

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

Six Months Ended 30 June 2018

Financial Results

	Six Months Ended		Three Months Ended	
(US\$ million / million tonnes)	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
Tonnage⁽¹⁾	31.4	42.8	14.9	20.5
Revenue⁽¹⁾	2,331.8	3,445.2	1,117.0	1,517.7
Operating income/(loss) from supply chains, net⁽¹⁾	26.0	(168.4)	70.3	(111.1)
Gain/(loss) on supply chain assets ⁽¹⁾	(57.1)	(21.7)	0.2	(15.9)
Share of profits and losses of joint ventures and associates ⁽¹⁾	138.8	(19.8)	5.1	(19.3)
Total operating income/(loss)⁽¹⁾	107.7	(209.9)	75.6	(146.3)
Other income net of other expenses ⁽¹⁾	19.4	1.6	(0.2)	0.6
Selling, administrative and operating expenses ⁽¹⁾	(71.1)	(152.3)	(33.8)	(101.0)
Profit/(loss) before interest, tax and restructuring expenses⁽¹⁾	56.0	(360.6)	41.6	(246.7)
Restructuring expenses ⁽²⁾	(113.8)	-	(94.6)	-
Net finance costs ⁽¹⁾	(125.8)	(85.5)	(66.9)	(46.8)
Taxation ⁽¹⁾	(14.8)	(1.0)	(7.4)	0.7
Net loss from continuing operations⁽¹⁾	(198.4)	(447.1)	(127.3)	(292.8)
Post-tax loss from discontinued operations ⁽³⁾	(1.5)	(157.8)	(1.1)	(179.8)
Exceptional items, net of tax ⁽⁴⁾	-	(1,252.9)	-	(1,261.2)
Other items ⁽⁵⁾	-	(22.4)	-	(17.0)
Non-controlling interests	0.1	0.1	0.1	0.1
Net loss	(199.8)	(1,880.1)	(128.3)	(1,750.7)

(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)(A) for additional disclosure.

(3) Includes post-tax profit/(loss) from discontinued Global Oil Liquids and North American Gas & Power 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

Noble Group Limited (the “Company” and together with its subsidiaries, the “Group”) started 2018 with the completion of the sale of Noble Americas Corporation (“NAC”) and the wind down of certain remaining Global Oil Liquids working capital balances within Noble Clean Fuels Limited (“NCFL”), which concluded the asset disposal programme.

Over the first six months of 2018, and to date, the Group’s primary focus has been to agree and implement the proposed restructuring¹ pursuant to the Restructuring Support Agreement (the “RSA”) signed between, among others, the Company and the Consenting Creditors (as defined in the RSA) on 14 March 2018². To date, the proposed restructuring has received support from several of the Company’s stakeholders in line with the Board’s objective to conclude a consensual restructuring of the Group’s debt:

- over 86% of Existing Senior Creditors have acceded to the RSA; and
- Noble Holdings Limited³ (the Company’s largest shareholder, holding 17.9% of the shares of the Company), Goldilocks Investment Company Limited (holding 8.1% of the shares of the Company) and a consortium including Value Partners Limited and Pinpoint Asset Management Ltd (collectively holding approximately 4.4% of the shares of the Company) have signed irrevocable undertakings to support the RSA – which combined comprise over 30% of the Company’s issued share capital.

The proposed 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.

The Board believes that the proposed restructuring provides the best possible outcome for all stakeholders. A circular to shareholders in relation to the proposed restructuring has been published and a Special General Meeting will be convened on 27 August 2018 for shareholders to review, and if deemed appropriate, approve the restructuring.

Global commodity prices have been strong over the first six 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 rallied strongly in 2Q 2018 on the back of United States sanctions on integrated Russian aluminium producer Rusal, the world’s second largest aluminium company, in April 2018. Commodity prices for the Group’s other major commodities, including thermal coal, were also stronger in the first six months of 2018 on a year-on-year basis.

Operating income from supply chains improved in 2Q 2018, led by the Group’s Metals, Minerals and Ores segment. In particular, the Group’s Jamalco joint venture delivered a strong performance during the period with the impact of the higher alumina price environment reflected in the 2Q 2018 results. Metals, Minerals and Ores segment results in the first half of 2018 also benefitted from higher year-on-year profitability from the Group’s Special Ores and Alloys business and steady volumes from the Base Metals business.

