noble group

Management's Discussion and Analysis of Financial Condition & Results of Operations Year Ended 31 December 2017

Financial Results

(US$ million / million tonnes)	Year Ended 31 Dec 2017	31 Dec 2016
Tonnage[1]	**77.8**	**107.7**
Revenue[1]	**6,241.5**	**7,855.5**
Operating income/(loss) from supply chains, net[1]	**(152.7)**	**569.2**
Operating income margin	n/a	7.25%
Profit/(loss) on supply chain assets[1]	(14.7)	219.0
Share of profits and losses of joint ventures and associates[1]	(13.2)	(81.0)
Total operating income/(loss)[1]	**(180.6)**	**707.2**
Other income net of other expenses[1]	3.4	2.2
Selling, administrative and operating expenses[1]	(258.8)	(391.8)
Profit/(loss) before interest and tax[1]	**(436.0)**	**317.6**
Net finance costs[1]	(177.0)	(141.4)
Taxation[1]	11.9	(70.8)
Adjusted net profit/(loss) from continuing operations[1]	**(601.1)**	**105.4**
Post-tax profit/(loss) from discontinued operations[2]	(1,053.4)	56.2
Exceptional items, net of tax[3]	(3,243.1)	(94.2)
Other items[4]	(41.7)	(59.2)
Non-controlling interests	1.1	0.5
Net profit/(loss)	**(4,938.2)**	**8.7**

(1) Adjusted for post-tax profit/(loss) from discontinued operations, exceptional items and other items. See notes 2, 3 and 4 below and refer to SGX announcement note 1(a)(i)(A) for additional disclosure.

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

(3) 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.

(4) Includes the results of businesses which the Group has ceased or wound down their operations, however do 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 include certain other 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.

Overview

The Group has made significant progress on the actions determined under the strategic review, which commenced in May 2017, while continuing to manage the franchise within the existing constraints of availability of trade finance and liquidity.

Focus was placed on concluding the asset disposal programme and moving forward with a debt restructuring proposal. Since May 2017, the Group has:

- Completed the sale of the North American Gas & Power business;
- Completed the sale of Noble Americas Corporation ("NAC"), which was the entity through which the Global Oil Liquids business was primarily conducted;
- Completed the wind-down of certain remaining Global Oil Liquids working capital balances within Noble Clean Fuels Limited ("NCFL");
- With the completion of the asset sales mentioned above, retired and repaid in full approximately US$3 billion in senior secured borrowing base revolving credit facilities; and
- Announced, on 29 January 2018, that an agreement in principle had been reached with an ad hoc group of the Group's senior creditors for a restructuring of the Group's existing debts[1,2].

The asset disposal programme generated approximately US$525 million of net proceeds, following retirement in full of the Group's senior secured borrowing base revolving credit facilities[3].

The Group's consolidated income statement was reclassified following the decision to monetise the Global Oil Liquids and North American Gas & Power businesses. The results from the Hard Commodities[4], Freight and LNG businesses have been presented as continuing operations, with the results from the Global Oil Liquids and North American Gas & Power businesses presented as discontinued operations. Prior period results have been restated to reflect this change in presentation.

The Group's consolidated balance sheet has also been reclassified to reflect NAC assets and liabilities as "assets and liabilities held for sale". Balance sheet items for prior periods include NAC, as was disclosed at the relevant reporting dates. The sale of NAC was completed on 12 January 2018.

Group tonnage and revenues, in its continuing operations, were down 28% and 21%, respectively, compared to FY 2016, given the challenging operating environment resulting from the constraints of availability of trade finance and liquidity. The businesses have concentrated efforts on maintaining the franchise, its relationships and the Noble brand, as evidenced by the Energy Coal business where volumes remained fairly stable, with a 7% decline compared to FY 2016, as the business was able to increase its marketing volumes which does not require trade finance support.

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1 Refer to the Group's announcement "Noble Group Announces Update on Strategic Review and In Principle Agreement for Financial Restructuring" and the term sheet setting out the material terms of the proposed restructuring (the "Term Sheet") released on 29 January 2018.

2 The agreement in principle concerns the Group's US$379 million outstanding senior notes due 2018, US$1,177 million outstanding senior notes due 2020, US$750 million outstanding senior notes due 2022 and US$1,143 million outstanding loans under the revolving credit facility (together with the senior notes, the "Existing Senior Debt Instruments"). The agreement in principle also includes a proposed treatment for the US$400 million of Existing Perpetual Capital Securities.

