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Operator: Thank you for standing by, and welcome to the Noble Group conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by and question and answer sessions, at which time if you wish to ask a question, you will need to press the star followed by the number one on your telephone keypad. I must advise you that this conference is being recorded today, Tuesday, 23 February, 2016. I would now like to hand the conference over to your first speaker today, Yusuf Alireza, CEO. Please go ahead.

Yusuf Alireza: Thank you John. Good morning everyone and thank you for attending. With me this morning is Paul Jackaman, our acting CFO.

A few hours ago our Board sanctioned the release of a statement to the Singapore Exchange to meet the obligations opposed upon it by the listing rules, in particular by rule 703. The statement indicated the magnitude of various non-cash reserves and exceptional losses that will be recognised in our final audited results. Our full-year results will be released immediately after the market closes this Thursday 25 February, and we will follow our normal practice of holding an open conference call at 6.30pm, which will be followed by a question and answer session. Details of that call have been distributed to the Exchange and are also available on our website.

In order to ensure that these non-cash reserves and exceptional losses are clearly understood, we have prepared a short PowerPoint presentation, which is also available at the SGX and our website, and which I will now go over.

Slide 1 please. We expect to recognise US$1.2 billion of non-cash reserves and exceptional losses in Q4 2015, in addition to the loss on the sale of Noble Agri. Let me highlight these reserves and losses are non-cash and have no impact on our cash position or our cash flows.

Over the last few months a number of factors have contributed to the lowering of long-term consensus prices for coal and other commodities. First, long-end crude prices have fallen by almost 40% over a very short period of time. Crude, besides being the benchmark for the energy sector, is also a key driver of cost curves for coal miners via their consumption of fuel. In addition the Paris COP 21 Agreement raises the probability of future substitution away from coal. The combination of these factors, combined with a growing concern about weaker economic growth globally, and especially in China, has had a knock-on effect on consensus estimates of future coal prices.

Management and the Board have concluded that while it is not the Company's base case scenario, there is a potential scenario where coal prices will remain at these lower levels for an extended period, and it is therefore prudent and conservative to reflect this view in the assumptions upon which the Company's valuations are based.

Yesterday the Audit Committee approved Management's recommendation to move our anchor price for thermal coal to $55 per tonne. This is more than a 20% discount to the average market long-term consensus price of $69 per tonne. This same conservative approach has been applied across the entire long-term fair value portfolio, and these adjustments, combined with other reserves, increase the effective discount rate on the portfolio to 20%.

These adjustments are protecting us against the lower for longer scenario, and do not in any way represent current performance on our contracts. In fact the opposite is true, as the realisation on our long-term physical contracts was slightly ahead of what we had modelled for 2015 at just over $350 million.

We also would like to use this opportunity to update the market on our debt and liquidity. Many of you are aware that in the second quarter earnings announcement we set ourselves a goal of being cash flow positive by the end of the year. We achieved that goal early in Q3, and again in Q4. In fact we have positive cash flow from operations in the second half of 2015 of approximately US$650 million. Our liquidity position continues to be our primary focus, and we ended the year at a record $1.95 billion of cash.

In addition we are scheduled to deliver an additional $1 billion in further liquidity between 31 December and 31 March as a result of Agri proceeds, metal balance sheet deleveraging, and cash flow from operations. We continue to manage our net debt position down quarter-on-quarter. At year-end our adjusted net debt position was $2.26 billion, which represents a decline of $240 million from Q3 2015.

Even after we make these conservative adjustments, and with Noble Energy Solutions still carried as historical cost rather than the higher current market value, we have a net asset value in excess of SGD0.70 per share as of the end of the year. Now let me turn to page 2 of the presentation to add some additional context.

Noble has a hedging program that has protected the firm from lower coal prices over the last few years. Our long-term coal contracts give us market exposure that goes out 15-plus years. These exposures are modelled and measured in our trading and risk systems, and are hedged in the liquid tradeable markets. Whilst we can and have in the past hedged the quantum of our coal exposures via the liquid tradeable markets, using what is referred to as stack and roll hedges, what we can't hedge is the long-term curve exposure.

As you can see in the illustrative slide on the left hand side, we have consistently retained a disproportionately large amount of short positions in the front end of the curve, relative to our expected annual physical short-term throughputs, to compensate for the lack of hedging instruments in the long end. Our exposures go out to 15-plus years, but our hedges are only in the first three to four years. As a result, any movements in prices, up or down, that equally impact prices in the early years as well as the latter years, would not result in significant moves in our mark to market, given the effectiveness of our hedges.

