



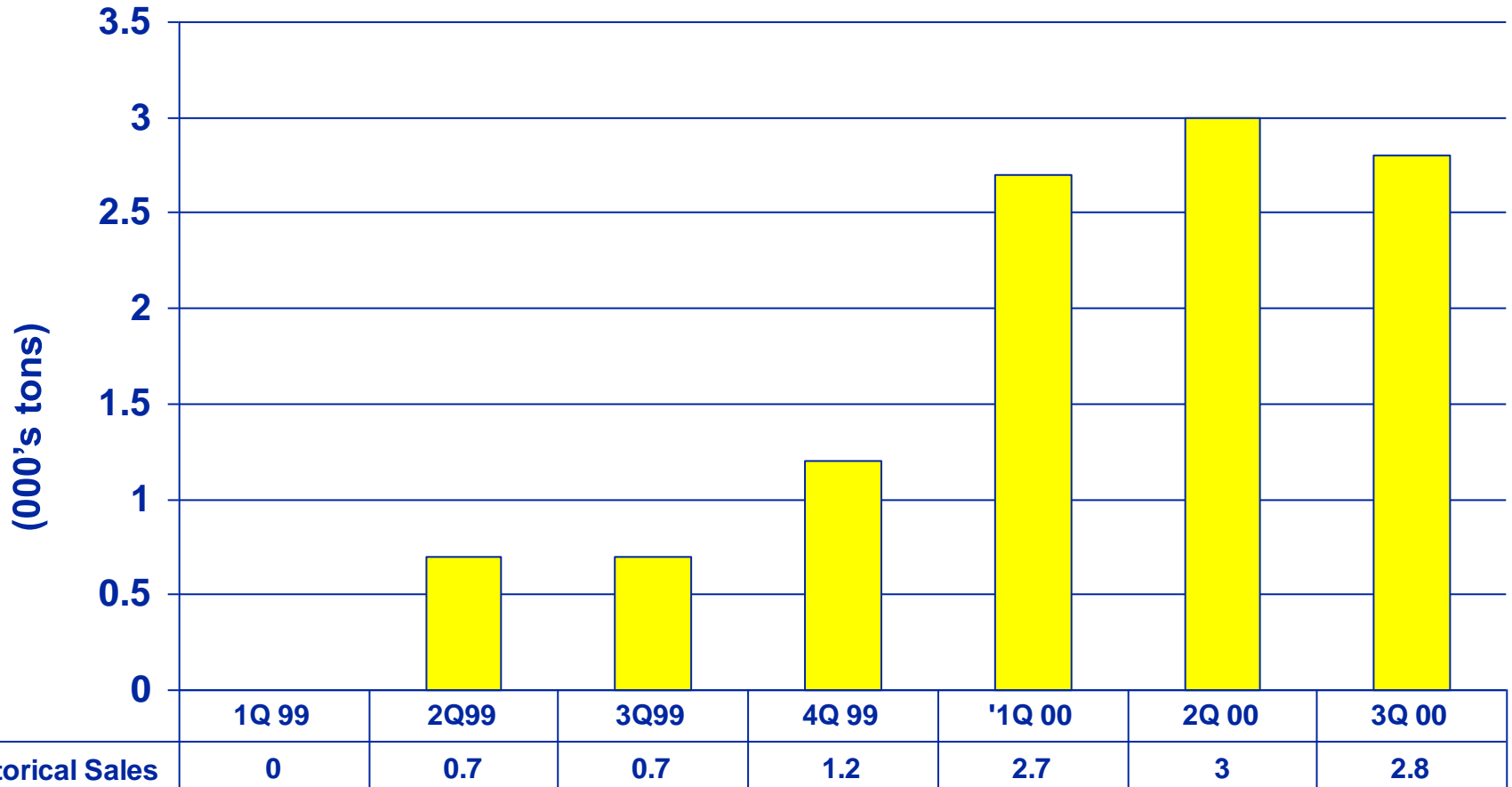
KrafKote Project Update

October 2000



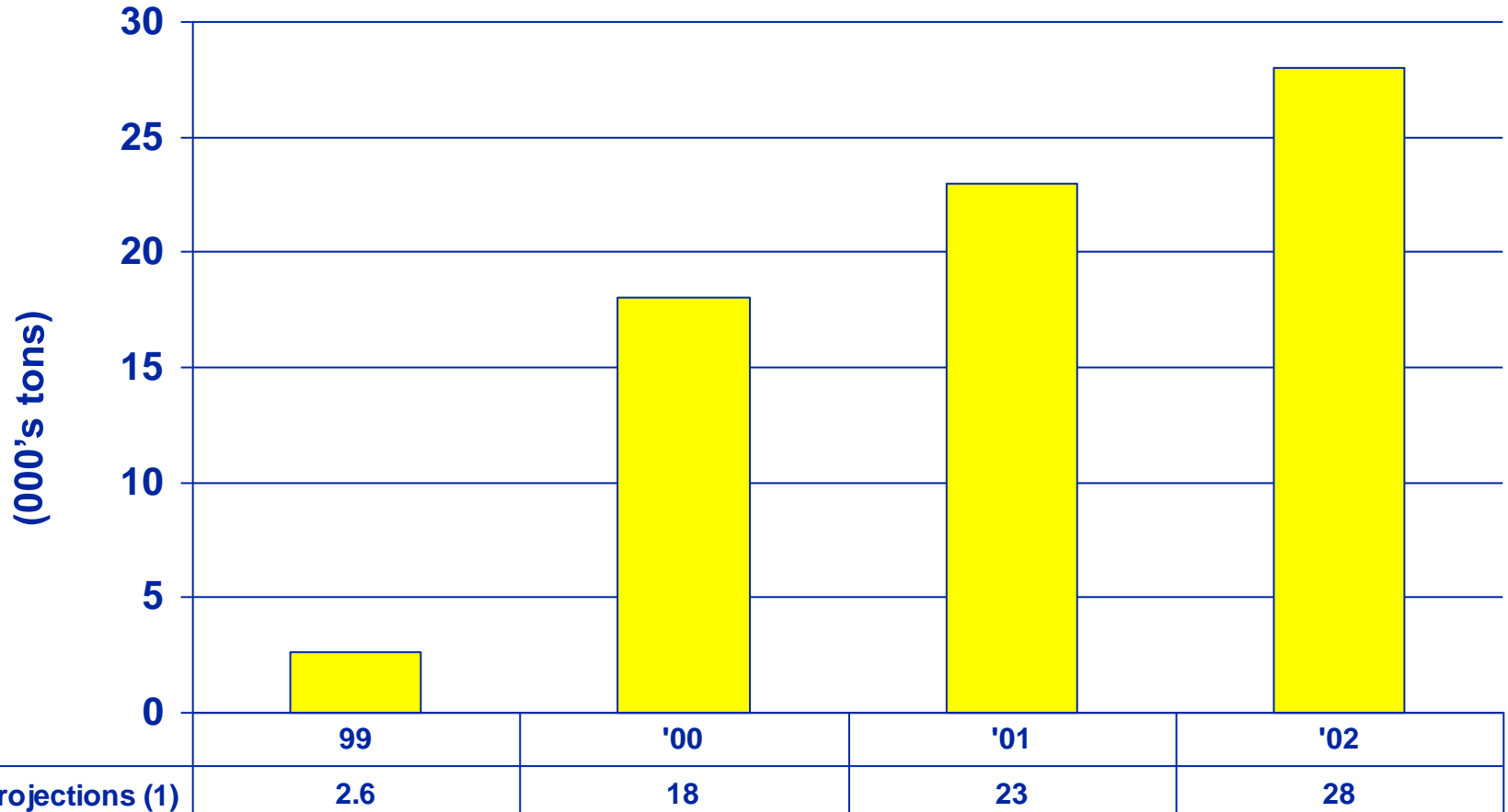