3 Refer to the Group's announcement "Noble Group Announces Completion of Noble Americas Corp Disposal and Retirement of Borrowing Base Facilities" released on 15 January 2018.

4 Energy Coal, Carbon Steel Materials and Metals businesses.

The decline in volumes in Metals, Minerals & Ores was primarily driven by the roll-off of a significant long term contract in the iron ore business at the end of FY 2016 and the focus on profitability over volumes in our Freight business.

Operating income from supply chains, for the continuing businesses, and realisation on the Group's portfolio of long-term physical contracts was positive during 4Q 2017, with contributions from each of the Energy Coal, Carbon Steel Materials and Metals businesses. Overall, cash realisation on the Group's portfolio of long-term physical contracts was positive for the last nine months of FY 2017, as it had been for the prior 3 years, as previously disclosed, following the coal market dislocation, and related losses, which arose in 1Q 2017.

Underlying selling, administrative & operating ("SAO") expenses declined in FY 2017, in line with expectations and the Group's cost reduction strategy, as the positive impact from the Group's headcount reductions started to flow through the income statement. This trend is expected to continue with projected steady state annual SAO expenses of approximately US$100 million targeted to be achieved on a run rate basis by 3Q 2018. The Group's headcount is expected to decline to below 400 by the end of 1Q 2018, in line with the target set earlier in FY 2017. Lower SAO expenses, along with the significant decrease in finance costs, post-restructuring, will rebalance the Group's cost base.

The discontinued Global Oil Liquids and North American Gas & Power operations recorded a post-tax net loss of US$(1,053) million for FY 2017. This is inclusive of operating losses in the businesses, as well as non-cash losses on impairment and sale of the assets and other amounts related to the final operating expenses and other adjustments associated with the sale of NAC and the wind-down of certain remaining Global Oil Liquids working capital balances in NCFL.

The total net loss of US$(4,938) million for FY 2017 includes the US$(1,053) million of losses from discontinued operations described above, as well as US$(3,243) million of exceptional items recorded during the period from the Group's continuing operations. The exceptional items from the Group's continuing operations include certain non-cash reserves and adjustments taken against the Group's valuations of its net fair value gains on commodity contracts and derivative financial instruments as well as other provisions, as detailed below.

The total net loss for FY 2017 results in a negative net asset position for the Group. However, the Board believes that the proposed restructuring, once implemented, should restore shareholders' equity and create a sustainable capital structure which will allow the Group to rebuild its business in Asia where it continues to enjoy a market leading position.

Exceptional Items

As part of the strategic review announced in May 2017, the Board mandated that a detailed reassessment should be undertaken of the Group's balance sheet reserves to take account of increased uncertainty in the Group's operating environment including markets, the industry and the Group's access to funding. As a result, through FY 2017, the Group recorded exceptional items, net of tax, of US$(3,243) million from continuing operations. FY 2017 exceptional items primarily comprise:

- Non-cash reserves and adjustments to the Group's net fair value gains on commodity contracts and derivative financial instruments of approximately US$(2,150) million recorded as an operating loss from supply chains; and

- Non-cash impairment losses to certain current and non-current assets and a non-cash loss resulting from the significant dilution of the Group's shareholding in Yancoal Australia ("Yancoal"), which, in aggregate, amount to approximately US$(140) million recorded as an operating loss from supply chains and US$(900) million recorded as losses on supply chain assets.

Reserves and adjustments to net fair value gains:

The Group recorded non-cash losses of approximately US$(2,150) million in FY 2017 from the application of additional reserves and valuation adjustments to its net fair value gains on commodity contracts and derivative financial instruments. These additional reserves and valuation adjustments were recorded initially in 2Q 2017 with further amounts recorded in 4Q 2017. The amounts recorded relate to increased reserves in respect of adverse back testing results in 1H 2017, increases in the discount rate used in the Group's valuations of its physical commodity contracts and derivative financial instruments, including the impact of credit rating downgrades and the Group's increased cost of funding as reflected in its trade finance facilities, along with additional reserves to reflect increased risks since the initial recognition of the Group's physical commodity contracts and derivative financial instruments portfolio – in particular, risks relating to the Group's operating environment, trading terms and current access to funding.

