

NOBLE GROUP LIMITED
(Incorporated in Bermuda with limited liability)

**LETTER OF SUPPORT
RECEIVED FROM AD HOC GROUP**

Noble Group Limited (the “**Company**”) has received a letter from the Ad Hoc Group, through its financial advisor Houlihan Lokey, in support of the proposed restructuring and addressing the actions and proceedings initiated by Goldilocks Investment Company Limited.

A copy of the said letter is enclosed with this Announcement.

Noble Group Limited
26 April 2018

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About Noble Group

Noble Group (SGX: CGP) manages a portfolio of global supply chains covering a range of industrial and energy products. Noble facilitates the marketing, processing, financing and transportation of essential raw materials. Sourcing bulk commodities from low cost regions such as South America, South Africa, Australia and Indonesia, the Group supplies high growth demand markets, particularly in Asia and the Middle East. For more information please visit www.thisisnoble.com.

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HOULIHAN LOKEY

25 April 2018

Noble Group Limited
33 Cavendish Square
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Attention: Mr. Paul Brough, Executive Chairman

Dear Mr. Brough,

Restructuring of Noble Group Limited (the “Company” or “Noble”)

We are writing to you on behalf of the Ad Hoc Group, whom we represent in connection with the Restructuring. Capitalised terms used in this letter have the meaning given to them in the Restructuring Support Agreement dated 14 March 2018 (the “**RSA**”), unless otherwise indicated.

You will have seen a copy of the letter of today’s date from counsel to the Ad Hoc Group to the Company’s counsel, which reiterates the clear legal reasons as to why the board of directors (the “**Board**”) should proceed to implement the Restructuring in accordance with the terms of the RSA, and should not be deterred from that course of action by the abusive proceedings that Goldilocks Investment Company Limited (“**Goldilocks**”) has brought in the Singapore courts today. In sending this letter to you, the Ad Hoc Group wishes to reiterate its support for the Board and the Restructuring, and to set out the reasons why it considers the transaction contemplated by the RSA to be the only viable means of restructuring the Company and restoring the financial health of the Group’s business in order to increase value for all stakeholders.

Background to the Restructuring

As you know, Noble has gone through a difficult transition in recent years, driven largely by a deterioration in profit margins leading to a loss of available trade finance and hedging facilities. This loss of credit, in turn, fundamentally changed the outlook for the Company and we understand drove many of the key decisions made by its Board over recent years forcing a reduction in the size and scope of the business.

Since our involvement, the Board has shared with us the material terms of all strategic discussions it has conducted with interested third parties, both in terms of potential equity investors and new trade finance facilities. As regards strategic interest in Noble's equity, we are not aware of any offers being made that could be implemented in the absence of a balance sheet restructuring. In other words, there was no interest in investing in the shares of the Company without the senior unsecured creditors writing off a material amount of their claims against the Company. Nor are we aware of any strategic interest which adequately addressed the Company's need for trade finance, particularly during the critical restructuring implementation phase.

As you know, the turnaround strategy of the Company that underpins the Restructuring is based on a number of key elements:

- *Focus on the Core Business* – The plan is for the restructured business (“**New Noble**”) to focus on providing service in its key market segments (energy coal, met coke, carbon steel materials, LNG and aluminium) where it has historically been the most profitable. It is intended that additional growth initiatives will be tightly controlled by the New Board (as defined below) with an eye to balancing the need for seeding future growth, by ensuring that the focus is on profitably returning to historical trading volumes as soon as practicable.
- *New Board Appointments* – The Ad Hoc Group and the Company are in the process of selecting new board members (including a Chairman and four or more Independent Non-Executive Directors) (the “**New Board**”) to lead New Noble going forward. The market leading global executive search firm, Spencer Stuart, has been retained to conduct this search for world-class talent to oversee the recovery to the business, provide governance and administer risk management.
- *Go-Forward Management Team* – Noble engaged with the Ad Hoc Group in October 2017. Since that time, the Ad Hoc Group has been working regularly with the Company and are confident that Will Randall and his management team have the skills, experience and relationships necessary to drive the businesses forward. As part of this process, the Ad Hoc Group has developed incentive arrangements to both retain the team during the critical restructuring period and incentivize them to rebuild the business going forward.
- *Investment in Relation with Financial Stakeholders* – Going forward, it is proposed that New Noble will place particular emphasis on investing in and deepening its relationship with key members of the trade finance community. This effort will be supported by the Company's reduced debt level as a result of the Restructuring. By the end of the turnaround, the goal is for New Noble to regain access to trade finance on an unsecured basis, consistent with many of its competitors.

