

Management's Discussion and Analysis of Financial Condition & Results of Operations

Nine Months Ended 30 September 2018

Financial Results

	Nine Months Ended		Three Months Ended	
(US\$ million / million tonnes)	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
Tonnage⁽¹⁾	43.9	59.7	12.5	16.9
Revenue⁽¹⁾	3,541.8	4,854.0	1,210.0	1,408.8
Operating income/(loss) from supply chains, net⁽¹⁾	75.2	(174.9)	49.2	(6.6)
Gain/(loss) on supply chain assets ⁽¹⁾	(55.2)	(24.5)	1.9	(2.8)
Share of profits and losses of joint ventures and associates ⁽¹⁾	143.3	(9.1)	4.6	10.7
Total operating income/(loss)⁽¹⁾	163.3	(208.5)	55.7	1.3
Other income net of other expenses ⁽¹⁾	20.9	3.0	1.5	1.4
Selling, administrative and operating expenses ⁽¹⁾	(100.9)	(215.9)	(29.8)	(63.4)
Profit/(loss) before interest, tax and restructuring expenses⁽¹⁾	83.3	(421.4)	27.4	(60.7)
Restructuring expenses ⁽²⁾	(146.6)	-	(32.8)	-
Net finance costs ⁽¹⁾	(155.1)	(128.1)	(29.2)	(42.5)
Taxation ⁽¹⁾	(23.4)	12.1	(8.7)	9.4
Net loss from continuing operations⁽¹⁾	(241.8)	(537.4)	(43.3)	(93.8)
Post-tax loss from discontinued operations ⁽³⁾	(56.7)	(813.6)	(55.3)	(652.3)
Exceptional items, net of tax ⁽⁴⁾	-	(1,680.8)	-	(427.9)
Other items ⁽⁵⁾	-	(19.6)	-	2.9
Non-controlling interests	(0.3)	0.3	(0.4)	0.1
Net loss	(298.8)	(3,051.1)	(99.0)	(1,171.0)

(1) 2017 adjusted for exceptional items and other items. See notes 3 and 4 below.

(2) Includes expenses associated with implementing the proposed restructuring. Refer to SGX announcement note 1(b)(i)(B) for additional disclosure.

(3) Includes post-tax loss from discontinued Global Oil Liquids, North American Gas & Power and Agricultural businesses.

(4) Includes exceptional items in the Group's operating income from supply chains from continuing operations along with other non-operational items such as impairment losses on supply chain assets from continuing operations.

(5) Includes the results of businesses which the Group has ceased or wound down their operations, however did not meet the criteria of discontinued operations under IFRS. Other items also includes costs associated with repositioning the Group's cost structure, including headcount reductions. These businesses included certain other energy and metals, minerals and ores product divisions in the Americas and Europe.

Overview

Over the first nine months of 2018, and to date, the Group's primary focus has been to agree and implement the proposed restructuring (the "Restructuring")¹. On 16 October 2018, the High Court of Justice of England granted the Company permission to convene the English Scheme Meetings and the Bermuda Supreme Court granted the Company permission to convene the Bermuda Scheme Meetings. The Scheme Meetings were held on 8 November 2018 where Scheme Creditors as of that date approved the Restructuring. Furthermore, the English Court has indicated that it will make an order sanctioning the English Scheme on Tuesday 13 November 2018 (London time). The Bermuda Scheme Hearing is due to take place on 14 November 2018. The Company will make additional announcements when there are further developments in relation to the Restructuring.

The Restructuring is expected to result in a sustainable capital structure, and provides for a committed trade finance and hedging facility which is critically important for the Group to continue to trade, reposition its business and expand on its position as a leading industrial and energy products supply chain manager in Asia Pacific and the Middle East.

Global commodity prices have been strong over the first nine months of 2018, supported by both growth in demand and factors affecting supply such as production cuts and economic sanctions. In particular, prices for alumina and aluminium have remained strong from 2Q 2018 onwards on the back of economic sanctions on integrated Russian aluminium producer Rusal, the world's second largest aluminium company, and production disruptions. Commodity prices for the Group's other major commodities, including thermal coal, were also stronger in the first nine months of 2018 on a year-on-year basis.

