MD&A

Management's Discussion and Analysis of Financial Condition & Results of Operations
Year ended 31 December 2014

Financial Results

	Year Ended	
(million tonnes/ US$ million)	**31 Dec 2014**	**31 Dec 2013**
Tonnage	**215.0**	**187.2**
Revenue	**85,816.1**	**82,383.2**
Operating income from supply chains	**1,490.8**	**1,584.3**
Operating income margin	1.74%	1.92%
Losses on supply chain assets	(290.1)	(46.2)
Share of profits and losses of joint ventures and associates	(178.2)	(106.9)
Total operating income	**1,022.5**	**1,431.2**
Other income net of other expenses	0.8	(6.2)
Selling, administrative and operating expenses	(565.1)	(479.8)
Net finance costs	(180.6)	(185.0)
Taxation	(35.7)	(39.9)
Profit for the period from continuing operations	**241.9**	**720.3**
Post-tax loss for the period from Agricultural discontinued operations (1)	(109.4)	(481.8)
Non-controlling interests	(0.5)	5.0
Net profit	**132.0**	**243.5**

(1) 2014 figures represent results for the 9 months to 30 September 2014 while 2013 figures reflect full year results. NAL's result for the 3 months ended 31 December 2014 is reflected in the Share of losses of associates.

Key highlights

- 2014 was a landmark year for the Group as we saw a significant deepening and broadening of the range of income streams that we accessed. Indicative of this progress, was the 40% growth in energy volumes in the last quarter over the prior year as our underlying supply chain activities gained momentum and the investments that we made in our people and our customers started to impact.
- The sale of a 51% stake in Noble Agri Limited ("NAL") was successfully completed with the final sales proceeds being agreed at US$1.46 billion, a US$37 million adjustment to the initial payment on account of US$1.5 billion.
- With a simplified corporate structure, a focus on effective cost control and with partners such as Noble Agri, X2 Resources and Harbour Energy, we have a strong foundation which will enable both the Group and its world class partners to capture the array of opportunities emerging across both products and geographies.
- Our Group tonnage of 215 million tonnes for the year ended 31 December 2014 reached a record, driven by double digit growth in volumes for the combined Energy and MMO Segments. On a pro forma basis, adding back Agriculture, total tonnage would have been a record of 278 million tonnes for FY2014 as compared to 233 million tonnes in FY2013, a 19% increase year-on-year.
- Our FY2014 operating income from supply chains came in at a record US$1.6 billion, when adjusted for the US$93 million of operating losses from Territory Resources before placing it onto a care & maintenance basis.
- The Group is highly liquid and made significant progress towards an asset light model following completion of the NAL transaction. We continue to have investments and long-term assets on our balance sheet and the carrying values of these items are reviewed regularly.
- In this period, we have taken impairments, write-offs and provisions amounting to a total of US$438 million, in addition to the US$93 million in losses from Territory Resources. Most notable is the US$200 million impairment taken on Yancoal. These charges more than extinguished the upward adjustment to the carrying value of our remaining interest in Noble Agri, reflecting the cash sale, and the negative goodwill on Jamalco.
- Finally, the increase year on year in selling, administrative & operating ("SAO") costs reflects the significant resources that we have added to ensure the continued success in the build out of our Energy and MMO Segments with new hires and enhanced infrastructure. We expect to see a more normalized cost structure across the Group in 2015.

