MD&A

Management's Discussion and Analysis of Financial Condition & Results of Operations
Six Months Ended 30 June 2014

Financial Results

(million tonnes/ US$ million)	Six Months Ended 30 Jun 2014	Six Months Ended 30 Jun 2013	Three Months Ended 30 Jun 2014	Three Months Ended 30 Jun 2013
Tonnage	**124.5**	**110.3**	**72.3**	**57.7**
Revenue	**41,508.4**	**40,292.0**	**23,552.2**	**20,932.8**
Operating income from supply chains	**817.1**	**789.4**	**319.6**	**406.8**
Operating income margin	1.97%	1.96%	1.36%	1.94%
Losses on supply chain assets	(62.5)	(24.6)	(20.7)	(7.7)
Share of profits and losses of joint ventures and associates	(35.0)	(12.6)	(21.5)	(9.6)
Total operating income	**719.6**	**752.2**	**277.4**	**389.5**
Other income net of other expenses	(3.0)	(20.9)	(1.0)	(10.6)
Selling, administrative and operating expenses ("SAO")	(256.2)	(201.8)	(115.4)	(106.3)
Net finance costs	(90.5)	(98.4)	(43.9)	(52.5)
Taxation	(28.2)	0.2	(7.6)	(8.3)
Profit for the period from continuing operations	**341.7**	**431.3**	**109.5**	**211.8**
Post-tax loss for the period from agricultural operations held for sale	(122.5)	(325.2)	(43.8)	(144.8)
Non-controlling interests	(1.1)	(2.0)	0.1	(4.2)
Net profit	**218.1**	**104.1**	**65.8**	**62.8**

Additional Income Statement Analysis as per Note 1(b)(i)(D) of the Financial Statements released to the SGX

Six Months Ended 30 June 2014

(million tonnes/ US$ million)	**Agricultural Operations Held for Sale[1]**	**Noble Group Continuing Operations**	**Noble Group Consolidated Operations**
Tonnage	13.4	111.1	124.5
Revenue	**7,354.5**	**41,508.4**	**48,862.9**
Operating income from supply chains	**(42.3)**	**817.1**	**774.8**
Operating income margin	-	1.97%	1.59%
Losses on supply chain assets	(1.8)	(62.5)	(64.3)
Share of profits and losses of joint ventures and associates	1.5	(35.0)	(33.5)
Total operating income / (loss)	**(42.6)**	**719.6**	**677.0**
Other income net of other expenses	7.4	(3.0)	4.4
Selling, administrative and operating expenses ("SAO")	(112.9)	(256.2)	(369.1)
Net finance costs	(52.3)	(90.5)	(142.8)
Taxation	77.9	(28.2)	49.7
Non-controlling interests	-	(1.1)	(1.1)
Net profit / (loss)	**(122.5)**	**340.6**	**218.1**
Net profit margin	-	0.82%	0.45%

(1) Agricultural operations held for sale excludes any tonnage or financial contribution from the Group's logistics business

Key highlights

- Group 2014 interim net profit at US$218 million, more than double the prior period's comparable. Achieved despite the profit and loss account having been impacted by non-cash losses from joint ventures and associates and losses on supply chain assets of US$97 million in 2014, in comparison to combined losses of US$37 million in 2013.
- Record operating income from supply chains of US$817 million for our continuing operations (Energy and MMO) for the six months to 30 June 2014, up 4% over the prior year.
- Record tonnage for an interim period, reaching 125 million tonnes, a 13% increase from the same period in 2013.
- Performance of the Agriculture Segment has improved substantially, in terms of both operating and net loss. This was driven by the continued implementation of our focused business plan. Additionally, the first half of 2014 saw the successful ramp up of our enlarged oilseed crushing footprint which benefited from positive market conditions.
- Continuing to work alongside COFCO and the financial investor consortium to ensure the successful closing of the Noble Agri joint venture transaction that was announced in early April.
- The Energy Segment continued to deepen its relationships and earnings potential. In particular, in the middle of July, we announced the formation of Harbour Energy, in partnership with EIG Global Energy Partners. This new company, which will be led by the former senior Shell executive, Linda Cook, looks to exploit the opportunities being created by the changes in global energy markets.
- The MMO Segment is also creating additional flows in new origination and destination markets. In particular, we have seen continued developments in our Mongolian franchise as well as in our non-ferrous metals businesses in Africa, Europe and the Americas. Noble continues to work with the management team of X2 Resources and its co-investors with a view to crystallizing the common vision of creating a new mid-tier mining company.
- VaR declined to 0.39% of shareholders' equity primarily due to the reduction in volatility in the energy markets.
- Liquidity headroom remains robust with readily available cash plus unutilized committed facilities at US$4.5 billion.

