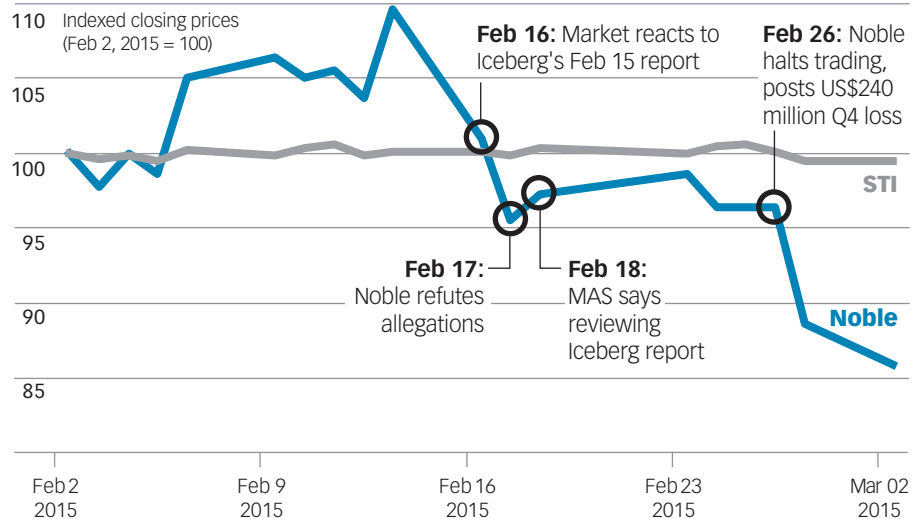


Noble versus the Iceberg

Noble Group came under a storm on Feb 15 when a previously unknown research firm called Iceberg Research issued a report that alleged aggressive accounting by the commodities trader. Those allegations have been rebutted by Noble, but its shares remain under pressure. The report of a fourth-quarter loss has made matters worse.

A tumultuous month



What Iceberg says

■ Noble treats investments as associates instead of long-term investments even when their stake in those investments is below 20 per cent.

How carrying costs are calculated

Long term investment	vs	Associate
Marked to market		Initially at cost, subsequently adjusted for share of profit or loss

■ Noble has overvalued Noble Agri with higher deferred tax assets, slowing depreciation and by subsidising costs.

■ Noble's operating cash flow, after deducting interest expenses, has fallen despite higher net profit because of growing mark-to-market valuations of long-term contracts.

What Noble says

■ Associate treatments follow international accounting standards. Quarterly reviews of associates consider expected future cash flows, discount rate, capital expenditures, costs and exchange rates. Market price of Yancoal does not reflect company's real value because of small public float.

■ Valuation methodology of Noble Agri is fully disclosed. Iceberg's estimation of Noble Agri's book value using the reported re-measurement gain fails to account for transaction costs, accrued costs and reserve adjustments.

■ Mark-to-market methodology reflects asset-light strategy. Contracts are monitored daily for value at risk and profit and loss.

Under the spotlight

Two associates were singled out by Iceberg as overvalued. Noble reduced the value of those two units in its FY14 results, but not by as much as Iceberg's estimates.

Yancoal Australia

Australia-listed coal company is 13 per cent owned by Noble and treated as an associate company.

Key Yancoal stats

Mar 2 market value	A\$70.6 million
FY13 carrying value	US\$678 million
Iceberg's estimate of difference between market and carrying values	US\$603 million
FY14 impairment	US\$200 million

Noble Agri

Agricultural trading and processing company now 49 per cent owned by Noble following disposal of 51 per cent stake.

Key Noble Agri stats

Value based on stake sale	US\$2.9 billion
Iceberg's estimate of value	US\$2.2 billion
FY14 adjustment to value	US\$0.07 billion