The Group recorded positive operating income from supply chains in the first nine months of 2018, led by the Group's Metals, Minerals and Ores segment. In particular, the Group's Jamalco joint venture delivered solid results in the strong alumina price environment. Metals, Minerals and Ores segment results in the first nine of 2018 also benefitted from stable profitability and volumes from the Group's Special Ores and Industrial Minerals business and Asia Base Metals business.

The Group's Energy Coal and Metallurgical Coal and Coke businesses continued to execute on their contracted flows and generated positive realisation in the first nine months of 2018; however, performance of these businesses continued to be impacted by the ongoing constraints on liquidity and availability of competitive trade finance to support their operations. The Group's results in the first nine months of 2018 were also impacted by restructuring expenses associated with implementing the Restructuring, finance costs on existing senior debt and losses from discontinued operations. The constraints are expected to be alleviated by the new trade finance facility to be made available upon completion of the Restructuring.

Total Group volumes (including both offtake and marketing) were lower in 3Q 2018 compared to 1Q 2018 and 2Q 2018 as the Group reduced certain Freight business volumes, with total Group volumes during the first nine months of 2018 down 22% year-on-year as the businesses focused on their core flows. Revenues were down 27% in the first nine months of 2018 on a year-on-year basis due to the impact of lower volumes.

Operating income from supply chains was positive at US\$75 million in the first nine months of 2018, despite approximately US\$(65) million of net non-cash losses recorded in 1Q 2018 which included contract-specific

¹ Refer to Noble Group Limited (the "Company" and together with its subsidiaries, the "Group") announcements dated 29 January 2018, 19 February 2018, 14 March 2018, 16 March 2018, 26 March 2018, 28 March 2018, 9 April 2018, 12 April 2018, 16 April 2018, 18 April 2018, 25 April 2018, 26 April 2018, 20 June 2018, 22 June 2018, 26 July 2018, 6 August 2018, 10 August 2018, 26 August 2018, 27 August 2018, 30 August 2018, 17 September 2018, 21 September 2018, 28 September 2018, 10 October 2018, 16 October 2018, 17 October 2018, 26 October 2018, 3 November 2018, 6 November 2018, 7 November 2018, 9 November 2018 and 13 November 2018.

performance reserves against certain net fair value gains on commodity contracts and derivative financial instruments. When adjusting for these non-cash reserves, the Group's operating income from supply chains for the first nine months of 2018 was approximately US\$140 million.

Realisation on the Group's portfolio of long-term physical contracts was also positive in 3Q 2018 and in the first nine months of 2018, with contributions from each of the Energy Coal, Carbon Steel Materials and Metals businesses.

The loss on supply chain assets for the first nine months of 2018 of US\$(55) million primarily comprises non-cash impairment losses recorded in 1Q 2018 relating to certain investments classified as equity instruments at fair value through other comprehensive income and certain prepayments and other receivables. The Group performs impairment tests on its investments on an annual basis or when an indicator of impairment exists. The impairment loss recorded on the prepayments and other receivables was determined based upon changes in the assessment of recoverability in accordance with the Group's risk management governance policy.

Share of profits and losses of joint ventures and associates increased to US\$143 million in the first nine months of 2018 primarily due to the Group's equity accounting for its investment in Harbour Energy – which has benefitted from an increase in value of their asset portfolio. In addition, the Group's other income net of other expenses of US\$21 million for the first nine months of 2018 primarily included cash performance fee distributions recorded in 1Q 2018 in respect of the Group's investment in Harbour Energy. The performance fees are determined in accordance with the Group's joint venture agreement with Harbour Energy.

Underlying selling, administrative & operating ("SAO") expenses were lower year-on-year in the first nine months of 2018, in line with expectations and the Group's cost reduction strategy. Reductions in SAO expenses are expected to continue with steady state annual SAO expenses of approximately US\$(100) million projected to be achieved on a run rate basis during 4Q 2018.