As a result, the Group's net fair value gains on commodity contracts and derivative financial instruments declined from US$2,776 million at 31 December 2016 to US$353 million at 31 December 2017 – with no Level 3 balance and minimal value recorded on the balance sheet beyond the 4 year tenor.

Impairment and other losses:

The Group recorded non-cash losses of approximately US$(1,040) million in FY 2017, primarily from impairment losses on certain current and non-current assets and a non-cash loss resulting from the significant dilution of the Group's shareholding in Yancoal.

The impairment losses recorded on certain current and non-current assets primarily relate to impairment losses in respect of non-performing trade receivables, prepayments and other receivables and impairment losses on certain non-current assets. The impairment losses on non-current assets comprise amounts in respect of the Group's dry bulk carrier vessels and investments in various associate companies and joint ventures.

The Group's shareholding in Yancoal was diluted in FY 2017 following Yancoal's capital raising exercise. The Group's investment in Yancoal was previously accounted for on the consolidated balance sheet as an investment in an associate under the equity method of accounting, less any impairment losses. Following the dilution of the Group's shareholding in Yancoal, the investment was accounted for as a long term equity investment and carried on the consolidated balance sheet with reference to the market price of its shares listed on the Australian Stock Exchange. This resulted in a non-cash loss of US$(258) million.

Further additional non-cash valuation adjustments may be recorded going forward, following the execution of the actions determined under the strategic review.

Refer to SGX results announcement note 1(a)(i)(A) for additional disclosure on exceptional items.

Financial Restructuring

On 29 January 2018, the Group announced that it had reached an agreement in principle with an ad hoc group of the Group's senior creditors (the "Ad Hoc Group") for a restructuring of the Group's existing debts.

Restructuring discussions with stakeholders continue to be productive as the Group moves towards launching the Restructuring Support Agreement ("RSA") for the holders of the Existing Senior Debt Instruments. The RSA forms the basis for the completion of a restructuring of the Group's debts.

The Ad Hoc Group represents holders of approximately 36% in aggregate of the Group's Existing Senior Debt Instruments. In addition, the Ad Hoc Group's advisors are in contact with creditors who hold, in aggregate, an additional approximately 15% of the Group's Existing Senior Debt Instruments and have indicated their broad support for a restructuring of the Group's liabilities in line with the transactions contemplated by the Term Sheet, subject to agreeing final documentation and completing internal approval processes[5].

The Group has reached an agreement in principle with the Ad Hoc Group and ING (as fronting bank) for the provision of a 3-year committed US$700 million Trade Finance Facility as part of the proposed restructuring.

Given the status of restructuring discussions with the Ad Hoc Group in reaching agreement on the RSA, and the trade finance facilities presently provided by the Group's banks, the Board is, on balance and on the basis of legal advice, satisfied that the Group can continue as a going concern, until such time as the restructuring is completed.

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

[5] Refer to the Group's announcement "Noble Group Announces Progress Update on Proposed Financial Restructuring" released on 19 February 2018.

Energy Segment

(US$ million / million tonnes / million MWh)	Year Ended 31 Dec 2017	31 Dec 2016	% change	Three Months Ended 31 Dec 2017	31 Dec 2016	% change
Volume (million tonnes)(1)(2)	32.4	40.6	-20%	6.5	9.2	-29%
Volume (million MWh)(1)(3)(4)	6.8	58.2	-88%	2.0	11.5	-82%
Revenue(1)(4)	2,567	2,943	-13%	616	800	-23%
Operating income from supply chains(1)(4)	(95)	336	-	2	55	-97%

(1) Adjusted for exceptional and other items.
(2) Volumes exclude Energy Coal marketing volumes.
(3) Gas & Power volume conversions from MMBTu to MWh based on current market heat rates.
(4) 2016 segment results include Noble Americas Energy Solutions.

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.

Results from the Global Oil Liquids and North American Gas & Power businesses, previously reported under the Energy segment, have been reclassified to discontinued operations following the Group's decision to monetise these businesses. Prior period results have been restated to reflect this change in presentation in the consolidated income statement. Please refer to the "Discontinued Operations" section of this Management's Discussion & Analysis for further information.

