

**BEFORE THE
AUSTRALIAN GOVERNMENT
ANTI-DUMPING COMMISSION**

**ANTIDUMPING INVESTIGATION
OF
NEWSPRINT
FROM
FRANCE AND THE REPUBLIC OF KOREA**

**RESPONSE OF BOWATER KOREA
TO THE ANTIDUMPING QUESTIONNAIRE**

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12 June 2014

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SECTION A COMPANY STRUCTURE AND OPERATIONS

A-1 Identity and communication

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head Office:

Sophie Rossignol
Avocate / Legal Counsel
Produits forestiers Résolu / Resolute Forest Products Inc.
111, rue Duke, bureau 5000
Montréal (Québec), Canada H3C 2M1
Tel: 514.394.2373
Fax: 514.394.3644
sophie.rossignol@resolutefp.com

Factory:

JeongHoon (Joseph) Cho
Mokpo Mill Manager
1694-1 Nanjeon-ri, Samho-eup
Yeongam-gun, Jeollanam-do 526-892
South Korea
T (82) 2 2076-3364
Jeonghoon.cho@resolutefp.co.kr

A-2 Representative of the company for the purpose of investigation

If you wish to appoint a representative to assist you in this investigation, provide the following details:

Andrew Korbel
Andrew Percival
Corrs Chambers Westgarth
Level 17
8 Chifley
8-12 Chifley Square
Sydney NSW 2000
Tel: + 61 2 9210 6537/6228
Fax: +61 2 9210 6611
andrew.korbel@corrs.com.au

A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

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The full legal name of the business is Bowater Korea Ltd. ("**Bowater Korea**").

Bowater Korea is a corporation that sells under the names Bowater Korea and Bowater Korea Ltd.

2. **Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).**

Bowater Korea is an indirect subsidiary of Resolute Forest Products Inc.

("Resolute"), a corporation organized under the laws of the State of Delaware in the United States of America and headquartered in Montréal, Québec, Canada.

Bowater Korea is a wholly-owned subsidiary of [REDACTED], a corporation organized under the laws of [REDACTED]

[REDACTED]

3. **If your company is a subsidiary of another company, list the principal shareholders of that company.**

Resolute's shares are traded publicly on the New York and Toronto stock exchanges. As of April 3, 2014 the following shareholders own five per cent or more of the voting shares of Resolute:

Name	Percentage of Shares Owned
Fairfax Financial Holding Limited	30.7%
Steelhead Partners, LLC	13.6%
Donald Smith & Co., Inc.	9.6%

4. **If your parent company is a subsidiary of another company, list the principal shareholders of that company.**

Not Applicable.

5. **Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.**

The requested diagram is provided in Confidential Exhibit 1.

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6. Are any management fees/corporate allocations charged to your company by your parent or related company?

Yes, the management fees are [REDACTED] per month.

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

Bowater Korea is a producer and distributor of the goods under consideration and other newsprint.

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market
- export to Australia, and
- export to countries other than Australia.

Not Applicable. Bowater Korea performs all of these functions itself.

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

The requested chart is provided in Confidential Exhibit 2.

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

A copy of Resolute's 2013 Annual Report is provided in Exhibit 3.

A-4 General accounting/administration information

1. Indicate your accounting period.

Both Bowater Korea and Resolute fiscal years end on 31 December.

2. Indicate the address where the company's financial records are held.

Bowater Korea's financial records are held at the following address:

Bowater Korea – Mokpo Mill
1694-1 Nanjeon-ri, Samho-eup
Yeongam-gun, Jeollanam-do 526-892
South Korea

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3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:
- chart of accounts;
 - audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);
 - internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under consideration, and
- the company.

Copies of Bowater Korea's chart of accounts are provided in Confidential Exhibit 4.

Copies of Resolute's consolidated financial statements for the years ending 31

December 2012 and 31 December 2013, as reported to the U.S. Securities and

Exchange Commission, are provided in Exhibit 5. Copies of Resolute's

consolidated financial statements for the quarter ending 31 March 2014, as

reported to the U.S. Securities and Exchange Commission, are provided in Exhibit

6. Bowater Korea's internal financial statements for the years ending 31 December

2012 and 31 December 2013 and the quarter ending 31 March 2014 are provided

in Confidential Exhibit 7.

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Not applicable. Bowater Korea's accounts are audited in connection with the preparation of Resolute's audited financial statements.

