PUBLIC RECORD
DATE RECEIVED: 05/07/2016

Dear George

Further to our conversation yesterday, I make the following comments:

1. (**Procedural fairness**) On page 11 of the SEF there is a frank acknowledgement that the ADC has not considered any of my client's submissions post 1 June 2016. You said that the ADC does not intend to supplement the SEF before providing a report to the relevant Minister. As you will appreciate, the inherent unfairness of the procedure adopted is that:

    a. our client's arguments as made in the submissions post 1 June 2016 have not been assessed and weighed in the currently issued SEF;
    b. our client will not know what aspects or parts of its submissions have been accepted, rejected or require further addressing; and
    c. our client will not have had the opportunity of seeing, let alone responding to adverse findings included in the report which the ADC will give to the Minister before it is published.

The concern raised by my client is even more significant because the conclusions reached in the SEF lack genuine intellectual engagement with my client's arguments and often assert conclusions as if they were facts, without referring to the evidence and without giving reasons for the conclusions reached.

2. (**Graphs and Figures**) the figures and graphs presented in the SEF are incomplete:

    a. (**Tonnage of CFG is required**) in some tables and figures (eg figures 3 and 4) it is unclear whether the data presented is in m2 or tonnes. I confirm that you said that figures 3 and 4 are presented in m2, although this is absent from the notations to those figures. You also indicated that you have the information available to present that data in tonnes. If that be the case, then that should occur. As you know, the m2 calculation may sometimes not accurately represent the amount of CFG imported because of the relationship between thickness of the CFG and m2 of CFG. We suggest that the data be presented in both m2 and tonnes so that my client is able to present relevant arguments in connection with each of the graphs utilised in the SEF.

    b. (**Inconsistent display of information**) in some graphs and tables the data is presented inclusive of Xinyi (under the heading of *Countries Not Subject to Measures*, eg figures 3, 4 and 5). Xinyi is otherwise excluded from the China bar graphs, but included in other graphs (eg table 11 and figure 12). We consider that Xinyi's share of imports should **also be** presented as part of the table and graphs relating to China. The presentation of the data in table 11 and figure 12 creates a distortion and a wrongful impression. Whilst it might be true that CFG imports from the countries subject to the inquiry are the same as they were in 2009, those graphs should also be presented excluding Xinyi. This is important because it is clear that when table 11 and figure 12 are compared with figure 5, the Chinese exporters (excluding Xinyi) and the Thai exporters volumes of CFG are negligible. It must follow that Xinyi is a very sizeable exporter and makes up the overwhelming majority of Chinese exports that are represented in table 11 and figure 12. The misrepresentation is palpable - in one part of the report Xinyi is excluded and under the other it is included. This inconsistent display of information in the import volumes part of the SEF gives an exaggerated and unrepresentative picture.

As a related matter, I have previously raised my concerns with the ADC about the presentation of its graphs. The lack of any information on the Y axis is entirely unhelpful and prevents a proper understanding of the graphs. To exemplify, in graph 13, it is hard to know if the gap/divergence between the lines is 1% or 20%.

3. (**Country Data Separation**) the data in the SEF must be separated for each country. Only then can a proper assessment be made. This is especially significant in terms of figure 13. The FOB price should be segregated so as to represent each of the relevant countries. The grouping exercise you have undertaken for *FOB Prices Goods Subject to Measures* is unreasonable in the extreme. My client requires, indeed insists, that that particular graph be redrawn so as to show Thailand's FOB prices separate to the other countries. This should be done as matter of fairness and transparency given the speculative conclusion at the foot of page 44 of the SEF.

4. (**Viridian imports**) I am instructed that Viridian does import CFG or purchases imported CFG. In the SEF, it is said that *Viridian does not supplement its sales with imports*. At page 12 of the Viridian verification report at page 12 it is said at 5.2.2. "***Import Trends** Since the imposition of measures on 17 October 2011, Viridian has imported CFG in 2011 and 12; however the volume imported are* (sic) *less than 0.1% of total imports respectively*." You confirmed that what was meant by that statement is that Viridian did import product in the 2013, 2014 and 2015 years, but that these constituted 0.1% of total imports. Whilst I must take you at your word, I am finding it difficult to understand your use of the word *respectively* at the end of the sentence. I presumed that the word respectively operated on your earlier reference to the 2011 and 2012 years - for that is the only natural reading.

   In any case, I am instructed that Viridian relies on a significant amount of imported product per year. This is corroborated by a report published by CSR Limited on 11 March 2013 (**attached**), wherein it was said that, following the close of Viridian's Ingleburn facility, Viridian would supplement its supply by "*imported supply from strategic partners*". I would encourage the ADC to re-check it facts; consider and respond to my client's letter (EPR 15) and determine whether Viridian, even if it is not recorded as the direct importer on the DIBP databases, is purchasing CFG from Xinyi, its local representative or some other undisclosed strategic partner.

