



HOULIHAN LOKEY

13 September 2018

Noble Group Limited
33 Cavendish Square
London W1G 0PW

Attention: Mr. Paul Brough, Executive Chairman

Dear Mr. Brough,

Re: Restructuring of Noble Group Limited (the “Company”, “Noble” or “Old Noble”, and together with its subsidiaries and affiliates, the “Noble Group”)

We are writing to you on behalf of the ad hoc group of senior creditors of the Company (the “AHG”), whom we represent in connection with the Restructuring of the Noble Group. Capitalised terms used in this letter have the meaning given to them in the Restructuring Support Agreement dated 14 March 2018 (the “RSA”), unless otherwise indicated.

You have asked for the views of the AHG, in their capacity as the largest shareholders post-closing of the restructuring, regarding their position on a number of matters that are the subject of recurring questions from the press. We have been instructed by the AHG to provide the responses set out below to questions concerning both the post-restructured company (“New Noble”) and the structure of the transaction.

The Restructuring of New Noble in a Regional Context

Restructuring activity has soared globally over the last decade, following growth in the high-yield and leveraged loan markets. According to Thompson Reuters, in 2017 alone more than US\$280 billion of total debt was restructured in various global restructuring transactions, which is down from cyclical highs of US\$305 billion in 2010.¹ While still less prevalent in Asia than in Europe and the United States, we would expect Asian restructuring activity to increase over the coming years as regional debt-capital markets continue to develop and

¹ Total worldwide restructuring completed in full year 2010 and 2017, per Thomson Reuters Distressed Debt & Bankruptcy Restructuring Review

interest rates rise. In this context, the restructuring of the Noble Group, which globally is one of the most complex, sophisticated and high profile restructurings of recent years, is an important milestone in the development of Asian best practices for restructuring.

Given its importance, it has been surprising to note the lack of media attention regarding the innovative elements of the transaction. It is a truism to say that a properly functioning restructuring regime protects value for all stakeholders including, from the general public's perspective, employees, tax authorities and customers. With this in mind we raise a few points:

- *Restructuring Noble on a Consensual Basis Was Not a Given* – While conventional wisdom holds that balance sheet restructurings are best conducted out-of-court on a consensual basis, it is not always possible to accomplish this goal given conflicting objectives and implementation difficulties. The Noble restructuring had a number of such challenges, including: reconciling the interests of a bewildering array of creditors (banks, bonds, trade finance, hedge counterparty and preference shares), raising US\$800 million of new capital, successfully binding-in creditors through a precedent setting series of UK and Bermudian schemes of arrangement, and addressing a broad range of tax, accounting and regulatory issues associated with the New Noble structure. A successful outcome was not a given and it has been a precarious time for the business. However, following a long and arduous process, the Company and its stakeholders negotiated a win-win deal where the Company will obtain a fresh start, existing shareholders will receive an extremely high recovery based on precedent (as opposed to getting nothing), and creditors will avoid the potential costs and delays associated with a court monitored insolvency process.
- *Providing the Company a Fresh Start: The Creation of New Noble* – To achieve a fresh start for Noble, it is imperative to separate the going forward business from the liabilities and litigation surrounding Old Noble. This will be achieved through transferring substantially all of the assets of the Noble Group to a new Bermuda company, which will be paid for via the cancellation of approximately US\$1.8 billion of liabilities. Through the schemes of arrangement, the requisite majorities of senior creditors and the board of Old Noble will be able to approve arrangements for the replacement of the unsustainable Old Noble debt with a leverage structure better suited for the needs of the restructured business. Unsustainable debt and other liabilities of Old Noble will be released or swapped for new equity so that all parties have a stake in ensuring structures and arrangements are created that support the success of New Noble.