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

Bowater Korea uses Korean Generally Accepted Accounting Principles for its own books and records. Resolute's consolidated financial statements are prepared in accordance with United States Generally Accepted Accounting Principles.

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6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

Bowater Korea uses the weighted average method of valuation for raw material, work-in-progress and finished goods inventories.

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

Bowater Korea produces only one item, newsprint in its Mokpo mill. Therefore, all costs incurred in the Mokpo mill are treated as newsprint manufacturing costs.

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

Bowater Korea treats damaged or sub-standard goods the same as finished goods for cost valuation purposes. However, these items are sold at a reduced price.

- valuation methods for scrap, by products, or joint products;

Bowater Korea values scrap at ■■■ per cent of the value of finished goods. All scrap materials are recycled in the mill's newsprint production process.

- valuation and revaluation methods for fixed assets;

All fixed assets are valued at their acquisition cost and depreciated based on their useful life.

- average useful life for each class of production equipment and depreciation method and rate used for each;

The requested information is provided in Confidential Exhibit 8.

- treatment of foreign exchange gains and losses arising from transactions;

Bowater Korea treats foreign exchange gains and losses arising from transactions as non-operating income or loss on its Income Statement.

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- **treatment of foreign exchange gains/losses arising from the translation of balance sheet items;**

Bowater Korea treats foreign exchange gains and losses arising from translation of balance sheet items as non-operating income or loss on its Income Statement

- **inclusion of general expenses and/or interest;**

Any general expenses incurred in the Mokpo mill are included in manufacturing costs. Any general expenses incurred in the sales division are included in Selling General & Administrative expenses.

- **provisions for bad or doubtful debts;**

The following is an excerpt from Bowater Korea's Guidelines for the Provision of Bad Debt:

In an effort to present the bad debt reserves in a consistent manner the following guidelines should be followed. Below are listed four levels or buckets that all potential bad debts should fall into and the percentages that should be accrued for those levels.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [Confidential
Commercial Information]

- **expenses for idle equipment and/or plant shut-downs;**

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Not applicable.

- **costs of plant closure;**

Not applicable.

- **restructuring costs;**

Not applicable.

- **by-products and scrap materials resulting from your company's production process; and**

Scrap materials are comprised of cull and stab. Stabs are recycled in the production process as they are generated. Culls are recycled following the end of the production schedule.

- **effects of inflation on financial statement information.**

Not applicable.

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

Not Applicable. There have been no changes in accounting methods.

A-5 Income statement

Please fill in the following table. It requires information concerning all products produced and for the goods under consideration (*'goods under consideration'* (the goods) is defined in the Glossary of Terms in the appendix to this form). You should explain how costs have been allocated.

Prepare this information on a spreadsheet named "Income statement".

The information requested in the table is provided in the spreadsheet named

"Income statement" in Confidential Exhibit A-5. Costs have been allocated as

follows:

- a. Raw materials, direct labour, depreciation, and manufacturing overhead are allocated based on the production quantity ratio between total production quantity and goods under consideration production quantity.

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- b. Selling, administrative & general expenses, other operating expenses (e.g., finished goods inventory variation between beginning inventory and ending inventory) , and non-operating accounts such as interest income, interest expenses, extraordinary gains/losses, and abnormal gains/losses are allocated based on the sales quantity ratio between total sales quantity and goods under consideration sales quantity.

A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

Prepare this information in a spreadsheet named "TURNOVER".

The information requested in the table is provided in the spreadsheet named "Turnover" in Confidential Exhibit A-6.

SECTION B
SALES TO AUSTRALIA (EXPORT PRICE)

- B-1** For each customer in Australia to whom you shipped goods in the investigation period list:
name;
address;
contact name and phone/fax number where known; and
trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

The following is the requested information on the customers in Australia to whom Bowater Korea shipped the goods under consideration during the investigation period:

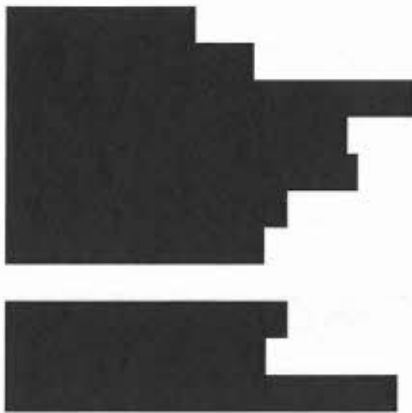
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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B-2 For each customer identified in B1 please provide the following information.

(a) Describe how the goods are sent to each customer in Australia, including a diagram if required.

