

NOBLE GROUP LIMITED
(Incorporated in Bermuda with limited liability)

**RESPONSE TO SGX QUERIES REGARDING
FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

Noble Group Limited (“the Group”) is responding to questions, set out below, received from the SGX:

1. **Media Release**

- (a) **It was disclosed on page 2 that, “The dislocation in coal markets, and the very thin trading liquidity witnessed in the respective hedging instruments, was detrimental to the short term 12- week – outturn”**

i. Please explain as to what is meant by “dislocation in coal markets”;

The traditional correlation between hedging and the physical markets broke down, and liquidity in hedges dried up.

We use NEWC as a hedging tool. During 1Q 2017, we saw significant price volatility in the NEWC contract with a corresponding decrease in this contract’s liquidity for the same period. This undermined our ability to use NEWC to hedge physical coal positions.

At the same time we also saw the usual correlation between Asian and European prices break down which led to a significant move in the spread between the two markets which was unfavourable to the Group’s trading positions. The Group sources coal in both markets.

ii. what contributed to the thin trading liquidity in the respective hedging instruments.

The market cleared swaps liquidity was low during the period. While we cannot be sure, the reasons could be related the significant price moves seen in the period.

- (b) **Please provide details of the impacts of these factors on the 12-week-outturn and Group’s financial performance for the quarter ended 31 March 2017.**

These factors contributed directly to the announced losses for 1Q 2017. Operating cashflow loss before working capital adjustments was US\$65 million.

2. Presentation Slides

- (a) It was disclosed on pages 2 and 5 that the “profitability in Energy Coal and Carbon Steel Materials” impacted by market dislocation and decoupling of key indices”.

i. Please explain as to how decoupling of key indices have impacted on the Group’s financial performance.

For Energy Coal, we use the indices to hedge our price risk position. Given the liquidity and term of the indices, we have to use the front part of the forward price curve to do ‘stack and roll’ hedges. The decoupling caused the hedges to become ineffective and also caused additional losses.

In addition we also had a strong positive view of the Asian market based on our fundamental analysis. We did not see this reflected in market prices as the quarter actually played out.

3. Presentation Slides on Energy Coal

- (a) **How is the Newcastle Energy Coal Price reference (“NEWC”) used in the Group’s businesses?**

The NEWC index is used:

- i. as a reference for pricing trades
- ii. as a pricing mechanism itself in index linked purchase and sale trades
- iii. as a hedging tool to manage price risk
- iv. as a trading tool to express a trading position-view for proprietary trading

- (b) **It was mentioned that “the ability to rely on this (NEWC) as a relevant reference point for commercial discussions has come into question”. Please disclose whether the Company is looking into any other alternatives.**

We are currently reviewing this including looking at more fixed price or fixed term transactions, as well as any other index pricing mechanisms. We continue to study options to reduce the risk of unpredictable events.

- (c) **Please explain as to whether each of the following had impacted the Group’s financial performance for the quarter ended 31 March 2017. If yes, please elaborate on the impacts:**

i. "the traditional correlation between NEWC and China domestic prices progressively eroded over the last quarter";

We saw a strong Chinese market while the NEWC market was weaker. We expected the NEWC market to be stronger on the basis of our fundamental analysis. This negatively impacted our performance.

ii. "the procurement patterns and the basis of the pricing specific types of coals is being reviewed by physical market participants";

We understand that market participants are considering alternative methods of pricing to more accurately reflect the underlying dynamics of the physical market.

iii. Indonesian Government's revision in the PLN price methodology which impacted 60mt of domestic coal burn; and

We understand that PLN (the Indonesian Power Utility) has revised the basis on which it procures coal for its requirements which may also be due to the recent differences seen in the fundamental physical market dynamics and the indices. We previously mentioned this as an illustration of changing market practices. It did not directly impact our financial performance.

4. What was the operating income contribution from Noble America Energy Solution in the previous corresponding financial period?

USD52 million.

Noble Group Limited
18 May 2017

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About Noble Group

Noble Group (SGX: CGP) manages a portfolio of global supply chains covering a range of industrial and energy products. Noble facilitates the marketing, processing, financing and transportation of essential raw materials. Sourcing bulk commodities from low cost regions such as South America,

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South Africa, Australia and Indonesia, the Group supplies high growth demand markets, particularly in Asia and the Middle East. For more information please visit www.thisisnoble.com.

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