

Interim Results 2017

10 August 2017



Priorities and Targets

Progress on key strategic initiatives

Initiatives Announced in May	Status
1 Perform strategic review of business under direction of incoming Chairman	Progress update announced 26 July 2017 – including sale of North American Gas & Power business, as well as start of process to monetise the Global Oil Liquids business
2 Continue to review strategic alternatives	
3 Continue execution on cost reduction	1H 2017 headcount target of c.900 achieved, with further cost reduction measures being implemented
4 Continue focus on debt reduction and conservative liquidity management	Priority placed on further reduction in the Group's debt with critical focus on conservative liquidity management
5 Maintain existing strong customer and supplier relationships	Customer and supplier relationships maintained

Strategic review has been undertaken in the context of managing the Group's short-term liquidity challenges, while at the same time formulating a plan for a turnaround of the Group's business

Financial Highlights

Six months ended 30 June 2017

- Operating environment continues to be difficult for the Group, in particular following announcement of a net loss for the first three months of 2017, as well as ongoing challenges in the commodities sector
- Conservative liquidity management, scaling back of risk positions and trade finance constraints led to disruption costs and prevented taking advantage of profitable trading opportunities
- 19% year-on-year decline in volume, primarily related to Oil Liquids business due to higher prices within the constrained liquidity environment
- Relative stability in Hard Commodities⁽¹⁾ volumes, despite challenging conditions and credit constraints, demonstrating the businesses' resilience and strength of the franchise
- Underlying SAO expense run-rates stable in 2017 and lower year-on-year – however, overall expense higher in three months ended 30 June 2017 due to cash and non-cash expenses incurred to ensure business stability
- Adjusted net loss for the six months ended 30 June 2017⁽²⁾ – exceptional items recorded including additional non-cash reserving of net fair value gains – total net loss of US\$1.9 billion

By the Numbers:

Stability in core Hard Commodities volumes, lower oil liquids volumes

91

(1H 2017 volumes
million tonnes)

1H 2017 headcount target achieved, with further cost reductions being implemented

c.900

(headcount at
30 June 2017)

Non-cash valuation adjustments including reserving entire Level 3 net fair values gains

\$1.3

(US\$ billions)

(1) Energy Coal, Carbon Steel Materials and Metals

(2) Adjusted for exceptional items and losses from discontinuing or to be discontinued businesses and other expenses

Consolidated Income Statement Summary

Six months ended 30 June 2017

(US\$ Millions / Million Tonnes)	30 June 2017	30 June 2016
Tonnage⁽¹⁾	90.7	111.8
Revenue⁽¹⁾	22,543	23,138
Operating income from supply chains, net⁽¹⁾	(269)	493
<i>Operating income margin (%)</i>	<i>-</i>	<i>2.13%</i>
Losses on supply chain assets ⁽¹⁾	(34)	(30)
Share of profits & losses of joint ventures & associates ⁽¹⁾	(23)	(32)
Total operating income/(loss)⁽¹⁾	(327)	431
Other income net of other expenses ⁽¹⁾	3	6
Selling, administrative and operating expenses ⁽¹⁾	(254)	(292)
Profit/(loss) before interest & tax⁽¹⁾	(579)	144
Net finance costs ⁽¹⁾	(97)	(76)
Taxation ⁽¹⁾	86	(12)
Adjusted net profit/(loss)⁽¹⁾	(589)	57
Exceptional items, net of tax ⁽²⁾	(1,253)	(3)
Losses from discontinuing businesses and other expenses, net of tax ⁽³⁾	(38)	(68)
Non-controlling interests	0	0
Net loss	(1,880)	(14)

(1) Adjusted for exceptional items and losses from discontinuing or to be discontinued businesses and other expenses. See notes 2 and 3 below and refer to SGX results announcement note 1(a)(i)(A) for additional disclosure.

(2) Exceptional items included in the Group's operating income from supply chains along with other non-operational items such as impairment losses on supply chain assets.

(3) Represents results of businesses which are discontinuing or are to be discontinued in the near future and costs associated with repositioning the Group's cost structure, including headcount reductions. These businesses include certain energy and metals, minerals and ores product divisions in the Americas and Europe. There has not been any significant variance or notable items during the period related to these businesses.

Exceptional Items

Non-cash valuation adjustments and impairments

- Board of Directors (the “Board”) mandated as part of the strategic review announced in May 2017 that a detailed reassessment should be undertaken of the Group’s balance sheet reserves
- Board concluded that changes should be made to the Group’s balance sheet – including non-cash reductions to net fair value gains balance
- Q2 2017 exceptional items of US\$1.3 billion include:
 - Impact of reserving entire Level 3 net fair value gains balance, reserves and adjustments against certain Level 2 net fair value gains balances and impact of credit rating downgrades on discount rates
 - Non-cash impairments to non-current assets, including US\$60 million impairment loss on palm asset held for sale
- **Further non-cash valuation adjustments may be recorded following the execution of the actions determined under the strategic review**