Restructuring expenses of US\$(147) million were recorded in the first nine months of 2018 and include items associated with implementing the Restructuring. Restructuring expenses included fees associated with the Group's interim trade finance facilities, a work fee payable to the Ad Hoc Group (as defined in the Restructuring Support Agreement ("RSA")), work and support fees payable to ING Bank, a waiver fee payable to holders of the Group's senior unsecured revolving credit facility, as well as legal and financial advisory fees. These amounts have been paid in accordance with the terms and conditions of the RSA.

Net finance costs of US\$155 million recorded in the first nine months of 2018 primarily comprise accrued interest on the Group's existing senior debt. In accordance with the RSA signed on 14 March 2018, the Group has ceased to make, but continues to accrue, interest on its existing senior debt. Finance costs are partially offset by finance income recognised during the period primarily related to the Group's portfolio of long-term loans receivable.

The Group continues to focus on completing the final phase of the proposed restructuring with a view to providing the Group with a sustainable capital structure and a strong foundation from which to deliver long-term value for all its stakeholders.

Energy Segment

	Nine Months Ended			Three Months Ended		
(US\$ million / million tonnes)	30 Sep 2018	30 Sep 2017	% change	30 Sep 2018	30 Sep 2017	% change
Volume (million tonnes) ⁽¹⁾⁽²⁾	17.6	26.0	-32%	5.5	7.3	-24%
Revenue ⁽¹⁾	1,469	1,951	-25%	505	570	-11%
Operating income/(loss) from supply chains ⁽¹⁾	(51)	(96)	47%	(12)	26	-

(1) 2017 segment results adjusted for exceptional items and other items.

(2) Volumes exclude Energy Coal marketing volumes.

The Energy Segment includes the following businesses:

- Energy Coal: a global business which trades and provides supply chain and risk management services in bituminous and sub-bituminous energy coal.
- LNG: a global business which trades and provides supply chain and risk management services in seaborne LNG.
- Asia Oil Liquids: a South and Southeast Asian focused business with storage and distribution capabilities, serving a client base with gasoline, jet fuel and other refined products.

Energy Coal: Market Overview

Selected Average Commodity Prices	Nine Month Average			Three Month Average		
	30 Sep 2018	30 Sep 2017	% change	30 Sep 2018	30 Sep 2017	% change
Coal – API4 (US\$/t)	98.31	81.66	20%	101.63	86.60	17%
Coal – API2 (US\$/t)	91.89	81.16	13%	99.63	86.69	15%
Coal – Newcastle FOB (US\$/t)	108.32	85.22	27%	117.51	94.47	24%

Source: Bloomberg

- Prices improved further in 3Q 2018 with Newcastle, API4 and API2 higher quarter-to-quarter compared to 2Q 2018. Prices were also higher in the first nine months of 2018 on a year-on-year basis.
- Power generation in China grew by approximately 7% in the first nine months of 2018. As a result, import demand from China in the first nine months of 2018, for all grades of coal, grew by approximately 21.5 million tonnes on a year-on-year basis with low-CV material recording the highest gains in volume. Indian coal import demand also remained strong during the period as a result of growth in power generation.

Energy Coal: Performance

- Total Energy Coal volume (including both offtake and marketing) was broadly in line from 2Q 2018 to 3Q 2018. However, total volumes were down 22% in the first nine months of 2018 on a year-on-year basis as the business exited its business in the United States and continued to focus on core flows in Asia Pacific. The Group's constrained liquidity and access to trade finance lines prevented the business from entering into new short term opportunities to take advantage of the strong price environment.
- The business continues to execute on its contracted flows and generated positive returns on its portfolio of long-term contracts in the first nine months of 2018. However, operating income from supply chains was adversely impacted by non-cash mark-to-market losses recorded in 1Q 2018 due to the impact of contract-specific performance reserves against certain net fair value gains on commodity contracts and derivative financial instruments.

LNG: Market Overview

Selected Average Commodity Prices	Nine Month Average			Three Month Average		
	30 Sep 2018	30 Sep 2017	% change	30 Sep 2018	30 Sep 2017	% change
LNG Spot JKM (US\$/mmBtu)	9.67	6.31	53%	10.75	6.30	71%

Source: Bloomberg

- LNG import demand remained strong in North Asia (China, Japan and South Korea), with imports over the first nine months of 2018 up approximately 14% on a year-on-year basis on the back of the continued structural ramp-up of Chinese demand and low nuclear availability in South Korea. Demand in Japan was flat year-on-year.
- Higher prices across the energy complex (including oil, coal and gas) also provided support to LNG spot prices, increasing shipping costs and alternative-fuel prices. Overall, LNG spot prices were higher in the first nine months of 2018 on a year-on-year basis.