Following the announcement of the proposed agribusiness joint venture with COFCO Corporation, the agriculture business of Noble Group has been classified as operations held for sale. The results of the Group's remaining businesses are classified under continuing operations.

The Board of Directors believes that it is more meaningful to shareholders to discuss the Group's current and historic performance in line with past practice, consolidating all three Segments, while Noble Group has ownership of the Agricultural operations held for sale. A reconciliation table is provided opposite.

Agriculture [1]

(US$ million / million tonnes)	Six Months Ended 30 Jun 2014	30 Jun 2013	% change	Three Months Ended 30 Jun 2014	30 Jun 2013	% change
Tonnage	32.0	22.4	43	19.1	13.4	43
Revenue	7,225	7,636	(5)	3,891	4,407	(12)
Operating income from supply chains	(42)	(120)	-	(0.3)	(54)	-
Operating income margin	-	-	-	-	-	-

(1) Including contributions from the logistics business

Operating results:

- Improving performance in the Segment accompanied by a 43% increase in volume, led by the Grains & Oilseed division and improving crush margins.

Key highlights:

- The Group's sugar mills in Brazil are operating satisfactorily in a challenging environment. The dry weather has improved sugar content in the cane, but has had an impact on cane development and the yields we are forecasting are expected to allow us to crush only slightly more than in 2013. On the other hand, the drought restricted hydro-electricity output and the business was able to benefit from high spot electricity prices.

- In Grains & Oilseeds, crush margins in China have recovered recently, on the back of stronger than expected domestic demand. They are, however, still below the level required to provide adequate returns on a fully costed basis. Argentina continued its strong performance with a record harvest, allowing our crush facility in Timbues to run at full capacity with good margins. The oilseed crushing facilities which became operational in 2013 are performing well. The plant in Rondonopolis, Brazil, is operating at full capacity, and we achieved record monthly crush volume in the Ukraine. Crush margins in South Africa performed strongly.

- Increasing port and storage capacity is a key focus and we expect to double capacity at the TGU terminal in Uruguay, in which we have a 36% stake, following extension of the government concession. We also announced our involvement in a consortium to develop a new multi-user grain handling facility in Australia.

- The majority of the Softs division exhibited a solid performance, while the coffee business was impacted by the continued volatility in prices.

noble group

Energy

(US$ million / million tonnes)	Six Months Ended 30 Jun 2014	30 Jun 2013	% change	Three Months Ended 30 Jun 2014	30 Jun 2013	% change
Tonnage*	67.7	66.3	2	38.5	36.5	5
Revenue	35,422	31,084	14	20,416	16,473	24
Operating income from supply chains	713	719	(1)	276	351	(21)
Operating income margin	2.01%	2.31%		1.35%	2.13%	

(1) Excluding Gas & Power volume

Operating results:

- Solid performance, largely in line with last year's first half out turn.

