

Newsprint Product Injury Brief

July 3, 2014

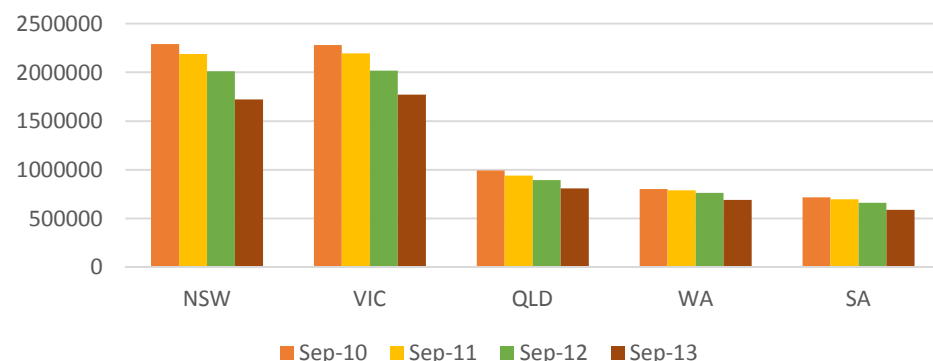


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Competition with the Applicant is limited and prevented in major Australian markets

Variations in sales volume of major newspaper titles September 2010-13



Source: Circulation data released by
Audit Bureau of Circulations

[CONFIDENTIAL TEXT DELETED –
Jeonju's sale volumes]

Source: Jeonju's export data

- The Applicant is the sole supplier in the major market
- Market decline of NSW and VIC had a much greater impact on demand for the GUC
- The “skate” system entrenches Applicant position and insulates Applicant from import competition in major markets of NSW, VIC and QLD

In [CONFIDENTIAL TEXT DELETED], any “injury” suffered by the Applicant was not caused by dumping

Better characteristics of Jeonju’s product

- Higher level of recycled content, at above 90%, as compared to the Applicant’s virgin-fibre based production
- Soft nip calender in contrast with the Applicant’s chilled calendar method
- Better print surface, thinner, and better tensile strength and water absorption

Jeonju’s product provides greater production cost savings and benefit to customers

- Greater yields
- Keyhole inserting performance
- Less wear and tear to the printing press
- Less ink and water usage
- More environmentally friendly
- Lower freight cost as compared to Australian sea and overland freight

If there was injury it was caused by other factors

Profitability decreases are due to decreased global demand

The Applicant's worsening profitability is due to global market trends from which the Australian market is not immune

- **Increased digital alternatives have decreased the demand for newsprint**
- **Price pressure from newspaper publishers has grown stronger due to deteriorating business environment**
 - **Advertising revenue is down**
 - **Most Australian newspaper publishers have incurred major losses**
 - **Australian newspaper publishers continue to restructure their businesses**
- **Australian newspaper publishers have changed their newsprint procurement model by**
 - **shortening the length of supply contracts**
 - **using multiple newsprint suppliers**
 - **demanding spot price clauses in supply contracts to allow them greater flexibility**

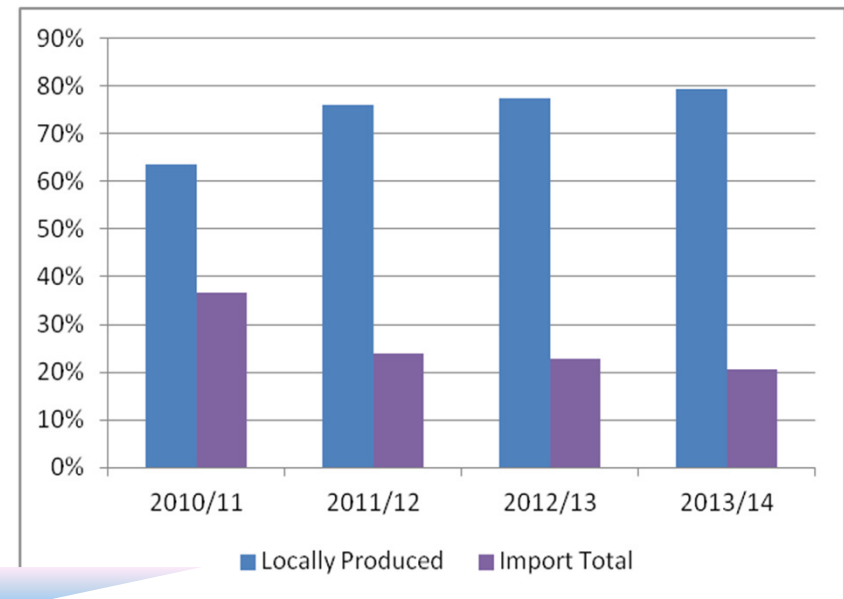
Material injury caused by dumping is not evident

Applicant's market share has increased during POI

Australian market share

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|------------------|---------|---------|---------|---------|
| Locally Produced | 63% | 76% | 77% | 79% |
| Import Total | 37% | 24% | 23% | 21% |
| Total Demand | 100% | 100% | 100% | 100% |

