

Commerce Commission New Zealand

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Market Study into the Retail Fuel Sector:  
Invitation to comment on

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**“Working paper on assessing profitability”.**

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## **Disclaimer Statement:**

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This is policy analysis by a financial analyst. It draws together conventional methodologies commonly applied in the investment and securities markets research and the author's experience and judgement. Many of the measures are also used for regulatory purposes.

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## **1 Introduction**

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The Commerce Commission invited comment on a proposed market study into the retail fuel market to consider whether competition is promoting benefits to consumers over the long-term.

I offer comments on the Commission's working paper. They should be read in conjunction with my prior submission titled, "Trend in Profits".<sup>1</sup>

## **2 Independence**

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This submission on Retail Fuel Sector has been prepared independent of any interested party.

I have had three decades of experience in the application of the "economic model" of business and the assessment of financial performance. In observing how the original "2017 Fuels Study"<sup>2</sup> has evolved, now being reconstituted in the form of a "Retail Fuels Market Study"<sup>3</sup>, I offer comments which may assist the Commission.

## **3 Comments**

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3.1 The Commission's proposed approach to assessing the profitability of firms participating in retail fuel markets states that:

"Profitability means the size of firms' profits relative to the size of their businesses. For example, the amount of profit relative to the amount of fuel sold, or to the amount of investment that has been made in the business".<sup>4</sup>

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<sup>1</sup> [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0015/127302/Ireland,-Wallace-and-Associates-Submission-on-preliminary-issues-paper-21-February-2019.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0015/127302/Ireland,-Wallace-and-Associates-Submission-on-preliminary-issues-paper-21-February-2019.pdf)

<sup>3</sup> Commerce Commission, "Market study into the retail fuel sector, Invitation to comment on preliminary issues", 31 January 2019.

<sup>4</sup> Para 1. P3.

And, in the Executive Summary the Commission proposes a range of measures including:

- a. margins; [**Margins**]
- b. return on capital employed; [**ROCE**]
- c. expectations of returns on new investment; and
- d. cash-flow based techniques such as internal rates of return.” [**IRR**]

I note, despite the purpose expressed in the first paragraph, all the profitability measures are returns and not money sums. Significantly, EVA®<sup>5</sup> is both a return and quantitative measure. By expressing profitability in money terms, it becomes “additive” and enhances any analysis. The EVA toolkit addresses the purpose perfectly.<sup>6</sup>

3.2 The Commission rejected EVA (or Economic Profit) generally as a profitability measure, although in responding to my submission recognised ROCE less WACC accounts for risk, that ROCE used in the fuel industry is comparable, that cumulative excess returns maybe insightful over the long term. However, EVA reliance on historic values, specifically for fixed assets is “... a fundamental weakness ...” as it does not consider the current level of profitability and cost of acquiring assets to enter the retail fuel market or expansion by incumbents.<sup>7</sup>

3.3 My proposed profitability metrics are acknowledged as superior to the Commission’s proposal. Margins are an “... incomplete measure ...”<sup>8</sup> while other Commission metrics are absent a transparent coherent framework.

### **Economic Profit Margin** [Economic Profit divided by Sales]

It is the comprehensive and real margin of the business, net of all operating and capital costs ... the “Gross Margin”, popular in the fuels industry is a subset.

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<sup>5</sup> EVA® is a registered service mark of EVA Dimensions LLC in the fields of corporate management software, financial data and rankings, valuation modelling, and investment management and research and of Stern Stewart & Co. in financial and incentive consulting. EVA Dimensions was acquired by Institutional Shareholder Services in 2018.

<sup>6</sup> <https://www.issgovernance.com/file/products/eva-measurement-formula.pdf>

<sup>7</sup> Para. 85

<sup>8</sup> Para. 68

**Return on Operating Capital** [NOPAT divided by Operating Capital];

The Commission does not define NOPAT or Capital. I am not sure whether we are on the same page. Detail matters to the Fuel Majors and other parties.

**Economic Profit**, [NOPAT less a Capital Charge,]

The Commission's ROCE is not explicitly matched against cost of capital (or a capital charge). The Commission defines a "normal profit" as equivalent to the capital charge. Why not then, accept my Economic Profit measure?

3.4 Definition of the metrics is important. The "Step 3" in my February submission explains why. It is essential to cleanse the accounting information to better reflect cash flows and investment. Historic accounts cannot be taken at face value. As an example, ExxonMobil New Zealand in a reorganisation of its interests by acquisition at "market value" created a "a Common Control Reserve". It recorded this as a negative reserve of \$272.735m in 2006<sup>9</sup>.

3.5 The four essential definitions are:

**NOPAT** is Net operating profits after tax (assuming an all equity balance sheet);

**Operating Capital** is Total operating assets less current non-interest-bearing liabilities;

**Cost of Capital** (WACC) is the opportunity cost of debt and equity providers and equates to a normal return NOPAT/Capital or a capital charge, and

**EVA** (Economic Profit) is NOPAT less a capital charge.

The worked example of BP New Zealand from page 10 sets out application of these definitions: accounting information Exhibits A1 to A4 and economic information in Exhibits E1 to E25.

3.5 How do my suggestions compare to and complement the Commission's proposed measures?

The Commission states that **Margins** as a percentage is "incomplete", because the Gross Margin does not include all costs such as the opportunity costs. I proposed the *complete*

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<sup>9</sup> Annual Report 2007, ExxonMobil New Zealand Holdings, an unlimited liability company in New Zealand, p 25.

margin being EVA divided by sales. This metric allows costs, volumes, etc. to be scaled to sales as is demonstrated in the BP New Zealand worked example. The Commission did not recognise this the Economic Profit Margin metric in its working paper.

**ROCE** is the return on operating capital, NOPAT divided by Capital. No problem here, except the Commission has not defined the terms. The BP worked example defines NOPAT [E3 and E5] and Capital [E7 and E9 on pages 13 to 15.] relevant to it.