KrafKote Sales Growth





KrafKote Sales Projections

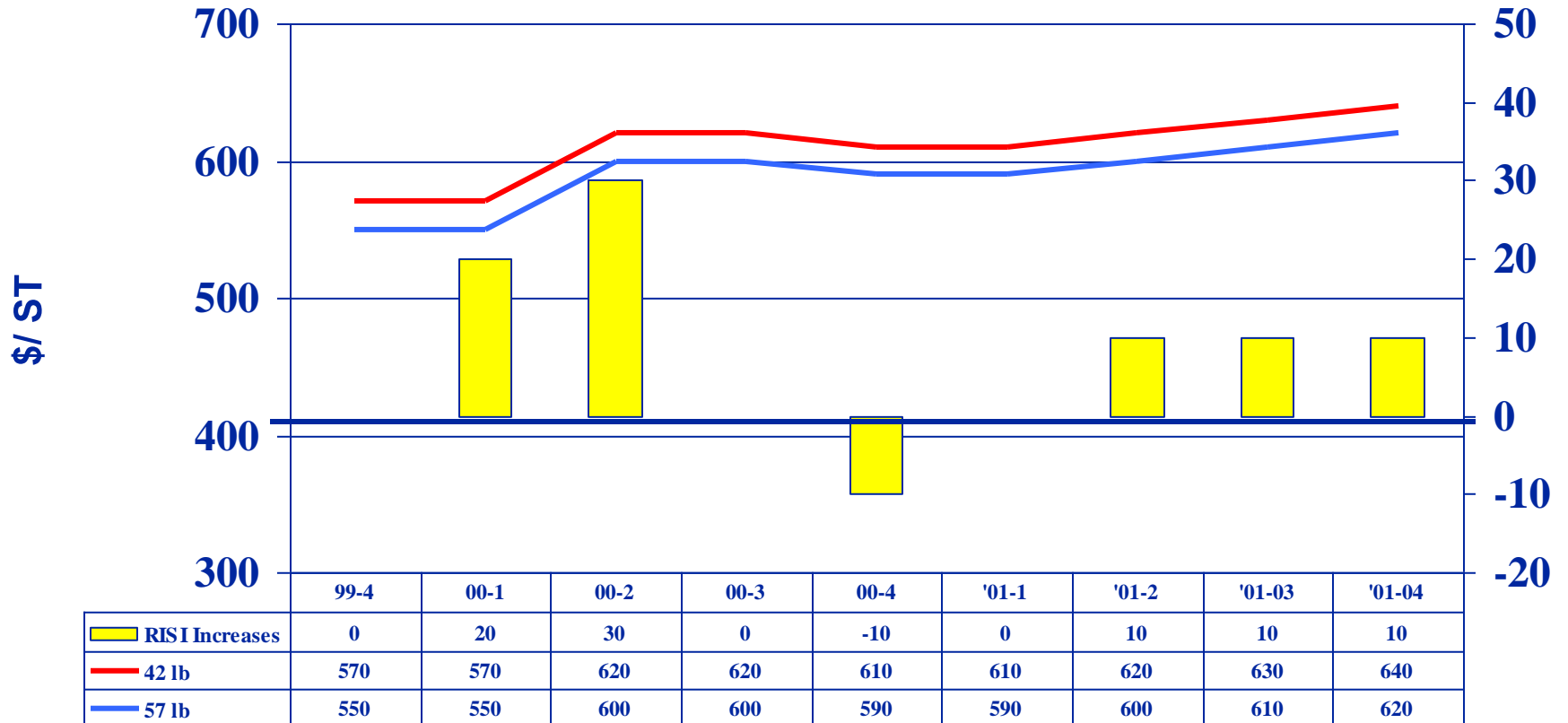


Source: (1) Based on a 25% success rate attacking 34 potential new customers with an average consumption of 200 tons/month. Developmental process takes at least 8 months