5. (**Viridian price premium**) the SEF acknowledges at 5.3.1 and 8.4.2.1 that Viridian is able to command a local price premium for local supply. The SEF records that "*[t]he Commission has been unable to quantify a premium in the current inquiry*", but does not explain why the Commission was unable to do so. Our client's view is that Viridian's local price premium is in the range of 10-15%, being the difference between Viridian's prices and that of the highest priced exporter. As you will appreciate, the price premium has an important bearing on your undercutting and injury analysis: see WTO Panel Report: *European Communities - Anti-Dumping Measure on Farmed Salmon from Norway* at page 273 paragraph 7.639:

   > "*7.639 Where, as here, the investigating authority has found that the domestic product benefits from price premium over the imports, it seems to us that a conclusion of **significant** price undercutting could not be reached by an objective investigating authority without some consideration of that price premium.*"

6. (**Irrelevancies**) the countries that form part of this inquiry are China, Indonesia and Thailand. The reference on page 44 to the competitiveness of countries not subject to measures being reduced unless the measures are continued is entirely irrelevant.

7. (**Price undercutting errors**) our client did not export [redacted]mm CFG in the inquiry period. Curiously, at page 43 of the SEF, the ADC claims that 10mm prices were undercut by one exporter in Q1 and Q4 and were undercut by **<u>all exporters</u>** subject to measures in Q2 and Q3. A more ambivalent statement is recorded for 12mm on the same page. Specificity and accuracy are the hallmarks of proper inquiry. These errors may be feeding into segments of the SEF, which seems to have been rushed to meet a deadline. This reinforces point 1 above.

8. Commercial in Confidence [redacted]

9. (**Viridian Internal Pricing**) the Viridian verification report refers, at part 3.3, to an assessment of the pricing for internal sales against external sales and says they are "*comparable*". I understood

you to say that the word conveyed *market rate* pricing. If such internal prices were lower than the external prices (on average, comparing the 8 largest-volume external customers to the 8 largest-volume internal "customers"), why should that not be made explicit. It is clear that Viridian's internal prices are lower than its external prices. This should be made express. It is important because the issue of competition by Viridian with its own external customers has been a longstanding issue. I again attach Mr Moeller's presentation to AGGA** where these issues, indeed acknowledged deficiencies, were singled out by its management as matters which needed correction.

**(see slides 16 and 18 about ending the upstream/downstream model)

Regards

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Restructure of Viridian glass operations and trading update

CSR Limited (CSR) announced today a restructure of Viridian's glass operations and provided a trading update for the year ending 31 March 2013.

Restructure of Viridian

CSR's review of Viridian has concluded that, during the last few years, a sustained structural shift has occurred in the market for architectural glass products including:

- a persistently high Australian dollar that has put downward pressure on pricing, and has enabled alternative import supply chains to be established which are now expected to become a permanent feature of the glass market in the future;
- weaker residential and commercial construction markets are both at cyclical lows and are forecast to recover at a slower rate than previously anticipated;
- a significant increase in (downstream) processing glass capacity during a period of weak demand has adversely impacted the profitability and profit potential of the industry; and
- increasing energy and manufacturing costs in Australia have exacerbated Viridian's competitive position relative to imports.

"CSR is implementing a major restructure of its Viridian glass operations to reflect the reality of the market, improve the short-term performance of the business and position Viridian to compete successfully in the future," said CSR Managing Director Rob Sindel.

As part of the roll-out of the restructuring program, there are three changes to Viridian's operations being announced today:

- The float and laminating glass manufacturing facility at Ingleburn in New South Wales will be closed in July 2013. The majority of volume previously supplied from Ingleburn will be supplied by Viridian's Dandenong facility in Victoria and supplemented by imported supply from strategic partners.
- The glass processing facility at Wetherill Park in New South Wales will be consolidated into the nearby Erskine Park facility by January 2014.
- Viridian's overhead costs will be reduced to reflect the smaller operating footprint.

CSR estimates the costs of redundancies, site relocation and site remediation costs will be approximately $34 million, the majority of which will be incurred in the financial year ending 31 March 2014. It is estimated that headcount reductions will be in the order of 150 which, when combined with site consolidation benefits, will deliver an annualised EBIT improvement of $27 million. Due to the extended time required to implement the restructuring program, it is expected that the full benefit of these initiatives will not be realised until the financial year ending 31 March 2015. CSR will be working with affected employees to provide redeployment opportunities within the company where possible.

Further details of the restructuring program will be announced when CSR presents its results for the year ending 31 March 2013. A review of the carrying value of the Viridian assets, including any resulting non-cash impairment, will be conducted as part of the financial year-end review process.

Viridian maintaining its leading market position

Once the facility closures are implemented, Viridian will have significantly reduced its cost of operations, while remaining the only fully integrated architectural glass processor in Australia. This will comprise the production of float glass at Dandenong and an extensive network of glass processing facilities located across Australia and New Zealand.

The Dandenong facility completed a major upgrade in 2008 and is a world class site with a market leading position providing enhanced customer service through specialised products, shorter lead times relative to imports and extensive product warranties which it can support as the only float glass manufacturer in the region. Viridian maintains its national footprint through an extensive distribution network which includes the unique Floatliner distribution system used throughout the east coast of Australia and recently extended to Western Australia. This system provides greater efficiency and improved customer service to its downstream customers and is a key point of differentiation in the market.

"Viridian remains a core part of CSR's portfolio as it provides greater exposure to the commercial and multi-residential construction sectors and is aligned with many of CSR's other products which enhance energy efficiency in homes and buildings" Mr Sindel said.