**Returns on new investment** can be assessed by incremental analysis by analysing changes in EVA relative to the change in capital or other variables. Historic costs, in this context are sunk costs and therefore irrelevant. Incremental analysis is an essential tool for the Fuel Majors to identify the relationship between strategies and policies that affect productivity and growth. Rewards for innovation and creating or meeting consumer demands are part of the process of competition. I note that Z Energy, since 2014 has documented these value creating initiatives. EVA can measure investment and change in value at the margin. The 2019 Annual Report updates the figures and narrative. The Commission listed reasons why profits may be above a normal profit.<sup>10</sup> Specifically, it acknowledged that both Z and BP and their strategies in their high-value product offerings attracting more customers.<sup>11</sup> EVA can and should be isolated in the Commission's market study to categorise excess return components..

**IRR of future expected cash flows** is compatible with the economic model as the relevant cash flow for discounting are Free Cash Flows, defined as NOPAT less Investment (the change in capital). Both FCF and IRR in themselves are inferior measures as they don't measure (and provide information) of the year by year value created (or return). EVA does. However, in assessing the value of business/strategies/plans using either FCF or EVA approaches, correctly applied, result in the same valuation. FCF and EVA valuation approaches are different lenses on the DCF valuation methodology.

#### 4. **BP New Zealand Holdings: a worked example**

The table, *Excess Returns, Profits and Margins*<sup>12</sup> summarised the initial results for each of the three Fuel Majors based on publicly available information. I have now selected BP

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<sup>10</sup> Para. 36-41

<sup>11</sup> Para. 38.1

<sup>12</sup> 21 February Submission, p8

New Zealand Holdings to demonstrate translating accounting information into an economic framework and related outputs. The definitions covered in 3.5 above are transparent in the Exhibits beginning from page 10. There are a small number of adjustments made to accounting statements to better reflect “cash flows and investment”.

The BP New Zealand group accounting data includes the business of interest, “Retail Fuel”, and residual unrelated activities, such as non-operating assets or businesses. The task for the Commission is bifurcate the business for profitability purposes. The two parts add to the whole accounts and business. The process of double entry booking matters in the notional separation to ensure integrity of the analysis. The Commission’s analysis should always link and reconcile with the published accounts. Fuel Majors would expect that as their accounts anchor any reasonable profitability analysis.

#### 4.1 **EVA Margin Analysis:** E24

EVA, operating expenses, margins and asset capital charges are scaled to sales. Specific definition of “Gross Margin” favoured by the industry and the Commission can be readily incorporated into the analysis.

The subset “Plant Management Analysis” (shaded) provides data to test whether for instance “front loading” of depreciation has occurred or, whether the PP&E is disproportionate to sales and assets overtime. If the Commission is proposing ad hoc revaluations of PP&E for whatever reason, the trends over time may provide evidence for this consideration. Benchmarking among the Fuel Majors is another approach.

#### 4.2 **Incremental Investment Analysis:** E25

The BP New Zealand Economic Profit (EVA) Margin is analysed to identify two sources underlying it:

Productivity measured by the change in EVA, or margin expansion, and

Profitable growth measured by the changes in sales.

The result is the “EVA Momentum”<sup>13</sup>, the change in EVA/prior year sales. The momentum rate of 2% is split 1.2% for margin expansion and 0.8% increase in sales. For illustration

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<sup>13</sup> G Bennett Stewart coined this term. See his book: “Best-Practice EVA”, John Wiley & Sons, 2013.

purposes it covers one year. The spread of years can be any number to match specific investment and future results.

Similarly, Incremental analysis can be applied to EVA and capital.

5. The Commission proposes to consider “forward-looking profitability”<sup>14</sup> and the expectation that profitability will trend towards normal levels.

5.1 The EVA framework links the past to the future through NOPAT, Free Cash Flow, Operating Capital, Cost of Capital and EVA.

The backward-looking application in the BP example equally applies for the future. The same framework can be used for assessing new entrants or expanding an existing one.

A business case definition for a New Entrant should include, as well as expected NOPAT and Asset base, the cost of acquiring customers and adjustment for the expected time to reach profitability.

5.2 Z Energy has validated this approach in its “Fair Value” accounting application with assumptions and conclusions disclosed in the 2019 Annual Report.<sup>15</sup> The Z Energy 20-year DCF financial model should provide a management view of the future Z Energy (and the Retail Fuel component) business and lifecycle and hence, profitability. To quote from note 12:

**“Chevron acquisition goodwill**

The recoverable amount of the cash generating unit (‘CGU’) containing the goodwill has been calculated based on the present value of future cash flows expected to be derived from the CGU (value in use). The assumptions used included a Z Board approved 20-year Discounted Cash Flow (‘DCF’) with a post-tax discount rate of 9% and a terminal value growth rate of -2%. A 20-year DCF has been used instead of a 5-year DCF due to the industry life-cycle. The recoverable amount of the CGU was estimated to be higher than its carrying amount and no impairment was required. Management considers that no reasonably possible change in assumptions would cause the carrying amount to exceed the recoverable amount.”

Access to this model would inform the Commission about sustainability of the Retail Fuel business as measured by profitability. The Commission could rerun the data with an EVA lens to reveal the size and trend in annual economic returns and the proportionate value

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<sup>14</sup> Para. 41.3

<sup>15</sup> Note 12. Intangible Assets, p 81

assumed for the terminal value. Also, a similar set of reports as produced for BP New Zealand but this time for the expected future.

Another view of future expected profitability can be derived from investment analysts' research and expectations. Also, the unbiased implied performance can be inferred from the capital markets as reflected in the current share price. What future EVA growth does the market expect to equate with today's share price?

Not wanting to pick on Z Energy, however, it is the only Fuel Major directly listed on the local market. By default, it is the "market" face for the Retail Fuel market. Fortunately, Z Energy is a leader in scope and quality information disclosure to shareholders.

