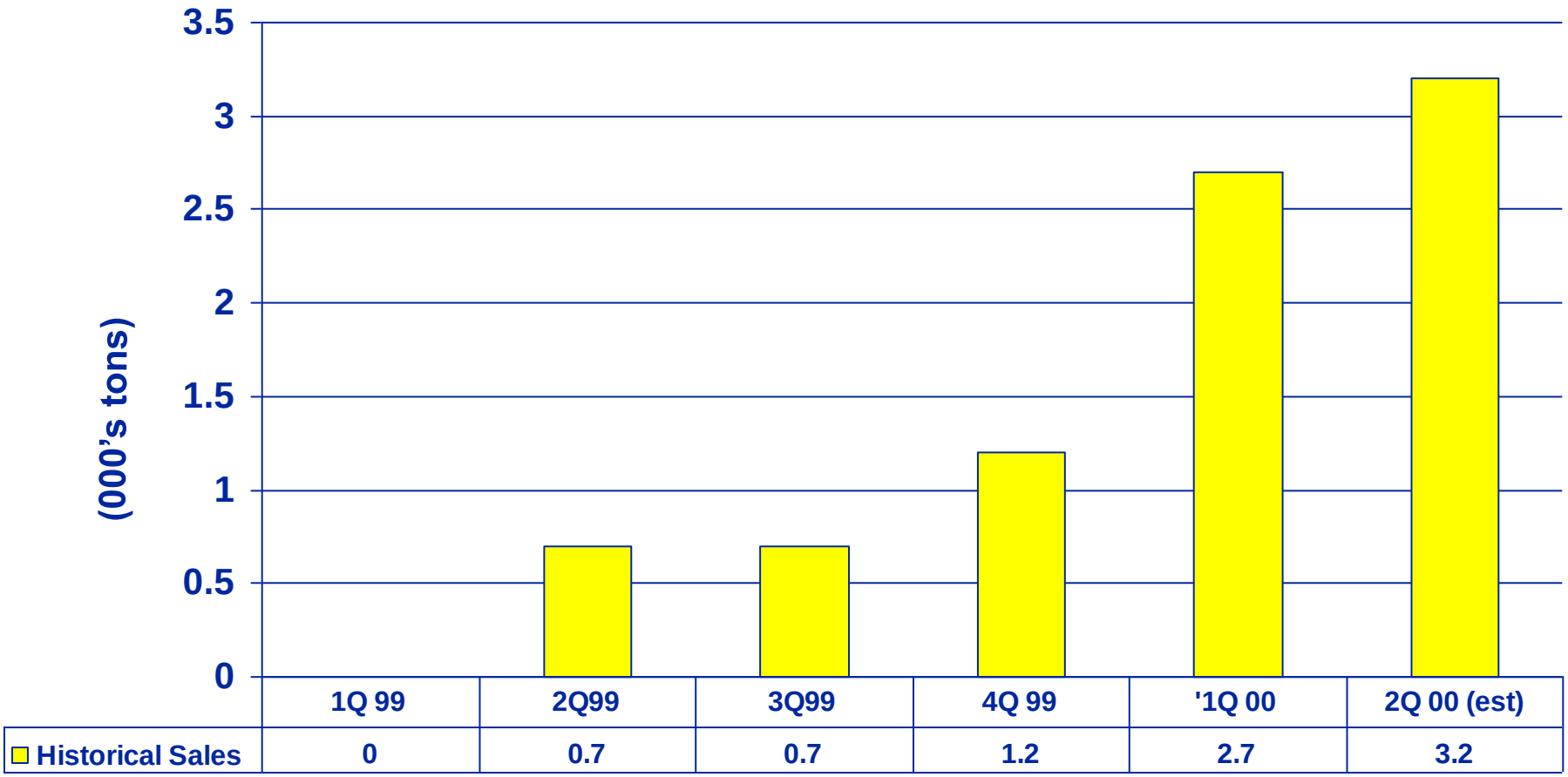
KraftKote Project Update

June 2000

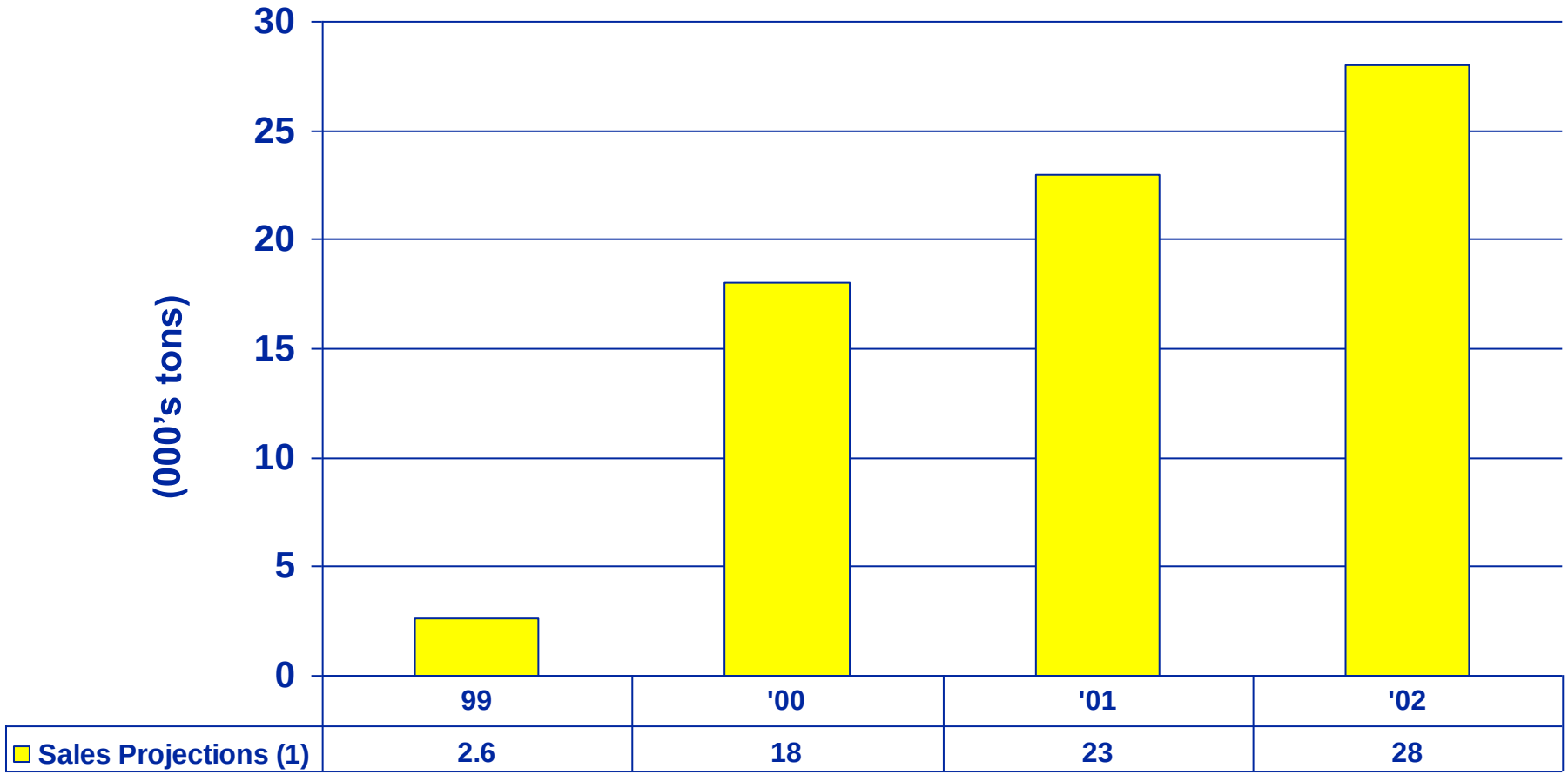
Post Print Linerboard Customers Update

- Add a new customer
- Trials in progress at 10 plants
  - Three new trials
  - Some second trials
- Developed customer matrix to segment new customers
- Contacted Produce Marketing Association (PMA) to identify potential box plant customers
- Trial for new end use market -- displays

Post Print Linerboard Sales Growth



Post Print Linerboard Sales Projections



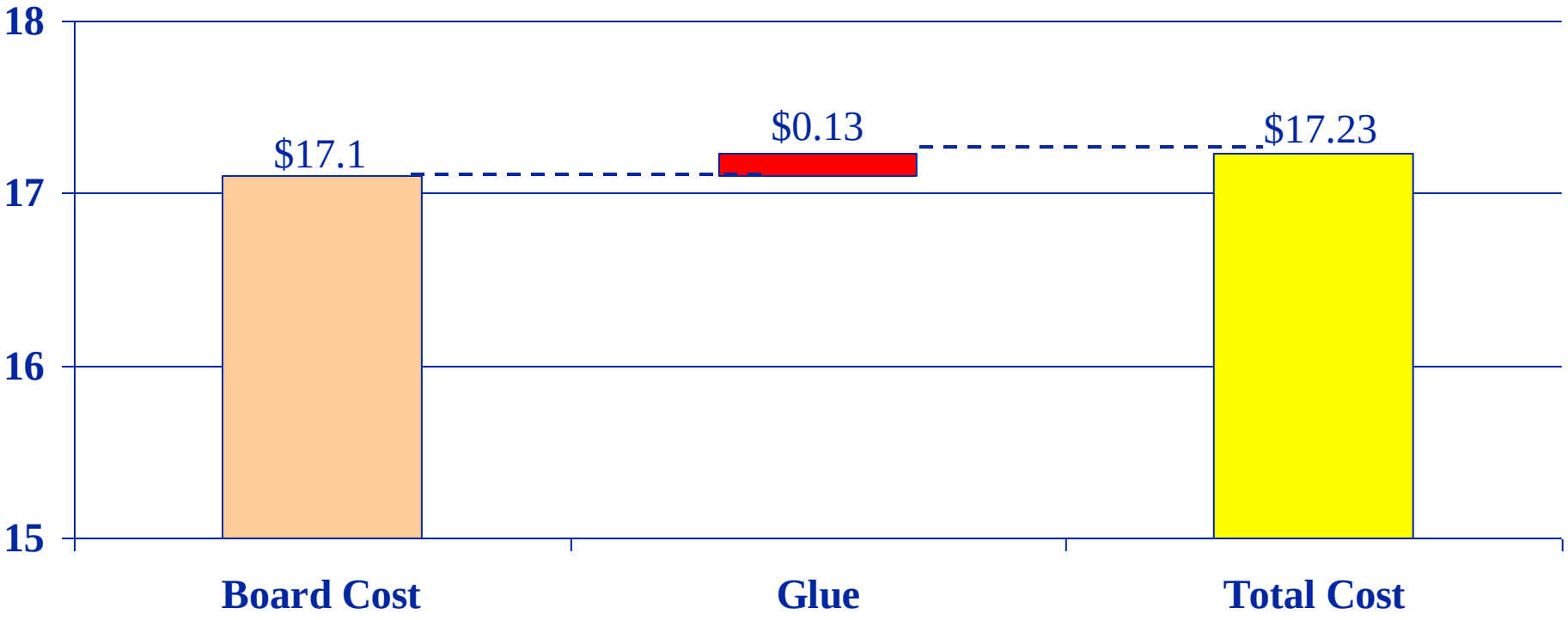
Source: (1) Based on a 25% success rate attacking 34 potential new customers with an average consumption of 200 tons/month. Developmental process takes at least 8 months

Post Print Liner Increases Riverwood EBITDA from $17/ton to $171/ton versus linerboard

Post Print	42		57		69	
	WM	Macon	WM	Macon	WM	Macon
Net Price	556	556	538	538	511	511
Cost	506	474	470	448	475	406
EBIT	50	**82**	68	**90**	36	**105**
+ Depreciation	64	**53**	64	**53**	64	**53**
EBITDA	114	**135**	132	**143**	100	**158**
Incremental EBITDA vs linerboard	60	**171**	85	**101**	17	**57**