LNG: Performance

- The LNG business continues to execute on its existing contracted flows, but was unable to add profitable new business flows in the first nine months of 2018 given the Group's constrained liquidity and access to trade finance lines. In particular, the lack of available trade finance lines to hedge certain contracted deliveries adversely impacted performance in 3Q 2018.

Metals, Minerals and Ores Segment

(US\$ million / million tonnes)	Nine Months Ended			Three Months Ended		
	30 Sep 2018	30 Sep 2017	% change	30 Sep 2018	30 Sep 2017	% change
Volume ⁽¹⁾	26.3	33.7	-22%	7.0	9.6	-27%
Revenue ⁽¹⁾	2,073	2,903	-29%	705	839	-16%
Operating income/(loss) from supply chains ⁽¹⁾	126	(78)	-	61	(32)	-

(1) 2017 segment results adjusted for exceptional items and other items.

The Metals, Minerals and Ores Segment includes the following businesses:

- **Metals:** comprised of our Asian base metals business which trades and provides supply chain management services in copper, zinc, lead, nickel and other raw materials, and our global aluminium business which trades and provides supply chain management services in bauxite, alumina and aluminium. The global aluminium business is underpinned by the Group's Jamalco joint venture, an integrated bauxite mining and alumina refining operation in Jamaica. Jamalco is an unincorporated joint venture between the Group and the Government of Jamaica, represented by Clarendon Alumina Production Limited ("CAP"). The Group is both the exclusive marketer of its 55% share of alumina produced by Jamalco as well as the long term off-taker of CAP's 45% share.
- **Carbon Steel Materials:** an Asia and EMEA focused business which trades and provides risk management and logistics services for the steel complex in iron ore, metallurgical coal, metallurgical coke, specialty ores and alloys and industrial metals and minerals.
- **Freight:** which provides internal and external customers with ocean transport in the dry bulk segment, long term freight solutions and freight market guidance.

Metals: Market Overview

Selected Average Commodity Prices	Nine Month Average			Three Month Average		
	30 Sep 2018	30 Sep 2017	% change	30 Sep 2018	30 Sep 2017	% change
S&P GSCI Industrial Metals Index	371	330	12%	343	349	-2%
LME cash aluminium price (US\$/t)	2,158	1,924	12%	2,056	2,011	2%
LME cash copper price (US\$/t)	6,645	5,948	12%	6,103	6,347	-4%
LME cash zinc price (US\$/t)	3,023	2,781	9%	2,534	2,962	-14%
Alumina – Platts FOB Australia (US\$/t)	482	324	49%	543	334	63%

Source: Bloomberg

- Copper prices were higher in the first nine months of 2018 on a year-on-year basis as fundamentals remained positive with healthy demand coming from China's construction sector and grid spending. Zinc prices started

strong at the beginning of the year but slid as the market reversed from a deficit to a surplus as witnessed by rising treatment charges. The escalation of global trade tensions from June 2018 onwards resulted in a broad selloff across all metals.

- Aluminium prices were higher in the first nine months of 2018 on a year-on-year basis as United States sanctions on integrated Russian aluminium producer Rusal, which commenced in April 2018, increased prices on expectations of reduced supply. Aluminium prices fell by 9% from 2Q 2018 to 3Q 2018 alongside copper and zinc, but by a smaller extent due to rising raw material costs and slower than expected production increases in China.
- The alumina market also faced supply issues during the first nine months of 2018 resulting in higher prices on a year-on-year basis. The uncertain production outlook for Norsk Hydro's Alunorte alumina refinery in Brazil, the world's largest refinery, and Alcoa's union strike at their Western Australia operations resulted in higher average spot prices on a quarter-to-quarter basis from 2Q 2018 to 3Q 2018.