CSR trading update

While the Australian construction market has been difficult for some time, the outlook for residential construction appears to be improving modestly – particularly in New South Wales, Western Australia and Queensland. The rolling 12 month total of building approvals has increased steadily over the last six months to January 2013.

CSR's Building Products' businesses continue to perform well in a challenging market. Earnings before interest and tax (EBIT) for Building Products are expected to be in the range of $75 to $78 million for the year ending 31 March 2013.

The structural changes in the architectural glass market noted earlier combined with the ongoing downturn in construction activity has had a more pronounced impact on Viridian which has led to an acceleration of operating losses since CSR's half year results announcement in November 2012. CSR now anticipates Viridian's loss before interest and tax (pre-significant items and restructuring costs) will be in the range of $37 to $39 million.

In Aluminium, prices have recovered by around 15% from the low of A$1,750 per tonne in August 2012, having recently stabilised at around the A$2,000 per tonne level. Ingot premiums have remained high and, for the current quarter, premiums were in excess of US$240 per tonne and appear likely to remain at or near these levels in the short to medium term. Hedging undertaken in the last two months combined with these relatively high ingot premiums has significantly improved the earnings in Aluminium for the second half (relative to first half) of this financial year. As a result, EBIT for Aluminium is expected to be in the range of $50 to $52 million.

As always, Property earnings are subject to the timing of completion of transactions. While there are two transactions nearing conclusion (EBIT impact of $6m), it is increasingly likely that these will be completed in the early part of the next financial year. Therefore, EBIT from Property is likely to be negligible for the current financial year. CSR's medium term property pipeline remains robust with strong interest in the first stage of the Chirnside Park residential development in Melbourne which will benefit earnings in future years.

Group outlook

Due to the recent deterioration in performance of Viridian and the timing of Property sales, CSR now expects net profit after tax (pre-significant items and Viridian restructuring costs) for the 12 months ended 31 March 2013 to be in the range of $30 to $34 million.

11 March 2013

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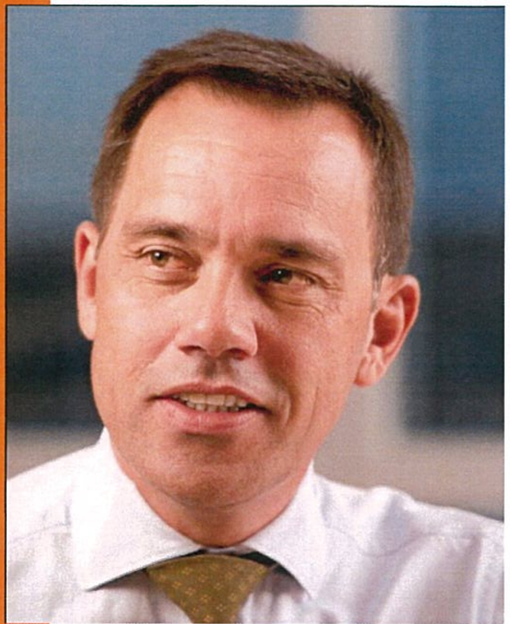
PETER MOELLER

EXECUTIVE GENERAL MANAGER, VIRIDIAN



THE AUSTRALIAN GLASS MARKET &
THE VIRIDIAN STRATEGY

GLASS AUSTRALIA 13
AGGA NATIONAL CONFERENCE
SUNSHINE COAST, 19 - 21 SEPTEMBER

GLASS & GLAZING ASSOCIATION AGGA OF AUSTRALIA

2013 AGGA National Conference
Friday 20 September
Presentation by
Peter Moeller

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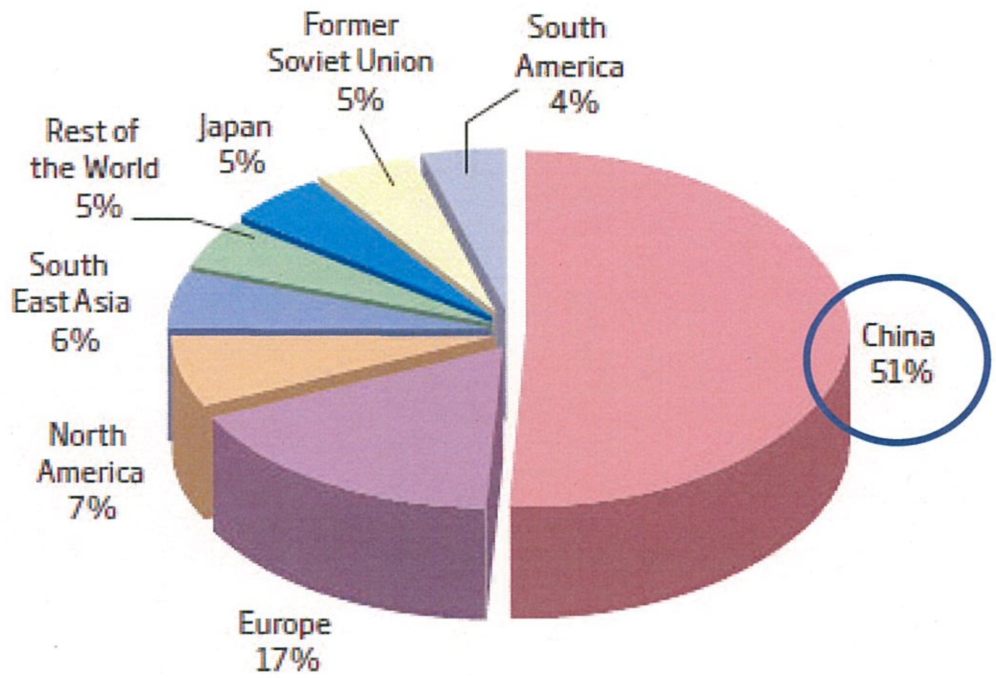
Global Glass Demand