- *Optimized Cost Structure* – In conjunction with a renewed focus on its core business, New Noble will conduct a comprehensive review of its cost structure with the objective of reducing fixed costs. This will reflect the business's smaller footprint and focus on its key business lines and markets in Asia.
- *New Compensation Structure* – Going forward, employees will be compensated through a combination of equity and cash bonuses based on cash profits generated from New Noble's operations. This will appropriately incentivise management to focus on profitable businesses and markets, while taking into account a finance charge for the capital employed in the business. We believe the compensation structure is consistent with Noble's competitors in the commodity trading space.
- *Management Equity* – It is proposed that management will receive equity in the restructured business to ensure they are partners in the business and appropriately incentivized to continue creating value for all stakeholders going forward. This is standard and typical in restructuring situations, particularly where maintaining management stability is critical. It is important to note that the Restructuring contemplates that this equity will be subject to customary vesting and clawback provisions, and structured in a way that promotes long-term value creation.

The benefits of the Restructuring

In our view, the Restructuring will leave the Company in good financial health and in a position to provide value for its financial stakeholders. The RSA contemplates:

- *Sustainable Capital Structure* – Mandatory cash paying debt reduced to \$685 million and total debt on the trading business reduced to \$955 million from current levels of \$3.6 billion.
- *Meaningful Reduction in Cash Interest* – Noble will pay approximately \$45 million in cash interest in the first 12 months post transaction closing, and approximately \$90 million in the subsequent 12 months. The creditors have subsidized the \$700m trade finance facilities so that cash interest expense is expected to be no more than \$13 million per annum over the lifetime of the facility. Accordingly, the annual cash interest was reduced from the current payment obligations of \$200 million – with the intention of leaving meaningful cash to reinvest in the business once New Noble reaches steady state. The cash interest outlined above does not factor in the pay-if-you-can (PIYC) mechanism for the Trading HoldCo Bond which provides further flexibility for the business to grow without constraint.
- *Ring-Fencing on Asset Co Debt* – The Asset Co Bond has no recourse to the core commodities trading business (i.e., Trading Co). If there were to be a default on the Asset Co Bond, the security of creditors is limited to the assets at Asset Co. As a result, there would be no risk of further dilution to equity if this debt defaults.

- *Allocation of Value to Shareholders* – We believe the Board has fought extremely hard to protect the interests of existing shareholders throughout the restructuring negotiations. Existing shareholders will be receiving 15% of New Noble’s equity, assuming a consensual transaction were to occur. Based on the proposed capital structure and a recovery of the business in line with the Company’s previously announced profit targets of \$175-200 million EBITDA annually¹, we believe there will be meaningful equity value in New Noble immediately post Restructuring, in large part due to the considerable debt to equity component of circa USD 1.8 billion. Such recovery substantially exceeds what shareholders would recover in an insolvency (see below).
- *There is No Alternative to the Proposed Restructuring that provides as much value for all stakeholders* – The current transaction took 4 months of non-stop negotiation, reflecting the need to deleverage a highly complicated capital structure, create space and agree terms for a competitive new trade finance facility and provide a proper platform for operations going forward. No other transaction proposal or a more cost-effective trade finance proposal, especially in light of the deterioration in the Company’s credit, has been put forward as of 25 April 2018, and we reiterate our belief that the proposed transaction is the best alternative for all stakeholders. Increased pressure on the business will certainly impede the pace of any turnaround, potentially permanently.

The way forward

The goal of the Ad Hoc Group has always been to ensure the continued operation of the business while the Company undergoes a highly complicated financial restructuring – something that cannot be taken for granted. If shareholders turn down the Restructuring, we believe they will experience a complete loss on their investment.

We accordingly encourage the Company to convey to its stakeholders – shareholders, creditors, employees and customers – the clear benefits of the Restructuring as articulated above, and to seek their continued support for the Company as it implements the Restructuring and sets the foundation for sustainable long-term growth.

Yours faithfully,



Houlihan Lokey EMEA LLP

¹ As per the Company presentation “Progress Update on Proposed Financial Restructuring” dated 14 March 2018