Energy Coal: Market Overview

Selected Average Commodity Prices	Twelve Month Average 31 Dec 2017	31 Dec 2016	% change	Three Month Average 31 Dec 2017	31 Dec 2016	% change
Coal – API4 (US$/t)	84.34	64.32	31%	92.39	85.44	8%
Coal – API2 (US$/t)	84.24	59.83	41%	93.49	85.32	10%
Coal – Newcastle FOB (US$/t)	88.46	66.17	34%	98.19	95.25	3%

Source: Bloomberg

- Energy coal indices were stronger in FY 2017, with increases quarter-on-quarter and year-on-year.
- Import demand from China, for all grades of coal, grew by approximately 7%, and it is estimated that import volume for thermal coal grew by 10% in FY 2017, with low-CV material recording the highest gains in volume.
- Import demand from other Northeast Asian markets grew by approximately 7%, with Korea contributing two-thirds of the increase as concerns over nuclear power generation persist.

- After two years of continuous declines in imports, Indian demand improved by 15% year-on-year in 4Q 2017, and 23% compared to the previous quarter.

Energy Coal: Performance

- Total volume in Energy Coal (including both offtake and marketing) declined by 7% year-on-year, as the business was able to compensate the 19% year-on-year decline in offtake volumes by increasing marketed tonnage.
- Operating income from supply chains recovered during 2H 2017, following the impact of the non-cash mark-to-market losses recorded during 1H 2017 which was related to unrealised observable physical positions as forward prices fell. Repositioning of the coal hedging portfolio was completed 2Q 2017 and the business has operated with minimal capacity to hedge, restricting its ability to generate margin and enter into new profitable trading contracts.
- The business continues to execute on its contracted flows and generated positive returns on its portfolio of long-term contracts. However, the Group's liquidity constraints and the limited availability of trade finance support prevented the business from entering into new short term opportunities to take advantage of rising prices.

LNG: Market Overview

Selected Average Commodity Prices	**Twelve Month Average**			**Three Month Average**		
	31 Dec 2017	**31 Dec 2016**	**% change**	**31 Dec 2017**	**31 Dec 2016**	**% change**
Gas – Henry Hub (US$/mmBtu)	3.02	2.55	18%	2.92	3.18	-8%
Gas – NBP (US$/mmBtu)	5.86	4.73	24%	7.22	5.90	22%
LNG Spot JKM (US$/mmBtu)	7.14	5.73	25%	9.65	7.54	28%

Source: Bloomberg

- LNG demand grew strongly in FY 2017 on the back of continued strong demand from China, resulting in a year-on-year increase of approximately 54%, with the government coal-to-gas switching directives increased gas penetration.

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

	Year Ended			Three Months Ended		
(US$ million / million tonnes)	**31 Dec 2017**	**31 Dec 2016**	**% change**	**31 Dec 2017**	**31 Dec 2016**	**% change**
Volume[1]	45.3	67.1	-32%	11.6	18.1	-36%
Revenue[1]	3,674	4,913	-25%	771	1,173	-34%
Operating income from supply chains[1]	(58)	233	-	20	58	-65%

(1) 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 aluminium, alumina and bauxite.
- 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, and specialty ores and alloys.
- 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	Twelve Month Average			Three Month Average		
	31 Dec 2017	**31 Dec 2016**	**% change**	**31 Dec 2017**	**31 Dec 2016**	**% change**
S&P GSCI Industrial Metals Index	343	272	26%	382	298	28%
LME cash aluminium price (US$/t)	1,968	1,605	23%	2,101	1,710	23%
LME cash copper price (US$/t)	6,163	4,863	27%	6,808	5,277	29%
LME cash zinc price (US$/t)	2,894	2,095	38%	3,234	2,517	28%
Bauxite – China CFR (US$/t)	48	49	-2%	54	49	11%

Source: Bloomberg

- Base metals prices, especially those that are staples in the construction industry, were higher year-on-year on the back of optimism about China and US infrastructure spending and economic growth.
- Aluminium prices saw a significant rally in FY 2017, primarily due to production cuts in China driven by environmental regulation and policy changes.

Metals: Performance

- The Base Metals business continues to focus on a measured build based on existing relationships in our key origination markets – namely Central Asia and Africa – with sales into China, South East Asia, Middle East and Europe. However, volumes were impacted by the Group's constrained liquidity.
- In Aluminium/Alumina/Bauxite, the Group is focused on its vertically integrated supply chain (including the Jamalco asset). Jamalco's performance has benefitted from the various cost reduction initiatives that were implemented in FY 2016, although some scheduled maintenance impacted performance during 3Q 2017.