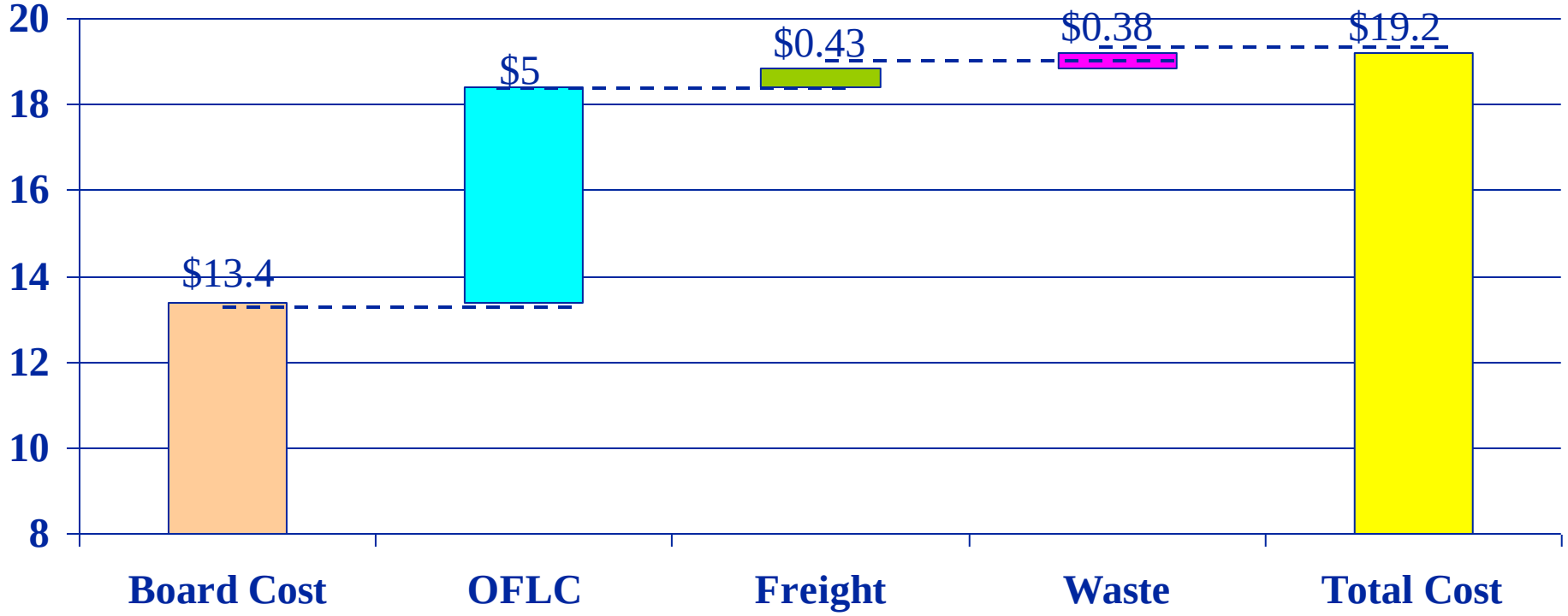
Sources:
(1) Net Price for Post Print profitability by grade May 2000 (all grades but 57# liner) (Corporate Finance)
(2) Net Price for 57# liner from April profitability by grade (Corporate Finance)
(3) Cost for PP 69# Macon and Linerboard from 2000 Standard Cost
(4) Cost for all the PP grades but 69# Macon Actual 2000 cost (Ian Lorimer)
(5) Depreciation (Ian Lorimer)