¹ Refer to the Group’s 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 and 10 August 2018 in relation to the proposed restructuring of the Company.

² Refer to the Group’s announcement “Noble Group Announces Binding Agreement for Financial Restructuring” and the Restructuring Support Agreement as well as the Company presentation released on 14 March 2018.

³ Refer to the Group’s announcement “Update on Financial Restructuring” released on 16 April 2018. Noble Holdings Limited is the entity through which Mr. Richard Elman has a deemed interest in the shares of the Company.

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 six 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 half of 2018 were also impacted by restructuring expenses associated with implementing the proposed restructuring and finance costs on existing senior debt.

Total Group volumes (including both offtake and marketing) were down 5% quarter-to-quarter from 1Q 2018 to 2Q 2018 as volumes from the Hard Commodities businesses were slightly lower, with total Group volumes during the first six months of 2018 down 23% year-on-year as the businesses focused on their core flows. Revenues were down 32% in the first six 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\$26 million in the first six months of 2018, despite approximately US\$(65) million of net non-cash losses recorded in 1Q 2018 which included contract-specific 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 six months of 2018 was approximately US\$91 million.

Realisation on the Group's portfolio of long-term physical contracts was also positive in 2Q 2018 and in the first six 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 six months of 2018 of US\$(57) 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\$139 million in the first six 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\$19 million for the first six 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 six months of 2018, in line with expectations and the Group's cost reduction strategy. Further reductions in SAO expenses are expected with projected steady state annual SAO expenses of approximately US\$100 million targeted to be achieved on a run rate basis by the end of 3Q 2018.

Restructuring expenses of US\$114 million were recorded in the first six months of 2018 and include items associated with implementing the proposed 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 RSA) and a waiver fee payable to holders of the Group's senior unsecured revolving credit facility. Such expenses also include 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\$126 million recorded in the first six 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.

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. The Group will make further announcements in relation to the progress and implementation of the proposed restructuring in due course.

Energy Segment

	Six Months Ended			Three Months Ended		
(US\$ million / million tonnes)	30 Jun 2018	30 Jun 2017	% change	30 Jun 2018	30 Jun 2017	% change
Volume (million tonnes) ⁽¹⁾⁽²⁾	12.0	18.7	-36%	5.3	8.3	-36%
Revenue ⁽¹⁾	964	1,381	-30%	436	578	-25%
Operating income/(loss) from supply chains ⁽¹⁾	(39)	(122)	68%	16	(97)	-

(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	Six Month Average			Three Month Average		
	30 Jun 2018	30 Jun 2017	% change	30 Jun 2018	30 Jun 2017	% change
Coal – API4 (US\$/t)	96.65	79.19	22%	98.88	75.73	31%
Coal – API2 (US\$/t)	88.03	78.40	12%	89.23	75.44	18%
Coal – Newcastle FOB (US\$/t)	103.72	80.60	29%	104.53	79.66	31%

Source: Bloomberg

- Prices strengthened further in 2Q 2018 with Newcastle, API4 and API2 higher quarter-to-quarter compared to 1Q 2018. Prices were also higher in the first six months of 2018 on a year-on-year basis.
- Import demand from China in the first six months of 2018, for all grades of coal, grew by approximately 25% on a year-on-year basis with low-CV material recording the highest gains in volume. Indian coal import demand was 9% higher in the first six months of 2018 on a year-on-year basis.
- Meanwhile, a stronger than average rain season in Indonesia impacted coal availability in Asia Pacific, which supported higher prices.

Energy Coal: Performance

- Total Energy Coal volume (including both offtake and marketing) was lower by 8% quarter-to-quarter from 1Q 2018 to 2Q 2018 as certain scheduled 2Q 2018 volumes were re-profiled to the second half of 2018. Total volumes were down 23% in the first six 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 six 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	Six Month Average			Three Month Average		
	30 Jun 2018	30 Jun 2017	% change	30 Jun 2018	30 Jun 2017	% change
LNG Spot JKM (US\$/mmBtu)	9.14	6.31	45%	8.84	5.54	60%

Source: Bloomberg

- LNG import demand remained strong in North Asia (China, Japan and South Korea), up 12% in the first six months of 2018 on a year-on-year basis, on the back of continued strong demand from China. Increased demand combined with delays in expected supply growth from various projects globally resulted in LNG spot prices higher in the first six 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 given the Group's constrained liquidity and access to trade finance lines.

