TRAFIGURA

# 2018 ANNUAL REPORT

TRAFIGURA GROUP PTE. LTD.

*ADVANCING* TRADE

# Financial and business highlights[1]

### Group revenue

**$180.7bn**

| | |
|---|---|
| 2018 | 180.7 |
| 2017 | 136.4 |
| 2016 | 98.1 |

### Combined volume of commodities traded[2]

**371.1mmt**

| | |
|---|---|
| 2018 | 371.1 |
| 2017 | 325.9 |
| 2016 | 264.4 |

### Gross profit

**$2.4bn**

| | |
|---|---|
| 2018 | 2.4 |
| 2017 | 2.2 |
| 2016 | 2.3 |

### Total assets

**$53.8bn**

| | |
|---|---|
| 2018 | 53.8 |
| 2017 | 48.8 |
| 2016 | 41.2 |

### Oil and Petroleum Products revenue as a percentage of Group revenue

**69%**

| | |
|---|---|
| 2018 | 69 |
| 2017 | 69 |
| 2016 | 65 |

### Oil and Petroleum Products total volume traded

**275.2mmt**

| | |
|---|---|
| 2018 | 275.2 |
| 2017 | 256.0 |
| 2016 | 205.4 |

### Gross profit margin

**1.3%**

| | |
|---|---|
| 2018 | 1.3 |
| 2017 | 1.6 |
| 2016 | 2.3 |

### Total non-current assets

**$8.8bn**

| | |
|---|---|
| 2018 | 8.8 |
| 2017 | 8.2 |
| 2016 | 8.5 |

### Metals and Minerals revenue as a percentage of Group revenue

**31%**

| | |
|---|---|
| 2018 | 31 |
| 2017 | 31 |
| 2016 | 35 |

### Metals total volume traded

**18.5mmt**

| | |
|---|---|
| 2018 | 18.5 |
| 2017 | 15.3 |
| 2016 | 14.9 |

### Net profit

**$872.8m**

| | |
|---|---|
| 2018 | 872.8 |
| 2017 | 887.3 |
| 2016 | 974.7 |

### Shareholders' equity

**$5.9bn**

| | |
|---|---|
| 2018 | 5.9 |
| 2017 | 6.0 |
| 2016 | 5.5 |

### Minerals total volume traded

**77.4mmt**

| | |
|---|---|
| 2018 | 77.4 |
| 2017 | 54.6 |
| 2016 | 44.1 |

### EBITDA[3]

**$1.7bn**

| | |
|---|---|
| 2018 | 1.7 |
| 2017 | 1.6 |
| 2016 | 1.6 |

### Average number of employees over the year[4]

**4,316**

| | |
|---|---|
| 2018 | 4,316 |
| 2017 | 3,935 |
| 2016 | 4,107 |

Trafigura Group Pte. Ltd. and the companies in which it directly or indirectly owns investments in are separate and distinct entities. In this publication, the collective expressions 'Trafigura', 'Trafigura Group', 'the Company' and 'the Group' may be used for convenience where reference is made in general to those companies. Likewise, the words 'we', 'us', 'our' and 'ourselves' are used in some places to refer to the companies of the Trafigura Group in general. These expressions are also used where no useful purpose is served by identifying any particular company or companies.

1 Trafigura's financial year runs from 1 October 2017 to 30 September 2018.

2 Million metric tonnes.

3 EBITDA (earnings before interest, tax, depreciation and amortisation) is operating profit excluding the share in results of equity-accounted investees, depreciation and amortisation, gains/losses on divestments of subsidiaries, equity-accounted investees and other investments, impairment losses and other operating income and expenses.

4 Employee numbers exclude MATSA (Spain), Porto Sudeste (Brazil) and Mawson West (DRC) employees as these assets are not consolidated in Trafigura's balance sheet.

Cover image:

Copper rods at our Lykos refined metal warehouse in Gujarat, India.

# *ADVANCING* TRADE

Global trade brings the world closer together.

It expands the wealth of nations, forges common interests and builds mutual trust.

Trafigura makes trade happen. And we make it our mission to do that responsibly. We deploy infrastructure, skills and our global network to move physical commodities from places they are plentiful to where they are most needed.

We have been connecting our customers to the global economy for a quarter of a century. We grow prosperity by advancing trade.

Find out more
www.trafigura.com

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The 2018 Annual Report is complemented by our 2018 Responsibility Report which reflects on Trafigura's progress in implementing responsible business practices and sets out metrics assessing our performance in managing our social and environmental impacts.

For further information visit:
www.trafigura.com/responsibility

# At a glance

Trafigura's core business is physical trading and logistics; our assets and investments complement and enhance these activities. We have 4,316 employees in 66 offices across 38 countries.

## Trading and logistics

### Oil and Petroleum Products

**275.2mmt**[1]

(Total volume traded)

In a fragmented market where no single company has a dominant position, we are one of the world's largest traders by volume of oil and petroleum products. Trafigura is one of the few oil and petroleum product traders with global presence and comprehensive coverage of all major markets.

### Metals and Minerals

**95.9mmt**

(Total volume traded)

We are one of the world's largest metals and minerals traders. We negotiate offtake and supply agreements with miners and smelters and invest in logistics through our subsidiary, Impala Terminals, to improve market access for our clients.

### Shipping and Chartering

**4,190 fixtures**

Our Shipping and Chartering desk is closely integrated into Trafigura's business model, providing freight services to commodity trading teams internally and trading freight externally in the professional market.

## Industrial and financial assets

impala

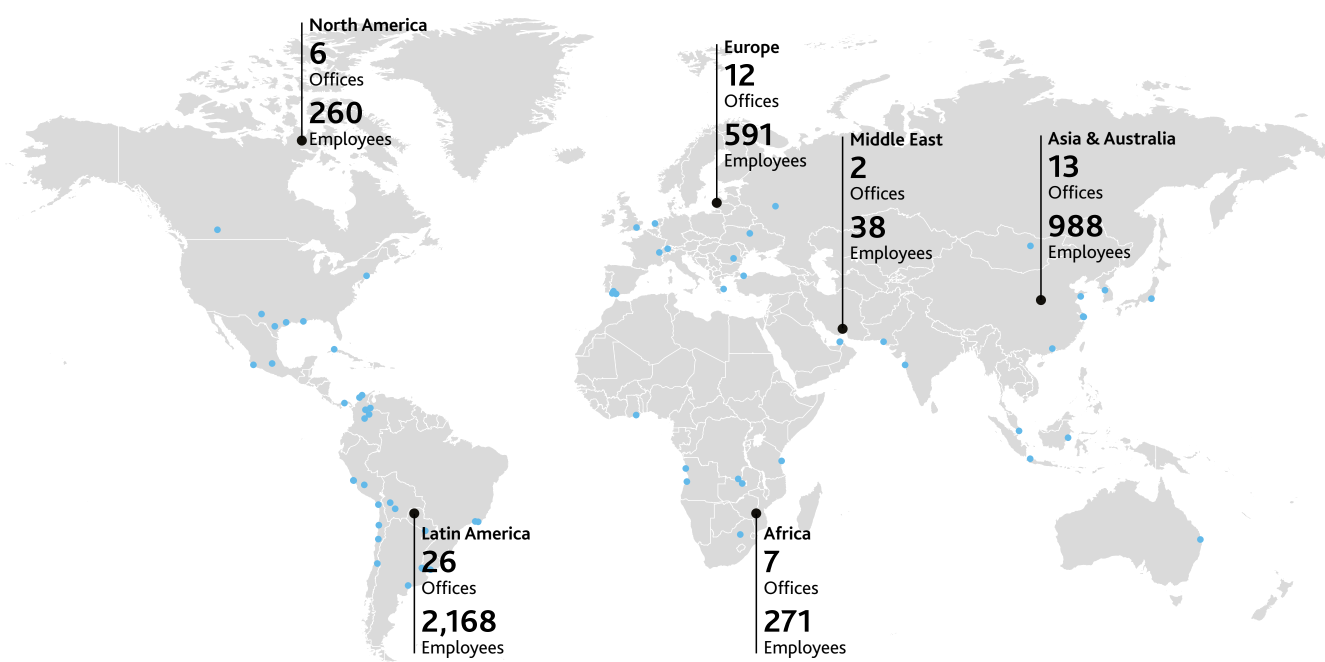
Impala Terminals is a multimodal logistics provider focused on export-driven emerging markets. It owns and operates ports, port terminals, warehouses and transport assets. It has particular expertise in providing efficient logistic solutions in challenging environments and hard-to-reach locations.