Source: Application and Consideration Report



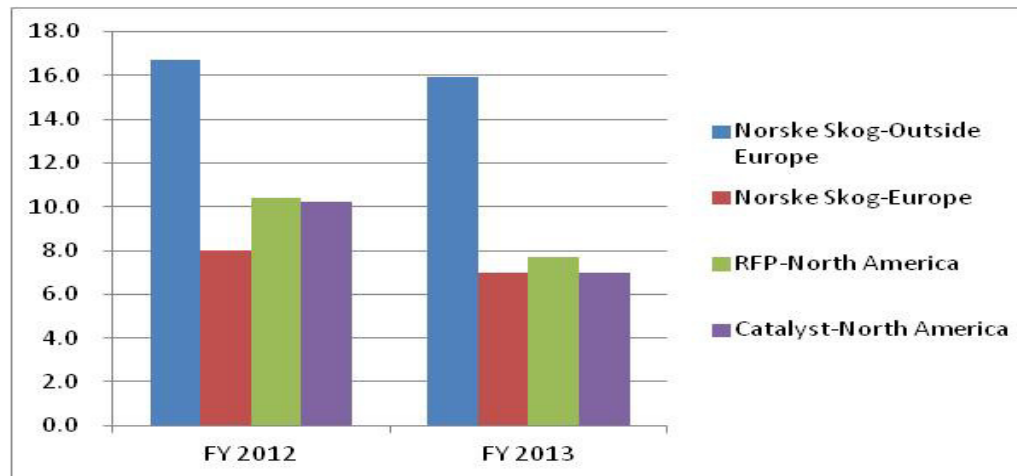
No absolute or relative increase in imports is demonstrated

- Market share of domestically produced product has increased
- Total import volume has decreased 66%

Material injury caused by dumping is not evident

High profit of Applicant due to local incumbent status

EBITDA ratio to revenue of international leading newsprint companies



- Norske Skog - Outside Europe consists of Australia, New Zealand and Thailand
- Among these three countries, the majority is Australia

Source: Annual Reports

The Applicant's excessive profit

- EBITDA ratio to revenue of Norske Skog – Outside Europe (Australia) is much higher than other areas of the Western world such as Europe and North America
- As stated in the Application, the Applicant's domestic price has increased by 1.49% as compared to 2010/11 levels

Jeonju operating at high capacity utilization with low inventory

Production capacity / Unused capacity

☞ Jeonju's utilization is over [NUMBER]%. Additional production not likely

| | 201004 ~201103 | 201104 ~201203 | 201204 ~201303 | 201304 ~201403 |
|--------------------------------|-----------------------------|-------------------|-------------------|-------------------|
| Production Capacity (MT) (a) | [CONFIDENTIAL TEXT DELETED] | | | |
| Newsprint Production (MT) (b) | | | | |
| Capacity Utilization (%) (b/a) | | | | |

Inventories

☞ Jeonju holds minimum inventories and these are consistently low

| | 201004 ~201103 | 201104 ~201203 | 201204 ~201303 | 201304 ~201403 |
|-----------------|-----------------------------|-------------------|-------------------|-------------------|
| Production(MT) | [CONFIDENTIAL TEXT DELETED] | | | |
| Inventory(MT) * | | | | |
| Ratio | | | | |

Jeonju's export price to Australian market was high, and is not “dumped”

[CONFIDENTIAL TABLE DELETED – CIF prices in other Asian markets and comments based on Jeonju market intelligence]

Australian domestic price is the highest level in the world

- **The Applicant has maintained high prices in Australia on basis of local incumbent status**
- **Jeonju's Australian sales price is [CONFIDENTIAL TEXT DELETED - degree]**
- **Jeonju's price was undumped as demonstrated by our EQ and as can be verified**
- **Jeonju's fair trading respects profitability but also responds to the tough conditions for newsprint suppliers**

Jeonju determined its Australian sales price [CONFIDENTIAL TEXT DELETED – pricing-related information]

Jeonju's Australian Sales during the POI

[CONFIDENTIAL TEXT
DELETED – breakdown of
Jeonju sales by customer]

[CONFIDENTIAL TEXT
DELETED – pricing and
time-related information]

[CONFIDENTIAL TEXT DELETED – pricing-related
information]

Jeonju's export [CONFIDENTIAL TEXT DELETED - – pricing-related information]

[CONFIDENTIAL TEXT DELETED – pricing and time-related information]

[CONFIDENTIAL TEXT DELETED – pricing-related information]

Conclusion

- 1. Most importantly, Jeonju's exportation of newsprint was not "dumped"**
- 2. The largest decreases in demand are in the largest market segments, and in these large markets Jeonju does not compete with the Applicant**
- 3. In the major market in which Jeonju did compete with the Applicant, the customer preferred Jeonju's products for reasons of product type and quality, service, delivery and production cost savings**
- 4. If true "material injury" has been suffered by the Applicant – which is not evident – then it could only be due to a number of factors not related to the exportation of Jeonju's products to Australia**
- 5. Jeonju believes in fair competition and making profit**
- 6. Jeonju has a unique ability to compete in Australian markets that are distant from the Applicant because of the cost impediments faced by the Applicant and because of Jeonju's better product and service**