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# Exhibits

## BP New Zealand Holdings - a demonstration

### Accounting

A1:

Income Statement											BP New Zealand Holdings	
History 2007 to 2018											A1	
Ireland, Wallace & Associates											due in May	
	\$m											
	December											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sale of Goods	3,004,710	3,621,443	2,869,894	3,155,488	3,478,246	3,564,271	3,268,681	3,269,671	2,748,943	2,691,002	3,158,826	
Other Income	5,512	4,243	4,018	5,043	6,431	7,757	26,695	7,841	15,710	8,499	18,046	
Cost of Sales	2,592,846	3,126,512	2,466,236	2,678,692	2,943,385	3,097,719	2,785,260	2,851,104	2,184,409	2,033,639	2,382,908	
Employee Benefits	77,353	77,824	74,476	67,918	73,799	77,154	77,850	79,877	88,775	92,656	94,115	
Environment Costs	0	0	0	0	0	0	0	0	18,157	29,902	58,254	
Freight Costs	0	0	0	0	0	0	0	0	171,099	149,018	106,190	
Repairs & Maintenance	0	0	0	0	0	0	0	0	28,499	26,494	26,828	
Advertising	0	0	0	0	0	0	0	0	6,112	5,684	6,897	
Legal Costs	0	0	0	0	0	0	0	0	1,847	1,388	1,101	
Travel Expenses	0	0	0	0	0	0	0	0	1,843	1,701	2,054	
Bad & Doubtful Debts	(23)	1,045	440	356	89	479	171	420	247	271	17	
Brand & Franchise Costs	0	0	0	0	0	0	0	0	5,669	6,976	5,603	
Fees & Commissions	0	0	0	0	0	0	0	0	13,687	15,327	19,911	
Materials	0	0	0	0	0	0	0	0	5,538	5,805	5,423	
Utilities	0	0	0	0	0	0	0	0	8,860	10,737	9,421	
Other Expenses	222,197	259,706	189,297	231,276	256,838	232,513	232,330	242,569	19,053	30,782	85,778	
<b>Gross Profit</b>	<b>117,849</b>	<b>160,599</b>	<b>143,463</b>	<b>182,289</b>	<b>210,566</b>	<b>164,163</b>	<b>199,765</b>	<b>103,542</b>	<b>210,858</b>	<b>289,121</b>	<b>372,372</b>	
Cost Recoveries	0	(2,559)	(3,237)	(3,752)	(7,701)	(7,872)	(8,182)	(7,802)	(5,864)	(6,121)	(5,379)	
FX (gains)	(7,460)	34,694	(41,806)	(27,113)	(267)	(5,250)	1,473	14,462	21,237	(796)	4,599	
Asset Sales (gains)	0	0	0	0	0	0	0	0	(2,350)	(4,233)	(15,477)	
Net Lease Costs	13,042	13,578	16,370	13,511	13,043	11,822	31,084	13,025	14,358	12,687	12,566	
Depreciation	29,169	29,367	29,430	31,685	27,403	25,059	23,196	30,502	31,212	33,447	32,145	
Amortisation	973	1,954	2,987	2,688	1,760	110	185	1,061	1,096	30,102	1,858	
<b>Net Operating Profit</b>	<b>82,125</b>	<b>83,565</b>	<b>139,719</b>	<b>165,270</b>	<b>176,328</b>	<b>140,294</b>	<b>152,009</b>	<b>52,294</b>	<b>151,169</b>	<b>224,035</b>	<b>342,060</b>	
Financing Expenses	49,626	55,357	41,143	31,729	30,737	25,607	30,733	32,459	32,062	31,244	29,433	
Interest Income	960	1,530	5,100	7,856	7,447	2,587	3,966	5,244	8,926	4,674	8,147	
Dividends	0	0	0	7	7	7	7	0	0	0	0	
PP&E Impairments/Gains on Sale	(2,901)	(1,358)	932	843	155	999	(2,153)	701	(619)	(690)	(5,185)	
<b>Income Before Taxes</b>	<b>30,558</b>	<b>28,380</b>	<b>104,608</b>	<b>142,247</b>	<b>153,200</b>	<b>118,280</b>	<b>123,096</b>	<b>25,780</b>	<b>127,414</b>	<b>196,775</b>	<b>315,589</b>	
Current Tax	11,871	3,653	33,454	43,609	43,974	35,200	31,453	13,418	36,989	68,376	87,267	
Deferred Tax/Adjustments	1,550	801	(405)	6,116	(3,224)	(1,296)	(2,786)	(7,671)	(227)	(858)	(1,485)	
<b>Income After Taxes</b>	<b>17,137</b>	<b>23,926</b>	<b>71,559</b>	<b>92,522</b>	<b>112,450</b>	<b>84,376</b>	<b>94,429</b>	<b>20,033</b>	<b>90,652</b>	<b>129,257</b>	<b>229,807</b>	
Associates	25,448	34,313	7,987	20,077	12,691	16,050	7,951	10,293	37,549	18,227	13,096	
<b>Income Aft Unusual</b>	<b>42,585</b>	<b>58,239</b>	<b>79,546</b>	<b>112,599</b>	<b>125,141</b>	<b>100,426</b>	<b>102,380</b>	<b>30,326</b>	<b>128,201</b>	<b>147,484</b>	<b>242,903</b>	
Dividends	0	0	0	0	300,000	0	0	0	300,000	0	0	
Adjust to Ret Earnings	0	35,634	(17,547)	(6,170)	8,954	7,271	(26,858)	(362)	(1,935)	3,335	79	
<b>To Retained Earnings</b>	<b>42,585</b>	<b>22,605</b>	<b>97,093</b>	<b>118,769</b>	<b>(183,813)</b>	<b>93,155</b>	<b>129,238</b>	<b>30,688</b>	<b>(169,864)</b>	<b>144,149</b>	<b>242,824</b>	

Source: publicly available Consolidated Financial Statements (including notes). The data has been reformatted or organised to ensure better comparativeness with other Fuel Majors and, for the economic framework employed. The shaded numbers indicate further information is required.