TRAFIGURA MINING GROUP

Trafigura Mining Group manages mining operations, develops projects, conducts technical audits of existing and potential partner projects; and provides advisory and support services to Trafigura's trading desks, trading counterparties and Galena Asset Management.

GALENA asset management

Galena Asset Management provides investors with specialised alternative investment solutions through its investments in real assets and private equity funds. It operates independently, but benefits from the Group's insights into the global supply and demand of commodities.

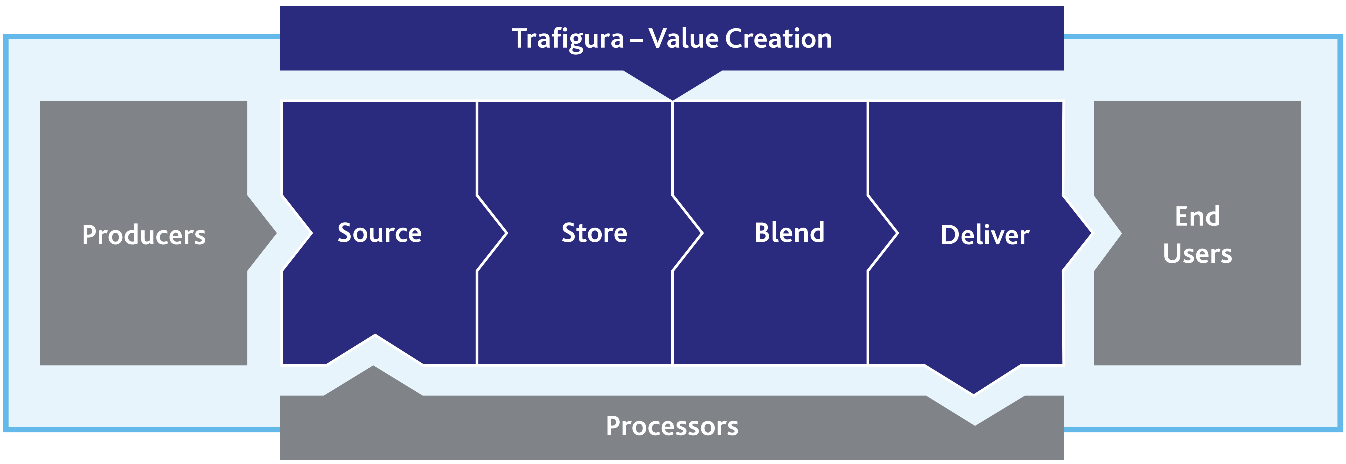



1. Figures as at 30 September 2018

www.trafigura.com/locations

# What we do

We connect counterparties, build capacity and develop physical commodity markets reliably, efficiently and responsibly. We are adding value to the global trade in natural resources with exceptional service and performance across the supply chain.




### Source

We negotiate offtake agreements with oil producers, refiners, mining companies and smelters. We own mines and invest in logistics that improve market access for our suppliers.

### Store

We store petroleum products at owned and third-party tankage. We store metals and minerals at Impala Terminals and third-party-owned facilities.

### Blend

We blend physical commodities to regional, market and customer specifications in strategically located terminals and warehouses around the world.

### Deliver

We operate efficient, safe and high-quality logistics. We move commodities by barge, truck, rail, pipeline and vessel in support of our core trading activities and for third parties.

## Trafigura adds value

### By transforming commodities

- In space
- In time
- In form

### By reducing costs

- Global network
- Market knowledge
- Low financing cost
- Operational efficiency
- Economies of scale
- Infrastructure investment
- Supply chain optimisation

### By managing risks

- Hedged financial risks
- Political and liability risk insurance
- Integrated systems and processes
- Regulatory compliance
- Governance and responsibility

## Statement from the Executive Chairman and Chief Executive Officer

# A resilient and disciplined business

*"Trafigura once again demonstrated the resilience of its business model while expanding the provision of services to its global roster of clients."*

I am pleased to present the 2018 Annual Report from the Trafigura Group. This was the year in which our company celebrated its 25th anniversary and for us it was another year of strong trading and financial performance. Despite market headwinds, especially in oil trading, Trafigura once again demonstrated the resilience of its business model while expanding the provision of services to its global roster of clients. Benefiting from our global scale and disciplined approach, we increased overall volumes traded and generated a profit comparable with the previous year from trading and from our asset investment strategy.

Global GDP growth continued to support demand for energy and industrial commodities, with interest rates only slowly rising from the historic lows of recent years. On the other hand, the oil market presented a number of challenges, including intense competition, compressed margins, reduced arbitrage opportunities and a pricing structure in which spot prices persistently exceeded forward prices.

### Consistent profit performance and growth over time

Trafigura achieved a strong financial performance in aggregate. Profit for the year was USD873 million, broadly comparable to the figure of USD887 million recorded in 2017, while gross profit was six percent higher at USD2,384 million. The Metals and Minerals Trading division had one of its best years, making the largest contribution to gross profit. The Oil and Petroleum Products Trading division had a difficult first half, but performance recovered by the end of the year. A pre-tax profit contribution amounting to USD191 million was realised from the sale of some of our infrastructure assets to a newly formed joint venture with global fund manager IFM Investors.

Our business is conducted with a long-term perspective and these year-on-year fluctuations serve to underline the benefits of our model, built around three separate strands of activity with uncorrelated commercial cycles: oil trading, metals and bulk minerals trading, and asset investments. These three strands rely on a single, deep talent pool and shared skill base in the company and are supported by integrated systems, processes and governance, including a newly formed nine-strong Management Committee; all three are important drivers of our business and the combination has enabled us to establish a consistently profitable track record in recent years, including this year.

### Realising the benefits of global scale

Commodities trading remains a high-volume, low-margin business. In 2018, we continued to build out our global network of trading hubs, which enable us to reap efficiencies and economies of scale, manage risk and derive the maximum benefit from our investment in bespoke IT systems. We were thus able to expand volumes traded and market share, while controlling costs and exercising a disciplined approach to allocation of capital and to financial leverage.

Central to our approach was a rapid reaction to changes in market conditions that were this year often driven by political decisions and events. The growing tariff conflict between the US and China, as well as US sanctions aimed at Russia, disrupted markets and traditional commodity flows, but also created opportunities for traders with the agility to respond.

In the oil market, where backwardation set in shortly after the start of our fiscal year, we moved quickly to restructure our trading book and reduce storage commitments. This put the business on a stronger footing as the year progressed.