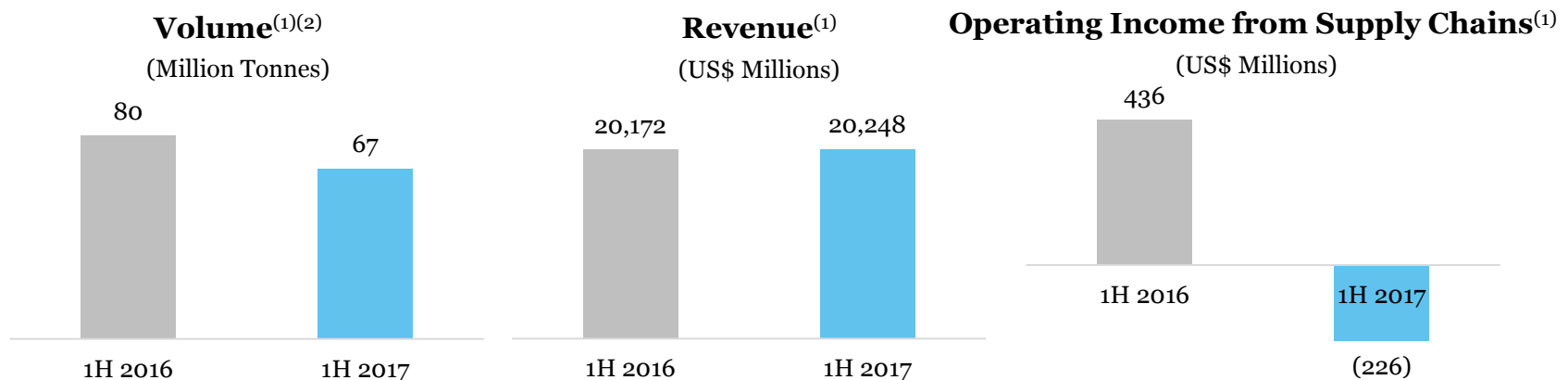
Net Fair Value Gains ⁽¹⁾ (US\$ Millions)	30 June 2017	31 Dec 2016
Level 1 & 2	1,455	2,116
Level 3	-	660
Total	1,455	2,776
Level 1 & 2 lower on normal course fluctuations and additional reserves and adjustments on Level 2. Entire Level 3 balance reserved		

(1) Net fair value gains on commodity and other derivative financial instruments

Segment Results

Energy

- **Oil Liquids** volumes down almost 20% year-on-year on higher prices within the constrained liquidity environment. Revenue remained relatively flat year-on-year on higher prices. Solid Q1 2017 performance offset in Q2 2017 by challenging trading environment in Light Ends business, and constraints as the business focused on reducing positions.
- **Energy Coal** showed solid performance in the physical markets with shipments, including both offtake and marketed volume, remaining stable year-on-year. Completed repositioning of coal hedging portfolio resulting in exposures being significantly reduced. Q2 2017 results impacted by non-cash mark-to-market losses related to unrealised observable physical positions as forward prices fell.
- **Gas & Power** showed solid results with the North American Gas & Power business continuing to execute on its transport and supply deals, however Q2 2017 results lower as basis prices tightened. LNG business continues to execute on its existing contracted flows, but unable to add profitable new business flows given the capital constraints.



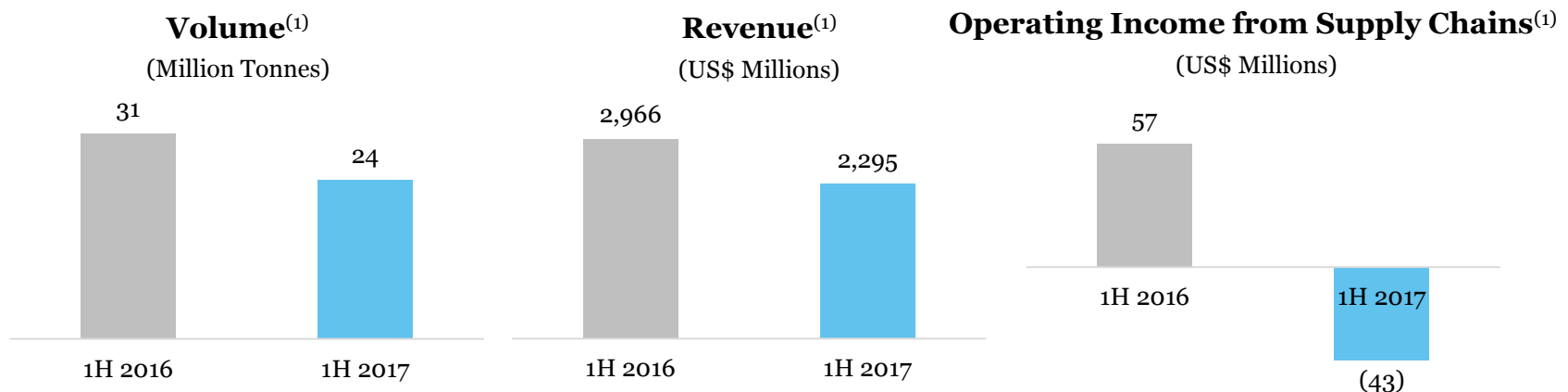
(1) Adjusted for exceptional items, discontinuing or to be discontinued business and other expenses