Post Print cost in use Breakdown



Cost in use per MSF based on a 57# run, converting corrugator cost differences

Off-Line coated brown board cost in use breakdown



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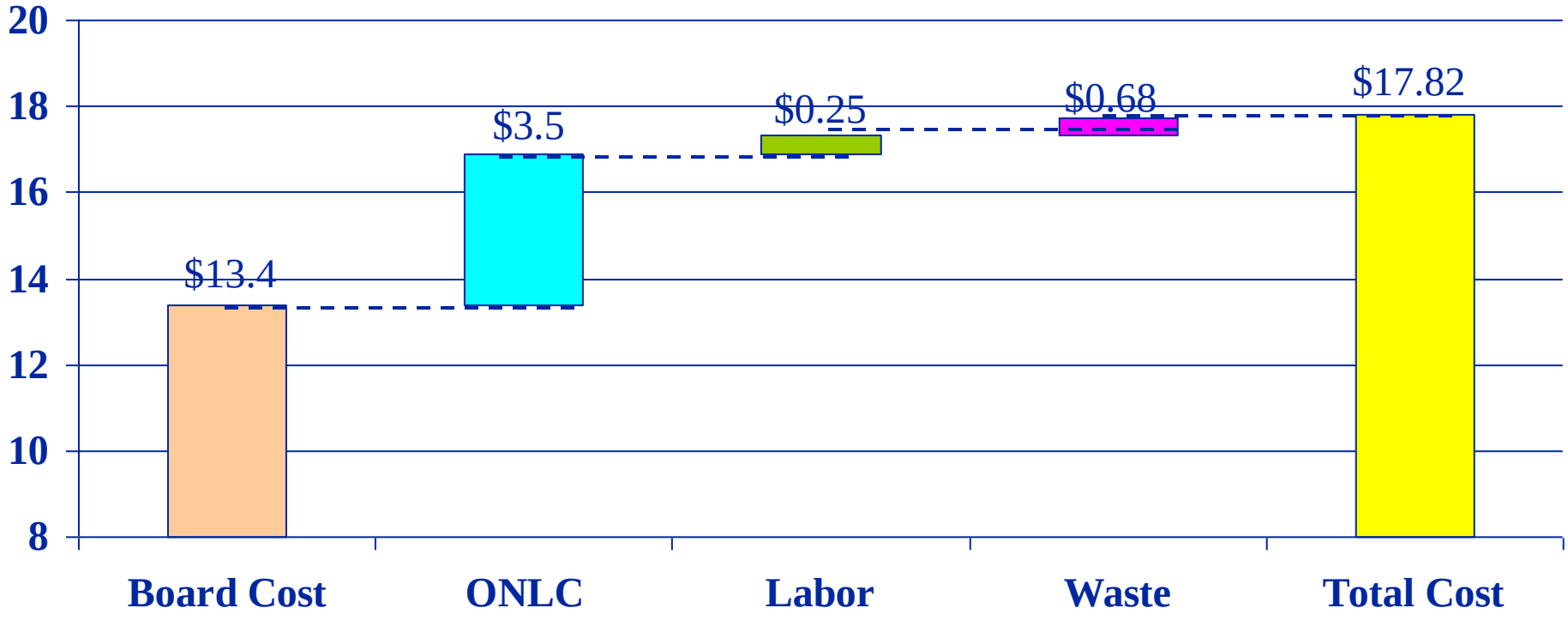
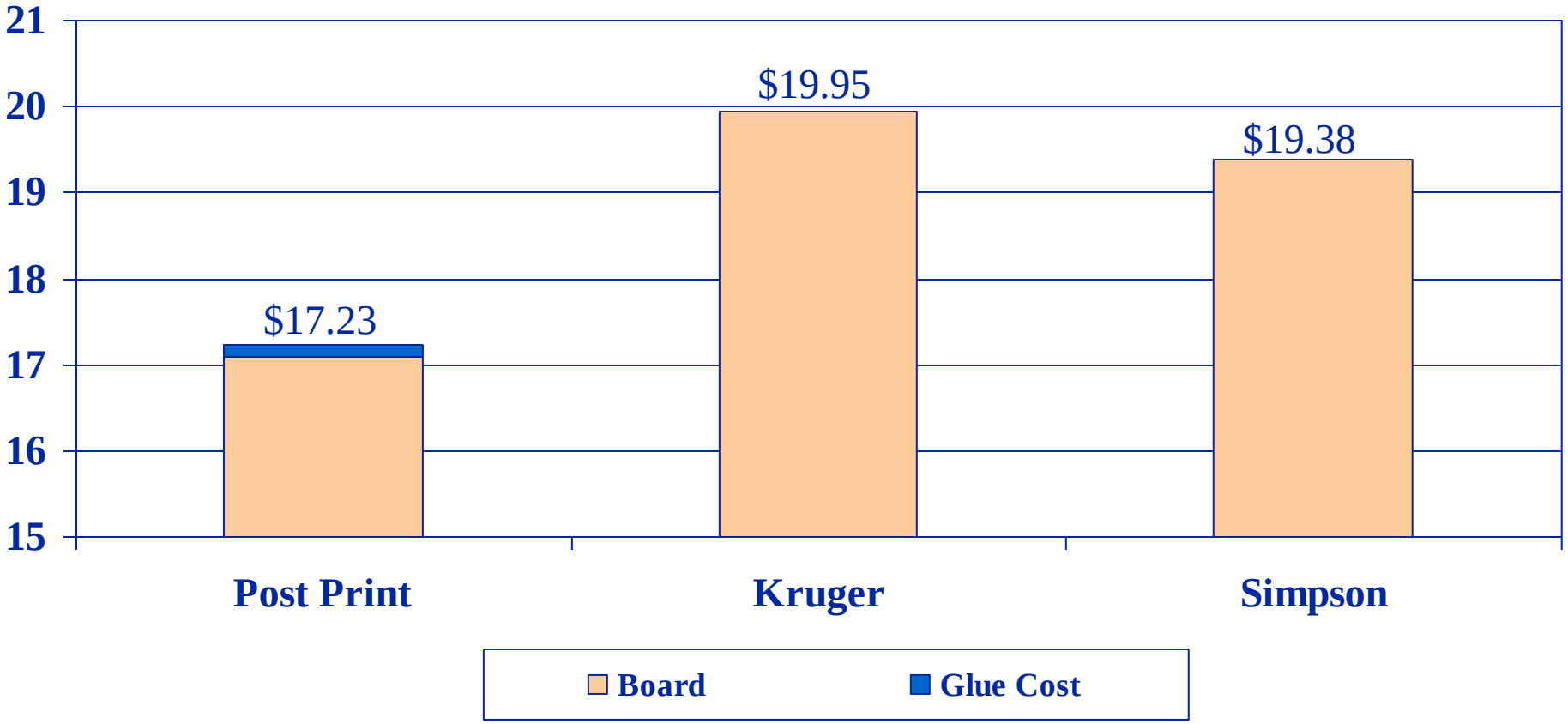


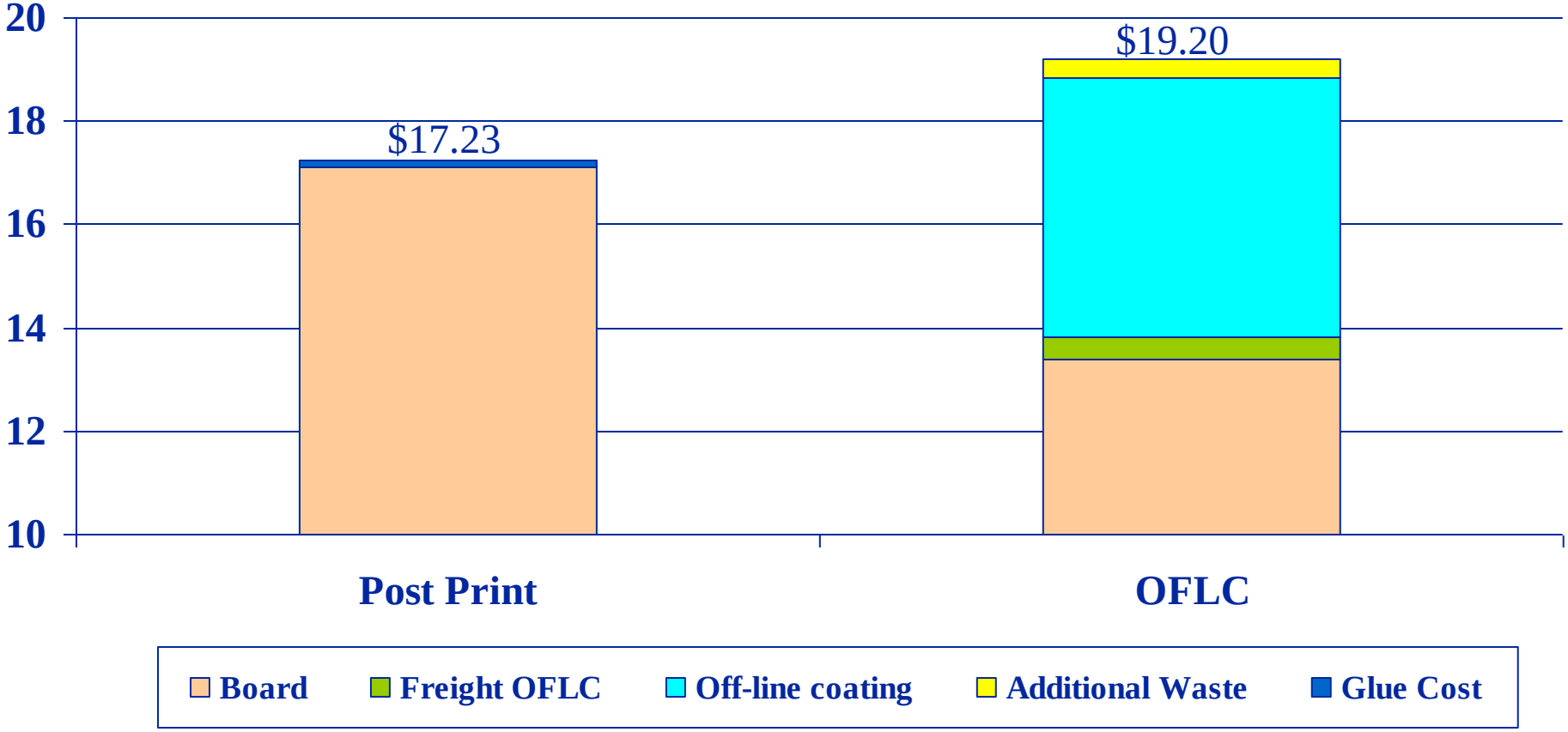
Cost in use per MSF based on a 57# run, converting corrugator cost differences