Carbon Steel Materials: Market Overview

Selected Average Commodity Prices	Twelve Month Average			Three Month Average		
	31 Dec 2017	**31 Dec 2016**	**% change**	**31 Dec 2017**	**31 Dec 2016**	**% change**
Met Coal – Platts PLV US$/tonne	189	143	32%	205	266	-23%
Iron Ore - US$/tonne	71	58	22%	64	70	-8%

Source: Platts, Bloomberg

- The metallurgical coal market experienced its strongest rally since 2011, after cyclone Debbie caused severe damage to the Queensland coal supply chain in March 2017. Tightness continued for the rest of the year as the cyclone resulted in the loss of approximately 15-17 million tonnes of coking coal.
- Demand for metallurgical coal and iron ore was driven up by a strong steel market in China resulting from the government's commitment to the removal of excess steel capacity and a shift towards procurement of higher grade steel feedstock to reduce pollution, as steel margins remained robust.

Carbon Steel Materials: Performance

- In Met Coal and Coke, the 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 was impacted by liquidity constraints and restrictions placed on access to trade finance lines.
- Tonnage and performance in Iron Ore was impacted by the roll-off of a significant contract at the end of FY 2016, while volumes and profitability in Special Ores, including manganese and chrome, increased as we increasingly focus on niche high margin businesses.

Freight: Market Overview

- The dry bulk sector continued to improve in FY 2017 following last year's intensive scrapping activity, coupled with growing seaborne demand.
- The increases were led largely by the Capesize sector which moved from the 3Q 2017 average charter rate of US$14,653 to a 4Q 2017 average of US$22,995, and reached a peak daily rate of US$30,000 during December 2017. Panamax and Supramax vessels followed suit with quarter-to-quarter increases of 18% and 16%, respectively.

Freight: Performance

- Although the business has been able to enter into select new time charters to benefit from rising markets, the challenges faced by the Group has impacted the business' ability to fully take advantage of the current market's improving fundamentals.

Results from Discontinued Operations

	Year Ended			Three Months Ended		
(US$ million / million tonnes / million MWh)	**31 Dec 2017**	**31 Dec 2016**	**% change**	**31 Dec 2017**	**31 Dec 2016**	**% change**
Volume (million tonnes)	74.8	115.2	-35%	12.4	26.5	-53%
Volume (million MWh)[1]	185.5	681.7	-73%	-	143.0	-
Revenue	27,987	37,862	-26%	3,676	8,989	-59%
Operating income from supply chains	(296)	158	-	(92)	(15)	-507%

(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 to monetise these businesses.

On 29 September 2017, the Group successfully completed the sale of Noble Americas Gas & Power Corp to Mercuria Energy America, Inc, and subsequent to the year-end, on 12 January 2018, the Group successfully completed the sale of NAC to Vitol US Holding Co. NAC was the entity through which the Global Oil Liquids business was primarily conducted. Certain remaining Global Oil Liquids working capital balances within NCFL have also been wound down, generating over US$100 million in cash proceeds.

Overall, the Group generated approximately US$525 million of net cash proceeds, following retirement in full of the senior secured borrowing base revolving credit facilities ("BBFs"), from the monetisation of these businesses.

Underlying trading results from the Global Oil Liquids and North American Gas & Power businesses were adversely impacted during FY 2017 by capital constraints as the businesses focused on reducing trading positions and utilisation under the BBFs from 2Q 2017 onwards. These constraints are reflected in the lower volumes and profitability recorded year-on-year and quarter-on-quarter and prevented the businesses from covering its fixed expenses – including SAO expenses and storage, pipeline and other contractual commitments.

The total post-tax loss in FY 2017 from the discontinued Global Oil Liquids and North American Gas & Power businesses was US$(1,053) million, inclusive of a combined US$(319) million non-cash loss on sale of NAC and its subsidiaries, including the North American Gas & Power business, and over US$(100) million of non-cash tax expenses following the de-recognition of the deferred tax asset associated with NAC.

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

Working Capital

(US$ million)	**31 Dec 2017**	**30 Sep 2017**	**31 Dec 2016**
Trade receivables	665	1,084	2,407
Prepayments, deposits and other receivables	399	653	867
Inventories	166	232	1,643
Trade and other payables and accrued liabilities	(943)	(973)	(3,151)
Net fair value gains on commodity contracts and derivative financial instruments	353	1,267	2,776
NAC working capital(1)	471	829	n/a
Working capital	**1,111**	**3,092**	**4,542**

(1) NAC working capital classified as "assets and liabilities held for sale" at 30 September 2017 and 31 December 2017. Prior periods shown as per reported financials as at the relevant dates.