- ~52Mtonnes (2010)
- ~380 float plants worldwide
- 6-7% growth pa to 2016
- Reaching ~9.0 billion m2.

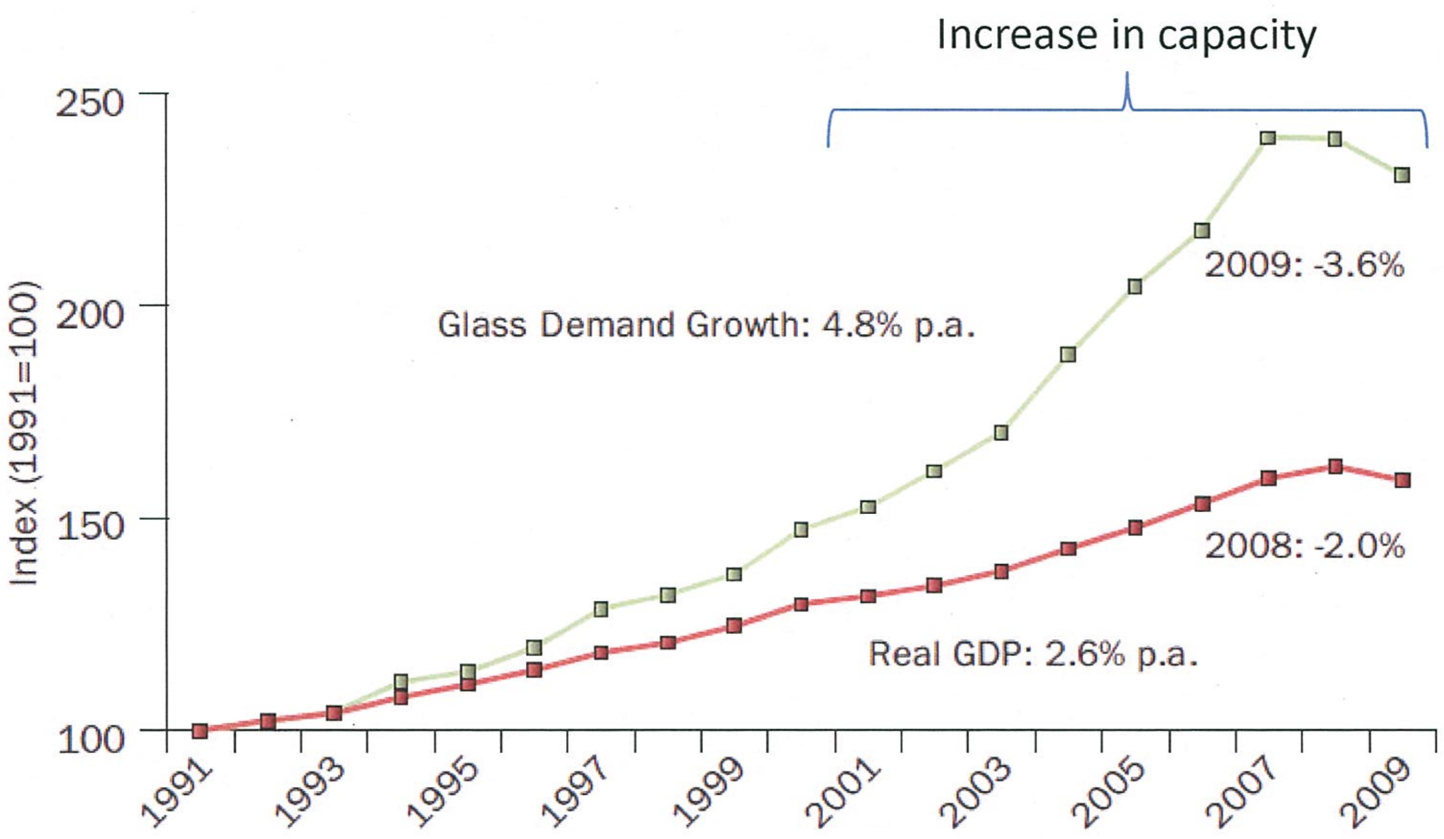


Source: 2011 NSG Pilkington Industry Report

World Glass Trends

- Global overcapacity
- Capacity shift from mature to emerging markets
- Barriers to entry decreasing
- Proliferation of value added products
- Commoditization
- Globalization

World GDP & Glass growth



Source: 2010 NSG Pilkington Industry Report

Glass consumption (kg per capita)