Post Print offers a relative 16% cost in use advantage over Kruger and 13% over Simpson



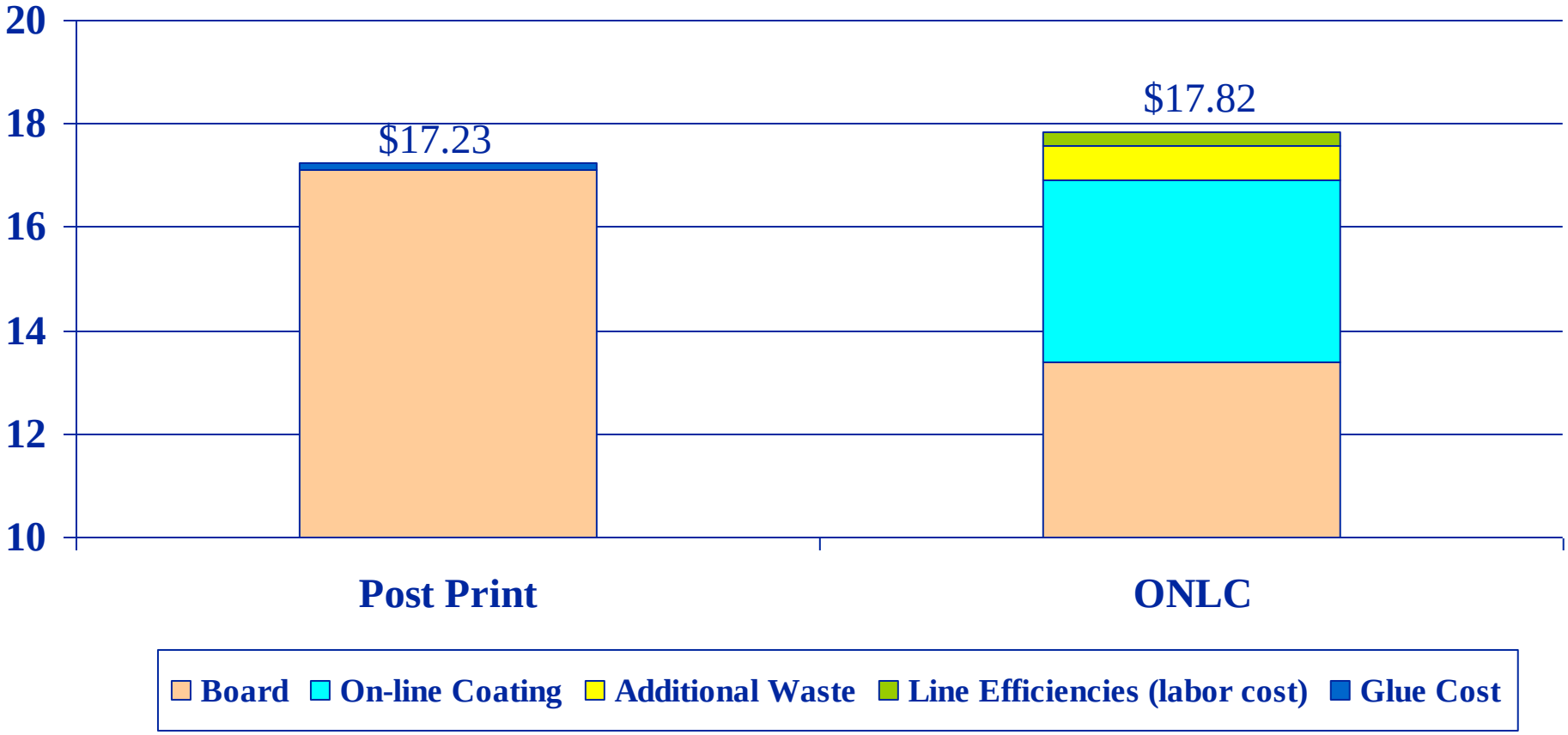
Cost in use per MSF based on a 57# run, converting corrugator cost differences

Post Print offers a relative 11% cost in use advantage over Off-Line coated brown linerboard



Cost in use per MSF based on a 57# run, converting corrugator cost differences

Post Print offers a relative 3.4% cost in use advantage over On-Line coated brown linerboard