Metals, Minerals and Ores Segment

(US\$ million / million tonnes)	Six Months Ended			Three Months Ended		
	30 Jun 2018	30 Jun 2017	% change	30 Jun 2018	30 Jun 2017	% change
Volume ⁽¹⁾	19.3	24.2	-20%	9.6	12.2	-22%
Revenue ⁽¹⁾	1,368	2,064	-34%	681	940	-28%
Operating income/(loss) from supply chains ⁽¹⁾	65	(46)	-	54	(14)	-

(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	Six Month Average			Three Month Average		
	30 Jun 2018	30 Jun 2017	% change	30 Jun 2018	30 Jun 2017	% change
S&P GSCI Industrial Metals Index	385	321	20%	386	318	21%
LME cash aluminium price (US\$/t)	2,209	1,880	17%	2,259	1,911	18%
LME cash copper price (US\$/t)	6,915	5,748	20%	6,872	5,663	21%
LME cash zinc price (US\$/t)	3,268	2,690	21%	3,114	2,598	20%
Alumina – Platts FOB Australia (US\$/t)	452	318	42%	522	297	76%

Source: Bloomberg

- Copper prices remained strong quarter-to-quarter from 1Q 2018 to 2Q 2018 and were higher in the first six months of 2018 on a year-on-year basis on the back of supportive supply side factors – such as shutdowns of

smelting capacity and wage negotiations at the Escondida mine in Chile. Meanwhile, zinc prices were higher in the first six months of 2018 on a year-on-year basis, however retreated 9% quarter-to-quarter from 1Q 2018 to 2Q 2018 due to concerns of over-supply of zinc concentrates due to the onset of new projects in South Africa and Australia. June 2018 saw a broad selloff across all metals driven by fears of a potential United States – China trade war.

- Aluminium prices were higher quarter-to-quarter from 1Q 2018 to 2Q 2018 and in the first six months of 2018 on a year-on-year basis due to United States sanctions on integrated Russian aluminium producer Rusal, the world's second largest aluminium company, in April 2018. The sanctions boosted prices on expectations of reduced supply and complications in terms of delivery and LME warehousing issues. LME cash aluminium prices rose from c.US\$2,000/t to c.US\$2,500/t within two weeks after the announcement of the sanctions. Prices then retraced over news of possible lifting of sanctions, then were followed by the broad selloff across all metals in June 2018.
- The alumina market also faced supply issues with the partial shutdown Norsk Hydro's Alunorte alumina refinery in Brazil, the world's largest refinery. The Alunorte plant is currently operating at 50% capacity with little certainty of when it can resume to business as usual. As a result, the Platts FOB Australia alumina price rose by 37% quarter-on-quarter from 1Q 2018 to 2Q 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 six months of 2018 as the Jamalco joint venture delivered a strong performance during the period with the impact of the higher alumina price environment reflected in the 2Q 2018 results.

Carbon Steel Materials: Market Overview

Selected Average Commodity Prices	Six Month Average			Three Month Average		
	30 Jun 2018	30 Jun 2017	% change	30 Jun 2018	30 Jun 2017	% change
Metallurgical Coal – Platts PLV US\$/tonne	209	181	16%	190	193	-1%
Iron Ore - US\$/tonne	75	74	2%	75	63	19%

Source: Platts, Bloomberg

- Chinese steel production exceeded expectations in the first six months of 2018, with the latest numbers from the China Iron and Steel Association showing robust growth of 6% year-on-year. Apparent steel demand was also very strong, with an estimated growth rate of 8% in the first six months of 2018. As a result, steel inventories in China were at one of the lowest points in the last four years by the end of June 2018. Steel margins in China climbed to their highest point in the last five years, as a result of further environmental restrictions at steel mills in Tangshan, in tandem with declining steel raw material prices.
- The metallurgical coal market cooled slightly in 2Q 2018 after a strong post-winter rally in 1Q 2018, however prices remained higher in the first six month of 2018 compared to the same period in 2017. Meanwhile, the

premium for high-grade seaborne iron ore has continued to climb to historical highs, 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 six months of 2018. In addition, operating income from supply chains in the first six 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 six 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 & Metals business, including manganese, chrome, tin and tungsten, continued to deliver strong volumes and profit margins.