World:
7.5 kg/capita

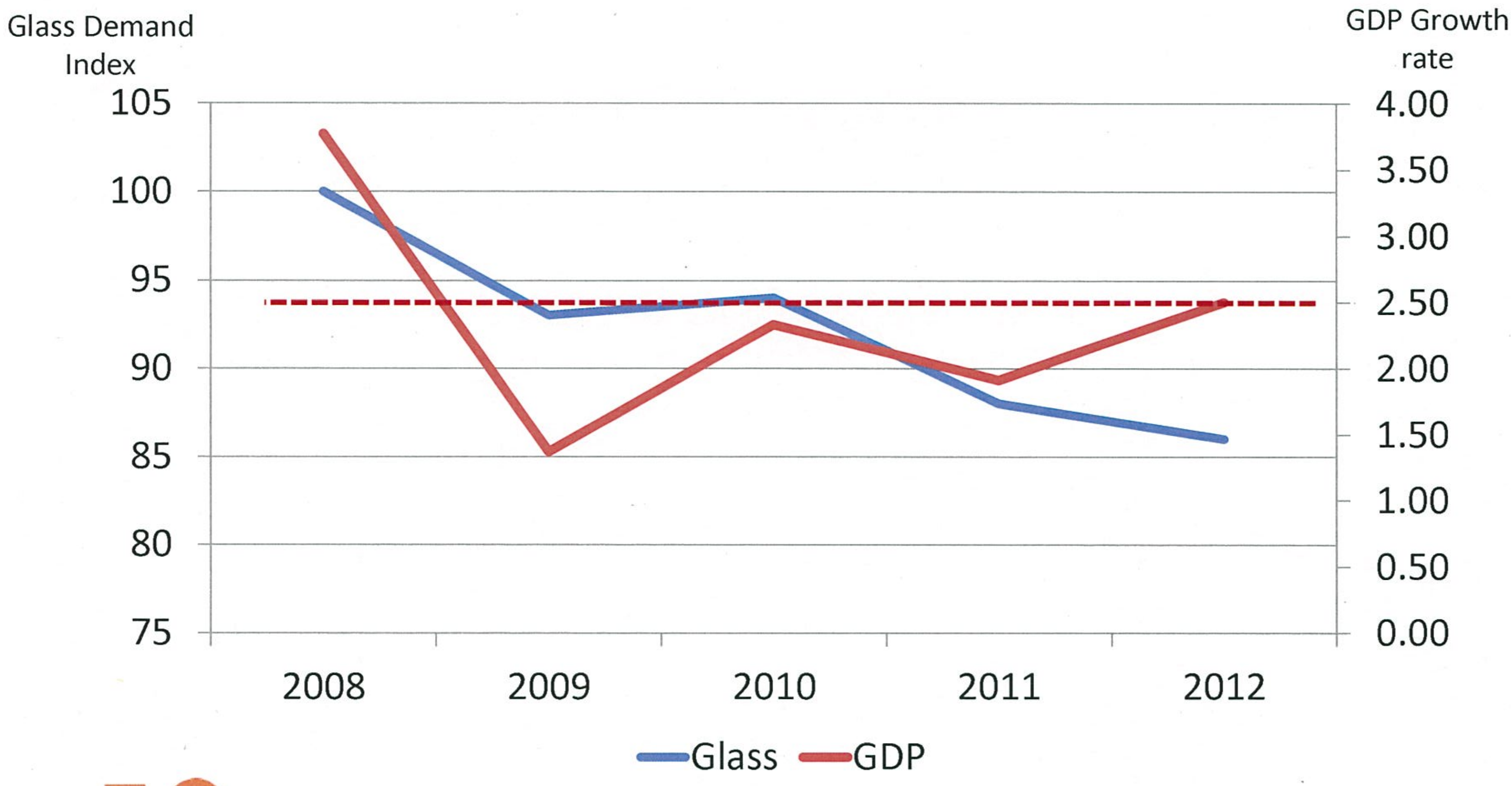
Source: 2010 NSG Pilkington Industry Report

Australian Glass Demand

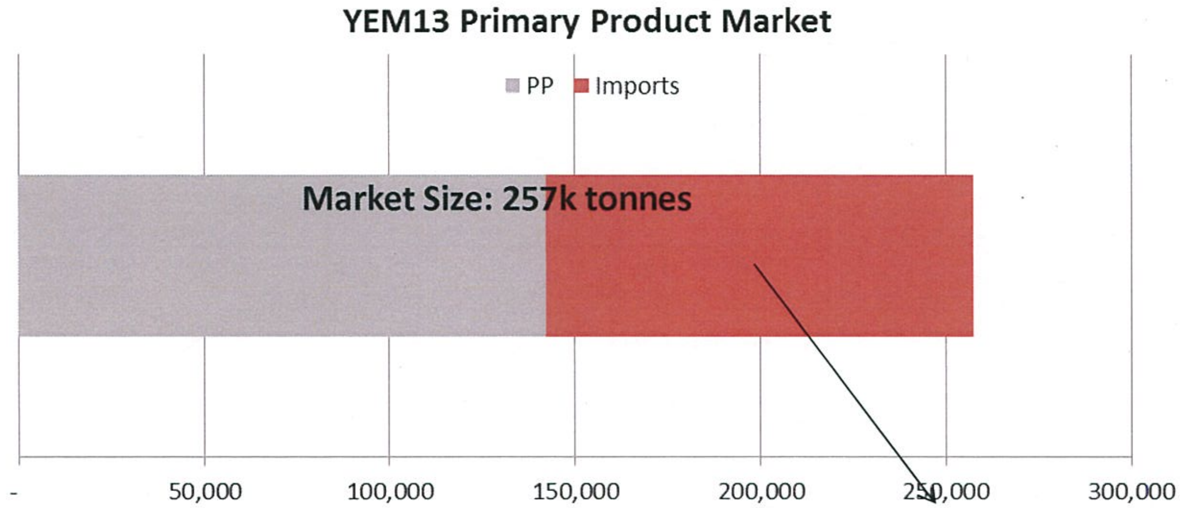
- Relatively strong economy
- Low unemployment rate
- High average salaries
- Population growth (high immigration)
- Record low interest rates