I am pleased to report that we were able to expand our access to funding from USD51 billion to USD58 billion during the year while innovating and diversifying our sources of finance by region, by instrument and by currency. At the same time, we were able to reduce our leverage substantially, with adjusted debt to net equity falling by year-end below 1x, which we have always stated is our target ratio over time.

Export facility at Huelva, Spain forming part of the Impala Terminals joint venture with IFM Investors

We maintained our focus on expanding our portfolio of longer-term supply, marketing and offtake arrangements with leading producers, processors and end-users of commodities around the world. Particularly worthy of mention is the continuing growth of our footprint in the US, where we have captured a significant share of the growing export flows from the country that is now the world's largest oil producer. This position has been established in just three years, and would not have been possible without our global network and the capacity this provides to optimise flows for the market and net-backs for US producers. On the metals side, we continued to build market share and volumes, with highlights including further growth of our footprint in the copper belt of sub-Saharan Africa, further diversification into nickel and cobalt, and innovation in the coal trade in China and India.

### A disciplined approach to asset investment

An important strategic development that took place towards the end of our fiscal year was the agreement whereby IFM Investors Global Infrastructure Fund is investing in a certain number of the wholly-owned assets we have developed and operated as part of our Impala Terminals subsidiary. The 50:50 joint venture established with IFM Investors under this transaction will own and operate a network of terminals in Mexico, Spain and Peru that play a key role in global movements of copper, lead and zinc concentrates, among other logistical assets. In addition to the profit derived from the transaction, this joint venture creates a new partnership for future investment in infrastructure related to commodities flows.

This marks a continuation of an approach that has long been integral to our strategy – in which we invest in establishing infrastructure projects in support of commodity flows and bring in external partners to expand the opportunity and share the risk, while maintaining access to those assets for our trading business.

### Outlook: strongly positioned in a consolidating industry

Having again demonstrated the resilience of our business model this year, we believe Trafigura is positioned to perform well in 2019. We expect the market environment to remain challenging in some respects, especially as the global interest rate cycle continues slowly to ratchet upwards and banks become more selective in deploying credit beyond the leading firms in the sector. Global economic growth is likely to slow in the year ahead, with inevitable implications for the strength of demand growth in commodity markets.

Having said that, the structural factors propelling demand for energy and industrial raw materials – population growth, industrialisation, urbanisation, infrastructure development and electrification – are still in place; if anything they are becoming more evident. It is also clear that commodities market volatility is on a rising trend. Supply-demand balances have tightened as a consequence of recent under-investment in new production, while markets are also prone to major geopolitical dislocations that will continue to create trading opportunities for the nimble.

So our key strategic assumptions are that, first, demand for the commodities we trade will continue to grow for some years, even as the world embarks on the transition towards a lower-carbon economy; and second, that in a consolidating industry there will be a growing market need for well-resourced companies providing the logistical and supply chain services we deliver. Our organisational structure is robust and efficient, and therefore, we are well positioned for further profitable growth.

**Jeremy Weir**

Executive Chairman and Chief Executive Officer

## Financial review

# Strong financial performance in challenging markets

*"In what was a challenging year for trading in some commodity markets, Trafigura turned in an excellent financial performance."*

**Christophe Salmon,** Group Chief Financial Officer

Group revenue
**$180.7bn**

| | |
|---|---|
| **2018** | **180.7** |
| 2017 | 136.4 |

Total assets
**$53.8bn**

| | |
|---|---|
| **2018** | **53.8** |
| 2017 | 48.8 |

Gross profit
**$2.4bn**

| | |
|---|---|
| **2018** | **2.4** |
| 2017 | 2.2 |

Shareholders' equity
**$5.9bn**

| | |
|---|---|
| **2018** | **5.9** |
| 2017 | 6.0 |

Gross profit margin
**1.3%**

| | |
|---|---|
| **2018** | **1.3** |
| 2017 | 1.6 |

EBITDA[1]
**$1.7bn**

| | |
|---|---|
| **2018** | **1.7** |
| 2017 | 1.6 |

Net profit
**$872.8m**

| | |
|---|---|
| **2018** | **872.8** |
| 2017 | 887.3 |

Adjusted debt
**0.97x**

| | |
|---|---|
| **2018** | **0.97x** |
| 2017 | 1.24x |

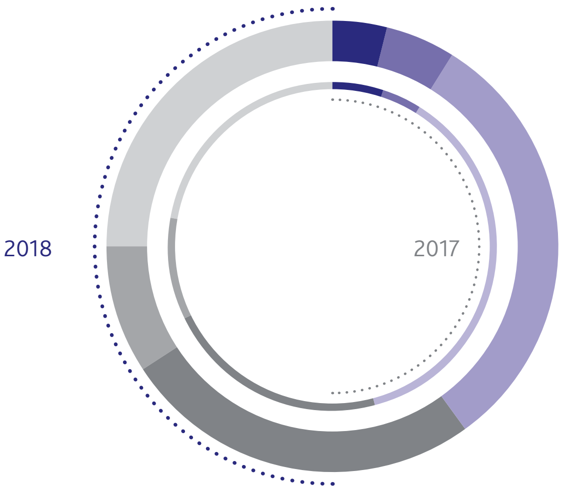
This financial year, we registered an increase in gross operating profitability, revenues and trading volumes, while increasing access to financial liquidity, reducing leverage and realising a significant gain through a new investment venture involving some of our infrastructure assets. As we said last year, Trafigura prides itself on having consistently delivered annual net profits in a range between USD850 million and USD1.1 billion every year since 2012. I am very pleased to record that we maintained the trend in 2018. Net profit for the year was USD873 million, a decrease of less than two percent from the 2017 figure.

Gross profit was USD2,384 million, six percent up on the USD2,239 million recorded in 2017. This underlined once again the benefits of a business model built on trading two different and largely uncorrelated groups of commodities. Of total gross profit, the largest component was generated by the Metals and Minerals Trading division, which had an exceptionally strong year, generating gross profit of USD1,362 million, up 24 percent from USD1,100 million in 2017. Oil and Petroleum Products Trading faced more challenging conditions and its contribution to gross profit fell by 10 percent to USD1,022 million. This was still a satisfactory result given the market environment. While performance suffered in the first half of our financial year as a result of the switch from the contango to backwardated oil pricing structure, a timely and radical restructuring of our trading books enabled a material improvement in profitability by the final quarter.

In addition to underlying trading performance, a further contributor to profit was a gain on divestment of subsidiaries and the concurrent revaluation of the retained interest, amounting to USD191 million, following investment by global fund manager IFM Investors in a collection of infrastructure assets previously wholly owned by our subsidiary Impala Terminals. This showed our ongoing capacity to generate returns from our investment in infrastructure assets related to commodities flows.

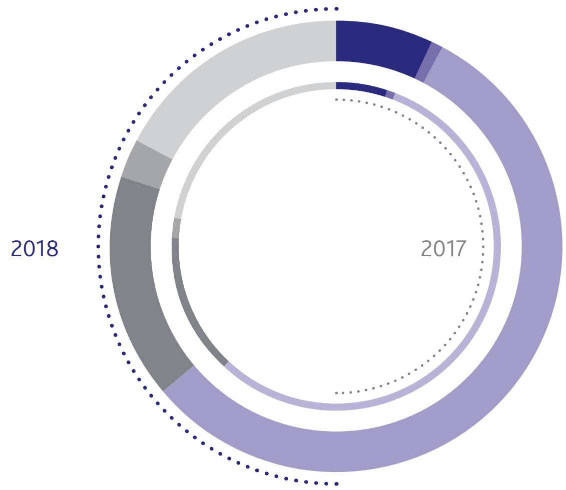
[1] EBITDA (earnings before interest, tax, depreciation and amortisation) is operating profit excluding the share in results of equity-accounted investees, depreciation and amortisation, gains/losses on divestments of subsidiaries, equity-accounted investees and other investments, impairment losses and other operating income and expenses.