For all Australian customers the newsprint is sent from the mill by truck to the port where it is loaded onto a ship for transport to the customer's designated port in Australia. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [Confidential commercial terms.]

Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.

There are no intermediary parties in the distribution chain. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [Confidential commercial terms]

(b) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

[REDACTED]

[REDACTED]

[REDACTED] [Confidential commercial terms]

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- (c) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

Not applicable. There are no such agreements.

- (d) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [Confidential commercial information]

- (e) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).

Bowater Korea is not related to any of its Australian customers.

- (f) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

Not applicable.

- B-3** Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

Not applicable. All sales to Australia are at the same level of trade [REDACTED]

[REDACTED]

- B-4** Prepare a spreadsheet named "Australian sales" listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the investigation period. You must provide this list in electronic format. Include the following export related information:

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The information requested on Bowater Korea's sales to Australia of goods under consideration during the investigation period is provided in the spreadsheet named "Australian sales" in Confidential Exhibit B-4. Bowater Korea has added an extra column called "Exchange Rate 2" to indicate the exchange rate used to calculate the amounts reported in [REDACTED]

[REDACTED]

[REDACTED]

- B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see "other factors" in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

Not applicable.

- B-6** For each type of discount, rebate, allowance offered on export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

Not applicable. There are no discounts or rebates on sales to Australia.

- B-7** If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has not been reported as a discount or rebate.

Not applicable. There were no credit notes issued (directly or indirectly) to customers in Australia.

- B-8** If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (eg. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

Bowater Korea has inserted an extra column for Other Costs in which handling fees and inland trucking costs within Australia are reported.

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B-9 Select two shipments, in different quarters of the investigation period, and provide a complete set of all of the documentation related to the export sale. For example:

- the importer's purchase order, order confirmation, and contract of sale;
- commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

The Commission will select additional shipments for payment verification at the time of the visit.

The requested documentation for each of the two sales to Australia is provided in

Confidential Exhibits 9 and 10, respectively.

SECTION C

EXPORTED GOODS & LIKE GOODS

- C-1** Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

The specifications for the newsprint that Bowater Korea exported to Australia during the period of investigation are [REDACTED] grams per square meter ("GSM") basis weight, and colour [REDACTED] The roll width and diameter of the newsprint varies based on the customer's requirements. All Bowater Korea exports to Australia are 100% recycled newsprint.

- C-2** List each type of goods exported to Australia (these types should cover all types listed in spreadsheet "Australian sales" – see section B of this questionnaire).

All of the goods exported to Australia were 100% recycled newsprint with a basis weight of [REDACTED] GSM. Bowater Korea shipped [REDACTED] types of newsprint products to Australia during the period of investigation. The product codes are composed of [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- C-3** If you sell like goods on the domestic market, for each type that your company has exported to Australia during the investigation period, list the most comparable model(s) sold domestically;

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- and provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to goods exported to Australia.

EXPORTED TYPE	DOMESTIC TYPE	IDENTICAL?	DIFFERENCES
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- C-4 Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

Marketing materials, including technical specifications for the newsprint that

Bowater Korea sells in Korea, are provided in Confidential Exhibit 11.

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SECTION D DOMESTIC SALES

D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

Bowater Korea makes [REDACTED]

[REDACTED]

[REDACTED]

[Confidential commercial terms]

D-2 Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

Yes. Prices generally are lower in the distribution channel than when selling directly to end-users.

D-3 Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and
- whether price includes the cost of delivery to customer.

If sales are in accordance with price lists, provide copies of the price lists.

The order fulfilment practice for domestic sales is slightly different from export sales. Most domestic customers place their orders [REDACTED]

[REDACTED]

[REDACTED] issued by the customer. Although

Bowater Korea receives customer orders [REDACTED]

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[REDACTED]

[REDACTED] [Confidential commercial terms]

- D-4** Prepare a spreadsheet named "domestic sales" listing all sales of like goods made during the investigation period. The listing must be provided on a CD-ROM. Include all of the following information.

The information requested on Bowater Korea's sales in Korea of goods under consideration during the investigation period is provided in the spreadsheet named "domestic sales" in Confidential Exhibit D-4.

- D-5** If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see "other factors"). For example, certain other selling expenses incurred.

Not applicable. All costs incurred in respect of the sales listed are identified in the table for question D-4.

- D-6** For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has not been reported as a discount or rebate.

Many customers [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [Confidential

commercial terms].

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- D-7** **Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, bank documentation showing proof of payment.)**
The Commission will select additional sales for verification at the time of our visit.