Metals: Performance

- The Base Metals business continues to focus on a measured build based on existing relationships in key origination markets – namely Australia, Central Asia, Latin America and Africa – with sales into China, Southeast Asia and the Middle East. However, volumes were impacted by the Group's constrained liquidity.
- The Global Aluminium business had a strong performance in the first nine months of 2018 as the Jamalco joint venture delivered solid results in the higher alumina price environment.

Carbon Steel Materials: Market Overview

Selected Average Commodity Prices	Nine Month Average			Three Month Average		
	30 Sep 2018	30 Sep 2017	% change	30 Sep 2018	30 Sep 2017	% change
Metallurgical Coal – Platts PLV US\$/tonne	203	183	10%	189	189	-
Iron Ore - US\$/tonne	74	73	1%	71	71	-

Source: Platts, Bloomberg

- Chinese steel production remained strong during the first nine months of 2018, up by approximately 6% on a year-on-year basis. The steel market in China has stayed firm through the escalation of global trade tensions, outperforming base metals, with steel demand supported by construction activities. Production cuts during the winter are expected to be less severe than 2017 as China seeks to boost industrial activity in the face of a possible slowdown caused by global trade tensions.
- The metallurgical coal market has remained stable in the first nine months of 2018, with prices little changed from 2Q 2018 to 3Q 2018. Meanwhile, demand for premium high-grade seaborne iron ore persists, with steel mills seeking premium material to increase their yield.

Carbon Steel Materials: Performance

- The Met Coal and Coke business continues to see opportunities to expand its market share with Chinese and Indian steel mills and expand its origination markets into Southeast Asia, Latin America and Africa, becoming the only global supplier with this level of diversity. The business focused on maintaining its leadership position in the seaborne markets but performance continued to be impacted by the Group's constrained liquidity and access to trade finance lines in the first nine months of 2018. In addition, operating income from supply chains in the first nine months of 2018 was adversely impacted by non-cash mark-to-market losses recorded in 1Q 2018 due to the impact of contract-specific performance reserves recorded against certain net fair value gains on commodity contracts and derivative financial instruments.
- Volumes for the first nine months of 2018 were lower compared to the same period in 2017 in the Iron Ore business due to the roll-off of a significant contract at the end of FY 2016 with residual volumes in 1Q 2017. Meanwhile, the Special Ores and Industrial Minerals business, including manganese, chrome, tin and tungsten, continued to deliver stable volumes and profit margins.

Freight: Market Overview

- Strong seaborne iron ore and coal volumes have supported charter rates with Capesize rates significantly higher from 2Q 2018 to 3Q 2018. Panamax and Supramax charter rates also showed steady improvements during 3Q 2018.
- However, uncertainty for grain trade and dry bulk carrier demand comes from the redirection of China soybean imports flow away from the United States to South America and Europe. On the supply side, dry bulk fleet developments remain on track for the lowest annual newbuilding deliveries in 10 years.

Freight: Performance

- The challenges faced by the Group have impacted the business' ability to fully take advantage of the current market's improving fundamentals. The Freight businesses' external volumes in 3Q 2018 were lower compared to 1Q 2018 and 2Q 2018 as the business completed certain vessel sales and redelivered certain chartered ships over the course of 2018.

Results from Discontinued Operations

	Nine Months Ended			Three Months Ended		
(US\$ million / million tonnes / million MWh)	30 Sep 2018	30 Sep 2017	% change	30 Sep 2018	30 Sep 2017	% change
Volume (million tonnes)	0.5	62.3	-99%	0.0	14.4	-100%
Volume (million MWh) ⁽¹⁾	-	185.5	-	-	55.9	-
Revenue	258	24,311	-99%	-	5,184	-
Operating loss from supply chains	(20)	(204)	90%	0	(99)	-

(1) Gas & Power volume conversions from MMBTu to MWh based on current market heat rates.

Results from the Global Oil Liquids and North American Gas & Power businesses have been presented as discontinued operations following the Group's decision in FY 2017 to monetise these businesses.