Oil and Petroleum Products Revenue by geography (%)




| | 2018 | 2017 |
|---|---|---|
| Middle East | 4% | 5% |
| Africa | 5% | 4% |
| Asia & Australia | 31% | 37% |
| Europe | 26% | 22% |
| Latin America | 9% | 10% |
| North America | 25% | 22% |

Metals and minerals Revenue by geography (%)




| | 2018 | 2017 |
|---|---|---|
| Middle East | 7% | 5% |
| Africa | 1% | 1% |
| Asia & Australia | 56% | 56% |
| Europe | 16% | 14% |
| Latin America | 3% | 2% |
| North America | 17% | 22% |

From a financial perspective, additional achievements in 2018 included the increase in and diversification of our funding base, and the reduction of our targeted leverage ratio. Together with our continued strict control of capital expenditure and of cash utilisation, this makes Trafigura an extremely resilient business equipped to perform well in competitive and increasingly volatile markets.

## Profitability

Revenue in 2018 totalled USD180,744 million, an increase of 32 percent on the figure of USD136,421 million recorded in 2017. This reflected increased trading volumes and increased average prices for many of the commodities we trade. Total volume of commodities traded rose by 14 percent to 371.1 million tonnes from 325.9 million tonnes, with oil and petroleum products volumes rising 8 percent to 275.2 million tonnes, and metals and minerals volumes rising 37 percent to 95.9 million tonnes.

Aggregate gross profit margin for the year was 1.3 percent, compared to 1.6 percent in 2017 – underlining the relentless pressure on margins in the commodities trading sector, especially in oil, and the consequent requirement for trading firms to focus on cost control and efficiency. In that context it is pleasing to report that our general and administrative expenses fell again in 2018 despite volume increases, to USD937 million from USD945 million the previous year. EBITDA – our preferred measure of operating performance – was up by eight percent year-on-year at USD1,712 million, indicating the fundamental strength of our operating performance.

Net financing costs were sharply higher at USD542 million, more than double the figure in 2017, which was itself twice the level of the previous year. This continuing increase reflected the strong increase in Libor which underpins our cost of debt and our increased need for working capital as a consequence of higher volumes and prices. Variations in interest rates are embedded into the pricing formula of trading contracts entered into by Trafigura and its customers, hence mitigating interest rate risk borne by the Group. Trafigura's financial income and expense line items include interest from commercial operations as well as interest on cash balances and loans respectively.

The 'other income/expenses' line item recorded income of USD45 million, compared with USD163 million in 2017. This total was the net balance from a number of gains and losses.

As far as the most significant losses of the 'other income/ expenses' line are concerned, the Group recorded during the year an impairment on the carrying amount of the equity-accounted investee Nyrstar N.V. for an amount of USD72 million. Moreover following the sale of its remaining 20 percent stake in Buckeye Texas Partners LLC for an agreed price of USD210 million, Trafigura also incurred a pretax loss of USD57 million.

The most significant gain arose from the divestment of a 50 percent stake in certain infrastructure assets to IFM Investors, and the concurrent revaluation of the retained interest in the joint venture Simba Holding S.à.r.l.

This was a highly beneficial transaction and another successful example of our partnership investment model. It creates a new joint venture between Trafigura and a well-established international fund manager for future investment in infrastructure and logistical assets relevant to commodities flows – while guaranteeing continued access to the existing assets by Trafigura's trading teams.

This approach is integral to our Group strategy. It enables us to maintain discipline in capital expenditure, to share risk and to realise timely returns on our asset investments, while establishing a broader investment platform than would be possible on a standalone basis. Past examples include the divestment of more than 50 percent of Puma Energy in 2013; the creation of an oil storage and export facility at Corpus Christi, Texas, and the subsequent sale of a majority stake to Buckeye Partners L.P., with ongoing retention of commercial rights, in 2014; and the establishment of joint ventures with Mubadala to invest in the Porto Sudeste iron ore export facility in Brazil and the MATSA mine in Spain in 2015.

## Financial review

# Strong financial performance in challenging markets

To illustrate the point about our disciplined approach to capital investment in 2018, the Group's capital expenditure and investment net of divestments, (recorded in the cash flow statement as net cash used in investing activities) was just USD95 million, compared to USD412 million in 2017. This amount doesn't include the proceeds from the sale of the Impala Terminals assets to IFM Investors. The transaction closed in mid-December after all the regulatory approvals were secured.

### Balance sheet

As of 30 September 2018, total assets amounted to USD53,801 million, 10 percent higher than the figure of USD48,770 million at the end of our previous financial year, reflecting the continuing increase of trading volumes and higher commodity prices. Fixed and non-current assets were eight percent higher at USD8,836 million. This increase reflects an increase in the "other non-current assets" line item, which represents non-financial hedged items relating to our US oil and LNG businesses. In order to lock in the differential of different indexes between the purchase formula at the pipeline and the sales index out of the pipeline, Trafigura entered into certain long-term financial derivatives. The liquidity effect of these derivatives was partially managed by entering into a structured OTC swap, with zero margining levels and an assignment of certain contract rights, with a large financial institution.

Equity-accounted investees were four percent lower than a year ago at USD3,361 million. This represents the net effect of acquisitions, disposals, and income and losses from various investments. Of these, the most important gain was the revaluation gain on recognition of the fair value of the retained interest in the Impala Terminals infrastructure assets referred to in the previous section. The impairment for the year predominantly relates to the impairment recorded on our investment in Nyrstar of USD72 million.

Prepayments fell to USD3,660 million from USD3,739 million a year earlier, both in near-term prepayments and those with a duration of more than 12 months. Loans receivable were 28 percent lower than last year at USD486 million.

Current assets rose by 11 percent to USD44,897 million during the year, while inventories were six percent higher at USD14,733 million. Of the total inventories, USD9,039 million were held in storage, while USD5,683 million were in transit. In line with Trafigura's risk management policies, all stock was either presold or hedged at all times throughout the year. Trade receivables increased by 15 percent to USD19,952 million reflecting the growth of volumes traded and the underlying commodities prices increase during the financial year.

Group equity was USD6,250 million at year-end, compared to USD6,385 million a year earlier. The change was related to a combination of profit contribution for the year, dividend to the parent company and a reduction mainly attributable to the repayment of a USD500 million perpetual bond originally launched in 2013. Current liabilities, including short-term bank borrowings, were USD38,576 million, up from USD34,437 million at the 2017 year-end.

### Cash flow

Operating cash flow before working capital changes was USD1,655 million, comparable to last year's USD1,650 million. Trafigura believes that its financial performance is best assessed on the basis of cash flow before working capital changes, since the level of working capital is predominantly driven by prevailing commodity prices and price variations are financed under the Group's self-liquidating finance lines. Working capital needs reduced significantly year-on-year with a net working capital requirement of USD702 million for the year compared to USD4,880 million in 2017. This reflects Trafigura's efforts to manage its working capital cycle more efficiently in a backwardated oil market, financed by an increase in working capital debt. Investing activities resulted in a net cash use of USD95 million, compared to a net use of USD412 million in 2017. Net cash generated from financing activities was USD148 million in 2018, compared to USD5,930 million the previous year. The overall balance of cash and cash equivalents as of 30 September 2018 was USD5,356 million, compared to USD4,989 million a year earlier.