Freight: Market Overview

- Panamax and Supramax sectors remained largely neutral during 2Q 2018, with seaborne volumes and low newbuilding deliveries providing positive support against a scenario of uncertainty and slightly negative sentiment surrounding a potential United States – China trade war.
- From 1Q 2018 to 2Q 2018, Panamax charter rates fell US\$1,037 to US\$10,508 whilst Supramax charter rates improved US\$773 to US\$11,501. Capesize charter rates gained quarter-on-quarter, with average 2Q 2018 charter rates up US\$1,973 to US\$14,906 supported by continued growth in seaborne volumes of iron ore.

Freight: Performance

- The challenges faced by the Group have impacted the business' ability to fully take advantage of the current market's improving fundamentals.

Results from Discontinued Operations

	Six Months Ended			Three Months Ended		
(US\$ million / million tonnes / million MWh)	30 Jun 2018	30 Jun 2017	% change	30 Jun 2018	30 Jun 2017	% change
Volume (million tonnes)	0.6	48.0	-99%	0.0	23.3	-100%
Volume (million MWh) ⁽¹⁾	-	129.6	-	-	52.4	-
Revenue	258	19,126	-99%	(0)	8,539	-
Operating loss from supply chains	(20)	(105)	81%	(0)	(160)	100%

(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 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 NCFL were also wound down over the course of 2H 2017, generating over US\$100 million in cash proceeds.

Overall, the Group generated approximately US\$525 million of net proceeds, following retirement in full of the related NAC and NCFL senior secured borrowing base revolving credit facilities ("BBFs"), from the monetisation of these businesses. The final determination of the closing date consideration from the sale of NAC is ongoing with the buyer, in accordance with the terms and conditions of the stock purchase agreement, and a further announcement will be made in due course once complete.

Trading volumes and revenue in the first six 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 six months of 2018 from the discontinued Global Oil Liquids businesses was US\$1.5 million.

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

Working Capital

(US\$ million)	30 Jun 2018	31 Mar 2018	31 Dec 2017
Trade receivables	648	699	665
Prepayments, deposits and other receivables	493	495	399
Inventories	117	109	166
Trade and other payables and accrued liabilities	(986)	(927)	(943)
Net fair value gains on commodity contracts and derivative financial instruments	303	272	353
Working capital⁽¹⁾	575	648	640

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

- Working capital levels were moderately lower in the first six months of 2018 as the businesses focused on servicing core flows given the Group’s constrained liquidity and access to competitive trade finance lines and due to non-cash mark-to-market losses.
- Inventory levels decreased during the first six months of 2018 due to the wind down of aluminium inventories in Europe as the business reallocated capital to the Jamalco joint venture. Net fair value gains on commodity contracts and derivative financial instruments were lower primarily due to net non-cash mark-to-market losses resulting from the impact of contract-specific performance reserves recorded in 1Q 2018. Working capital levels also declined due to higher trade and other payables and accrued liabilities as the Group continues to accrue interest on its existing senior debt, despite payments not being made in accordance with the RSA.
- These decreases in working capital were partially offset by an increase in prepayments, deposits and other receivables primarily related to the completion of the NAC sale in 1Q 2018 and recognition of the related escrows receivable. The amounts placed in escrow will be released to the Group in accordance with the terms and conditions of the stock purchase agreement.
- 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\$66 million at 30 June 2018, a decrease of US\$38 million from 31 December 2017 due to lower aluminium inventories. The Group’s reported RMI primarily relates to metals inventories. The Group no longer utilises its off balance sheet readily marketable inventory sales program.