RISI Projected Price Increases



Source: RISI Paper Packaging Monitor, September 2000





KrafKote Linerboard Customers Update

- **Add two new customers**
 - ◆ Cajas y Bolsas, El Salvador
 - ◆ JSC Jacksonville, FL

- **Continuing trials at new accounts**





A strategy to pursue K&S customer segment is being developed

- Initial hypothesis about K&S pricing has been confirmed by one agent in the U.S.
 - ◆ However, new findings show that Kruger heavily discounts in the Central American market
 - ❖ Kruger product is sold at \$630/ton
 - ❖ At this price KrafKote loses its economic advantage
- We will visit Inland Container in Mexico, a customer who successfully tried the product a year ago but did not switch
 - ◆ Understand competitive reaction
 - ◆ Test hypothesis
 - ◆ Understand reasons for not switching
- Based on findings revise strategy and communication plan





New Coating formulation is being developed

- **Trials are progressing at Willamette**
 - ◆ First trial was a success
 - ◆ Second trial is scheduled to be produced
- **The new coating will open the hot melt glue segment of the market**
 - ◆ KrafKote will be able to compete versus white top and mottled white linerboard
 - ◆ The market size is estimated at 2,000,000 tons
- **New coating eliminates the need for a premium glue**
 - ◆ Reduces cost in use for customers
 - ◆ Reduce switching cost





Critical Customer Specs

- The critical customer specs were identified and developed to make sure that KrafKote will successfully be converted at the box plant and perform well on the field
- Krafkote specs are linerboard specs with some differences that guarantee successful performance
- Brightness guarantee the quality of the graphics to compete in the produce market
- Peel guarantee that the plies do not separate at the manufacturers joints
- Glue guarantee that the boxes will not open in the distribution channels and retail stores





Riverwood has not proved to be process capable in Meeting 1.33 CPK on the critical customer specs

	Glue	Peel Top	Brightness
42# WM	5.63	1.29	2.28
57# WM	1.33+	1.37	2.97
69# WM	1.33+	1.08	2.52
42# Macon	0.97	0.38	0.72
57# Macon	5.62	0.41	1.36





Latin American Data

Latin American Corrugating Materials (KL + CM) for 1998/1999

Country	Production		Imports		Exports		Total		Fruit Banana Flowers	Temporary Imports
	1998	1999	1998	1999	1998	1999	1998	1999		
Argentina	395	413	182	139	7	9	570	543	0	0
Brazil	2317	2506	5	2	214	261	2108	2347	0	0
Chile	112	149	179	143	1	11	290	281	Wine 20 Grapes 120	
Colombia	228	236	150	172	11	23	367	385	172	24
Costa Rica	13	16	109	245	0	0	202	189	197	20
Dom Rep	4	0	60	84	0	0	64	84	18	6
Ecuador	40	72	303	312	NA	NA	343	384	312	12
Guatemala	9	0	30	118	0	0	92	118	68	17
Honduras	0	0	42	35	0	0	42	35	18	7
Mexico	1483	1537	307	636	14	40	1776	2183	12	261
Panama	19	22	76	74	6	6	87	90	48	6
Peru	49	59.5	11	3.5	0	13	60	50	0	0
Venezuela	187	159	24	30	19	57	211	132	0	0
Others							192	234		
Total							6082	6744	985	282





Next Steps

- **Prove that Riverwood is process capable to meet 1.33 CPK in the critical customers specs**
- **Finish KrafKote strategy for K&S customer segment**
- **Finish trials for the new coating formulation and develop a strategy to enter the other segments of the market**
 - ◆ **Analyze possible implications in pricing strategy and competitive reactions**
- **Finish the development of the Authorware based saving calculator for the ONLC segment**
- **Implement communication Strategy**

