



U.S. PI/Klabin Carrierboard Strategy

Market 1.1 Million tons

Board Supplier



Overcapacity

1) Mead 1.1 MM Tons
 .5-.6 MM Carrier; RVW 1.4 Millions
 .5-.6 MM Carrier. Rest other products.
 Machines can produce Carrier 100%
 (Carrier is more profitable)

Converting



Overcapacity

Desperate independent
 converters are willing to
 give up margins to
 cover fixed cost

End Users



End users want to
 reduce cost and make
 board deals with Klabin

- 1) Klabin brings bottom line profits to a tied duopoly in the U.S. market. This profit can either be kept intelligent in the value chain or can be destroyed in the market by a price war with no winners
- 2) PI/Klabin strategy is to select a few numbers of inside converters partners in the Carrierboard market that can keep the majority of the savings of Klabin board and pass only the savings needed to the end users to switch to Klabin. This will maximize Converters partners bottom line and we can grow with them by targeting selecting business under the radar of Mead/RVW. This will minimize competitive reaction
- 3) PI/Klabin will not close deal directly with end users or desperate converters that will destroy the market
- 4) PI/Klabin will protect partners from competing from each other with Klabin board that destroy profits with no winners
- 5) Price will be customer base and partners has to agree on a gentleman agreement not to target other partners accounts with Klabin price given for another account to make the strategy work and maximize profit and bottom line. PI will be monitoring that Partners bottom line will not suffer with Klabin board