The Group successfully completed the sale of Noble Americas Gas & Power Corp to Mercuria Energy America, Inc in 3Q 2017 and successfully completed the sale of Noble Americas Corp ("NAC") to Vitol US Holding Co in 1Q 2018. NAC was the entity through which the Global Oil Liquids business was primarily conducted. Certain remaining Global Oil Liquids working capital balances within Noble Clean Fuels Limited ("NCFL") were also wound down over the course of 2H 2017. The Group also retired in full the related NAC and NCFL senior secured borrowing base revolving credit facilities ("BBFs").

Trading volumes and revenue in the first nine months of 2018 primarily reflect 1Q 2018 trading results of NAC up to the sale completion on 12 January 2018 and, therefore, were lower year-on-year.

The total post-tax loss in the first nine months of 2018 from the discontinued Global Oil Liquids and Agricultural businesses was US\$(57) million.

Refer to the SGX results announcement note 1(b)(i)(C) for further information on discontinued operations.

Working Capital⁽¹⁾

(US\$ million)	30 Sep 2018	30 Jun 2018	31 Dec 2017
Trade receivables	624	648	665
Prepayments, deposits and other receivables	428	493	399
Inventories	122	117	166
Trade and other payables and accrued liabilities ⁽²⁾	(958)	(986)	(943)
Net fair value gains on commodity contracts and derivative financial instruments	292	303	353
Working capital	508	575	640

(1) Excludes working capital associated with “assets and liabilities held for sale”.

(2) Includes accrued but unpaid interest on the Group’s senior debt was of US\$182 million at 30 September 2018, US\$115 million at 30 June 2018 and US\$58 million at 31 December 2017.

- Working capital levels were lower in the first nine months of 2018 primarily due to higher trade and other payables and accrued liabilities, as the Group continues to accrue interest on its existing senior debt, and non-cash mark-to-market losses recorded in 1Q 2018. The Group continues to accrue interest despite payments not being made in accordance with the RSA. At 30 September 2018, accrued but unpaid interest on the Group’s senior debt amounted to US\$182 million.
- Net fair value gains on commodity contracts and derivative financial instruments were lower in the first nine months of 2018 primarily due to net non-cash mark-to-market losses resulting from the impact of contract-specific performance reserves recorded in 1Q 2018. The Group’s net fair value gains on commodity contracts and derivative financial instruments are largely comprised of Level 2 assets. The Group does not have any Level 3 balances.
- Readily marketable inventories (“RMI”) stood at US\$65 million at 30 September 2018, a decrease of US\$39 million from 31 December 2017 due to lower aluminium inventories. Inventory levels decreased during the first nine months of 2018 due to the wind down of aluminium inventories in Europe as the business reallocated capital to the Jamalco joint venture. The Group’s reported RMI primarily relates to metals inventories.

Selected Cash Flow Information⁽¹⁾
Nine Months Ended

(US\$ million)	Continuing Operations	Discontinued Operations	30 Sep 2018
Operating loss before working capital changes⁽²⁾	(92)	(85)	(178)
Decrease/(increase) in working capital	(76)	133	56
Others	20	0	21
Net cash flows from/(used in) operating activities⁽³⁾	(148)	48	(101)
Proceeds from sale of NAC ⁽⁴⁾	261	-	261
Others	71	0	71
Net cash flows from investing activities	331	0	331
Net cash flows used in financing activities	(107)	(168)	(274)
Net foreign exchange differences	(12)	0	(12)
Increase/(decrease) in cash and cash equivalents	64	(120)	(56)

Cash balance reconciliation to SGX Announcement
Nine Months Ended

(US\$ million)	30 Sep 2018
Cash and cash equivalents per SGX announcement at beginning of period⁽⁵⁾	492
Net cash flows from continuing operations ⁽³⁾	64
NAC cash and cash equivalents disposed ⁽⁴⁾	47
Others ⁽⁶⁾	(20)
Cash and cash equivalents per SGX announcement at end of period⁽⁵⁾	583