Selected Cash Flow Information⁽¹⁾
Six Months Ended

(US\$ million)	Continuing Operations	Discontinued Operations	30 Jun 2018
Operating loss before working capital changes	(95)	(51)	(146)
Decrease/(increase) in working capital	(9)	93	84
Others	14	1	15
Net cash flows from/(used in) operating activities⁽²⁾	(90)	43	(47)
Proceeds from sale of NAC ⁽³⁾	261	-	261
Others	14	-	14
Net cash flows from investing activities	275	-	275
Net cash flows used in financing activities	(79)	(162)	(241)
Net foreign exchange differences	(6)	-	(6)
Increase/(decrease) in cash and cash equivalents	100	(119)	(19)

Cash balance reconciliation to SGX Announcement
Six Months Ended

(US\$ million)	30 Jun 2018
Cash and cash equivalents per SGX announcement at beginning of period⁽⁴⁾	492
Net cash flows from continuing operations ⁽²⁾	100
NAC cash and cash equivalents disposed ⁽³⁾	47
Others ⁽⁵⁾	(18)
Cash and cash equivalents per SGX announcement at end of period⁽⁴⁾	621

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

(2) Excludes movement in cash with futures brokers and/or not immediately available for use in the business operations from continuing operations of US\$(143) million and discontinued operations of US\$4 million.

(3) Proceeds from disposal of NAC of US\$308 million less US\$47 million cash and cash equivalents disposed. Proceeds from 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.

(4) Excludes cash and cash equivalents attributable to subsidiaries classified as held for sale. Includes cash with futures brokers and/or not immediately available for use in the business operations at 30 June 2018 of US\$180 million.

(5) Others primarily comprises working capital changes related to non-NAC discontinued operations, including NCFL.

Six Months Ended

(US\$ million)	30 Jun 2018
Net cash flows used in operating activities from continuing operations⁽¹⁾	(90)
Cash restructuring expenses ⁽²⁾	100
Adjusted net cash flows from operating activities from continuing operations⁽¹⁾	10

(1) Excludes movement in cash with futures brokers and/or not immediately available for use in the business operations from continuing operations of US\$(143) million.

(2) Total restructuring expenses of US\$114 million less US\$14 million amortisation of facilities fees.

- Realisation on the Group's portfolio of long-term physical contracts was positive in the first six 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 a strong performance during the period with the impact of the higher alumina price environment reflected in the 2Q 2018 results.
- The operating loss before working capital changes from continuing operations of US\$(95) million for the first six 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\$(100) million of cash restructuring expenses associated with implementing the proposed restructuring. When adjusting for these items, the Group generated positive operating profit before working capital changes from continuing operations of US\$70 million for the first six months of 2018.
- Overall, the Group generated positive cash flows from operating activities from continuing operations, after changes in working capital, in the first six months of 2018 after adjusting for restructuring expenses.
- Investing cash flows from continuing operations during the first six months of 2018 include the net proceeds from the sale of NAC along with proceeds from the disposal of two 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 six months of 2018 as the Group continued to conservatively manage liquidity.
- Net cash flow used in financing activities during the first six 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 vessel disposals. 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 six 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 six months of 2018 from US\$492 million at 31 December 2017 to US\$621 million at 30 June 2018 primarily due to net proceeds received from the sale of NAC during 1Q 2018 and positive underlying operating cash flow. This was partially offset by restructuring expenses and interest paid on the Group's senior debt prior to signing the RSA.

Three Months Ended

(US\$ million)	Continuing Operations	Discontinued Operations	30 Jun 2018
Operating loss before working capital changes	(40)	(1)	(41)
Decrease/(increase) in working capital	(26)	6	(20)
Others	9	-	9
Net cash flows from/(used in) operating activities⁽²⁾	(57)	5	(52)
Proceeds from sale of NAC	1	-	1
Others	15	1	16
Net cash flows from investing activities	16	1	17
Net cash flows used in financing activities	(8)	(9)	(17)
Net foreign exchange differences	(5)	-	(5)
Decrease in cash and cash equivalents	(54)	(3)	(57)

Three Months Ended

(US\$ million)	30 Jun 2018
Net cash flows used in operating activities from continuing operations⁽²⁾	(57)
Cash restructuring expenses ⁽⁴⁾	93
Adjusted net cash flows from operating activities from continuing operations⁽²⁾	36

- (1) Refer to SGX announcement note 1(c) for full cash flow statement and note 1(b)(i)(B) for results of discontinued operations for additional disclosure.
- (2) Excludes movement in cash with futures brokers and/or not immediately available for use in the business operations from continuing operations of US\$1 million.
- (3) Proceeds from disposal of NAC million received during the period. Refer to SGX announcement note 1(b)(i)(I) for additional disclosure.
- (4) Total restructuring expenses of US\$95 million less US\$2 million amortisation of facilities fees.