### Public ratings

#### Public ratings

Trafigura does not hold a public rating and does not seek to obtain one. There are a number of reasons for this, including the fact that Trafigura's strategy has always been to obtain funding from stakeholders who understand its business model, rather than make investment decisions on the basis of a rating. In addition, holding a rating could cause Trafigura to take more short-term focused decisions in order to maintain a particular rating level. This would conflict with the Group's focus on long-term value creation and maintenance of a strong balance sheet. Trafigura has been highly successful in securing funding without a public rating and had access to over USD58 billion in credit facilities, as at 30 September 2018, from diverse funding sources. Financial discipline is inherent to Trafigura's business and finance model due to its reliance on debt markets for capital and liquidity.

Trafigura's significant expansion of its sources of financing over the years has been achieved on the basis of the Group maintaining an acceptable and sustainable credit standing, consistent with an investment grade profile. The Group's financial discipline is reinforced by the financial covenants provided to unsecured lenders and is underlined by the strong support we receive from our banking group and investors.

Nyara Energy's refinery in Vadinar, India

## Bank financing

As a privately owned company, Trafigura funds itself primarily through the banking and debt capital markets, relying on a combination of diversified funding sources and strong banking relationships. For a number of years, throughout various commodity cycles and financial market environments, Trafigura has cemented strong relationships with its lending banks.

Trafigura's banking group remained stable and as at 30 September 2018, consisted of 137 banks across the world. Access to deep and constant liquidity is a key reason for Trafigura's leading competitive position and we see transparency and clear communication with banks, financial stakeholders and trading counterparties as instrumental to maintaining this position. Trafigura sources funding from a number of markets: syndicated bank loans, securitisation markets, bond markets and trade finance. During our fiscal year, we focussed on growing our access to liquidity in part to meet our increasing working capital requirements resulting from the combined increase of commodity prices and volumes traded by the Group. As a result, we achieved an increase in our total available lines reaching over USD58 billion, up from USD51 billion at the end of September 2017, with a significant portion coming from new transactional lines. Of those total current lines, USD17 billion remained unutilised at the end of September 2018, providing flexibility during volatile market conditions.

As at 30 September 2018, the Group had USD9.5 billion (2017: USD8.7 billion) of committed unsecured syndicated loans, of which USD2.7 billion (2017: USD2.2 billion) remained unutilised. The Group had USD5,356 million of cash and cash equivalents.

Over 2018, Trafigura refinanced both of its flagship revolving credit facilities (RCFs) in Europe and Asia, which represent the cornerstone of Trafigura's unsecured funding. In October 2017, Trafigura refinanced its maturing Asian RCF and term loan facilities (TLFs) for a value of USD1,990 million, with the support of 27 banks. As part of the transaction, the one-year USD and one-year CNH tranches from 2016 were both refinanced, along with the maturing three-year USD tranche from 2014.

The closing of the Asian RCF was followed in March 2018 by the refinancing of both the European RCF and Samurai loan. The European RCF closed substantially oversubscribed, allowing the Group to upsize the facility to USD5,725 million, with a new USD2,200 million 365-day RCF tranche and a three-year tranche set at USD3,525 million. The refinancing provided the Group with a net increase in liquidity of USD625 million, with a total of 52 banks committing to the facility.

In the same month, Trafigura approached the Japanese domestic syndicated bank loan market for the fourth time, increasing the Samurai facility to JPY72,640 million (USD682 million) via a three-year term loan, with 19 Japanese financial institutions supporting the transaction.

## Debt and capital markets issuance

Over the past five years, Trafigura has increasingly sought financing outside of the traditional commodity trade finance loan markets to diversify funding sources, lengthen the Group's maturity profile and continue to grow access to funding in support of growth.

Following the success of the Trade Receivables Securitisation Programme, Trafigura pioneered an Inventory Securitisation Programme in November 2017. Trafigura Commodities Funding Pte. Ltd. (TCF), a standalone vehicle, was set-up in Singapore to raise non-recourse funding backed by inventories of crude oil and refined metals. The vehicle was launched with the issuance of USD470 million of senior variable funding notes, which were placed on a private basis with six financial institutions. This platform will enable Trafigura to become a programmatic issuer of notes backed by commodity inventories and ultimately to seek committed term financing in the asset-backed securitisation markets.

Also in November 2017, Trafigura took the opportunity to approach the market to reopen the existing USD600 million, 6.875 percent perpetual bond, which had been issued in March 2017, raising an additional USD200 million. The intra-day issuance demonstrated the Group's willingness to move quickly to take advantage of market conditions. This perpetual bond tap was in part intended to pre-finance the redemption of the 2013 USD500 million perpetual bond issuance, which Trafigura elected to call at the first issuer call date in April 2018. It is worth noting that there was therefore a USD300 million net reduction in perpetual bonds within Trafigura's capital structure over 2018, which, given the equity treatment of the instruments under IFRS, was reflected in a parallel reduction in the Company's equity position over the year.

## Financial review

# Strong financial performance in challenging markets

This issuance was followed by a flurry of capital market activity between March and May 2018, as the Group sought to take advantage of conducive market conditions whilst managing upcoming debt maturities and funding requirements. The first came in March, with the issuance of Trafigura's inaugural US Dollar senior bond for USD400 million. The notes have a 5-year maturity and were priced at 5.25 percent. The transaction was issued by Trafigura Funding S.A. under its EUR3 billion European Medium Term Notes (EMTN) programme and the bond is listed on the Irish Stock Exchange. This transaction was followed in May by a further issuance from Trafigura's EMTN programme, when it issued its inaugural Swiss franc senior bond for CHF165 million with a 5-year maturity. The bond, priced at 2.25 percent, is listed on the SIX Swiss Exchange.

In April 2018, Trafigura became the first international trading company and one of the first non-Chinese corporates to access the domestic renminbi-denominated bond market (Panda), through the establishment of a RMB2.35 billion programme. That month, the first RMB500 million tranche was placed for a 3-year maturity, followed by a second tranche of RMB500 million in May 2018 with similar terms. A third tranche followed later in the year, with a further RMB700 million placed in the Interbank market in September 2018 on more competitive terms than the first two tranches. These transactions, where the majority of proceeds were repatriated from China, enable the Group to access a deep and diversified pool of Chinese investors comprised of commercial banks, asset managers, insurance companies and securities firms.

In May 2018, Trafigura also returned to the US Private Placement (USPP) market, raising USD140 million across five, seven and ten year tenors. This was the Group's fourth placement into the USPP market over 12 years, which is a market that offers the group a stable liquidity source with an opportunity to extend its maturity profile.

In September 2018, Trafigura Securitisation Finance Plc (TSF), the receivables securitisation vehicle of the Group, issued a new series of public notes totalling USD500 million on the 144A/RegS Asset-Backed Securities (ABS) markets. This was Trafigura's fifth public ABS transaction since the inception of the programme in 2004. TSF has since become the largest AAA/Aaa publicly rated securitisation programme of trade receivables in the world. The transaction was very well received, with distribution in Europe, the US and participation from a total of 32 institutional investors in the fixed and floating rate tranches.