**Noble Agri Limited ("NAL") became an associate company of Noble Group with effect from 1st October 2014 and has been equity accounted as an associate in 4Q 2014. As a consequence, operating income from supply chains and tonnage in this MD&A refers to our continuing Energy and MMO businesses, unless otherwise specified.*

Energy

* Excluding gas and power volume	Year Ended			Three Months Ended		
(US$ million / million tonnes)	31 Dec 2014	31 Dec 2013	% change	31 Dec 2014	31 Dec 2013	% change
Tonnage*	161.8	140.3	15	56.9	39.6	44
Revenue	72,644	65,165	11	17,825	16,611	7
Operating income from supply chains	1,347	1,439	(6)	349	319	9
Operating income margin	1.85%	2.21%		1.96%	1.92%	

Energy Solutions

- Noble Americas Energy Solutions ("NAES"), based in San Diego, continues to be a key contributor within the Group's energy businesses. Building on a market leading position, it is one of the top energy distributors in the US, supplying power and natural gas to commercial and industrial customers throughout the United States. Since we acquired the business in late 2010, for US$317 million while assuming debt of US$265 million, the incumbent management team has continued to build on its record of uninterrupted growth.

- Falling energy prices in the last few months of the year and a strong US economy provided the business with opportunities to extend contracts with current clients and capture new ones. Once more it has generated a record return in 2014.

- NAES continues to refine its services and in 2014 launched a new tiered service package to create value for its diverse client base, while ensuring increased efficiencies. The business is fully integrated within the broader Noble Group and is working closely with other business lines within Noble. This enables us to explore the possibilities of leveraging the expertise within NAES alongside, for example, our existing energy businesses in Mexico (coal fired) and Brazil (co-generation). The Group believes that the changing dynamics of power supply is creating new demands for power management services.

Gas & Power

- Our North American Gas and Power operations had a record year, as the investment of prior years continues to underpin the growth of the business. We have a significant presence in the markets with a strong origination and distribution capability, exploiting the opportunities that the changes in the industry present.

- Our one direct investment in production, through associate Inflection Energy which is a dry gas shale producer, continues to perform well, with ample funding, a proven reserve profile and a cost structure that ensures profitability at below current price levels.

- 2014 was a difficult year in Europe and we are now repositioning our business in the region, under new leadership, to focus on niche markets in Southern and Eastern Europe where we believe we will have a competitive advantage.

- Significantly, we re-entered the LNG market with our first delivery, to Japan, in 4Q 2014, representing a milestone in our global LNG business. We believe that we can provide tailor made solutions for our customers in a rapidly evolving market, especially building on the relationships that our Energy Coal business has developed over almost two decades.

Energy Coal & Carbon Complex

- Performance in the Energy Coal & Carbon Complex was impacted by the continued downturn in the sector and challenging market conditions, but the business demonstrated its leadership position in the global seaborne trade with volume increasing year on year as we continue to establish new partners and deepen existing relationships across logistics, marketing and supply activities in a host of markets including Indonesia, Turkey, North Africa, South Africa and Latin America. We believe that the business is well positioned to benefit from the growth that we are seeing in India and exploit the industry leading position that we already have in that market. Volumes also grew in our seaborne Coking Coal and Coke businesses which exhibited good profit contributions.

Oil Liquids

- The Oil Liquids business successfully established its position in key markets, capturing opportunities resulting from the structural changes in the industry and we have now emerged with contracts that we believe position us as the largest gasoline blender in North America.

- The people and structures are now in place to enable us to expand our footprint, with a particular focus on Asia and Latin America. A landmark transaction with Petroecuador, through which we were able to provide an innovative financial solution while securing a long term supply contract to provide up to 50% of Ecuador’s gasoline and diesel import requirements, illustrates our ability to provide innovative customer focused financial solutions in order to gain market share. This transaction has opened up more opportunities for us to secure sales and purchase contracts generating long term physical flows, particularly within the region.

- 2014 saw a strong performance from Oil Liquids, a reflection of the significant additional resources committed to building the franchise. Its business model, which is based upon optionality and flexibility, rather than direct exposure to spot prices, has adeptly navigated the extreme volatility in prices.