- Working capital decreased by approximately US$2 billion from 30 September 2017 to 31 December 2017, driven primarily by the non-cash reserves and adjustments to the Group's net fair value gains on commodity contracts and derivative financial instruments and impairment losses recorded against non-performing trade receivables, prepayments and other receivables.

- Working capital also declined during 4Q 2017 as the continuing businesses continued to manage within the existing constraints of availability of trade finance support and liquidity and the Global Oil Liquids business focused on reducing trading positions and utilisation under the BBFs.

- As a result of the Board mandated review to undertake a detailed reassessment of the Group's balance sheet reserves to take account of increased uncertainty in the Group's operating environment, the Group recorded a total of approximately US$2,150 million of non-cash reserves and adjustments to the Group's net fair value gains on commodity contracts and derivative financial instruments in FY 2017. These adjustments and reserves reflect the increased risks since the initial recognition of the net fair value gains on commodity contracts and derivative instruments portfolio – in particular risks relating to the Group's operating environment, trading terms and current access to funding.

- As of 30 June 2017, the Group had reserved the entire Level 3 balance, and as of 31 December 2017, net fair value gains on commodity contracts and derivative financial instruments are largely comprised of Level 2 assets with minimal value recorded on the balance sheet beyond the 4 year tenor.

- Readily marketable inventories ("RMI") stood at US$104 million at 31 December 2017, excluding NAC, and accounted for 63% of total inventory. The Group's reported RMI of US$104 million is lower at 31 December 2017, compared to the same period in 2016, due to the presentation of NAC working capital as "assets and liabilities held for sale" and the wind down of certain remaining Global Oil Liquids inventories in NCFL.

- As of 31 December 2017, the Group no longer utilises its off balance sheet readily marketable inventory sales program, compared to utilisation of US$129 million at 31 December 2016, with the decrease primarily reflecting the roll-off of certain metals and oil liquids inventory sales positions.

Selected Cash Flow & Net Debt Reconciliation[(1)(2)]

(US$ million)	Year Ended 31 Dec 2017	3 Months Ended 31 Dec 2017
Operating loss before working capital changes	**(3,195)**	**(1,257)**
Decrease in working capital[(3)]	3,122	1,682
Others	39	7
Net cash flows from/(used in) operating activities[(3)]	**(34)**	**432**
Net cash flows from/(used in) investing activities	**(88)**	**32**
Interest paid on financing activities	(234)	(60)
Others	(11)	-
Net cash flows used in financing activities[(4)]	**(245)**	**(60)**
Net foreign exchange differences & others[(5)]	(59)	5
(Increase)/decrease in net debt	**(426)**	**409**

(1) Full cash flow statement available in the SGX results announcement.
(2) Inclusive of amounts related to discontinued operations.
(3) Excludes movement in cash with futures brokers not immediately available for use.
(4) Excludes bank debt additions or repayments and net proceeds from issuance of senior notes.
(5) Others includes US$(64) million related to debt assumed with the acquisition of 100% of the shares of Panacore Investments Limited ("Panacore"). Panacore owns four dry bulk carrier vessels and was previously accounted for as a joint venture.

- Realisation on the Group's portfolio of long-term physical contracts during 4Q 2017 was positive, with contributions from each of the Energy Coal, Carbon Steel Materials and Metals businesses. Overall, cash realisation on the Group's portfolio of long-term physical contracts was positive for the last nine months of FY 2017, as it had been for the prior 3 years, as previously disclosed, following the coal market dislocation, and related losses, which arose in 1Q 2017.

- The operating loss before working capital changes recorded for the year ended 31 December 2017 includes approximately US$150 million of non-cash mark-to-market losses from the Hard Commodities businesses related to unrealised observable physical positions as forward prices fell in 2Q 2017 and an additional approximately US$2,150 million of non-cash reserves and adjustments to the Group's net fair value gains on commodity contracts and derivative financial instruments. Therefore, the adjusted operating loss before working capital changes for FY 2017 was approximately US$(900) million, primarily related to operating losses in the Global Oil Liquids business as it focused on reducing trading positions and utilisation under the BBFs and the challenging operating conditions which have prevented the Group's continuing operations from covering its SAO expenses.