However if the stable relationship between coal prices across maturities breaks down, and longer-term prices move independently of the front end, we will be exposed to potential fair value gains or losses from these moves. Thus lowering the anchor point from which long-term prices are determined, while at the same time keeping short-term prices unchanged, i.e. a flattening of the curve, will result in a non-cash loss on our long-term exposures, without a corresponding gain on our short-term hedges.

This scenario of lower for longer is represented in the illustration on the right, and is what we have now conservatively reserved our fair value portfolio against. It is important to highlight that this scenario of lower for longer, while clearly a possible scenario given current low oil prices, is not our base case scenario. Next slide please.

In this slide we show, for the first time, the anchor points that have been used historically to price our long-term contracts. We have always maintained that our anchor points have been consistent with broker-consensus forecasts, but today we are showing exactly what those numbers were in the past versus what the broker consensus was at the time. These curves are reviewed and audited by E&Y on a regular basis, and were reviewed again as part of the detailed work that PWC did during their assurance review.

This series of bar charts shows the Noble anchor point for thermal coal compared to the consensus average price. As a reminder, consistent with market practice we will always use observable market-determined prices where available, but the anchor points are used to derive the price for years beyond those that are observable. Noble anchor points are based on internal fundamental research, i.e. detailed modelling of cost curves across the industry, supported by external consensus sources. As you can see from this slide, our pricing has always been around consensus average.

However in light of the points mentioned earlier about the changes in market dynamics, and the possible scenario of lower for longer, Management has recommended, and the Board has approved, that we reserve our thermal and met coal prices down to a point which is significantly below the most recently published Consensus Economics broker forecast.

As you can see, we have dropped our long-term anchor pricing point to $55 versus an average broker forecast of $69 for 2020, and a long-term broker forecast of $77. We have undertaken a similar process for met coal and lowered the anchor point to significantly below consensus average. Next slide please.

As many of you are aware, one tool we use to constantly stress our portfolio contract is to back-test the cash generated from the portfolio on a monthly basis versus what we forecast. As long as the cash generated is consistent with what was modelled, this gives us additional comfort that the assumptions we are using continue to be valid. In this slide, one can see that in 2015 the realisation from our portfolio was slightly ahead of what was forecast for the year, $362 million versus $350 million. It is also worth highlighting that our forecast for 2016 is an additional $300 million to $350 million. Again, this is the first time we have provided this level of detail on cash realisation from our portfolio.

In addition it is worth noting that the adjustments we are implementing result in the value of level 3 contracts falling by almost 50% from June 2015 to $615 million, as illustrated on the chart on the right. Finally, I would like to highlight again that as a result of these changes we now have an effective discount rate of 20% on our fair value portfolio. Next slide please.

A review of our balance sheet impairment items is not complete unless we update the market on our liquidity, cash flow and debt dynamics. As illustrated in the graph on the left, we continue to deliver on our net debt targets. Net debt was $200 million lower on the quarter, and net debt adjusted for readily marketable inventories was down $250 million to $2.258 billion, as our inventory levels actually increased during the quarter, even as debt went lower. Our pro forma adjusted net debt, once we receive the Agri proceeds, will be $1.5 billion.

In summer of last year we set some targets on cash generation, and we continue to outperform those targets. Our cash generation from operations for the six months ending 31 December was approximately $650 million. Given the current challenging market environment, we continue to prioritise liquidity, and as a result we ended the year with a record cash balance of $1.95 billion. The graph on the right shows that in terms of our leverage, even after taking these significant reserves, our net debt to capitalisation ratio continues to be within our targeted range of 45% to 55%.

In terms of our refinancing, it's important to stress that all our core financing banks have been made aware about the possibility of reserves and impairments, and we continue to make good progress on our revolver. Further details will be provided on our regular Thursday results call.

Finally it is important to highlight that based on December 2015 balance sheet, which includes these exceptional losses, the asset value per share, with Noble America Energy Solutions retained as historical cost, rather than the much higher value we could achieve in the market, would be in excess of $0.70 per share.

With that, I will open the floor to a few questions, with a view of ending before 8.30 for pre-market opening. I would like to stress that all questions related to our annual results will be addressed on our normal investor call on Thursday. Thank you.

Operator: Thank you. We will now begin the question and answer session. If you wish to ask a question, please press the star followed by the number one on your keypad and wait for your name to be announced. If you wish to cancel your request, please press the star key followed by the number two. Our first question will come from Colin Tan with Deutsche Bank. Please go ahead.