The requested documentation for each of the two sales within Korea is provided in Confidential Exhibits 12 and 13, respectively.

SECTION E FAIR COMPARISON

E-1 Costs associated with export sales

(These cost adjustments will relate to your responses made at question B-4, 'Australian sales')

1. Transportation

Explain how you have quantified the amount of inland transportation associated with the export sale ("Inland transportation costs"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

General ledger accounts: [REDACTED]

[REDACTED]

[REDACTED] [Confidential accounting information]

2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified ("Handling, loading & ancillary expenses"). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

General ledger accounts: [REDACTED]

[REDACTED]

[REDACTED] [Confidential accounting information]

3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

[REDACTED]

[REDACTED]

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If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

Not applicable. Export prices are not influenced by a longer or shorter collection period.

4. **Packing costs**
List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed 'Packing'.

Export sales need to be shipped in containers and packing materials, including corrugated cardboard; padding and tape are used to fill in the space between the newsprint and the containers. The labour used to pack the containers is part of the total labour costs at the mill and cannot be separated. Domestic sales are sent by truck from the mill to the customer and do not require packaging.

5. **Commissions**
For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed "Commissions". Identify the general ledger account where the expense is located.

Bowater Korea

[Confidential commercial terms] The

amounts reported under the column headed "Commission" in the Australian

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Sales spreadsheet in Confidential Exhibit B-4 are in the same currency as reported in the column headed "Currency" in that spreadsheet.

General ledger accounts: [REDACTED]

[REDACTED] [Confidential
accounting information]

6. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses ("Warranty & guarantee expenses" and "Technical assistance & other services"), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

Not applicable.

7. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed "Other factors". For example, other variable or fixed selling expenses, including salesmen's salaries, salesmen's travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

Bowater Korea is not making this claim at this time, but reserves its right to make such a claim once it has had an opportunity to determine whether such a claim would be appropriate.

8. Currency conversions

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a 'sustained' movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect 'sustained' movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

Bowater Korea is not making this claim at this time, but reserves its right to make such a claim once it has had an opportunity to determine whether such a claim would be appropriate.

E-2 Costs associated with domestic sales

(These cost adjustments will relate to your responses made at question D-4, "domestic sales")

The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.

1. Physical characteristics

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

Bowater Korea is not making this claim at this time, but reserves its right to make such a claim once it has had an opportunity to determine whether such a claim would be appropriate.

**2. Import charges and indirect taxes
If exports to Australia:**

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

Bowater Korea is not making this claim at this time, but reserves its right to make such a claim once it has had an opportunity to determine whether such a claim would be appropriate.

3. Level of trade

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

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Bowater Korea is not making this claim at this time, but reserves its right to make such a claim once it has had an opportunity to determine whether such a claim would be appropriate.

4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The following are the average interest rates for each month of the period of investigation that were available to Bowater Korea to fund its operations:

]

Bowater Korea's average accounts receivable turnover ratio for the period of investigation was [REDACTED] per cent, calculated as follows:

(1) Domestic sales amount during the investigation period: [REDACTED]

[REDACTED].

(2) Average accounts receivables during the investigation period: [REDACTED]

[REDACTED].

(3) Account receivable turnover ratio: [REDACTED] per cent.