Key highlights:

- Building on its leadership position in the Asian market, the Energy Coal & Carbon Complex division is successfully expanding its European capabilities, establishing new flows. We continue to focus on developing a portfolio of origination options in order to deliver customers products that comply with each user's specifications.
- After a very strong start to the year the Oil Liquids & Gas businesses saw a seasonal reduction in opportunities as the first half closed, on the back of much reduced volatility, as the industry focused on refilling storage in natural gas and rebuilding stock piles for energy commodities. Our investment in Inflection Energy continues to perform well. If industry benchmarks are indicative, the investment continues to create additional shareholder value.
- Our power business based in San Diego, Noble Americas Energy Solutions, reported strong earnings in all major regions across the US, as it continued its success in adding customers.

Metals, Minerals and Ores ("MMO")

(US$ million / million tonnes)	Six Months Ended 30 Jun 2014	Six Months Ended 30 Jun 2013	% change	Three Months Ended 30 Jun 2014	Three Months Ended 30 Jun 2013	% change
Tonnage	24.8	21.6	15	14.7	7.8	88
Revenue	6,216	9,208	(32)	3,318	4,459	(26)
Operating income from supply chains	104	70	49	34.0	55.5	(39)
Operating income margin	1.67%	0.76%		1.02%	1.24%	

Operating results:

- Solid performance which benefitted from generally strong trading conditions across the Group's markets, particularly in aluminum and zinc.

Key highlights:

- The Segment continues its success in expanding the non-ferrous metals business with notable developments in zinc and copper trading. The team moved record volumes of zinc in the quarter and expanded its global copper business to new sources in Africa and South America, while serving the needs of new customers in North America and Europe.

- In Iron Ore, the continued decline in prices has resulted in improved margins for Chinese steel mills and created opportunities for restocking. The division established new iron ore flows to China from Mongolia, securing our own pipeline from origination to destination.

- We have also expanded our Special Ores and Ferro Alloys business with deliveries into Europe and the US from our partners in Mongolia.

Working capital

(US$ million)	30 Jun 2014 (1)	31 Mar 2014 (1)	31 Dec 2013
Trade receivables	3,147	3,114	3,138
Prepayments, deposits and other receivables	6,153	6,077	6,332
Inventories	2,451	1,795	3,090
Trade and other payables and accrued liabilities	8,756	8,226	8,284
Working capital	2,995	2,760	4,276

(1) Excluding Agricultural operations' assets and liabilities held for sale

- Inventory and working capital, excluding the Agricultural operations, increased with higher oil prices as well as some restocking in gas.
- Trade receivables days on hand ("DOH") of 13 days was in line with our historical levels.
- Prepayments, deposits and other receivables primarily comprised fair value gains on commodity contracts and derivative financial instruments.
- Inventory DOH decreased to 10 days as at 30 June 2014, compared to 11 days at 31 December 2013, with the exclusion of the Agriculture commodities. Readily marketable inventories increased to 97% of total inventory.
- Trade and other payables DOH (excluding fair value losses on commodity contracts and derivative financial instruments) was 28 days as at 30 June 2014.

Liquidity and capital structure

(US$ million)	**30 Jun 2014** (2)	**31 Mar 2014** (2)	**31 Dec 2013**
Total debt	5,519	5,186	6,141
Cash and cash equivalents (1)	(722)	(350)	(1,056)
Net debt	4,797	4,836	5,085
Readily marketable inventories (“RMI”)	(2,368)	(1,693)	(2,826)
Adjusted net debt	2,429	3,143	2,259
Shareholders’ equity	5,363	5,254	5,157
Net debt/Capitalization (%)	47.2%	47.9%	49.7%

(1) Includes cash with brokers not immediately available for use

(2) Excluding Agricultural operations’ assets and liabilities held for sale

- Total debt, excluding Agricultural operations, increased from 31 March to 30 June, primarily due to an increase in working capital as oil prices increased and some restocking of inventory took place. Total debt on a combined basis, including Agricultural operations, increased from US$6.8 billion to US$7.0 billion. In addition, to the increase in working capital in the Energy Segment, the Agriculture Segment also saw working capital increase with the commencement of the harvest season in South America.