Metals, Minerals and Ores ("MMO")

(US$ million / million tonnes)	Year Ended 31 Dec 2014	Year Ended 31 Dec 2013	% change	Three Months Ended 31 Dec 2014	Three Months Ended 31 Dec 2013	% change
Tonnage	53.2	46.8	14	14.9	16.4	(9)
Revenue	13,172	17,218	(23)	3,169	4,082	(22)
Operating income from supply chains	144	146	(1)	7	55	(87)
Operating income margin	1.10%	0.85%		0.22%	1.35%	

Metals

- We now generate an increasingly diverse income stream in non-ferrous metals including zinc, copper, tin and bauxite, across a broad geography.
- 2014 saw a record contribution from these businesses as we expanded our reach into North America and Africa, amongst other markets. Volume continued to benefit from strong consumer demand for products, particularly in aluminium and zinc in our key markets. For much of the year pricing and structure in these markets was much more benign than in the bulk markets.
- The growth in our alumina business, building on our large scale aluminium supply chain management business, was underpinned by the acquisition of Alcoa's stake in Jamalco, a joint venture in alumina production and bauxite mining with the Jamaican government. This gives us a key stake in the early stages of the supply chain and has already generated additional upstream smelter transactions.

Iron Ore & Special Ores

- In iron ore, trading margins continued to be impacted by the challenging price environment. This is reflected in the operational costs charged against FY2014 operating income from supply chains as we downsized our activity in Territory Resources and placed it under care & maintenance.
- Following the restructuring of the business in 2014, we expect our volumes to return to more normalized levels on the back of new origination and strong long-term relationships with Chinese steel mills, and performance to improve given the impairments and provisions taken in the period.

Noble Agri Limited

- Following the sale of 51% of the Group's stake in NAL to the COFCO-led consortium, NAL, COFCO and Noble Group are making good progress in successfully establishing NAL as a standalone company, and the principal origination arm for COFCO
- The final agreed valuation for the 51% stake in NAL, based on NAL's FY2014 result, is US$1.46 billion, resulting in a repayment of US$37 million to COFCO.
- The transaction has been transformational for the Group with:
  - Approximately 45% of non-current assets deconsolidated from the balance sheet
  - 85% reduction in total employees from 13,500 to 1,900
  - 56% reduction in the number of offices from 135 to 60, with 90% of our people concentrated in 7 key offices around the world
  - 65% reduction in the number of assets being managed from 230 to 79
- The transaction is reflected in the income statement with a US$112 million gain in the 'profits & losses on supply chain assets' line item, which includes both the re-measurement gain as well as the gains & losses on disposal of a subsidiary, and a US$95 million loss in the 'share of losses of associates' line item reflecting the Group's share of NAL's results for the last 3 months of 2014.
- NAL's results were impacted by the continued oversupply in sugar markets with pricing under almost constant pressure. Difficult weather conditions affected the sugar content in the harvested cane resulting in low utilization rates and lower than expected crush volumes. Shortage of rain in January is once more causing concern about the upcoming harvest. However, changes in the tax regime in Brazil are expected to benefit the sale of ethanol and boost demand in 2015, while the extremely difficult operating environment is causing mill closures.
- In Grains & Oilseeds, crush margins in China recovered in the 4th quarter of 2014 as demand improved along with the withdrawal of financial players from the market. However, performance was impacted by the sharp rally in prices which was not consistent with a fundamentally oversupplied market. The crushing plant in Argentina continues to perform well, crushing at full capacity and generating healthy margins. The other facilities have shown satisfactory performance as the focus continues to be on ramping up efficiencies.

Working capital

(US$ million)	31 Dec 2014	31 Dec 2013
Trade receivables	3,704	3,138
Prepayments, deposits and other receivables	8,730	6,332
Inventories	2,287	3,090
Trade and other payables and accrued liabilities	10,875	8,284
Working capital	3,846	4,276

- Please note that the figures presented as of 31 December 2014 exclude NAL, while those presented as of 31 December 2013 include NAL.
- Trade receivables and payables increased year-on-year despite the deconsolidation of NAL, as trading volumes increased.
- The year-on-year increase in other receivables, as well as other payables & other liabilities, was largely due to the increase in the net fair value gains on commodity contracts and derivative financial instruments, primarily in the Oil Liquids business.
- The majority of these fair value gains on derivative financial instruments is short term in nature, and represents the market value of the hedges corresponding to the delivery obligations based on our off-take and supply agreements. This is reflected in our cash flow statement with the increase in working capital, which was predominantly driven by movements in the 4th quarter.

