The table below shows the Company's computation of the Total Net Leverage Ratio and Fixed Charge Coverage Ratio as required in the Term Loan and ABL Revolving Credit Agreements dated July 15, 2016.

Total Net Leverage Ratio ($ millions)	30-Jun-18
Net Debt	
ABL	$ 80
Term loan	96
Total debt	176
Less cash	(7)
Net debt	$ 169
EBITDA - TTM	
Adjusted EBITDA	$ 204
Less amount attributable to unrestricted subs [1]	(3)
Adjusted EBITDA - Leverage Computation	$ 201
Net Leverage Ratio	0.84

Fixed Charge Coverage Ratio ($ millions)	30-Jun-18
Adjusted EBITDA	$ 204
Less amount attributable to unrestricted subs [2]	(4)
Adjusted EBITDA - FCCR computation	200
Less non-financed capital expenditures	(55)
Less cash income taxes	-
Numerator	$ 145
Scheduled principal payments	$ 18
Plus cash interest paid	24
Plus restricted payments [3]	-
Plus net required pension contributions [4]	34
Denominator	$ 76
Fixed Charge Coverage Ratio	1.92

1) Unrestricted Subsidiary is Consolidated Water and Power Company.
2) Unrestricted Subsidiaries are Consolidated Water and Power Company and Verso Quinnesec REP LLC.
3) As defined in the Revolving credit agreement per Sections 6.06(c), (f) and (g).
4) Required contributions net of pension expense reflected in Adjusted EBITDA.