## A4

<b>Income Statement % of Sales</b>											<b>A4</b>
<b>History 2007 to 2018</b>											
<b>Draft 1</b>											2018
	Sm										
	December 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Sale of Goods</i>	99.8%	99.9%	99.9%	99.8%	99.8%	99.8%	99.2%	99.8%	99.4%	99.7%	99.4%
<i>Other Income</i>	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.8%	0.2%	0.6%	0.3%	0.6%
<i>Cost of Sales</i>	86.1%	86.2%	85.8%	84.8%	84.5%	86.7%	84.5%	87.0%	79.0%	75.3%	75.0%
<i>Employee Benefits</i>	2.6%	2.1%	2.6%	2.1%	2.1%	2.2%	2.4%	2.4%	3.2%	3.4%	3.0%
<i>Environment Costs</i>									0.7%	1.1%	1.8%
<i>Freight Costs</i>									6.2%	5.5%	3.3%
<i>Repairs &amp; Maintenance</i>									1.0%	1.0%	0.8%
<i>Advertising</i>									0.2%	0.2%	0.2%
<i>Legal Costs</i>									0.1%	0.1%	0.0%
<i>Travel Expenses</i>									0.1%	0.1%	0.1%
<i>Bad &amp; Doubtful Debts</i>									0.0%	0.0%	0.0%
<i>Brand &amp; Franchise Costs</i>									0.2%	0.3%	0.2%
<i>Fees &amp; Commissions</i>									0.5%	0.6%	0.6%
<i>Materials</i>									0.2%	0.2%	0.2%
<i>Utilities</i>									0.3%	0.4%	0.3%
<i>Other Expenses</i>	7.4%	7.2%	6.6%	7.3%	7.4%	6.5%	7.1%	7.4%	0.7%	1.1%	2.7%
<b>Gross Profit</b>	3.9%	4.4%	5.0%	5.8%	6.0%	4.6%	6.1%	3.2%	7.6%	10.7%	11.7%
<i>Cost Recoveries</i>	0.0%	(0.1%)	(0.1%)	(0.1%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
<i>FX (gains)</i>	(0.2%)	1.0%	(1.5%)	(0.9%)	(0.0%)	(0.1%)	0.0%	0.4%	0.8%	(0.0%)	0.1%
<i>Asset Sales (gains)</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(0.1%)	(0.2%)	(0.5%)
<i>Net Lease Costs</i>	0.4%	0.4%	0.6%	0.4%	0.4%	0.3%	0.9%	0.4%	0.5%	0.5%	0.4%
<i>Depreciation</i>	1.0%	0.8%	1.0%	1.0%	0.8%	0.7%	0.9%	0.9%	1.1%	1.2%	1.0%
<i>Amortisation</i>	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	1.1%	0.1%
<b>Net Operating Profit</b>	2.7%	2.3%	4.9%	5.2%	5.1%	3.9%	4.6%	1.6%	5.5%	8.3%	10.8%
<i>Financing Expenses</i>	1.6%	1.5%	1.4%	1.0%	0.9%	0.7%	0.9%	1.0%	1.2%	1.2%	0.9%
<i>Interest Income</i>	0.0%	0.0%	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%	0.3%	0.2%	0.3%
<i>Dividends</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>PP&amp;E Impairments/Gains on Sale</i>	(0.1%)	(0.0%)	0.0%	0.0%	0.0%	0.0%	(0.1%)	0.0%	(0.0%)	(0.0%)	(0.2%)
<b>Income Before Taxes</b>	1.0%	0.8%	3.6%	4.5%	4.4%	3.3%	3.7%	0.8%	4.6%	7.3%	9.9%
<i>Current Tax</i>	0.4%	0.1%	1.2%	1.4%	1.3%	1.0%	1.0%	0.4%	1.3%	2.5%	2.7%
<i>Deferred Tax/Adjustments</i>	0.1%	0.0%	(0.0%)	0.2%	(0.1%)	(0.0%)	(0.1%)	(0.2%)	(0.0%)	(0.0%)	(0.0%)
<b>Income After Taxes</b>	0.6%	0.7%	2.5%	2.9%	3.2%	2.4%	2.9%	0.6%	3.3%	4.8%	7.2%
<i>Associates</i>	0.8%	0.9%	0.3%	0.6%	0.4%	0.4%	0.2%	0.3%	1.4%	0.7%	0.4%
<b>Income Aft Unusual</b>	1.4%	1.6%	2.8%	3.6%	3.6%	2.8%	3.1%	0.9%	4.6%	5.5%	7.6%
<i>Dividends</i>	0.0%	0.0%	0.0%	0.0%	8.6%	0.0%	0.0%	0.0%	10.9%	0.0%	0.0%
<i>Adjust to Ret Earnings</i>	0.0%	1.0%	(0.6%)	(0.2%)	0.3%	0.2%	(0.8%)	(0.0%)	(0.1%)	0.1%	0.0%
<b>To Retained Earnings</b>	1.4%	0.6%	3.4%	3.8%	(5.3%)	2.6%	3.9%	0.9%	(6.1%)	5.3%	7.6%

**Economic**

E1:

<b>Economic Value Added</b>											<b>BP New Zealand Holdings</b>	
History 2007 to 2018 <i>Ireland, Wallace &amp; Associates</i>											<b>Draft 1</b>	
	\$m										<b>E1</b>	
	December										due in May	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Performance Summary</b>												
NOPAT	N/A	111,263	76,580	105,637	137,920	110,317	86,480	51,002	109,326	170,255	242,800	
Beg Capital	N/A	795,287	791,037	901,829	945,245	748,026	852,042	971,147	1,014,851	813,741	966,342	
NOPAT/Beg Capital	N/A	14.0%	9.7%	11.7%	14.6%	14.7%	10.1%	5.3%	10.8%	20.9%	25.1%	
Cost of Capital (C*)	10.0%	10.1%	10.6%	9.3%	10.5%	10.3%	9.0%	8.8%	9.6%	8.7%	8.6%	
<b>Spread Method</b>												
Profit Spread R-C*	N/A	3.9%	(0.9%)	2.4%	4.1%	4.4%	1.1%	(3.5%)	1.2%	12.2%	16.5%	
x Beg Capital	N/A	795,287	791,037	901,829	945,245	748,026	852,042	971,147	1,014,851	813,741	966,342	
<b>EVA = (R-C*) x Capital</b>	<b>N/A</b>	<b>30,939</b>	<b>(7,270)</b>	<b>21,767</b>	<b>38,669</b>	<b>33,271</b>	<b>9,796</b>	<b>(34,459)</b>	<b>11,901</b>	<b>99,459</b>	<b>159,694</b>	
<b>Residual Income Method</b>												
NOPAT	N/A	111,263	76,580	105,637	137,920	110,317	86,480	51,002	109,326	170,255	242,800	
Cost of Capital (C*)	10.0%	10.1%	10.6%	9.3%	10.5%	10.3%	9.0%	8.8%	9.6%	8.7%	8.6%	
x Beg Capital	N/A	795,287	791,037	901,829	945,245	748,026	852,042	971,147	1,014,851	813,741	966,342	
Capital Charge	N/A	80,324	83,850	83,870	99,251	77,047	76,684	85,461	97,426	70,795	83,105	
<b>EVA = NOPAT-Capital Charge</b>	<b>N/A</b>	<b>30,939</b>	<b>(7,270)</b>	<b>21,767</b>	<b>38,669</b>	<b>33,271</b>	<b>9,796</b>	<b>(34,459)</b>	<b>11,901</b>	<b>99,459</b>	<b>159,694</b>	
Increase in EVA	N/A	N/A	(38,209)	29,037	16,902	(5,399)	(23,474)	(44,255)	46,359	87,558	60,235	
Cumulative EVA	N/A	30,939	23,669	45,436	84,105	117,376	127,173	92,714	104,615	204,074	363,768	
<b>Market Valuation</b>												
Performance Index R/C*	N/A	1.39 x	0.91 x	1.26 x	1.39 x	1.43 x	1.13 x	0.60 x	1.12 x	2.40 x	2.92 x	

E3:

<b>NOPAT Operating Approach</b>											<b>BP New Zealand Holdings</b>	
History 2007 to 2018 <i>Ireland, Wallace &amp; Associates</i>											<b>DRAFT 1</b>	
	\$m										<b>E3</b>	
	December										due in May	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sale of Goods	3,010,222	3,625,686	2,873,912	3,160,531	3,484,677	3,572,028	3,295,376	3,277,512	2,764,653	2,699,501	3,176,872	
Cost of Sales	2,892,373	3,465,087	2,730,449	2,978,242	3,274,111	3,407,865	3,095,611	3,173,970	2,553,795	2,410,380	2,804,500	
Depreciation/Amortisation	30,142	31,321	32,417	34,373	29,163	25,169	23,381	31,563	32,308	63,549	34,003	
Cost Recoveries	0	(2,559)	(3,237)	(3,752)	(7,701)	(7,872)	(8,182)	(7,802)	(5,864)	(6,121)	(5,379)	
FX (gains)/losses	(7,460)	34,694	(41,806)	(27,113)	(267)	(5,250)	1,473	14,462	18,887	(5,029)	(10,878)	
Net Lease Costs	13,042	13,578	16,370	13,511	13,043	11,822	31,084	13,025	14,358	12,687	12,566	
Int Exp Non-Cap Leases	0	(13,576)	(8,185)	(6,756)	(6,522)	(5,912)	(6,822)	(6,513)	(7,179)	(6,344)	(6,283)	
(Incr) Employment Provisions ST	N/A	336	(478)	808	(1,445)	(326)	(441)	(396)	(88)	112	(447)	
(Incr) Employment Provisions LT	N/A	(39,335)	24,996	9,541	(2,488)	(7,299)	32,711	(5,911)	940	(1,547)	(4,052)	
(Incr) Provisions	N/A	652	790	(2,746)	(396)	1,604	1,302	(710)	555	1,267	(526)	
(Incr) NOPAT/Capital adj.	N/A	0	0	0	0	0	0	0	2,350	(16,505)	15,477	
(Incr) Bad Debt Reserve	N/A	(857)	(22)	127	207	186	106	(173)	(159)	(130)	138	
<b>Total Operating Expenses</b>	<b>N/A</b>	<b>3,489,341</b>	<b>2,751,294</b>	<b>2,996,235</b>	<b>3,297,705</b>	<b>3,419,987</b>	<b>3,170,223</b>	<b>3,211,515</b>	<b>2,609,903</b>	<b>2,452,319</b>	<b>2,839,119</b>	
<b>Adjusted EBIT</b>	<b>N/A</b>	<b>136,345</b>	<b>122,618</b>	<b>164,296</b>	<b>186,972</b>	<b>152,041</b>	<b>125,153</b>	<b>65,997</b>	<b>154,750</b>	<b>247,182</b>	<b>337,753</b>	
<b>Operating Taxes</b>	<b>N/A</b>	<b>25,082</b>	<b>46,038</b>	<b>58,659</b>	<b>49,052</b>	<b>41,723</b>	<b>38,673</b>	<b>14,995</b>	<b>45,424</b>	<b>76,927</b>	<b>94,953</b>	
<b>NOPAT</b>	<b>N/A</b>	<b>111,263</b>	<b>76,580</b>	<b>105,637</b>	<b>137,920</b>	<b>110,317</b>	<b>86,480</b>	<b>51,002</b>	<b>109,326</b>	<b>170,255</b>	<b>242,800</b>	

E5:

**2017 NOPAT Calculation** **BP New Zealand Holdings**

History 2007 to 2018

Ireland, Wallace &amp; Associates

DRAFT 1

E5

\$m			
December			
<b>Operating Profit</b>			<b>NOPAT</b>
3,176,872		Sale of Goods / Income Avail To Cc	242,903
2,804,500		- Cost of Sales	
34,003		- Depreciation	
(5,379)		- Cost Recoveries	
(10,878)		- FX (gains)/losses	
12,566		- Net Lease Costs	
<b>342,060</b>		<b>Adjusted Net Operating Profit</b>	
29,433		- Financing Expenses	(29,433)
		- Int Exp Non-Cap Leases	(6,283)
		- Adj Interest Expense	(35,716)
		+ Tax Benefit of Adj Interest Expense	10,000
		Interest Expense AT	(25,715)
8,147		+ Interest Income / AT	(5,866)
(5,185)		+ PP&E Impairments/Gains on Sale /	3,733
		- (Incr) in Employment Provisions ST	(447)
		- (Incr) in Employment Provisions LT	(4,052)
		- (Incr) in Provisions	(526)
		- (Incr) in NOPAT/Capital adj.	15,477
		- (Incr) in Bad Debt Reserve	138
<b>315,589</b>		<b>Adjusted Income Before Tax</b>	
85,782		- Taxes	
<b>229,807</b>		<b>Adjusted Income After Taxes</b>	
13,096		+ Associates	13,096
<b>242,903</b>		<b>Net Income / NOPAT</b>	<b>242,800</b>