- *Dealing with Legacy Issues: the Planned Insolvency of Old Noble* – Old Noble will retain all legal claims it may have regarding third-parties that do not relate to the liabilities being dealt with through the schemes. Shortly after closing, as stated in the circular, it is anticipated that Old Noble will file for insolvency. Among other duties, any insolvency practitioner appointed in such process will have conduct of any potential claims belonging to Old Noble, which may have financial value. The AHG understands and expects that New Noble would support any such insolvency practitioner in carrying out his role.
- *The Impact of the Transaction on Singapore's Role in Large Multi-jurisdictional Restructurings* – The Singapore authorities have made significant progress over recent years in creating the legal and regulatory infrastructure required to efficiently manage corporate defaults – the latest update being the Insolvency, Restructuring and Resolution Bill of 2018 introduced this past week. However, while work on implementing decrees remains, it appears the primary challenge for Singapore in attracting regional borrowers going forward is the relatively untested nature of the new insolvency laws and regulatory approach. The Noble Restructuring gives an initial look at how things may play out and, based on that, it appears Singapore is “open for business” when it comes to complex, cross-border restructurings.

Plans for New Noble Going Forward

In coming to its decision to support a stand-alone restructuring of the business, the AHG considered a number of alternatives, including both an orderly wind-down of the trading business and sale of the Company to a strategic investor. Ultimately, the AHG formed the view that its best option was to back the business and management team with sufficient new capital to support the current and future business needs of clients. That view is supported by the following factors:

- *Business Plan for New Noble* – The business plan for New Noble, and the related financial projections, assumes going forward operations will be focused on a limited number of key market segments (energy coal, met coke, carbon steel materials, LNG and aluminium), where the Company has historically been the most profitable and within the historical competency of the management team. It is intended that additional growth initiatives will be tightly controlled by the New Board (as defined below) with an eye to balancing the need for seeding future growth, with a focus on a return to profitability in the near-term, which is required to service interest under the business plan. The AHG believes that the current management team, coupled with a

new governance structure, is well-positioned to execute on the proposed turnaround and achieve the Company's business targets.

- *Going Forward Governance* – Responsibility for governance at New Noble will ultimately rest with the proposed world-class board (“**New Board**”), which will be selected through a rigorous and independent executive search process. Candidates for the New Board must be committed to international best practices and the highest levels of ethical comportment. Good progress has been made on finalizing a core group of independent non-executive directors (announcement to come once arrangements have been finalized). The new directors are being selected not only based on their exceptional competence, but also on their interest in and commitment to working with the Company's senior executive team who will lead the planned recovery and ramp-up in volumes over the coming months, and will provide a complementary balance of skills and knowledge appropriate for the board of a global publicly traded commodities business. The New Board will conduct a comprehensive review of corporate accounting and risk management policies as part of its commitment to best practice governance arrangements.
- *Commitment of Capital in the Context of Historical Accounting Issues and New Noble's Going Forward Accounting Policy* – The transaction calls for senior creditors and certain other stakeholders to commit US\$800 million of new capital and reinvest US\$250 million of company cash balances from asset sales into the trading arm of New Noble - one of the largest investments of its kind, and in itself a strong statement of support regarding the future potential of the business. At the same time, there appear to remain questions amongst certain public commentators regarding the financial statements of Old Noble, which begs the question of the AHG's view on these matters. As part of their review of restructuring alternatives, and solely for their own account, the AHG and its financial advisors conducted a financial and business diligence exercise giving specific attention to matters raised by public critics. As part of this review, the AHG accepted the Ernst & Young audit opinions, the E&Y audited historical financial statements and the PWC report on accounting policies at face value. It is important to note that for the AHG, the balance sheet write-downs over the past 12 months conservatively recalibrated asset valuations. Going forward, the AHG looks to the New Board to take a similarly conservative approach to non-cash accruals specifically, and accounting matters generally.

The views expressed above are based on information provided to the AHG and its understanding of related matters as at the date of this letter but do not represent any agreement, representation, commitment or guarantee of any sort, including without limitation

with respect to the future arrangements for or performance of New Noble. As such, while we understand that they are a fair summary of the AHG's views, they may not be relied upon by any person for any purpose.

While the restructuring has been a massive endeavor, the work really starts post-closing. The members of the AHG (in their capacity as future shareholders) look forward to working with the New Board and the local business community to rebuild the business for the benefit of all of its stakeholders, including clients, employees, lenders, and shareholders.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J. Swanson', with a stylized flourish at the end.

Houlihan Lokey EMEA, LLP

(acting on the instructions of its clients, members of the AHG)

Joseph W. Swanson

Senior Managing Director