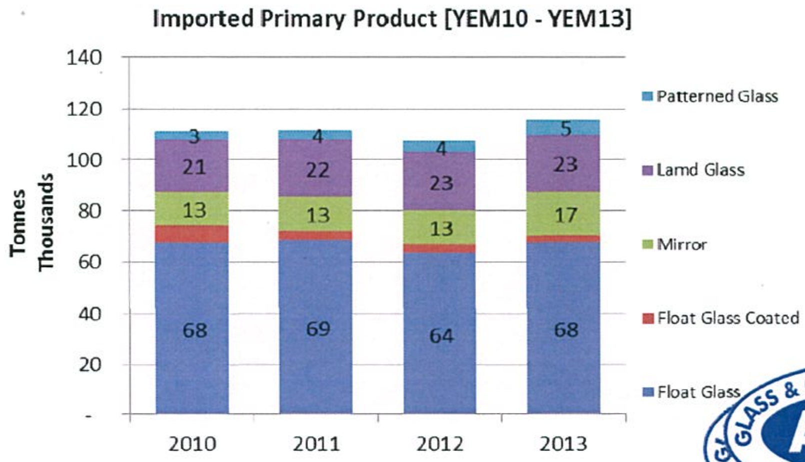
➢ Not translated into domestic glass demand...?

Australian glass demand vs GDP



Primary Product Glass Market





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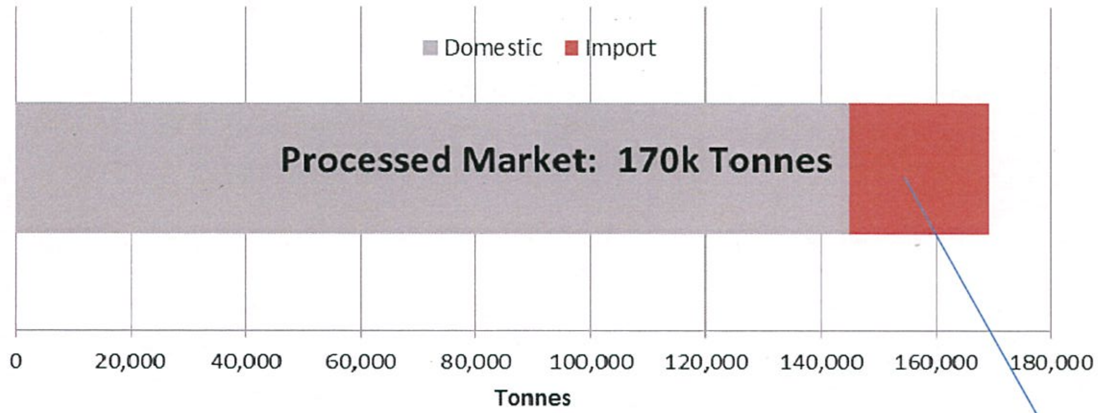
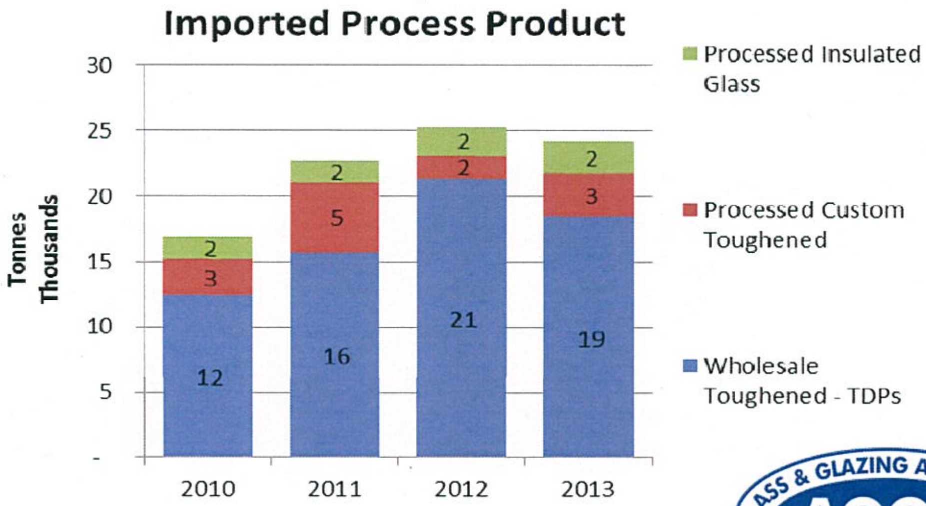
Processed glass market