Colin Tan: (Deutsche Bank, Analyst) Yusuf, thanks for your update and good morning to you. I've just got three quick questions from my side. First one is the $1.2 billion write-down, it seems like $600 million of those came from the write-down of your Level 3 contracts. I'm just trying to understand what actually makes up the remaining $600 million or so in terms of write-downs.

The second question is in terms of your - it looks like you have drawn down on your facilities in Q4 to increase your liquidity buffer. I'm just trying to understand the rationale behind that, and after drawing down on those facilities, how much of undrawn committed facilities is left with the banks.

The third question is I'm just trying to get a little bit of an idea on North America Energy Solutions business. Could you maybe shed some colour in terms of the revenue generation profile, earnings profile, and how much debt is there actually sitting at NAES? Thank you.

Yusuf Alireza: Hey Colin, thanks for those questions. In terms of the breakdown, we'll provide more information in our investor call on Thursday. But obviously as a result of moving the coal curve there would be other impairments in terms of assets. You know, Cockatoo is clearly one that's in the market already as well as others. But I'd prefer to wait until our Thursday call to provide more detail.

There's also other factors that impact on mark to market in terms of the discounting that we use as a result of our rating and other things. But we'll get into more detail.

Now your third question I heard, the second question I didn't hear that well. Your third question in terms of solutions. We have provided some information in the past in terms of that business, which we did in our investor presentation in summer that we did in Singapore, and that's available on our website. The information that we provided continues to be accurate and is consistent with that.

We don't - in terms of depth we as you know, we fund our balance sheet, we have historically funded our balance sheets with debts at the holding co. level rather than at the asset level.

Now your second question was what, can you repeat that please?

Colin Tan: (Deutsche Bank, Analyst) Yes, second question just on liquidity. It appears that you've drawn down some of your facilities in Q4. Just trying to understand how much undrawn committed facilities you have left with the banks.

Yusuf Alireza: Yes, so as I said, as of the end of the quarter we were sitting on $1.95 billion of cash. In terms of the information around our facilities and our debt levels, we'll provide that in great detail on Thursday as we always do.

Colin Tan: (Deutsche Bank, Analyst) Okay, thank you.

Yusuf Alireza: Okay, thank you Colin. Next question please.

Operator: Our next question will now come from Jake Maxwell Watts from The Wall Street Journal. Please go ahead.

Yusuf Alireza: Jake, we can't hear you. You might be on mute.

Jake Maxwell Watts: (The Wall Street Journal, Journalist) Can you hear me now?

Yusuf Alireza: Yes, go ahead Jake.

Jake Maxwell Watts: (The Wall Street Journal, Journalist) Great, sorry about that. Yes, sorry if this is a stupid question. I just want to figure out why coal here is the big focus. I saw a lot of other commodities have fallen in price and stayed down for a long time. Why are we seeing all the impairments in coal, and can you talk a little bit about the other commodities that you trade as well please?

Yusuf Alireza: Sure. It's very simple Jake: the vast majority of our long term contracts, where we have basically exposure to the long-end, is in the coal sector. So it drives - and we provided that information in the past. It really is where our exposures are that are unhedgeable in the long-end, is coal not in other markets.

Jake Maxwell Watts: (The Wall Street Journal, Journalist) Okay. So [technical difficulty] impairments for other commodities, it's just coal is the focus, yes?

Yusuf Alireza: Yes, correct.

Jake Maxwell Watts: (The Wall Street Journal, Journalist) Okay.

Operator: We will now take our next question from [technical difficulty] with Jefferies. Please go ahead.

Unidentified Participant: Yes, hi thanks. Can we just get an idea of what was the gross notional of the level 1/level 2 derivatives and with the remaining $600 million of provisions was taken? Just trying to understand was the gross notional of the forward contracts still remaining on the level 1/level 2 books.

And secondly, what about the counter party that's - in the sense that a lower forward call might not realise in some of these projects taking off and therefore you might have to take write-downs on those as well.

Yusuf Alireza: Thanks for the question. Yes, the total value again will provide additional information, but the total value is around $3.4 billion: $2.8 billion in level 1/level 2 and $600 million in level 3. But we'll provide more information at the call on Thursday.

In terms of the lower for longer, what's interesting is the main reason - the only reason you can have really lower for longer is one of two things have to happen; either you would have significant destruction on the demand side, or effectively oil prices have to stay lower for longer. Because the main - if you look at what the cost curve has done in the last year in terms of coal production, the cost curve has come down a lot, driven by a number of factors including weaker currencies as well as lower labour costs. But by far, the most significant is the lower oil prices.