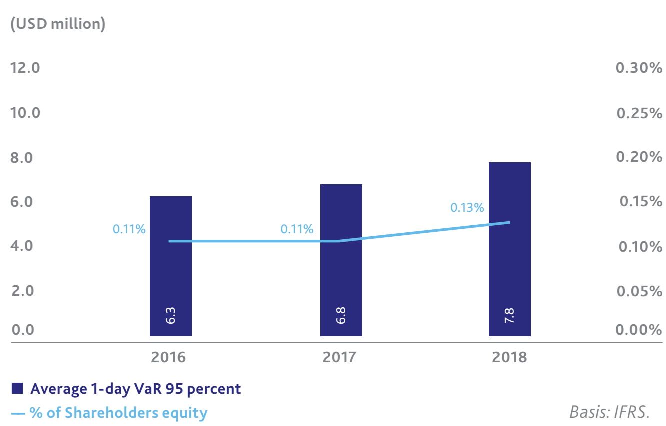
### Key financing milestones in FY2018

| | | |
|---|---|---|
| Oct.17 | Asian RCF Refinancing | USD1,990 million |
| Nov.17 | Inventory Securitisation Programme (TCF) established | USD470 million |
| | Tap of 2017 Perpetual Bond | USD200 million |
| Mar.18 | European RCF Refinancing | USD5,725 million |
| | Samurai Term Loan Refinancing | JPY72,640 million |
| | USD EMTN Bond Issuance | USD400 million |
| Apr.18 | Panda Bond – 1st tranche | RMB500 million |
| May.18 | CHF EMTN Bond Issuance | CHF165 million |
| | Panda Bond – 2nd tranche | RMB500 million |
| | US Private Placement | USD140 million |
| Sep.18 | Receivables Securitisation (TSF) ABS Issuance | USD500 million |
| | Panda Bond – 3rd tranche | RMB700 million |

## Value at risk

The Value at Risk (VaR) metric is one of the various risk management tools that Trafigura uses to monitor and limit its market risk exposure.

Trafigura uses an integrated VaR model which captures risks including commodity prices, interest rates, equity prices and currency rates (see further details in Note 29). During 2018, average 95 percent one-day VaR for derivative positions was USD7.8 million (2017: USD6.8 million) which represented less than one percent of Group equity.




*Basis: IFRS.*

## Shareholder structure

Trafigura is owned by its management and about 600 of its senior employees, who are therefore focused on the long-term success of the business, promoting management depth and stability, and encouraging prudent risk management. The decision as to which employees may become shareholders is discretionary based on individual performance, seniority and future potential.

Trafigura has significantly built up its shareholders' equity since inception in 1993 and the Group retains profits to further increase its capital base. Any discretionary buy-backs are subject to sufficient liquidity being available and to the company remaining compliant with financial covenants.

## Leverage and adjusted debt

As a physical trading group, Trafigura relies on a specific funding model. As a result, one cannot apply the same financial analysis framework as for other, more typical industrial companies.

For Trafigura, banks and rating agencies have historically considered financial leverage after excluding some specific balance sheet items (e.g. inventories, securitisation programme), resulting in the use of adjusted debt as an overall leverage metric. Adjusted debt corresponds to the company's total non-current and current debt less cash, fully hedged readily marketable inventories (including purchased and pre-paid inventories which are being released), debt related to the Group's receivables securitisation programme and the non-recourse portion of loans from third parties. This metric is a better measure of the Group's financial leverage than a simple gross debt metric. In particular, the following adjustments are made:

- The receivables securitisation programme is taken out on the basis it is an entirely distinct legal entity from Trafigura with no recourse to the Group and is only consolidated into the financial statements in accordance with the Group's accounting rules.
- Cash and short-term deposits are deducted from debt.
- Pre-sold or hedged stock, including purchased and pre-paid inventories which are being released, is deducted from debt. This reflects the great liquidity of the stock and the ease at which it could be converted to cash. As previously described, Trafigura's policy is to have 100 percent of stock hedged or pre-sold at all times.
- Non-recourse invoice discountings or portion of loans (for example non-recourse portions of bank financings used to extend prepayments to counterparties) are deducted from debt.

As at 30 September 2018 the ratio of adjusted debt to Group equity stood at 0.97x, down from 1.24x at 30 September 2017. This reduction reflected multiple initiatives, including reduced capital expenditure, increased utilisation of our securitisation programme and more efficient management of working capital. We have therefore attained our medium-term target of reducing the adjusted debt ratio to 1x or less. We will continue to manage our business to ensure that this ratio does not stay significantly above 1x for a sustained period.

The Company's adjusted debt to equity ratio at the end of the reporting period is calculated as follows:

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Non-Current loans and borrowings | **8,462.1** | 7,401.1 |
| Current Loans and borrowings | **23,741.6** | 23,853.5 |
| **Total debt** | **32,203.7** | 31,254.6 |
| **Adjustments** | | |
| Cash and cash equivalents | **5,355.8** | 4,988.7 |
| Deposits | **334.4** | 338.3 |
| Inventories (including purchased and pre-paid inventories) | **15,620.5** | 14,661.2 |
| Receivables securitisation debt | **4,294.1** | 2,517.4 |
| Non-recourse debt | **562.2** | 840.3 |
| **Adjusted debt** | **6,036.7** | 7,908.7 |
| **Group equity** | **6,250.1** | 6,384.8 |
| **Adjusted debt to Group equity ratio at the end of the period** | **0.97** | 1.24 |

## Taxation

Trafigura operates in a multitude of jurisdictions and adheres to applicable local and international tax law in the countries in which it operates, including legislation on transfer pricing. The Group's tax policy is to pay appropriate tax according to work carried out in each jurisdiction, as determined by a functional analysis of operations using standard measures wherever possible, underpinned by reports prepared to fulfil local transfer pricing requirements. The Group's effective tax rate – the average rate at which consolidated pre-tax profits are taxed – varies from year to year according to circumstances, and in 2018 it was 9.7 percent compared to 8.4 percent in 2017.

## Outlook

In the coming year, we expect the financial headwinds facing the commodities trading sector to increase. Global interest rates are rising and in consequence a broad-based economic slowdown is likely. We also believe the sector has entered a period of consolidation around the very largest players – with banks, for example, becoming more selective in allocating liquidity. Trafigura has been a beneficiary of this trend in the past year, and has taken maximum advantage of this position through its disciplined and innovative approach to sourcing and using capital. With our funding pool, bank relationships stronger than ever before and our leverage ratio in the target zone, we believe we have every chance of further strengthening our competitive position and growing market share in 2019.

**Christophe Salmon**

Chief Financial Officer

Marketplace review

# The Global Market Environment

**Saad Rahim,** Chief Economist and Head of Research

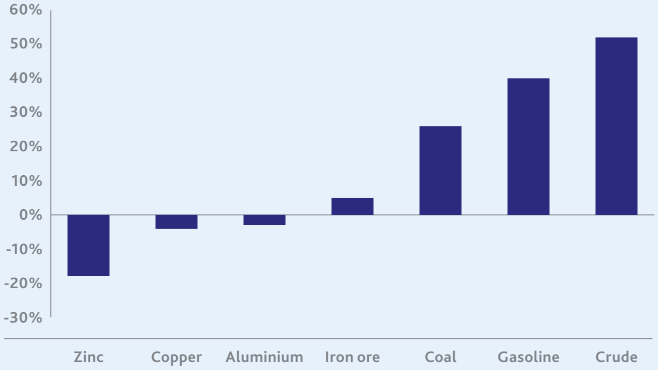
The world was a turbulent place in 2018 and commodity markets certainly reflected that. We witnessed multi-year highs for certain commodity prices followed rapidly by multi-year lows. Markets were impacted by sanctions, tariffs and waivers, and extraordinary volatility. Geopolitics also returned as a major factor affecting market volatility, as well as a rising interest rate environment for the first time in over a decade. Expected physical deficits turned into surpluses and headlines turned into fundamentals. And through it all, there were rapid shifts in trade flows, with robust demand meeting variations in supply, which created a dynamic and ever-changing trading environment.