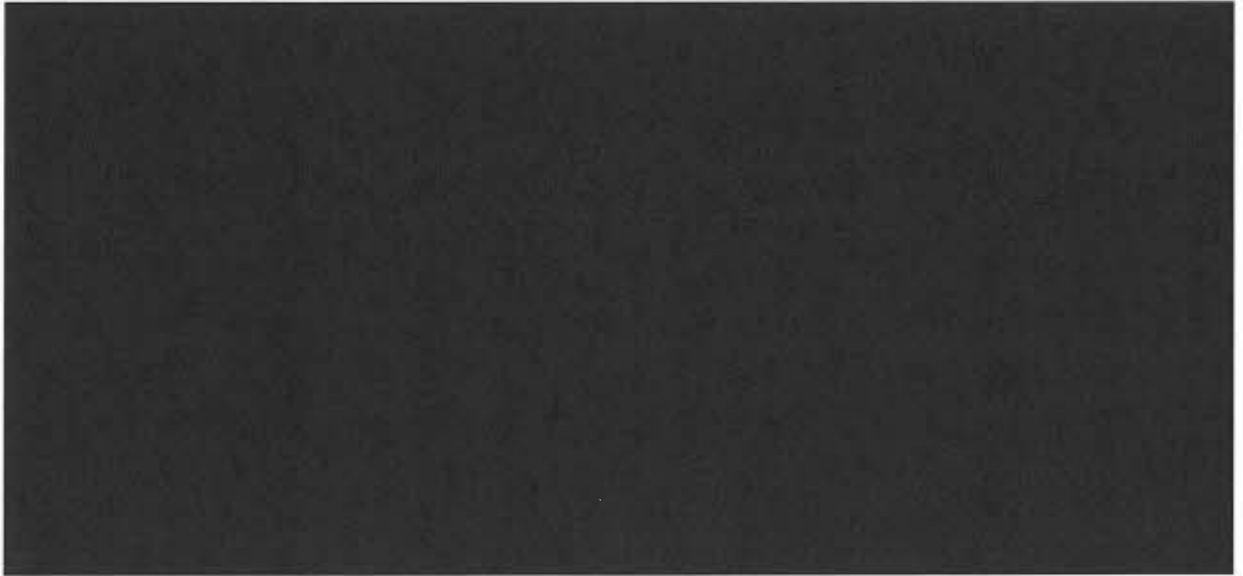
Bowater Korea's average credit period for the period of investigation was [REDACTED]

days calculated as follows:

Average credit period: $365 / \text{Account receivable turnover ratio}$: [REDACTED] days.

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The following chart shows how this information varied by month over the period of investigation:



The following items are identified in the amounts quantified at question D-4:

5. Transportation

Explain how you have quantified the amount of inland transportation associated with the domestic sales ("Inland transportation Costs"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

Bowater Korea quantified the amount of inland transportation expenses by gathering all inland transportation costs for each domestic customer during the period of investigation based on payment invoices. Bowater Korea then divided that amount by the total metric tons sold to that customer during the period of investigation to come up with a transportation cost by metric ton for that customer. That amount was multiplied by the metric tons for a particular invoice to derive the transportation cost reported in the database for that invoice. General ledger accounts: [REDACTED]

PUBLIC RECORD

[Confidential accounting information]

6. Handling, loading and ancillary expenses

List all charges that are included in the domestic price and explain how they have been quantified ("Handling, loading and ancillary Expenses"). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

Not applicable.

7. Packing

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed "Packing".

Not applicable. The newsprint sold domestically is not packaged.

8. Commissions

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed "Commissions". Identify the general ledger account where the expense is located.

Where applicable Bowater Korea is reporting commissions paid in relation to its domestic sales under the column headed "Commissions."

9. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses ("Warranty & Guarantee expenses" and "Technical assistance & other services"), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

Not applicable.

10. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed "Other factors". List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense*: an expense incurred at the distribution point;

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- ***royalty and patent fees:*** describe each payment as a result of production or sale, including the key terms of the agreement;
- ***advertising;*** and
- ***bad debt.***

Bowater Korea is not making this claim at this time, but reserves its right to make such a claim once it has had an opportunity to determine whether such a claim would be appropriate.

E-3 Duplication

In calculating the amount of the adjustments you must ensure that there is no duplication.

Bowater Korea has ensured that there are no duplications in its calculation of the amount of adjustments.

SECTION F
EXPORT SALES TO COUNTRIES OTHER THAN
AUSTRALIA (THIRD COUNTRY SALES)

- F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.**

Supply this information in spreadsheet file named "Third country"

The information requested on Bowater Korea's sales to third countries of goods under consideration during the investigation period is provided in Confidential Exhibit F-1.

- F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.**

All of the export sales to Australia were [REDACTED]

[REDACTED] [Confidential – Australian customers], whereas many of the third country sales were at different levels of trade. In addition, all of the newsprint sold to Australia had a basis weight of [REDACTED] GSM, whereas the newsprint sold to third countries frequently had different basis weights (ranging from [REDACTED] GSM to [REDACTED] GSM) and other physical differences from the products sold to Australia. Consequently, there would be limited, if any, identical product comparisons between sales to Australia and sales to third countries. Finally, the payment and shipping terms on sales to Australia are different from those for most of the third country sales.

SECTION G

COSTING INFORMATION AND CONSTRUCTED VALUE

G-1. Production process and capacity

1. **Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.**

Bowater Korea produces only newsprint in its Mokpo mill. A flowchart and the rest of the information requested is provided in Confidential Exhibit 14.

G-2. Provide information about your company's total production in the following table:

Provide this information on a spreadsheet named "Production".