E7:

**Capital - Operating Approach**

BP New Zealand Holdings

History 2007 to 2018

Ireland, Wallace &amp; Associates

Draft 1

E7

	\$m											due in May 2018
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Net Accts Receivable	181,823	310,650	436,397	591,148	432,403	381,007	465,879	478,343	334,191	459,105	828,535	
Bad Debt Reserve	161	1,018	1,040	913	706	520	414	587	746	876	738	
Net Inventory	432,299	406,178	434,776	507,337	424,131	394,009	509,006	294,170	269,610	366,557	383,703	
Other Current Assets	2,514	17,744	0	0	0	0	910	24,855	2,077	31,313	925	
Current Operating Assets	616,797	735,590	872,213	1,099,398	857,240	775,536	976,209	797,955	606,624	857,851	1,213,901	
Accounts Payable & Other	204,070	336,230	347,959	445,453	380,675	250,597	414,529	253,961	293,729	375,134	415,407	
Emission Trading/Other Provisions	0	3,500	3,966	27,000	39,028	12,920	6,161	5,151	19,102	36,377	60,365	
Tax Payable	0	0	7,701	20,976	13,283	9,236	0	0	0	15,985	34,582	
NIBCLs	204,070	339,730	359,626	493,429	432,986	272,753	420,690	259,112	312,831	427,496	510,354	
<b>Net Working Capital</b>	<b>412,727</b>	<b>395,860</b>	<b>512,587</b>	<b>605,969</b>	<b>424,254</b>	<b>502,783</b>	<b>555,519</b>	<b>538,843</b>	<b>293,793</b>	<b>430,355</b>	<b>703,547</b>	
Net Prop Plant & Equip	287,503	279,744	267,874	268,153	272,861	278,925	304,054	341,106	375,409	405,740	433,719	
Capital Work in Progress	(27,795)	(17,686)	(15,601)	(39,334)	(59,334)	(36,979)	(66,841)	(52,128)	(49,022)	(42,369)	(33,562)	
PV of Non-Cap Leases	80,531	80,531	98,938	83,632	81,760	76,175	94,121	97,517	111,417	100,213	103,765	
<b>Adjusted Prop Plant &amp; Equipment</b>	<b>340,239</b>	<b>342,589</b>	<b>351,211</b>	<b>312,451</b>	<b>295,287</b>	<b>318,121</b>	<b>331,334</b>	<b>386,495</b>	<b>437,804</b>	<b>463,584</b>	<b>503,922</b>	
Goodwill	0	0	0	0	0	0	53,174	53,174	53,174	24,371	0	
Development Costs	8,938	7,453	4,466	1,778	458	338	4,945	4,161	2,843	3,778	4,450	
Other Assets	19,263	23,032	19,382	17,985	15,386	13,259	14,443	12,997	12,499	13,857	18,877	
Cum Unusual Loss A/T	0	(2,901)	(4,259)	(3,327)	(2,484)	(2,329)	(1,330)	(3,483)	(2,782)	(3,401)	(4,091)	
NOPAT/Capital adj.	0	0	0	0	0	0	0	0	(2,350)	14,155	(1,322)	
(Net Deferred Taxes)	14,120	25,004	18,442	10,389	15,125	19,870	13,062	22,664	18,760	19,643	22,050	
<b>Other Assets</b>	<b>33,383</b>	<b>45,135</b>	<b>33,565</b>	<b>25,047</b>	<b>28,027</b>	<b>30,800</b>	<b>26,175</b>	<b>32,178</b>	<b>26,127</b>	<b>44,254</b>	<b>35,514</b>	
<b>Capital</b>	<b>795,287</b>	<b>791,037</b>	<b>901,829</b>	<b>945,245</b>	<b>748,026</b>	<b>852,042</b>	<b>971,147</b>	<b>1,014,851</b>	<b>813,741</b>	<b>966,342</b>	<b>1,247,433</b>	

E9:

**2017 Capital Calculation**

BP New Zealand Holdings

History 2007 to 2018

Ireland, Wallace &amp; Associates

DRAFT 1

E9

\$m			
December			
<u>Balance Sheet</u>			<u>Capital</u>
24,191		+ Bank	
828,535		+ Net Accts Receivable	828,535
		+ Bad Debt Reserve	738
383,703		+ Net Inventory	383,703
925		+ Emission Allowances	925
<u>1,237,354</u>			
		<b>Current Assets</b>	<b>1,213,901</b>
		- Accounts Payable & Other	415,407
		- Emission Trading/Other Provisions	60,365
		- Tax Payable	34,582
		<b>Net Working Capital</b>	<b>703,547</b>
433,719		Net Prop Plant & Equip	433,719
		+ Capital Work in Progress	(33,562)
		+ PV of Non-Cap Leases	103,765
<u>433,719</u>			
		<b>Adjusted PP&amp;E</b>	<b>503,922</b>
4,450		+ Development Costs	4,450
22,050		+ Deferred Tax	
18,877		+ Other Assets	18,877
		+ Cum Unusual Loss A/T	(4,091)
		+ NOPAT/Capital adj.	(1,322)
		+ (Net Deferred Taxes)	22,050
108,876		+ Associate Investments	
<u>1,825,326</u>		<b>Total Assets / Capital</b>	<b>1,247,433</b>

E12:

**Free Cash Flow**

BP New Zealand Holdings

History 2007 to 2018

Ireland, Wallace &amp; Associates

DRAFT 1

E12

	\$m											due in May 2018
	December 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
<b>Operating Activities</b>												
NOPAT	N/A	111,263	76,580	105,637	137,920	110,317	86,480	51,002	109,326	170,255	242,800	
Depreciation & Amortization	30,142	31,321	32,417	34,373	29,163	25,169	23,381	31,563	32,308	63,549	34,003	
Operating Sources	N/A	142,584	108,997	140,010	167,083	135,486	109,861	82,565	141,634	233,804	276,803	
Net Working Capital	N/A	(16,867)	116,727	93,382	(181,715)	78,529	52,736	(16,676)	(245,050)	136,562	273,192	
Capital Expenditures	N/A	33,671	41,039	(4,387)	11,999	48,003	36,594	86,724	83,617	89,329	74,341	
Goodwill	N/A	(1,485)	(2,987)	(2,688)	(1,320)	(120)	57,781	(784)	(1,318)	(27,868)	(23,699)	
Other Assets	N/A	11,752	(11,570)	(8,518)	2,980	2,773	(4,625)	6,003	(6,051)	18,127	(8,740)	
Operating Uses	N/A	27,071	143,209	77,789	(168,056)	129,185	142,486	75,267	(168,802)	216,150	315,094	
<b>Free Cash Flow</b>	N/A	115,513	(34,212)	62,221	335,139	6,301	(32,625)	7,298	310,436	17,654	(38,291)	
Unusual Inc (Loss) AT	N/A	(2,901)	(1,358)	932	843	155	999	(2,153)	701	(619)	(690)	
Other Non-Operating Income AT	23,504	33,362	8,639	20,672	12,808	16,774	6,406	10,798	37,103	17,730	9,363	
(Incr) Oth Non-Operating Capital	N/A	12,841	9,745	(43,699)	(18,110)	14,744	(24,800)	711	(29,597)	85,050	(21,617)	
<b>Cash Flow Before Financing</b>	N/A	158,815	(17,186)	40,126	330,680	37,975	(50,020)	16,654	318,644	119,815	(51,236)	
<b>Financing Activities</b>												
Interest Income After Tax	(643)	(1,071)	(3,570)	(5,499)	(5,362)	(1,863)	(2,856)	(3,776)	(6,427)	(3,365)	(5,866)	
Interest Expense After Tax	N/A	48,253	34,529	26,940	26,827	22,693	27,040	28,060	28,254	27,063	25,715	
Common Dividends	0	0	0	0	300,000	0	0	0	300,000	0	0	
<b>Financing Payments</b>	N/A	47,182	30,959	21,440	321,465	20,831	24,184	24,284	321,827	23,698	19,849	
<b>(Reqd) Surplus Financing</b>	N/A	111,633	(48,145)	18,686	9,215	17,144	(74,204)	(7,630)	(3,183)	96,117	(71,085)	
Marketable Securities	N/A	(2,207)	8,230	(5,546)	1,546	(4,213)	(1,104)	7,640	(11,078)	(80,585)	69,149	
Total Debt & Leases	N/A	(73,792)	22,368	(19,310)	(1,807)	(5,660)	48,450	(372)	12,326	(12,197)	2,015	
Common Stock	N/A	(35,634)	17,547	6,170	(8,954)	(7,271)	26,858	362	1,935	(3,335)	(79)	
<b>Net Financing</b>	N/A	(111,633)	48,145	(18,686)	(9,215)	(17,144)	74,204	7,630	3,183	(96,117)	71,085	

## E17

<b>Performance Summary</b>												<b>BP New Zealand Holdings</b>	
<b>History 2007 to 2018</b>												<b>E17</b>	
<i>Ireland, Wallace &amp; Associates</i>												<i>due in May</i>	<b>10 Year</b>
	<b>\$m</b>												
	<b>December</b>												
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Summary</b>
<b>Operating Results</b>													
Operating Sales	N/A	3,625,686	2,873,912	3,160,531	3,484,677	3,572,028	3,295,376	3,277,512	2,764,653	2,699,501	3,176,872		<b>Compound Gr.</b>
Adjusted EBIT	N/A	136,345	122,618	164,296	186,972	152,041	125,153	65,997	154,750	247,182	337,753		
NOPAT	N/A	111,263	76,580	105,637	137,920	110,317	86,480	51,002	109,326	170,255	242,800		
Total Ordinary Profits After Tax	N/A	97,443	54,260	104,869	129,263	106,261	68,702	37,516	124,603	164,287	232,313		
Income Avail To Common	42,585	58,239	79,546	112,599	125,141	100,426	102,380	30,326	128,201	147,484	242,903		
<b>Capital Employed</b>													
Total Capital	929,016	914,132	1,006,949	1,099,610	918,955	1,012,440	1,157,449	1,192,802	1,032,367	1,180,503	1,414,062		<b>Compound Gr.</b>
- Total Mkt Securities	6,023	8,230	0	5,546	4,000	8,213	9,317	1,677	12,755	93,340	24,191		
- Other Non-op Capital	127,706	114,865	105,120	148,819	166,929	152,185	176,985	176,274	205,871	120,821	142,438		
Capital	795,287	791,037	901,829	945,245	748,026	852,042	971,147	1,014,851	813,741	966,342	1,247,433		
<b>Operating Analysis</b>													
Sales/Avg Capital	N/A	4.57 x	3.40 x	3.42 x	4.12 x	4.46 x	3.61 x	3.30 x	3.02 x	3.03 x	2.87 x		<b>Average</b>
x Adjusted EBIT/Sales	N/A	3.8%	4.3%	5.2%	5.4%	4.3%	3.8%	2.0%	5.6%	9.2%	10.6%		
Adj EBIT/Avg Capital	N/A	17.2%	14.5%	17.8%	22.1%	19.0%	13.7%	6.6%	16.9%	27.8%	30.5%		
x (1-Operating Tax Rate)	N/A	81.6%	62.5%	64.3%	73.8%	72.6%	69.1%	77.3%	70.6%	68.9%	71.9%		
NOPAT/Avg Capital	N/A	14.0%	9.0%	11.4%	16.3%	13.8%	9.5%	5.1%	12.0%	19.1%	21.9%		
Cost of Capital (C*)	10.0%	10.1%	10.6%	9.3%	10.5%	10.3%	9.0%	8.8%	9.6%	8.7%	8.6%		
Performance Index	N/A	1.39 x	0.85 x	1.23 x	1.55 x	1.34 x	1.05 x	0.58 x	1.25 x	2.20 x	2.55 x		
<b>Free Cash Flow</b>													
NOPAT	N/A	111,263	76,580	105,637	137,920	110,317	86,480	51,002	109,326	170,255	242,800		<b>Cumulative</b>
Increase in Capital (I)	N/A	(4,250)	110,792	43,416	(197,219)	104,016	119,105	43,704	(201,110)	152,601	281,091		
Free Cash Flow	N/A	115,513	(34,212)	62,221	335,139	6,301	(32,625)	7,298	310,436	17,654	(38,291)		
Investment Rate (I/NOPAT)	N/A	(3.8%)	144.7%	41.1%	(143.0%)	94.3%	137.7%	85.7%	(184.0%)	89.6%	115.8%		<b>Average</b>
<b>Financial Policies</b>													
Debt/Total Capital	81.2%	74.5%	69.8%	62.2%	74.2%	66.8%	62.6%	60.7%	71.4%	61.4%	51.4%		
Debt/Total Cap (Net)	81.1%	74.2%	69.8%	62.0%	74.1%	66.5%	62.3%	60.7%	71.0%	58.1%	50.5%		
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	239.7%	0.0%	0.0%	0.0%	234.0%	0.0%	0.0%		
<b>Common Share Data</b>													
Share Price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	<b>Growth/Avg</b>
Adj Book Value Per Share	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Price/Adjusted Book Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Price/Earnings Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## E24