- Total debt does not include the perpetual capital securities which were classified under current liabilities upon exercise of our call option. The securities were redeemed on 21 July 2014.

- Net debt to capital remained steady quarter to quarter at 47.2%.

- Liquidity remains robust with liquidity headroom, being the sum of readily available cash and unutilized committed facilities, at industry leading levels of US$4.5 billion. We refinanced a smaller size compared to the maturing amount of the revolving credit facilities due in May 2014 and refinanced the maturity of the outstanding convertible bond with bank debt in anticipation of the liquidity expected as a result of our sale of 51% in Noble Agri. This has led to a reduction in liquidity headroom compared to previous periods but we continue to be focused on retaining sufficient liquidity headroom to protect against any potential future requirements.

Funding and credit availability

(US$ million)	30 Jun 2014	31 Dec 2013
4.875% senior notes due 2015	499	499
3.625% senior notes due 2018	396	396
6.75% senior notes due 2020	1,210	1,209
6.625% senior notes due 2020	249	249
Zero coupon convertible bonds due 2014	-	365
4.22% Malaysian Ringgit denominated sukuk due 2014	98	98
4.50% Malaysian Ringgit denominated sukuk due 2015	98	98
4.30% Malaysian Ringgit denominated sukuk due 2016	99	99
4.00% Chinese Yuan denominated notes due 2016	161	161
3.55% Thai Baht denominated guaranteed bonds due 2016	100	100
Total debt capital markets	**2,910**	**3,274**
Long term bank debt (1)	727	1,280
Short term bank debt (1)	1,882	1,587
Total debt (1)	**5,519**	**6,141**

(1) Excluding Agricultural operations' liabilities held for sale

- The Group's debt portfolio consisted of 53% of debt funded in the international debt capital markets with the balance from the bank market. The reduction in the proportion of capital markets debt was primarily due to the maturity of the zero coupon convertible bond which was redeemed on 13 June 2014. We continue to look for competitive refinancing options from a variety of liquidity sources that allow us to reduce cost.

- On 24 June, we announced the issuance of US$350 million in 6% perpetual capital securities. The proceeds were used to refinance the redemption of the US$350 million in 8.50% perpetual capital securities which were issued in 2010, resulting in annualized cash savings of US$8.75 million. On 7 July, we announced a further issuance of US$50 million in the 6% perpetual capital securities at a price of 101% of par, implying a yield of 5.76%. The securities are classified as equity under IFRS.

- The Group's total committed and uncommitted bank facilities stood at US$19 billion, comprised of US$7 billion in committed facilities and US$12 billion in uncommitted facilities. Of the US$19 billion bank facilities, US$9.1 billion was utilized which consisted of US$3.3 billion in committed facilities and US$5.8 billion in uncommitted facilities.

Funding and credit availability (continued)

(US$ million)	**< 12 months**	**13-24 months**	**25-60 months**	**> 5 years**	**Total**
Bank debt	1,882	7	692	28	2,609
Senior notes	98	958	396	1,458	2,910
At 30 June 2014	1,980	965	1,088	1,486	5,519

- The Group continues to maintain a conservative debt maturity profile with 47% of its total debt maturing after 2 years and 27% of total debt having a maturity beyond five years.

- The Group's syndicated banking facilities require compliance with specific financial covenants. Significant headroom currently exists under all of these covenants. These covenants are entirely independent of the Group's credit ratings.

Recent developments since 16 May 2014:

- On 14 July, an announcement was made regarding Noble Group Limited and EIG Global Energy Partners forming a company that will own and operate upstream and midstream energy assets globally, under the name of Harbour Energy Ltd. Harbour Energy will seek to own high quality assets that provide exposure to key supply trends while capturing value up-lift associated with control of offtake, logistics and supply chain management. Noble will be preferred offtake and marketing partner of Harbour Energy, while EIG, together with the company's internal management team, will serve as manager of the company and oversee the acquisition of assets.

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