Cost in use per MSF based on a 57# run, converting corrugator cost differences

Switching cost for Post Print are not significant

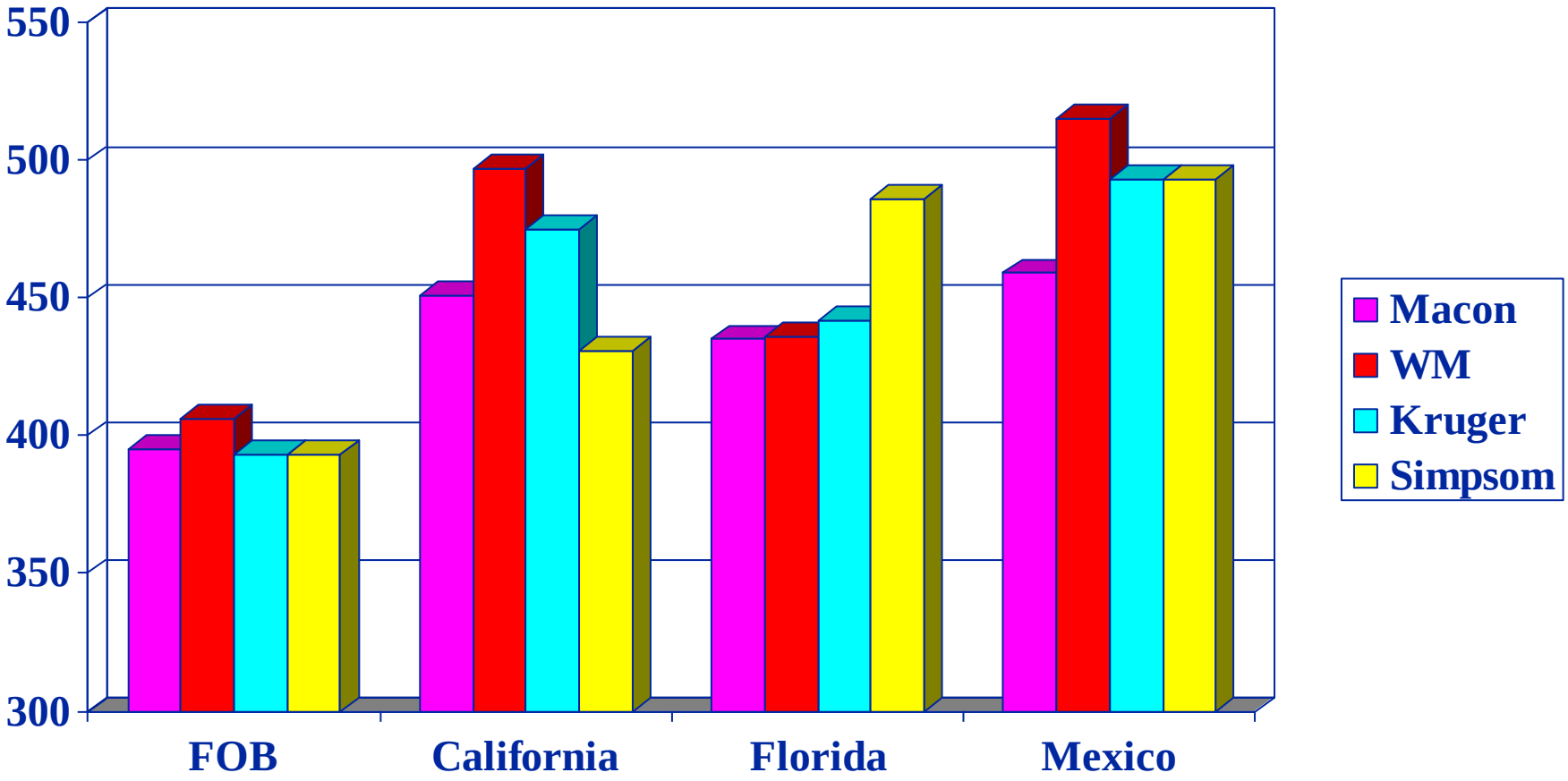
- For the box plant the cost of running a trial is compensated by the free post print board
- Box plants have to use different inks and different glue
  - New inks have a similar cost
  - New glue cost $2.5 - 5$ more per ton of linerboard
- Opportunity cost of capital for increasing inventories is less than $2,000/year for ONLC
- The main factor to overcome is the resistance to change
  - Finding the right decision maker at the box plant
  - Training the operators to use our product
  - Logistics and operational issues
  - Change from their current product to a developmental product

Riverwood does not anticipate a strong competitive response from coated brown products

- Brown linerboard mills will not reduce the price for such a small market
  - Both Post Print and brown linerboard Prices follow Pulp and Paper
- Coating manufacturers might react versus Post Print
  - Cost of coating on-line has to be reduced by 17% to be price competitive with Riverwood
  - Riverwood printing quality is superior
- Off-line coating companies have to reduce their price by 40% to be price competitive with Riverwood
  - It might be below their cost
  - Riverwood printing quality is superior

Post Print cost benchmark versus K&S

(delivery cost before depreciation and profits)



Riverwood does not anticipate a strong competitive response from bleached linerboard mills

- Kruger and Simpson have room to counter attack
  - They have a higher margin
  - This is a small market for Kruger and Simpson
- Reducing the price to be competitive with Riverwood might compromise its premium product
  - They are not going to sell titanium bleached top linerboard under white top linerboard price of $670/ton
  - White top linerboard is more profitable
  - Titanium cost is about $70/ton with a price premium of $30/ton

Customer Segmentation

- **Users of on-line coated brown linerboard product are the most attractive segment for Post Print**
  - **3 of the 5 actual customers used ONLC linerboard**
  - **Improve printing surface with 3% cost savings**
  - **Increase plant efficiencies and reduce waste**
  - **Eliminate one operation at the box plant**
  - **Customers are unhappy with current product**
- **Users of off-line coated brown linerboard are the second most attractive segment for Post Print**
  - **Improve printing surface and eliminate outside coating operation**
  - **Economic alternative (eliminate freight and OFLC profit)**

Kruger and Simpson customer segment might be an opportunity for post print

- Economic alternative
- Customers are currently happy with their product
- Riverwood must overcome its lack of history with a commercial product
- Initial savings offer to try the product might be higher than with a commercial product
- Need market feedback to see if current savings are enough to overcome switching costs and risks
- Riverwood needs to identify the right decision maker

Pricing Strategy for Post Print

- Riverwood current pricing strategy is appropriate to attack the on-line coated linerboard segment
  - 3% cost in use savings with a better printing surface
- Market feedback is needed to determine if the 11%-16% savings are enough to switch from other segments to Post Print
- There is a risk element associated with a developmental product that must be overcome with a premium in savings over the introduction phase

Pricing Elasticity for Post Print

- Raising the price might take post print out of the ONLC segment

- Post Print lacks enough history to know if the savings offered over K&S are sufficient to incent switching
  - Reducing price is not recommended
  - The recommendation is to keep the current price strategy and monitor over time
    - Feedback from the market
    - Analyzing the possibility of pricing by segments

Before going to the general market, Riverwood must prove to be process capable of meeting critical customer specifications

- The key technical specifications are glue, peel and brightness
- Initial CPK measurements, based on 57# at West Monroe are

