



**Developed the U.S.  
Market for Klabin (Brasil)  
Meeting with  
Zumbiel Packaging**



# Key Points from Meeting

- We have to get Product Liability coverage or the orders will stop
- February and March orders will be for 350 tons
- They are very happy with the board performance, as well as the service and responsiveness from PI and Klabin
- Specifically, they are happy about the low dust volume of the board which makes up for the extra process time associated with the smaller diameter (They don't have to clean the plates as frequently)
- They are looking at 'Stora-Enzo' board from Sweden and use it for some business but like Klabin better
- My impressions of Ed and Charles were positive. I think they are sincere about doing business with us. They will not rush the product in the door but should steadily grow.
- They reiterated that Pepsi is looking for an alternative board supplier other than Mead and Riverwood.



## Key Notes from Meeting

- They agreed on a target run-rate of 20,000 tons by the end of 2003
- Charles Mace admitted to me before Ed arrived that the savings are compelling
- We discussed keeping a safety stock at the Baltimore warehouse but Ed mentioned that they don't really need it. If our order is late, he can use Mead instead. The safety stock would mostly be for our protection.
- I told them that we had capacity of 2000 to 3000 per month for 2003 but that we would probably get more if we could sell it.



# Issues

- Insurance
- They want the payment terms to average 30 days from delivery. Due to Customs delays, sometimes it is less.
  - In the discussion, Daniel suggested that we could extend the terms by 10 days or so to bring up the average
- They want to ensure pricing stability for 2003 and ideally 2004
- Some of their scrap buyers have complained that the eucalyptus leaves in the scrap hurts the re-use of the board. This could result in Zumbiel's inability to sell it for \$10 per ton. It did not seem like a big deal to Ed.

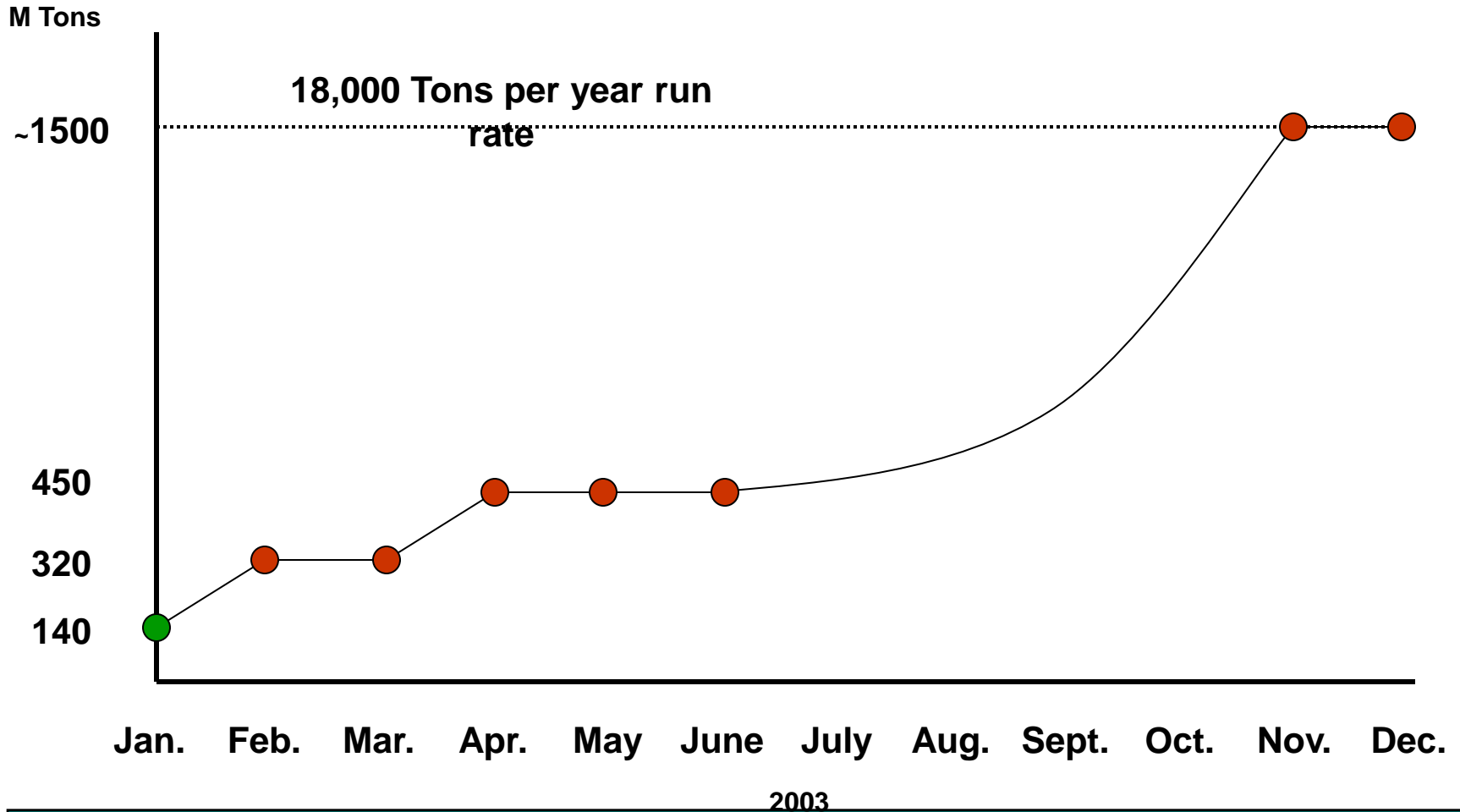


# Opportunities

- They could use the 21 Pt. Light for some private label cubes and some Pepsi volume currently on Jones equipment (Ed is going to investigate to determine the volume but doesn't expect it to be too high)
- The 21 Pt. Light could also replace the 24 Pt. they use for slabs if it tests well. They currently do about \$7-8 million in slabs.
- If 18 Pt. Light tests well, they might move more volume, faster
- Ed is interested in exploring other Klabin products, including a substitute for SBS board and for Clay Coated News (Newsprint). The PPS needs to be less than two. (These are for consumer products applications.)



# Volume Projections for Zumbiel





# Notes on Volume Projections

- All projections contingent upon continued board performance and service levels
- The ramp rate allows Zumbiel time to test the board over time and to make sure it continues to perform for customers that tend to inventory the product for an extended period (up to several months)
- Assuming everything goes well into the summer, the volumes should quickly achieve the 2003 goal of a 20,000 ton annual run rate
- Factors that could accelerate the projections and potential exceed the 20,000 level in 2003:
  - If 18 Pt. Light tests well, Zumbiel may grow faster
  - If 21 Pt. Light tests well, that could open up several new areas, including the replacement of 24 Pt. used for 'slabs' 24 packs cans



# Things to Cover in Brazil Meeting

- Price stability
- Other Klabin products (probably should do a full overview of the two mentioned)
- He will probably bring up the issue with the scrap– let's not bring this up proactively
- Telescoping
- Demonstrate to him the issues associated with the 81” rolls (elevator, etc.) during the plant tour