## Global macroeconomic environment

Global economic growth in 2018 generally maintained its momentum from the previous year, underpinning a decent year in terms of commodity demand growth. Despite rising interest rates, emerging market (EM) turmoil, geopolitical issues, a stronger US dollar and higher commodity prices, growth was above historic averages and was broad based across geographies and product types alike.

### One-year price increase

Stated in percent change year-on-year




*Source: Bloomberg, Trafigura Research*

Trade conflict was the story that had the most over-arching impact on the commodity markets. In particular, the escalation of trade tensions between China and the US has created a sense of macro concern in global markets, from stocks and bonds to currencies and commodities. While fundamentals for many commodities looked relatively tight, the escalating implementation of reciprocal tariffs prompted markets to focus instead on worries about future demand growth and to discount accordingly. While such a demand effect may emerge in coming months, we did not see an impact on physical demand for most of the commodities that we traded during our fiscal year. But we did experience a reorientation of trade flows as China took less US oil and sought alternatives. Elsewhere, the announcement of tariffs on steel and aluminium imports into the US also had an impact on basis premiums and flows/sourcing, although later waivers and exceptions mitigated some of these impacts.

Sanctions were another significant influence on the market during our fiscal year. Physical trade flows in particular were affected, as buyers had to look for alternative sources for, at different points in the year, aluminium and oil. Aluminium was impacted by sanctions against Rusal, which affected nearly seven percent of global supplies and took prices from a two-year low to a seven-year high. Oil markets were roiled by the re-imposition of US sanction on Iran. Although in the final accounting the sanctions were less harsh than the US administration had proclaimed, the fact remains that over one million barrels of oil per day were removed from the market, leaving buyers to look for other sources of supply and helping drive the oil price to a four-year high, well above USD80 per barrel.

Sanctions indirectly impacted commodity markets as well, as a dispute between Turkey and the US, and the resultant sharp devaluation in the Turkish Lira, contributed to a marked slowdown in emerging markets generally. Some of the emerging markets issues can be attributed to domestic political issues, such as in Brazil and South Africa, others to localised economic issues, as in Argentina, but others are also due to the effects of higher oil prices and higher US interest rates. India was particularly exposed to these external factors, evidenced by the fact that the country saw its currency hit all-time lows against the USD despite solid domestic growth.

## Emerging market currencies

**Index value**


*Source: JP Morgan; Trafigura Research*

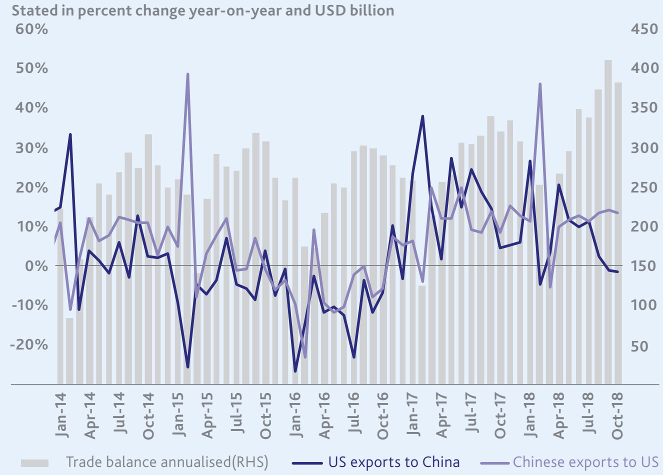
Overall, the effects of these developments on the global economy were relatively limited. The US in particular continued to grow strongly, averaging more than three percent over the year with the strongest quarterly growth rates since 2014. Some of this growth came in the form of an investment boost following the tax cut enacted in early 2018, but subsequent quarters have seen material contributions from a temporary increase in agricultural exports and inventory stockpiling. The former has already reversed and the latter will be more of a drag on growth going forward. Rising interest rates did not dampen consumer enthusiasm (and therefore spending) for most of the year, although in the closing months of our fiscal year, mortgage rates hit an eight-year high, which is clearly having a slowing impact on the US housing sector.

European growth started the year at multi-year highs, but tapered off as the year progressed amid continuing uncertainties around Brexit, Italian budget negotiations and German elections. Despite the recent slowing, Eurozone growth was a material contributor to commodity demand for the first time in some years. In particular, the net delta from a negative demand for oil to a positive one had a larger impact than simply growth alone.

Emerging markets generally had a positive year, as underlying growth remained positive, but they were buffeted by significant headwinds. Mexico had to deal with tariffs and NAFTA renegotiations, taking the currency down to near-record lows. Argentina needed an International Monetary Fund (IMF) bailout, while Turkey was hit with sanctions and tariffs. Brazil and South Africa both experienced political crises. India, now a major contributor to global oil demand growth, felt the pinch of higher oil prices and higher US interest rates. And yet, despite all of this and the moves in currency and stock markets, industrialisation, trade and urbanisation continued, and emerging markets again contributed to global demand growth.

## US China goods trade

**Stated in percent change year-on-year and USD billion**




*Source: CEIC, Trafigura Research*

China remains the key economy for most commodities, at least in terms of incremental growth. Concerns over the potential impact of a trade war, plus a slowdown in lending as part of the ongoing deleveraging effort, weighed on some commodity prices despite strong fundamentals. Copper was a good example of this, as the price fell 20 percent, from a four-year high of USD7,332 per tonne to USD5,800 per tonne within two months despite unchanged fundamentals. Part of the shift can be attributed to the depreciation of the Chinese currency, which moved from RMB6.3 to the USD to close to RMB7.0, in no small part due to trade concerns. From mid-year, however, Chinese authorities began taking steps to combat the slowdown in activity, by injecting liquidity in various forms, most notably through repeated cuts to the reserve ratio requirements for banks, thereby encouraging them to lend. Furthermore, retail investors are now allowed to purchase local government bonds, new rail and electricity grid projects have been authorised, and interest rates have come down, which all points to a reversal in the recent trend of tighter credit and to increased economic activity in coming months.

Marketplace review

# The Global Market Environment

## Global energy markets

Oil moved in a dramatic fashion over the course of our 2018 fiscal year. From an all-time high starting point, crude oil inventories declined steadily throughout 2017, until by the start of our 2018 fiscal year, they were back to a five-year-average level. They continued to decline during the year as the combination of robust demand growth and a cut to OPEC-plus supply helped the market rebalance and brought stocks down to below historical averages. The structure of the curve moved from contango to backwardation; this was indicative of tighter supply and demand fundamentals in the front, and incentivised market participants to draw down stocks rather than keep them in storage to gain the uplift of higher prices later.

### Oil price

Stated in USD per barrel


*Source: Bloomberg, Trafigura Research*

Despite the tariff headwinds, sanctions and rising interest rates, global oil demand in 2018 remained healthy. We estimate that global liquids (crude, condensate and natural gas liquids) demand increased by close to 1.7 million barrels per day last year, one of the stronger performances recorded in recent years. The growth was widespread, both in terms of geography and product type.