- (1) Refer to SGX announcement note 1(c) for full cash flow statement and note 1(b)(i)(C) for results of discontinued operations for additional disclosure.
- (2) Includes cash restructuring expenses of US\$126 million (total US\$147 million less US\$21 million amortisation of facilities fees) from continuing operations.
- (3) Excludes movement in cash with futures brokers and not immediately available for use in the business operations and cash placed with a security agent from continuing operations of US\$(141) million and discontinued operations of US\$4 million.
- (4) Proceeds from disposal of NAC of US\$308 million less US\$47 million cash and cash equivalents disposed. During the first nine months of 2018, proceeds from the disposal of NAC comprise 12 January 2018 closing date proceeds of US\$272 million along with US\$36 million received post-12 January 2018. Refer to SGX announcement note 1(b)(i)(I) for additional disclosure.
- (5) Excludes cash and cash equivalents attributable to subsidiaries classified as held for sale. Includes cash with futures brokers and not immediately available for use in the business operations and cash placed with a security agent at 30 September 2018 of US\$178 million.
- (6) Others primarily comprises working capital changes related to non-NAC discontinued operations, including NCFL.

- Realisation on the Group's portfolio of long-term physical contracts was positive in the first nine months of 2018, with contributions from each of the Energy Coal, Carbon Steel Materials and Metals businesses. In particular, the Group's Jamalco joint venture delivered solid results in the strong alumina price environment.
- The operating loss before working capital changes from continuing operations of US\$(92) million for the first nine months of 2018 included approximately US\$(65) million of net non-cash mark-to-market losses due to the impact of contract-specific performance reserves recorded in 1Q 2018 and approximately US\$(126) million of cash restructuring expenses associated with implementing the Restructuring. When adjusting for these items, the Group generated positive operating profit before working capital changes from continuing operations of US\$99 million for the first nine months of 2018.
- Underlying working capital levels were moderately higher in the first nine months of 2018 due to normal course working capital fluctuations as the businesses focused on servicing core flows. Overall, the Group generated positive underlying operating profit before working capital changes from continuing operations after adjusting for restructuring expenses in the first nine months of 2018, with the aggregate outflow from operating activities driven by a normal course increase in underlying working capital.
- Investing cash flows from continuing operations during the first nine months of 2018 include the net proceeds from the sale of NAC along with net proceeds from the disposal of four dry bulk carrier vessels. The Group's investing activities under the asset light model are primarily discretionary in nature, and therefore were not significant during the first nine months of 2018 as the Group continued to conservatively manage liquidity.
- Net cash flow used in financing activities during the first nine months of 2018 primarily relates to interest paid on the Group's senior debt during 1Q 2018 (prior to 14 March 2018) and retirement of debt associated with the disposed vessels. In accordance with the RSA signed on 14 March 2018, the Group has ceased to make, but continues to accrue, interest on its existing senior debt.
- Cash flows from discontinued operations in the first nine months of 2018 primarily relate to the operations of NAC up to the 12 January 2018 disposal date. Net cash from operating activities from discontinued operations reflect underlying trading results along with a net working capital reduction as the business focused on reducing trading positions prior to the disposal date. Cash used in financing activities from discontinued operations reflect the repayment of a portion of debt drawn under the NAC BBF prior to the disposal date. The NAC BBF was retired in full on 12 January 2018.
- Cash and cash equivalents, excluding amounts attributable to subsidiaries held for sale, increased in the first nine months of 2018 from US\$492 million at 31 December 2017 to US\$583 million at 30 September 2018 primarily due to net proceeds received from the sale of NAC during 1Q 2018 and positive underlying operating profit before changes in working capital. This was partially offset by restructuring expenses, interest paid on the Group's senior debt prior to signing the RSA and an increase in underlying working capital.

Three Months Ended

(US\$ million)	Continuing Operations	Discontinued Operations	30 Sep 2018
Operating profit/(loss) before working capital changes⁽²⁾	2	(33)	(31)
Decrease/(increase) in working capital	(66)	39	(28)
Others	6	0	6
Net cash flows from/(used in) operating activities⁽³⁾	(58)	5	(53)
Net cash flows from investing activities	56	0	56
Net cash flows used in financing activities	(27)	(7)	(34)
Net foreign exchange differences	(6)	0	(6)
Decrease in cash and cash equivalents	(36)	(1)	(37)

(1) Refer to SGX announcement note 1(c) for full cash flow statement and note 1(b)(i)(C) for results of discontinued operations for additional disclosure.