The information requested on Bowater Korea's total production of goods under consideration during the investigation period is provided in the spreadsheet named "Production" in Confidential Exhibit G-2.

G-3. Cost accounting practices

1. **Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.**

Bowater Korea produces only newsprint and uses one accounting system.

The name of the system is MITY, which was developed internally 18 years ago. This system accommodates all functions of sales, accounting, production, logistics, and inventory flow. All costs incurred at the mill are newsprint manufacturing costs. These manufacturing costs flow through directly into Bowater Korea's income statement and balance sheet.

Consequently, cost accounting information is not separate from Bowater Korea's financial statements.

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- 2** Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.
- No. Bowater Korea uses an actual cost system.
- 3** Provide details of any significant or unusual cost variances that occurred during the investigation period.
- Not applicable. Bowater Korea does not use a standard cost system.
- 4** Describe the profit/cost centres in your company's cost accounting system.
- Bowater Korea has only one profit/cost centre.
- 5** For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.
- Bowater Korea has only one profit/cost centre.
- 6** Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.
- Bowater Korea does not calculate production costs specifically by product.
- We produce only recycled newsprint. Therefore, all costs incurred at the mill are regarded as newsprint manufacturing costs, and we do not classify the production costs further by product specification.
- 7** List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.
- Not applicable. There are no differences in how Bowater Korea values production costs for cost accounting and financial accounting purposes.
- 8** State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.
- Not applicable. Bowater Korea did not engage in any start-up operations in relation to the goods under consideration.

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- 9 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

Not applicable. Bowater Korea did not engage in any start-up operations in relation to the goods under consideration.

G-4 Cost to make and sell on domestic market

1. Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type* (identified in section C) of the like goods sold on the domestic market. Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.

See the response to question G-4 (2) below.

2. Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

Prepare this information in a spreadsheet named "Domestic CTMS".

The information requested on Bowater Korea's costs to make and sell the like goods sold in the Korean market during each quarter of the investigation period is provided in the spreadsheet named "Domestic CTMS" in Confidential Exhibit G-4.

The source of the cost information is the Mokpo Mill accounting system.

G-5 Cost to make and sell goods under consideration (goods exported to Australia)

Prepare this information in a spreadsheet named "Australian CTMS".

The information requested on Bowater Korea's costs to make and sell the goods under consideration sold to Australia during each quarter of the investigation period is provided in the spreadsheet named "Australian CTMS" in Confidential Exhibit G-

5. Please note that Delivery Expenses and Other Costs – Sales Commissions are also included in the spreadsheet named "Australian Sales."

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- 1 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.**

The differences in cost between the recycled newsprint sold in the domestic market and that sold for export are small. During the period of investigation the manufacturing cost per metric ton for recycled newsprint sold domestically was KRW [REDACTED] and for recycled newsprint that was exported, KRW [REDACTED]. This difference is due primarily to slight differences in the mix of raw materials and chemicals used.

- 2 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.**

There are no significant differences.

- 3 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.**

The allocation method used is the same as used in the prior practice of Bowater Korea.

G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

The major inputs into Bowater Korea's newsprint production process are listed in Confidential Exhibit 15 along with the suppliers of those inputs. None of those

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materials was sourced in-house or from associated entities. The materials are valued in the cost of production based on purchase price from the outside vendor.

**SECTION H
EXPORTER'S DECLARATION**

☐ I hereby declare that Bowater Korea, Ltd. did, during the period of investigation export the goods under consideration and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

☐ I hereby declare that.....(company)
did not, during the period of investigation, export the goods under consideration and therefore have not completed the attached questionnaire.

Name :

Signature :

Position in

Company :

Date :

SECTION I CHECKLIST

This section is an aid to ensure that you have completed all sections of this questionnaire.

Section	Please tick if you have responded to all questions
Section A – general information	X
Section B – export price	X
Section C – like goods	X
Section D – domestic price	X
Section E – fair comparison	X
Section F – exports to third countries	X
Section G – costing information	X
Section H – declaration	X

Electronic Data	Please tick if you have provided spreadsheet
INCOME STATEMENT	X
TURNOVER – sales summary	X
AUSTRALIAN SALES – list of sales to Australia	X
DOMESTIC SALES – list of all domestic sales of like goods	X
THIRD COUNTRY – third country sales	X
PRODUCTION – production figures	X
DOMESTIC COSTS – costs of goods sold domestically	X
AUSTRALIAN COSTS – costs of goods sold to Australia	X