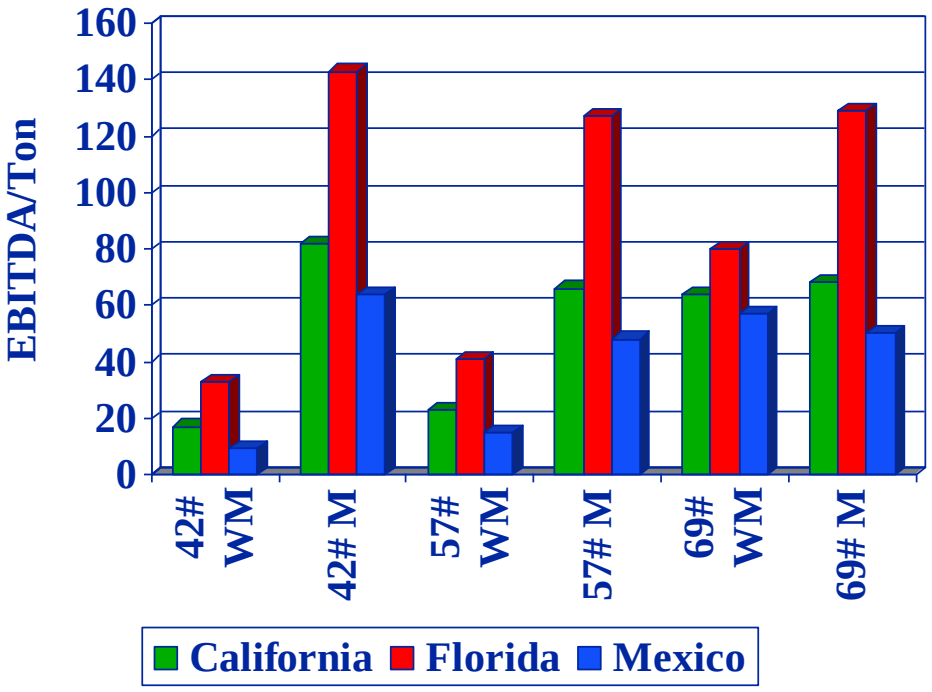
	Glue	Peel Top	Brightness
Cpk Upper	N/A	N/A	0.99
Cpk Lower	6.08	0.93	1.33

- Feedback from R&D and technical services is needed to verify that the proposed upper brightness specs solve the printing problems

The Communication Strategy is key in the success of Post Print

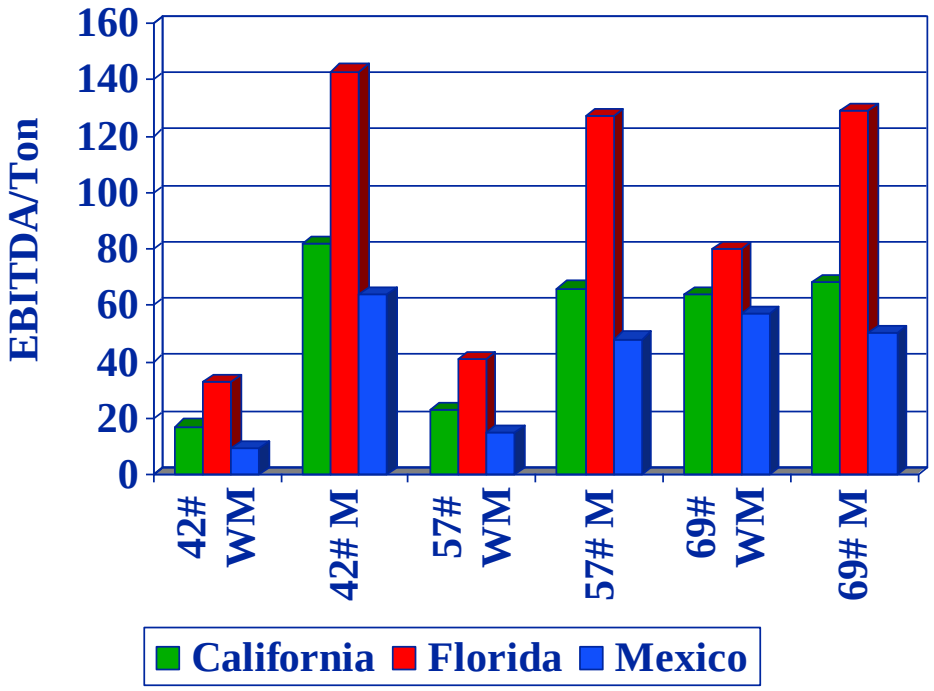
- New customers might be identified by
  - Advertising in a box plant magazine (less than $4,000/year)
  - Contacting the Produce Marketing Association
  - Participating in a produce association trade show in October
- A direct mail campaign is being prepared
  - Samples of boxes made from Post Print
  - Post Print presentation, technical guidelines and Specifications have been finished
- Spanish presentations, technical guidelines and specs for the Latin American market
- Authorware based saving calculator will be developed to attack the ONLC segment

After differences in cost and freight, and trim efficiencies, Macon #2 maximizes Riverwood bottom line for all Post Print grades



- Trim efficiencies make Macon #2 the right sourcing for 42# and 57#
- $70/ton cost savings in manufacturing cost for 69# made Macon the most profitable choice
- Sourcing decisions might negatively impact Riverwood's bottom line about $0.9 Million/year (based on 18,000 tons/year) over a total EBITDA of $1.5 million

Segmentations by Regions -- EBITDA Adjusted by Trims losses



- Riverwood ROA is maximized by selling to customers in the South-East Area
- The second most profitable area is West Coast
- The least profitable area is Latin America