(2) Includes cash restructuring expenses of US\$25 million (total US\$33 million less US\$7 million amortisation of facilities fees) from continuing operations.

(3) Excludes movement in cash with futures brokers and not immediately available for use in the business operations and cash placed with a security agent from continuing operations of US\$3 million.

- The operating profit before working capital changes from continuing operations of US\$2 million in 3Q 2018 included approximately US\$(25) million of cash restructuring expenses associated with implementing the Restructuring. When adjusting for these restructuring expenses, the Group generated positive operating profit before working capital changes from continuing operations of US\$27 million in 3Q 2018.
- Overall, the Group generated positive operating profit before working capital changes from continuing operations after adjusting for restructuring expenses in 3Q 2018, with the aggregate outflow from operating activities driven by a normal course increase in working capital.
- Investing cash flows from continuing operations during 3Q 2018 include the net proceeds from the sale of two dry bulk carrier vessel during the period and net financing activities include the retirement of the debt associated with the disposed vessels.
- Cash flows from discontinued operations were minimal in 3Q 2018 following the disposal of NAC in 1Q 2018.
- Cash and cash equivalents, excluding amounts attributable to subsidiaries held for sale, decreased in 3Q 2018 from US\$621 million at 30 June 2018 to US\$583 million at 30 September 2018 primarily due to restructuring expenses and an increase in underlying working capital during the period. This was partially offset by positive underlying operating profit before working capital changes and net proceeds from the vessel disposals.

Funding and Credit Availability⁽¹⁾

A detailed debt schedule is included below to assist in the comparison and analysis of the consolidated balance sheet following the classification of NAC as “assets and liabilities held for sale”.

Net Debt

(US\$ million)	30 Sep 2018	30 Jun 2018	31 Dec 2017
3.625% senior notes due Mar 2018	379	379	379
6.75% senior notes due Jan 2020	1,177	1,177	1,177
8.75% senior notes due Mar 2022	750	750	738
Total debt capital markets	2,306	2,306	2,294
Senior unsecured revolving credit facility	1,161	1,160	1,143
Loans drawn under NAC BBF	-	-	354
Vessel financing	44	78	119
Other bank debt	36	36	26
Total bank debt	1,241	1,274	1,642
Total debt	3,547	3,580	3,936
Cash and cash equivalents ⁽²⁾	584	621	640
Net debt	2,963	2,959	3,296
Shareholders' equity	(1,147)	(1,034)	(805)
Readily marketable inventory (RMI) ⁽³⁾	65	66	529

Net Debt Reconciliation to SGX Announcement

(US\$ million)	30 Sep 2018	30 Jun 2018	31 Dec 2017
Total debt	3,547	3,580	3,936
Loans drawn under NAC BBF ⁽¹⁾	-	-	(354)
Total debt per SGX announcement	3,547	3,580	3,582
Cash and cash equivalents⁽²⁾	584	621	640
Cash and cash equivalents attributable to subsidiaries classified as held for sale ⁽¹⁾⁽²⁾	(1)	(0)	(148)
Cash and cash equivalents per SGX announcement⁽²⁾	583	621	492

(1) NAC classified as “assets and liabilities held for sale” as at 31 December 2017.

(2) Includes cash with futures brokers and not immediately available for use in the business operations and cash placed with a security agent at 30 September 2018 of US\$178 million (31 December 2017: US\$41 million).

(3) 31 December 2017 includes reported US\$104 million RMI plus US\$425 million NAC RMI classified as “assets held for sale”.

- The Group's net debt decreased by US\$333 million during the first nine months of 2018, from US\$3,296 million at 31 December 2017 to US\$2,963 million at 30 September 2018, primarily due to the sale of NAC and retirement in full of the NAC BBF.

- Total cash and cash equivalents at 30 September 2018 stood at US\$583 million and is inclusive of US\$178 million in cash with futures brokers and not immediately available for use in the business operations and cash placed with a security agent as collateral in respect of letters of credit issued under the Group's interim trade finance facilities. This amount is expected to be released upon the proposed restructuring effective date with a portion to be reallocated to the new trade finance facility to be made available upon the completion of the Restructuring.