+ imported windows and doors estimated at 10000 tons of glass

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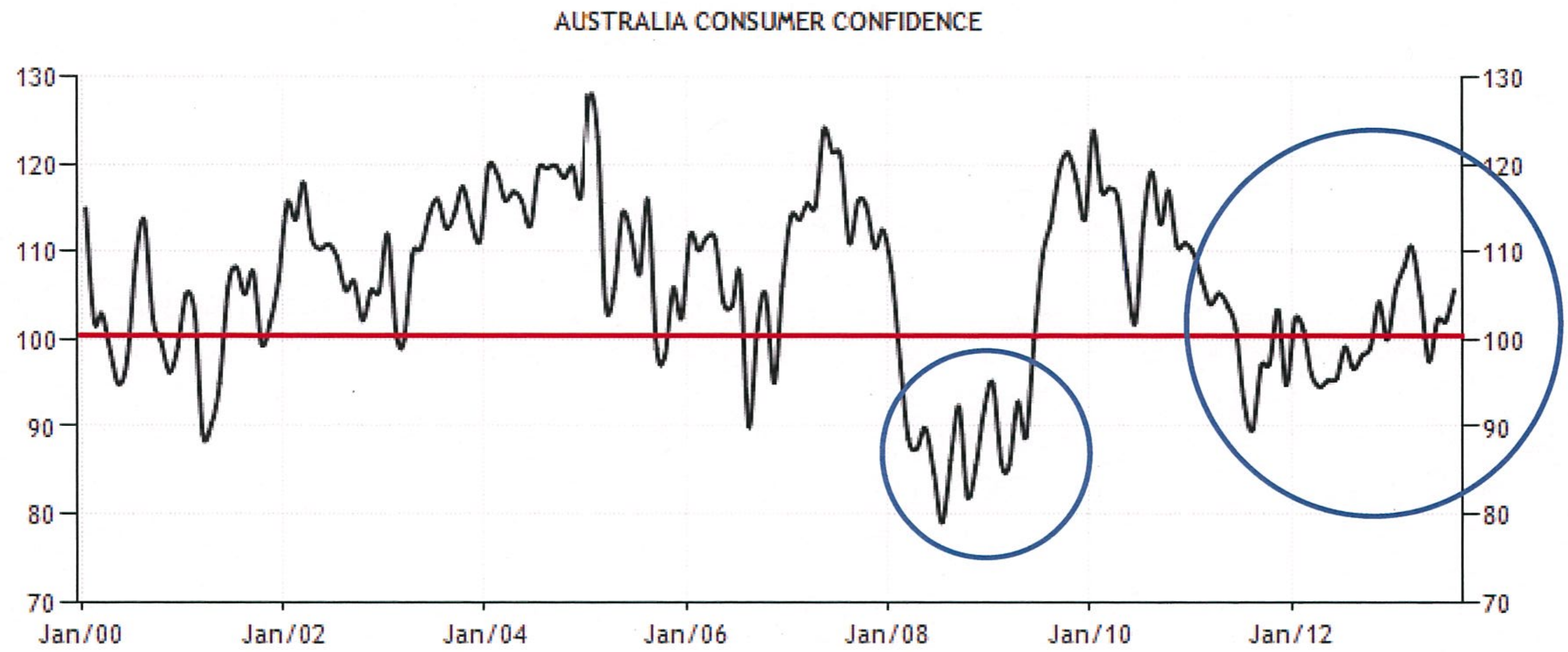
Source: ABS Imports Statistics & CSR Analysts

Australian Building Regulations

Australian Consumer Confidence



Demographic changes

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Conclusions

Necessary Adaptions

- Reduce our costs
- Reduce our foot print and capacity
- Refocus our business around:
  - Value creation (product & services)
  - Customer expectations

Strategic Choices

- Why not just retain the float line with no downstream?
- Why not just retain downstream with no float line?
- Why retain both?

Strategic Choices – why both?

- We want to be perceived as the market leader:
  - We need to drive the market
  - Be the benchmark in terms of innovation, development of services and solutions which will help protect the longevity of the industry
  - Having both actually acts as a stabilising factor

Strategic Direction

- Ending the division of up and down stream
- Going to market with ONE product range
- Organising our business around segments
- Seeking customer partnerships
- Australia focused innovation & production

Change of strategy and structure

From

- Volume focused
- Geographically organised
- Split between up and down stream (channel conflict)

To

- Product/customer focus
- Segment based
- One business, 3 divisions

Capitalise on some clear strategic advantages:

- Local float manufacture (lead time, availability of stock, working capital benefit)
- Float liner distribution (cost effective & safe)
- Investments done in automation

Change of strategy and structure

BU1
Volume Fabricators
Cost leadership

Customer needs:
- High product quality
- Service reliability
- Supply chain excellence
- Short lead time

BU 2
Merchandising & Distribution
Differentiation

Customer needs:
- Stock availability
- Flexibility and convenience
- Product range

BU 3
Processing & Services
Specialisation, Regional Intimacy

Customer needs:
- High level of glass knowledge
- Full service and solutions provider
- Proximity