- The operating loss before working capital changes from continuing operations of US\$(40) million in 2Q 2018 included approximately US\$(93) million of cash restructuring expenses associated with implementing the proposed restructuring. When adjusting for these restructuring expenses, the Group generated positive operating profit before working capital changes from continuing operations of US\$53 million in 2Q 2018.

- Overall, the Group generated positive cash flows from operating activities from continuing operations, after changes in working capital, in 2Q 2018 after adjusting for restructuring expenses. The positive cash flow result included a strong performance from the Group's Jamalco joint venture in the higher alumina price environment.
- Investing cash flows from continuing operations during 2Q 2018 include the net proceeds from the sale of a dry bulk carrier vessel during the period and net financing activities include the retirement of the debt associated with the disposed vessel.
- Cash flows from discontinued operations were minimal in 2Q 2018 following the disposal of NAC in 1Q 2018.
- Cash and cash equivalents, excluding amounts attributable to subsidiaries held for sale, decreased in 2Q 2018 from US\$677 million at 31 March 2018 to US\$621 million at 30 June 2018 primarily due to restructuring expenses, partially offset by positive underlying operating cash flow.

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 Jun 2018	31 Mar 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	1,160	1,143	1,143
Loans drawn under NAC BBF	-	-	354
Vessel financing	78	99	119
Other bank debt	36	28	26
Total bank debt	1,274	1,270	1,642
Total debt	3,580	3,576	3,936
Cash and cash equivalents ⁽²⁾	621	678	640
Net debt	2,959	2,898	3,296
Shareholders' equity	(1,034)	(906)	(805)
Readily marketable inventory (RMI) ⁽³⁾	66	64	529

Net Debt Reconciliation to SGX Announcement

(US\$ million)	30 Jun 2018	31 Mar 2018	31 Dec 2017
Total debt	3,580	3,576	3,936
Loans drawn under NAC BBF ⁽¹⁾	-	-	(354)
Total debt per SGX announcement	3,580	3,576	3,582
Cash and cash equivalents⁽²⁾	621	678	640
Cash and cash equivalents attributable to subsidiaries classified as held for sale ⁽¹⁾⁽²⁾	(0)	(1)	(148)
Cash and cash equivalents per SGX announcement⁽²⁾	621	677	492

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

(2) Includes cash with futures brokers and/or not immediately available for use in the business operations at 30 June 2018 of US\$180 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\$337 million during the first six months of 2018, from US\$3,296 million at 31 December 2017 to US\$2,959 million at 30 June 2018, primarily due to the sale of NAC and retirement in full of the NAC BBF.

- Total cash and cash equivalents at 30 June 2018 stood at US\$621 million and is inclusive of US\$180 million in cash with futures brokers and/or not immediately available for use in the business operations. This amount primarily comprises 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 proposed financial restructuring.
- During 1Q 2018 and subsequent to 2Q 2018, the Group announced that, pursuant to the terms of the RSA, the Group will not make payment in respect of outstanding principal amounts and accrued interest due and payable, as applicable, on the senior notes due in 2018, 2020 and 2022, and on the senior unsecured revolving credit facility. These amounts, along with all other unsecured indebtedness of the Group, will be restructured in accordance with the terms of the proposed restructuring as set out in the RSA. Accordingly, the Group has reclassified its long-term debt liabilities to current liabilities as at 30 June 2018.
- The terms of the RSA provide for a standstill with respect to creditor's Existing Senior Claims (as defined in the RSA), which include claims in respect of the senior notes due 2018, 2020, and 2022 and the senior unsecured revolving credit facility. Creditors of the Company who have signed or accede to the RSA undertake pursuant to the terms of the RSA to refrain from taking any action against the Company in respect to their Existing Senior Claims. To date, over 86% of Existing Senior Creditors have acceded to the RSA, exceeding the required 75% approval threshold.