- Net cash flows used in investing activities include the Group's re-investment in Harbour Energy in January 2017, and therefore recorded a higher level than we would typically expect to see given the Group's business model and the predominantly discretionary nature of its capital expenditure requirements. Net cash flows used in financing activities primarily relates to the interest paid on the Group's debt.

Funding and Credit Availability[1]

A detailed breakdown of debt 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 Breakdown Including Noble Americas Corp

(US$ million)	31 Dec 2017	30 Sep 2017	31 Dec 2016
3.625% senior notes due Mar 2018	379	379	378
6.75% senior notes due Jan 2020	1,177	1,177	1,177
8.75% senior notes due Mar 2022	738	738	-
Total debt capital markets	**2,294**	**2,293**	**1,555**
Senior unsecured revolving credit facilities and term loan	1,143	1,143	1,908
Loans drawn under NAC BBF and NCFL BBF	354	636	350
Vessel financing	119	126	73
Other bank debt	26	30	156
Total bank debt	**1,642**	**1,936**	**2,487**
Total debt	**3,936**	**4,229**	**4,042**
Cash and cash equivalents[2]	640	524	1,172
Net debt	**3,296**	**3,705**	**2,870**
Shareholders' equity	(805)	1,040	3,974
Net debt/capital[4]	**n/a**	**78.1%**	**41.9%**
Readily marketable inventory (RMI)[3]	529	897	1,526
Adjusted net debt/capital[3][4]	**n/a**	**73.0%**	**25.3%**

Net Debt Reconciliation to SGX Announcement

(US$ million)	31 Dec 2017	30 Sep 2017	31 Dec 2016
Total debt	**3,936**	**4,229**	**4,042**
Loans drawn under NAC BBF[1]	(354)	(636)	n/a
Total debt per SGX announcement	**3,582**	**3,593**	**4,042**
Cash and cash equivalents[2]	**640**	**524**	**1,172**
Cash and cash equivalents attributable to subsidiaries classified as held for sale[1][2]	(148)	(185)	(2)
Cash and cash equivalents per SGX announcement[2]	**492**	**339**	**1,170**

(1) NAC classified as "assets and liabilities held for sale" as at 31 December 2017. Prior periods shown as per reported financials as at the relevant dates. Refer to SGX results announcement note 1(b)(i)(E) for further information.
(2) Includes cash with brokers not immediately available for use of US$41 million at 31 December 2017.
(3) Adjusted for RMI. 31 December 2017 includes reported US$104 million RMI plus US$425 million NAC RMI classified as "assets held for sale".
(4) Capital= net debt + shareholders' equity.

- The Group's net debt decreased by US$409 million during 4Q 2017, from US$3,705 million at 30 September 2017 to US$3,296 million at 31 December 2017, due to working capital reductions as the continuing businesses continued to manage within the existing constraints of availability of trade finance support and liquidity and the Global Oil Liquids business focused on reducing trading positions and utilisation under the BBFs.

- The Group's net debt increased by US$426 million through FY 2017, from US$2,870 million at 31 December 2016 to US$3,296 million at 31 December 2017, primarily driven by negative cash flow from underlying activities due to the challenging operating environment and the Group's reinvestment in Harbour Energy in January 2017.

- Total cash and cash equivalents at 31 December 2017, excluding cash and cash equivalents attributable to NAC and other subsidiaries classified as held for sale, stood at US$492 million and is inclusive of the over US$100 million of cash proceeds generated from the wind down of certain Global Oil Liquids working capital balances within NCFL.

- Subsequent to the year-end, on 12 January 2018, the Group received US$272 million of cash proceeds on the completion of the sale of NAC with US$6 million payable by the Group towards transaction costs. A further US$142 million has been placed in escrow in respect of the NAC and North America Gas & Power sales and will be released to the Group in accordance with the terms and conditions of the stock purchase agreements.

- The Group continues to face significant credit constraints and availability under its uncommitted bank facilities saw a material decline during FY 2017. This has impacted trading and earnings generation capacity as mentioned in various business commentaries. Following the monetisation of the Global Oil Liquids and North American Gas & Power businesses, and the repayment and cancellation of the BBFs, the Group has approximately US$2 billion in available committed and uncommitted bank facilities, of which US$1.5 billion was utilised as of 31 December 2017.