So you know, ironically obviously lower oil prices, lower cost curve, means that the credit or the cash position of the producers is improved. And as you know, we've historically focused on Q1 and Q2 producers. With that said, the reason on my comments I said that the lower for longer is a possible scenario, and as a result of it being a possible scenario that we can't hedge against, we decided to be conservative and effectively reserve against it. It's not our base case scenario. And the reason it's not our base case scenario is we believe that oil prices will recover.

So if you look at it - and this is based on the work that we've done, the research work that we've done internally - at current prices, only 70% of production is profitable on a cash cost basis. Now all else equal, if oil prices return to $70 a barrel, then less than 30% of coal production will be sustainable at current prices. And by definition if that's the case, then you're going to have to have an adjustment on the supply side, which will eventually lead to an adjustment on the prices side. Does that make sense?

Unidentified Participant: Yes, thank you that makes sense. Very quickly, what are the steps being taken to realise the potential higher than book value valuation of NEAS, North American Energy Solutions?

Yusuf Alireza: As you would imagine, can't comment on that.

Unidentified Participant: Sure, thank you.

Yusuf Alireza: Thank you. Next question please.

Operator: Your next question comes from the line of Sumit Bhandari with BlackRock. Please go ahead.

Sumit Bhandari: (BlackRock, Analyst) Thanks for the call Yusuf. Just a quick clarifying question. So you said that for the second half, the net cash flow from all trading activities was $650 million. Just looking at your Q3 numbers, would that imply that in Q4 you generated about $330 million odd of operating cash flow, would that be accurate, that number?

Yusuf Alireza: I assume it's - yes, that's accurate.

Sumit Bhandari: (BlackRock, Analyst) Okay thanks.

Yusuf Alireza: Thank you. Next question please.

Operator: And our next question will now come from the line of David Sheppard with The Financial Times. Go ahead please.

David Sheppard: (Financial Times, Analyst) Good morning or good evening from London I should say, Yusuf. A quick query on this write-down. I mean you've spoken that it's primarily related to coal, but is any of it also related to projects that might not now go ahead in the current price environment? And also I was hoping to get a little bit more colour around the $55 million mentioned in the footnotes about being locked up with brokerages. Is that all of the additional collateral you've had to post since the write-downs at the end and the beginning of this year?

Yusuf Alireza: Hi David, thank you for dialling in on us at this ungodly hour in the UK, appreciate it. In terms of the write-downs, as I said we'll provide some more information in our results on Thursday in terms of a breakdown. Obviously there's some information we can provide that's not confidential, and we will provide it, and there's some information that would be confidential that we wouldn't provide.

And in terms of your second question, Paul will respond to that second question.

Paul Jackaman: Yes so the $55 million is variation margin, so that's just where we're margining out of the money position.

Yusuf Alireza: And as a result it wouldn't be available.

Paul Jackaman: Yes.

Yusuf Alireza: So it's considered unavailable cash.

David Sheppard: (The Financial Times, Analyst) So in that case, that's not related to any additional collateral that has been posted since the relatively recent credit cut down rates. Is there any -

Yusuf Alireza: No, no.

David Sheppard: (The Financial Times, Analyst) - information you have [inaudible question - technical difficulty].

Yusuf Alireza: No. So we would always have - as you would imagine, we hedge our positions, so we would always have a combination of initial margin and then variation margin, and that's always the case every quarter as a result of the hedges.

In terms of the impact that we've had, we can update the market on Thursday as well in our results call. I don’t have those numbers in front of me right now. Thank you David. Next question please.

Operator: Our next question will now come from Mr Charles Spencer with Morgan Stanley. Please go ahead.

Charles Spencer: (Morgan Stanley, Analyst) Thanks, morning. Thanks for the call. Yusuf, you mentioned many times that this isn't your base case assumption, and I note in slide 3 that there's guidance I guess that you're using: $55 for the price of coal in 2015-20, but beyond that are you going back to the long-term forecast of $77? Is that what the shape of the curve looks like going out 15 years?

Yusuf Alireza: No, sorry. That should be clear. So if you look at this chart, basically what you're seeing there is - let's look at each one of those bar charts starting with the left. So effectively, in 2013, which is interim which is June 2013, we would be using as our anchor point a 2017 anchor point, right, because we - for the first few years we use the tradable markets, and then past that we would use an anchor point. So in 2013, four years out, the anchor point we used was $97 versus the consensus at that time was $102. The same applies to 2013; at the end of the year then you have 2014, June 2014 for 2018; as you can see it's 2014 to 2019 and so on and so forth.