Summary cash flow [1]

(Year Ended. US$ million)	31 Dec 2014	31 Dec 2013
Operating profit before working capital changes	955	1,037
Increase in working capital	(1,776)	(345)
Net decrease/(increase) of cash balances with futures brokers	(264)	61
Interest received	76	45
Taxes refunded/(paid)	(95)	7
Net cash flows from/(used in) operating activities	(1,104)	805

(1) Cash flows before investing and financing activities, and therefore does not include the cash payment received for the 51% stake sale of Noble Agri

Liquidity and capital structure

(US$ million)	**31 Dec 2014**	**31 Dec 2013**
Total debt	3,971	6,141
Cash and cash equivalents [1]	(904)	(1,056)
Net debt	3,067	5,085
Shareholders' equity	5,057	5,157
Net debt/Capitalization (%)	37.8%	49.7%

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

- Substantial decline in net debt and low leverage following the sale of a 51% stake in Noble Agri Limited to the COFCO-led consortium, with net debt to capitalization at 37.8%. The remaining proceeds from the sale were used to fund investments in securing additional volumes, such as the acquisition of the stake in Jamalco, and to fund working capital.
- Total cash and cash equivalents stood at US$904 million. We will be looking to increase efficiencies around our cash balances given the more liquid nature of our portfolio with the deconsolidation of the Agriculture business.
- Liquidity remains exceptionally robust with liquidity headroom, being the sum of readily available cash and unutilized committed facilities, at industry leading levels of US$5.1 billion. We plan to continue to maintain our liquidity headroom to support business growth and to protect against any potential future requirements that may arise due to unforeseen events.

Funding and credit availability

(US$ million)	**31 Dec 2014**	**31 Dec 2013**
4.875% senior notes due 2015	500	499
3.625% senior notes due 2018	397	396
6.75% senior notes due 2020	1,209	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
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	**2,813**	**3,274**
Long term bank debt	718	1,280
Short term bank debt (incl current portion of long term debt)	440	1,587
Total debt	**3,971**	**6,141**

- More than 70% of the Group’s debt portfolio comprises debt funded in the international debt capital markets as we paid down the majority of our short term debt with the proceeds from the stake sale in Noble Agri Limited. Our funding mix will become more balanced during 2015 with the upcoming maturities of close to US$600 million in bonds. We are focused on ensuring that we maintain a cost effective funding profile and continue to look for competitive refinancing options from a variety of liquidity sources that allow us to reduce cost.

- The Group’s total committed and uncommitted bank facilities stood at US$17 billion, comprised of US$6 billion in committed facilities and US$11 billion in uncommitted facilities. Of the US$17 billion bank facilities, US$6 billion was utilized which consisted of US$1 billion in committed facilities and US$5 billion in uncommitted facilities.

Funding and credit availability (continued)

(US$ million)	**< 12 months**	**13-24 months**	**25-60 months**	**> 5 years**	**Total**
Bank debt	440	651	47	20	1,158
Senior notes	598	360	397	1,458	2,813
At 31 December 2014	**1,038**	**1,011**	**444**	**1,478**	**3,971**

- The Group continues to maintain a conservative debt maturity profile with 48% of its total debt maturing after 2 years and 37% of total debt possessing a maturity beyond five years. We conduct a regular review our maturity profile in conjunction with our capital and funding structure to ensure we maximize efficiencies while maintaining a solid balance sheet.
- 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.