Change of strategy and structure

Cost reduction & rightsizing

- Site closures
- Site re-organization & right sizing
- Fixed cost reduction

Re-organisation and strategy execution

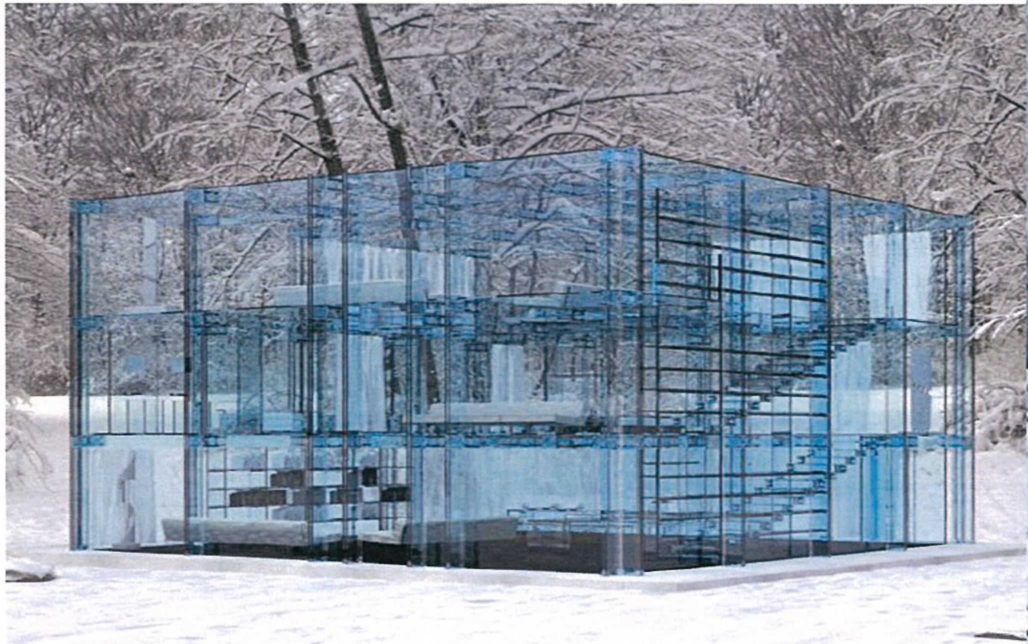
- One business,
- 3 arms to the market

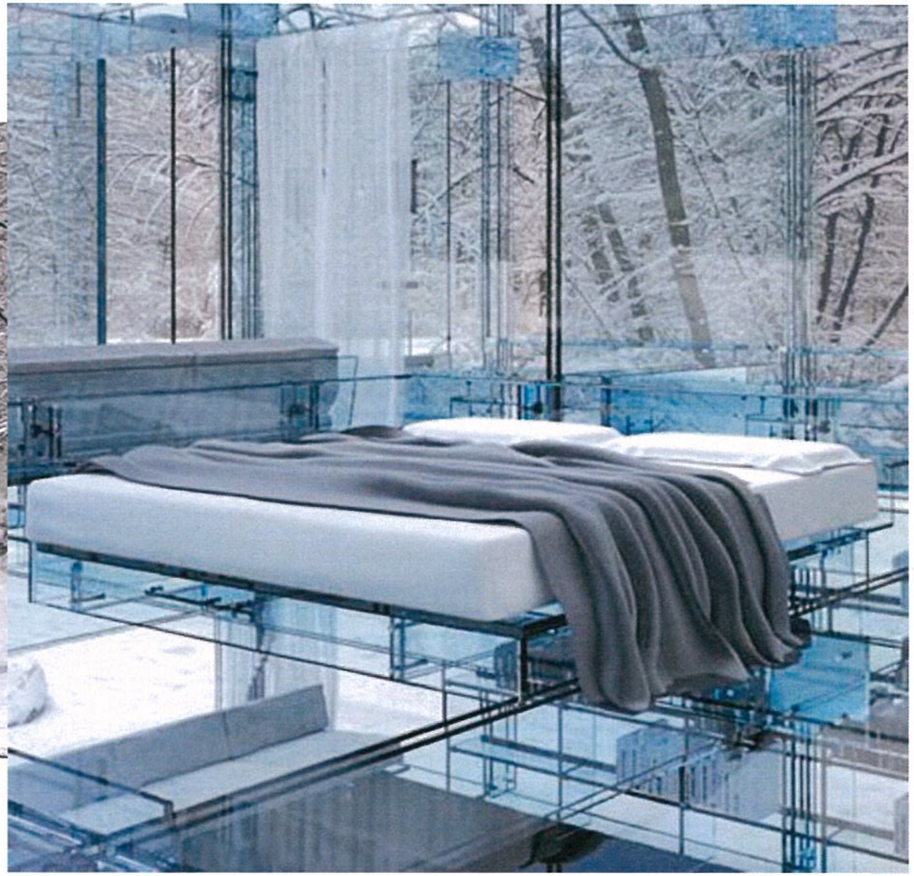
Strategy anchoring and growth

- Strategic supply agreement
- Segment leadership
- Product leadership

YEM 14 — YEM 15 — YEM 16 →

The Future is Glass





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