So if you look at that $55, that is not the anchor point for 2015, that is basically the anchor point for 2020. Up until 2020 we use the tradable markets, whatever the market is, to value our portfolio. We always have. Now, that $55 compares with a Consensus Economics average forecast of $69 for 2020. The $77 is the consensus forecast for 2021 to 2025. What we do and what's consistent with our policies is for the first few years we use the market price, then we have an anchor price and then we basically have an escalation after that anchor price which is an inflation - the CPI escalation which as you can imagine is very, very low. So the effective curve after that $55 is very, very flat. Does that make sense?

Charles Spencer: (Morgan Stanley, Analyst) Yes, I understand now. So it's $55 even beyond 2020 is what you're saying?

Yusuf Alireza: No, it's $55 for 2020 and then escalation beyond that is just escalated with CPI, with the CPI escalation.

Charles Spencer: (Morgan Stanley, Analyst) Oh, with CPI.

Yusuf Alireza: To take into account, so basically that cost increase. As you can imagine, CPI is very low so the escalation is very minimal.

Charles Spencer: (Morgan Stanley, Analyst) My understanding was level 1 and level 2 fair values are based upon more observable forward curves. So if you're taking, as you show on slide 4, about half the impairment comes through in level 3 - this was asked a couple of times but I'll try one more time - does this imply that the remainder of the impairment is on your level 2 and level 1 contracts, and would that be - that surprises me a bit because I thought there was more observable forward curves there.

Paul Jackaman: None of the impairments will impact level 1 because level 1 is exchange-traded coal futures. So the rest of it will be level 2. As well as any other - the $1.2 billion isn't entirely related to mark-to-market; there other equity and associate and JV-type impairments as well in that number and we'll give more detail on that on Thursday.

Charles Spencer: (Morgan Stanley, Analyst) Okay, got it. Thanks again.

Yusuf Alireza: Any last question?

Operator: Our final question today will now come from Nikhil Bhandari with Goldman Sachs. Please go ahead.

Nikhil Bhandari: (Goldman Sachs, Analyst) Yes, hi. Thanks, Yusuf for the call and the update. Just on this, again on the anchor point, so you're using $55 for 2020 and you say before that for the four years you are using the market observable prices. I believe that might be referring to the futures prices which today is looking at $46 coming down to $39 over the next four years. Is that correct? So we're using the curve as $49 falling to $39 and then going up to $55 starting 2020?

And the second question is that is there - your previous anchor point that you used before $55 is $82 as reflected in the interim 2015 bar, i.e. the write-down is more driven by $82 falling to $55. Am I correct in my understanding?

Yusuf Alireza: Yes. So all those things are accurate except our number for interim 2015 was $85 versus the broker consensus $82. So it's $85 to $55, but keep in mind it's not only thermal coal, it's met coal; there are other assets impairments across our entire portfolio. So we've basically taken the same kind of approach, whether it's mining assets or vessels or what have you and looked across our entire portfolio.

Nikhil Bhandari: (Goldman Sachs, Analyst) Okay, and just one follow-up. You mentioned here the thermal coal but I believe the coking coal exposure is also pretty large in terms of your books. And if so, is the magnitude of the reduction about similar for say hard coking coal, at [unclear] prices like we have for thermal coal or is that more different?

Yusuf Alireza: Yes. The actual exposure in terms of long-term contracts is significant less in terms of met coal versus thermal coal. Obviously there's some sensitivity about how much information we provide in terms of our different curves. But yes, we used the same assumptions and effectively took down the prices to the very low end - the lowest end of the consensus forecast.

Nikhil Bhandari: (Goldman Sachs, Analyst) Sure, thanks Yusuf. Sorry, just one last question. Are we using the similar curves by valuing the associates like [Genco]?

Yusuf Alireza: Yes, we are.

Nikhil Bhandari: (Goldman Sachs, Analyst) Okay, thank you.

Yusuf Alireza: Okay. I think that is the last question.

Operator: As we have no further questions now in the queue I'd like to hand the call back to Yusuf for any additional or closing remarks.

Yusuf Alireza: Thank you very much everybody for taking the time and for your questions. Obviously myself and Paul and Stephen Brown are going to be available throughout the day to answer any additional questions. Thank you and have a good day.

Operator: Ladies and gentlemen, that will now conclude today's conference call. We thank you for your participation and you may now disconnect.

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