Next Steps

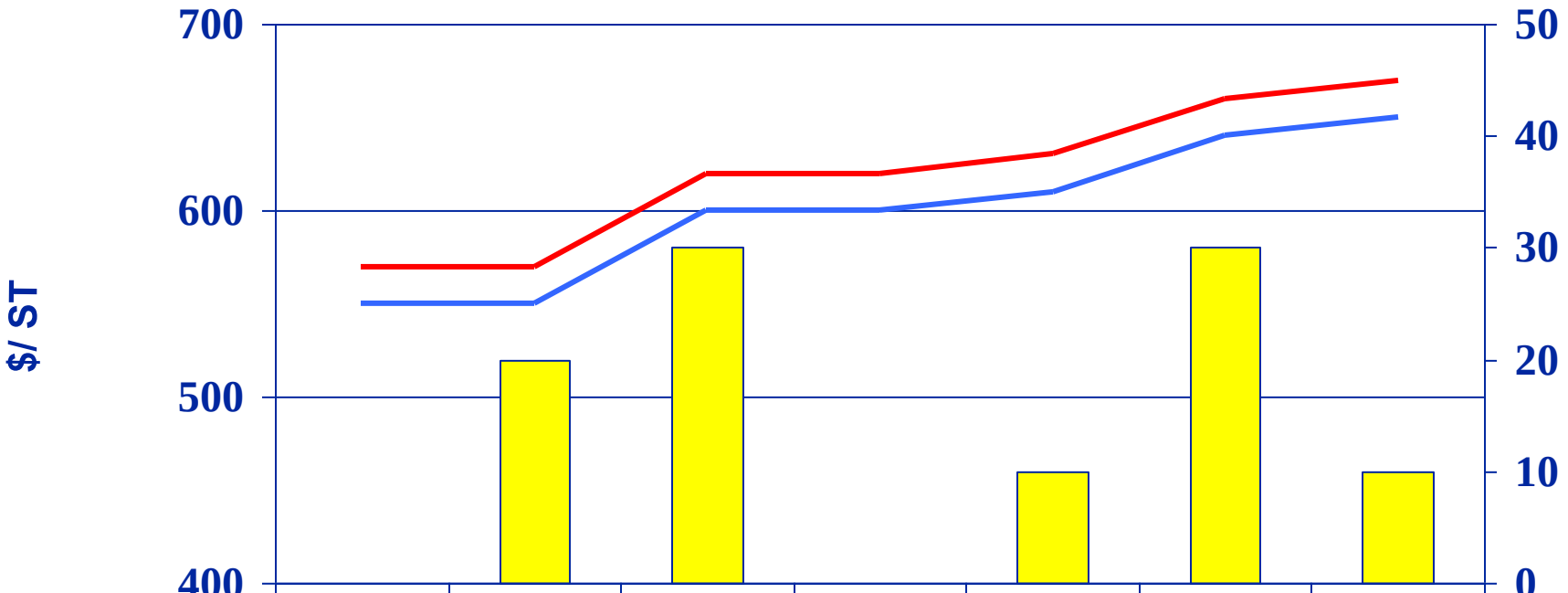
- Feedback from R&D and Technical Service to verify that the new brightness specs solve printing problems
- Prove that Riverwood is process capable to meet 1.33 CPK in the critical customers specs
- Finish and implement the communication plan
- Monitor feedback from the market to determine if Post Print price strategy is the right one for K&S and OFLC
- Cost/benefits analysis of developing a hot melt glue coating to attack mottled and white top lineboard market
- Determine technical service requirements after identifying new customers

Back Up Slides

		Comments	Corruagator Size	Critical Mass	Grade Demand Distribution	Improve Graphics	Economic Alternative	Freight Advantage	Cost Advantage	Relationships	Total
Customers											
	Willamette, Plant City, FL	ONLC	1	3	3	3	3	3	2	3	88%
	Willamette, Griffin, GA	ONLC	1	3	2	3	3	3	2	3	83%
	Smurfit-Stone, Jacksonville, FL	ONLC	1	3	3	3	3	3	2	2	83%
	PCA, Winter Haven,FL	OFLC	2	2	3	3	3	3	2	1	79%
	GP, Winter Park, FL	OFLC	2	3	2	3	3	3	2	1	79%
	PCA, Jacksonville,FL	OFLC	1	2	3	3	3	3	2	1	75%
	GP, Valdosta, GA	OFLC	2	2	2	3	3	3	2	1	75%
	PCA, Virginia	OFLC	1	2	2	3	3	3	2	0	67%
	Mckenley, Dallas, TX	Simpsom	2	2	3	0	2	3	0	3	63%
	Harvest Container,Lindsey, CA	Simpsom	2	3	3	0	2	0	0	3	54%
	ICE, Ecuador	Kruger	3	1	2	0	2	2	0	3	54%
	Smurfit-Stone, California (4)	Simpsom	3	3	3	0	2	0	0	2	54%
	IP, FL	?	1	1	2	3	3	3	?	0	54%
	Cartonera de Guatemala	?	3	1	1	2	1	2	?	1	46%
	Inland, Mexico	Simpsom	3	?	3	0	3	1	0	1	46%
	Inland Container, Chili	Kruger	3	?	3	0	3	1	0	1	46%
	Sigma, El Salvador	Kruger	3	?	3	0	2	2	0	0	42%
	Sigma, Guatemala	Kruger	3	?	3	0	2	2	0	0	42%
	Sigma, Honduras	Kruger	3	?	3	0	2	2	0	0	42%
	President Container, NJ	Kruger	1	2	1	0	2	0	0	3	38%
	Cajas y Bolsas, El Salvador	Simpsom	3	?	2	0	2	2	0	0	38%
	Corrugado Panama	Simpsom	3	?	2	0	2	2	0	0	38%
	Bates Container, Texas	?	2	1	0	0	0	3	?	2	33%
	Liberty Carton, Texas	?	1	1	0	0	0	3	?	3	33%
	Inland Container, Texas	ONLC	1	0	0	0	0	3	2	1	29%
	Sultana, Mexico	?	3	?	2	?	?	1	?	0	25%
	Cocorisa, Costa Rica	Simpsom	3	1	0	0	0	2	0	0	25%
	Combined Container, NY	Kruger	1	?	1	0	2	0	0	1	21%
	Krockett Container, CA	Simpsom	2	?	1	0	2	0	0	0	21%

Scale 0-3; 0 = zero importance, 3 = critical importance

RISI Projected Price Increases



	99-4	00-1	00-2	00-3	00-4	'01-1	'01-2
RISI Increases	0	20	30	0	10	30	10
42 lb	570	570	620	620	630	660	670
57 lb	550	550	600	600	610	640	650

Source: RISI Paper Packaging Monitor, May 2000

Market Situation

- The U.S. box market is almost flat versus last year
  - Y2K Inventory correction
- RISI forecast that the market will tighten by the second half of the year
  - Increase in demand
  - Planned mill downtime
- Demand will not support another price increase until the end of 2000

Post Print Standard versus Actual Costs

	42		57		69	
	WM	Macon	WM	Macon	WM	Macon
Standard Cost	542	506	460	455	475	406
Actual Cost	506	475	470	448	471	
Savings Actual vs Std	36	31	-10	7	4	

Source: Ian Lorimer