(2) Excluding Gas & Power

Segment Results

Metals, Minerals & Ores

- **Metals** was impacted by liquidity constraints with a fall in volumes but profitability improved compared to the same period in 2016 due to the stronger performance of the aluminium business and the results of the cost reduction initiatives implemented at Jamalco.
- **Carbon Steel Materials** saw continued special ores outperformance, including manganese and chrome, as the business focusses on niche high margin volumes. Metallurgical coal and coke continued executing on customer flows, albeit with temporary disruption to the supply chain from tropical cyclone Debbie. Volumes lower year-on-year due to the roll-off of a significant iron ore contract.
- **Logistics** took advantage of the market strength in Q1 2017 to lengthen the tenor of charters and lock in profits, though temporarily impacted by tropical cyclone Debbie which reduced volumes.



(1) Adjusted for exceptional items, discontinuing or to be discontinued business and other expenses

Debt & Liquidity

Focus on debt reduction and managing liquidity

- Net debt increased by US\$945 million during the six months to 30 June 2017 primarily driven by normal course fluctuations in working capital, our reinvestment in Harbour Energy and negative cash flow from underlying activities due to credit constraints and the challenging operating environment
- Realisation on the Group's portfolio of long-term physical contracts recovered during Q2 2017, with positive contributions from the Energy Coal, Carbon Steel Materials and Metals businesses

Debt & Liquidity Update	Status
US\$2 billion NAC BBF ⁽¹⁾ extended to 20 October 2017	Agreed milestones to reduce utilisation proceeding smoothly
Waiver obtained in relation to the financial covenants in the committed unsecured revolving credit facility due May 2018	Agreement waives the financial covenants until 20 October 2017 to align with NAC BBF extension
Constraints placed on access to trade finance lines negatively impacted trading performance	Agreements in place to improve access to trade finance facilities for Hard Commodities businesses in Asia
Decisions from strategic review prioritise further debt reduction with a view to maximising benefit for all stakeholders	

(1) Noble Americas Corp secured borrowing base revolving credit facility

Strategic Review and Update



Strategic Review Update – 26 July 2017

Prioritise debt reduction with a view to maximise benefit for all stakeholders

- Strategic review commenced May 2017 under the direction of the incoming Chairman, Mr. Paul Brough
- Alternatives explored included sale of an interest in the Group or its subsidiaries or disposals of parts of its business
- Priority given to a further reduction in the Group's indebtedness over the next two years
- **The Group's debt repayment capability is comprised of:**
 - 1. Cash flows from the Hard Commodities, Freight and LNG businesses**
 - 2. Net proceeds from monetisation of the Global Oil Liquids and North American Gas & Power businesses⁽¹⁾**
 - 3. New Asset Disposal Programme**

Decisions from Strategic Review⁽²⁾

A

Sale of Global Oil Liquids

Sales process commenced with short list of bidders – bids expected in Q3 2017

B

Sale of North American Gas & Power

Sales agreement signed with Mercuria, subject to approvals

C

Asset Disposal Programme

US\$800 million to US\$1 billion over next 2 years from certain assets located outside North America

D

Cost Reduction

Reduce headcount from c.900 at present to c.400 to reflect Group's reduced complexity and footprint and impact of Global Oil Liquids and North America Gas & Power sale

E

Non-cash Valuation Adjustments

Reserve entire Level 3 net fair value gains balance with additional reserves and adjustments to Level 2

(1) After these sales are completed, it is anticipated that the US\$2 billion NAC BBF and US\$1 billion NCFL BBF will be retired and net proceeds will be available to reduce the Group's remaining debt

(2) The Group will make further announcements as progress continues to be made on executing against these actions. Refer to 26 July 2017 announcement for additional information

Strategic Review Update – 26 July 2017

Reinforced focus on Hard Commodities, Freight and LNG businesses

- Strong competitive advantage from being the leading industrial and energy products supply chain manager in Asia Pacific – as global energy consumption is projected to see the largest growth in the region
- Continue developing strong domestic presence in Asian markets – such as China, Indonesia, emerging Southeast Asia and other markets – while also maintaining global footprint of strategic relationships
- Continue development of services to end users – for example, in Energy Coal, providing risk management and procurement services to Independent Power Producers in Japan, India and other countries
- Continue to seek a new investor in the Group and also explore potential investments and seek further strategic alliances, including with Mercuria, to fund working capital to maintain and grow volumes in the future

Company Overview		Business Portfolio		
Established: 1987	 noble group	Hard Commodities <i>Energy Coal, Carbon Steel Materials and Metals</i>	Freight	LNG
Head office: Hong Kong				
Asia's leading industrial and energy products supply chain manager, facilitating the marketing, processing, financing and transportation of essential raw materials		Global Oil Liquids	North American Gas & Power	
Businesses to be sold				