**EVA Margin Analysis**

BP New Zealand Holdings

History 2007 to 2018 <i>Ireland, Wallace &amp; Associates</i>	Draft 1										E24 due in May 2018	
	\$m December 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		2017
<b>Economic Value Added</b>												
Sales		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
- Cash Operating Expenses		96.1%	96.2%	95.6%	95.2%	96.2%	96.7%	97.5%	94.9%	91.3%	91.3%	
= Operating Margin		3.9%	3.8%	4.4%	4.8%	3.8%	3.3%	2.5%	5.1%	8.7%	8.7%	
- Net Working Capital Charge		1.1%	1.7%	1.6%	1.6%	1.3%	1.4%	1.5%	1.4%	1.2%	1.5%	
- PP&E Charge		1.8%	2.4%	2.1%	1.8%	1.6%	1.6%	1.9%	2.6%	3.8%	2.4%	
- R&D Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
- M&A Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
- Other Asset Charge		0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
- Adjusted Goodwill Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.2%	0.1%	0.0%	
Total Asset Ownership Charges		3.1%	4.2%	3.8%	3.4%	3.0%	3.2%	3.6%	4.3%	5.2%	4.1%	
= Net Margin (EVA/Economic Profit)		0.9%	(0.5%)	0.6%	1.4%	0.8%	0.1%	(1.1%)	0.8%	3.4%	4.6%	
x Adjust Sales		3,625,686	2,873,912	3,160,531	3,484,677	3,572,028	3,295,376	3,277,512	2,764,653	2,699,501	3,176,872	
= EVA		31,153	(13,142)	19,748	49,023	27,914	4,437	(36,382)	21,554	92,821	147,607	
<b>Plant Management Analysis</b>												
Capacity Ratio (Gross PP&E/Sales)	N/A	17.1%	21.6%	19.4%	17.1%	17.1%	19.4%	21.2%	27.8%	30.3%	27.3%	
x Newness Ratio (Net PPE/Grs PPE)	N/A	55.2%	55.9%	54.2%	51.1%	50.3%	50.8%	51.7%	53.7%	55.1%	55.7%	
= Net Capacity Ratio (NCR)	N/A	9.4%	12.1%	10.5%	8.7%	8.6%	9.9%	11.0%	14.9%	16.7%	15.2%	
x Wgt Avg Cap Cost C*	10.0%	10.1%	10.6%	9.3%	10.5%	10.3%	9.0%	8.8%	9.6%	8.7%	8.6%	
= PP&E Capital Charge/Sales (1)	N/A	1.0%	1.3%	1.0%	0.9%	0.9%	0.9%	1.0%	1.4%	1.5%	1.3%	
Depr. Rate (Depr/Net PP&E)	8.9%	9.2%	9.3%	10.4%	9.6%	8.2%	7.2%	8.8%	7.8%	14.1%	7.0%	
x Net Capacity Ratio (NCR)	N/A	9.4%	12.1%	10.5%	8.7%	8.6%	9.9%	11.0%	14.9%	16.7%	15.2%	
= PP&E Depreciation/Sales (2)	N/A	0.9%	1.1%	1.1%	0.8%	0.7%	0.7%	1.0%	1.2%	2.4%	1.1%	
= PP&E Charge % (1 + 2)	N/A	1.8%	2.4%	2.1%	1.8%	1.6%	1.6%	1.9%	2.6%	3.8%	2.4%	

## E25

**Incremental Investment Analysis**

BP New Zealand Holdings

History 2007 to 2018 <i>Ireland, Wallace &amp; Associates</i>	Draft 1										E25 due in May 2018	
	\$m December 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		2017
<b>Incremental Net Value Analysis</b>												
EVA Margin (NOPAT/Sales)	yoy	0.9%	(0.5%)	0.6%	1.4%	0.8%	0.1%	(1.1%)	0.8%	3.4%	4.6%	
<b>Productivity Indicator</b>												
EVA Margin expansion			(1.3%)	1.1%	0.8%	(0.6%)	(0.6%)	(1.2%)	1.9%	2.7%	1.2%	
<b>Profitable Growth Indicator</b>												
Sales growth pa			(20.7%)	10.0%	10.3%	2.5%	(7.7%)	(0.5%)	(15.6%)	(2.4%)	17.7%	
<b>Growth</b>			0.1%	0.1%	0.1%	0.0%	(0.0%)	0.0%	(0.1%)	(0.1%)	0.8%	
EVA Momentum (change in EVA/prior year Sales) (change in EVA/prior year Sales)			(1.2%)	1.1%	0.9%	(0.6%)	(0.7%)	(1.2%)	1.8%	2.6%	2.0%	