As has often been the case in recent years, China took the lead, recording growth in demand of approximately 400,000 barrels per day. Diesel consumption remained strong in China and gasoline use also increased as consumers purchased more vehicles. There was also growth in liquefied petroleum gas (LPG) use, thanks to a rise in petrochemical and residential consumption. The US witnessed a robust increase in demand, with consumer spending contributing to a rise in demand for gasoline. Globally, gasoline demand grew by over 400,000 barrels per day. We also saw surprisingly strong growth in demand for diesel. The latter was most likely due to increased movement of goods as companies ramped up exports ahead of the imposition of tariffs, and also to increased oil and gas drilling activity as prices picked up.

Indian demand for refined liquids recovered in the 2018 fiscal year, returning to a rate well above 200,000 barrels per day. This level is still below a recent peak, but nonetheless represents a decent increment for global demand growth and indicates that the country continued to perform in the face of demonetisation, sales tax reform and external headwinds. Other emerging markets also saw demand growth returning. As commodity prices picked up, so did accompanying mining, production and trade activity, which led to a healthy increase in demand in Africa, Latin America and the Middle East.

On the supply side, the main driver was US growth. Estimates for US production were repeatedly overtaken as the productivity gains in the shale sector continued to surprise. The Permian Basin alone saw growth of 1.2 million barrels per day in 2018, meaning that if it were a standalone country, it would be the world's eighth largest producer. In 2018, the US became the largest producer of oil globally, a dramatic turnaround from the start of the decade. Although productivity gains have slowed somewhat from the breakneck speed of recent years, we still expect production to grow at a healthy rate for some years.

A key component of this growth will be the development of domestic oil infrastructure in the US. Permian growth is in danger of being constrained as production currently exceeds pipeline capacity, leading to movement of crude by rail or even by truck, a more expensive and logistically challenging process. As a result, the differential between prices in Midland (the main Permian delivery hub) and Cushing (normally the key US benchmark) was as wide as USD18 per barrel at times, challenging the economics for some producers and leading to a steady increase in 'drilled but uncompleted' wells (DUCs). As the name suggests, these are wells that have completed first-stage drilling but have not yet been fracked and connected to the pipeline network. However, as new pipelines and port expansions are completed in 2019, we expect the growth in Permian to accelerate again.

Elsewhere, OPEC+ (OPEC plus Russia and others) had a more challenging year. After deciding to cut production in 2016 to support prices and offset rising US production, OPEC+, specifically Saudi Arabia and Russia, reversed course in mid-2018 and started to increase production. This decision was driven in large part by expectations that US sanctions would reduce Iranian oil exports by an amount that would significantly tighten global supplies if OPEC+ continued with their cut. Structural declines in Venezuela and other countries also pointed towards a tightening market, and as a result, Saudi Arabia and Russia look to have increased production by over 700,000 barrels per day between them. Whether or not Russia and Saudi Arabia maintain these production levels remains to be seen, as a price correction of over 20 percent since the end of our fiscal year means that OPEC+ is discussing the possibility of cutting output once again.

## Global non-ferrous metals markets

### Copper

The copper market tends to be the base metals market that is most exposed to global macro conditions and sentiment, and this impact was visible in 2018 as factors outside of the market buffeted prices. Copper started the 2018 fiscal year strongly, with prices rising to a high of USD7,200 per tonne, a level not seen since 2014. Positive global macro conditions buoyed market sentiment, encouraging financial sector participation, but fundamentals were strong as well, with global demand remaining robust and most regions seeing upward movements in premiums.

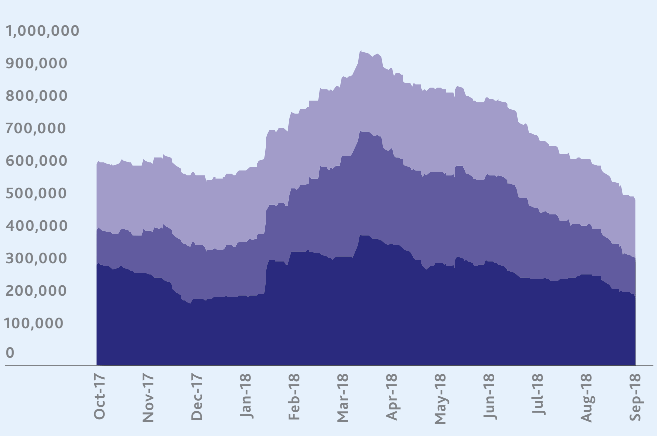
In China, despite concerns about slowing macro conditions, demand remained healthy and imports of cathode were strong. Partly the result of a ban on the import of low-quality scrap metal, which left Chinese consumers turning to cathode to fill the gap.

Sentiment shifted in June as concerns over an economic slowdown in China and the impact of deteriorating trade relations with the US led to a broad sell-off in commodities. Copper prices dipped below USD6,000 per tonne for a short time before recovering to between USD6,200 and USD6,400 per tonne. While clearly lower than at the start of 2018, prices are still comfortably above the 90$^{th}$ percentile of the mining cost curve. Therefore, we do not expect mine cuts to take place. We are also seeing signs of increased liquidity in China filtering through into increased infrastructure and real estate, albeit at a pace that will not see the bulk of impact until sometime in 2019.

Mine supply appeared to be tightening for most of 2018, with spot treatment and refining charges dropping to five-year lows in April. However, unexpected smelter outages and generally stronger mine supply led to the market softening into the summer months. On the mining side, expected disruptions due to labour disputes failed to materialise, allowing the concentrates side to stay fairly well supplied and mitigating some of the upside price risk.

### Copper stocks

In tonnes




*Source: BBG, Trafigura Research*

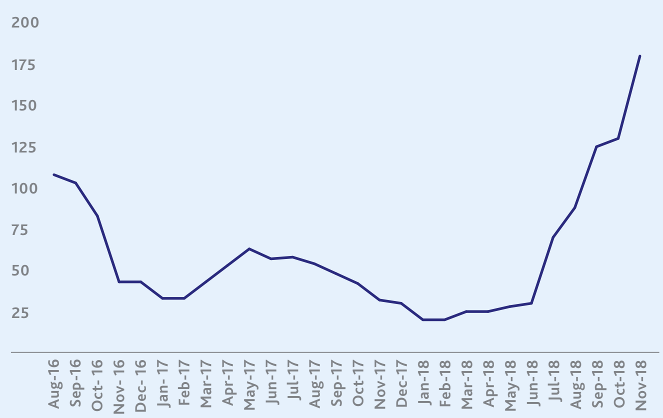
### Zinc and Lead

The zinc mine supply shortage that became apparent in early 2017 caused the market to tighten over the course of the year, with visible inventory drawing continuously and London Metals Exchange stocks hitting a 10-year low in December.

As the market tightened, prices surged to almost USD3,600 per tonne in February 2018 but from then on it became clear that mine supply was recovering. As treatment charges rose from a low of USD15 per tonne to USD70 per tonne by the end of September 2018, prices dropped all the way back to USD2,500 per tonne, although inventory of metal has yet to move meaningfully higher. Weakness in Chinese construction, which impacts steel and demand for the iron ore and zinc that go into galvanized steel, also helped to put downward pressure on zinc demand and prices.

### Zinc spot treatment charges

Stated in USD per tonne




*Source: Metal Bulletin, Trafigura Research*

The decline of zinc took lead down with it, although market dynamics have generally been very different for lead. There has been limited mine supply recovery and treatment charges have not shown the same upward movement as for zinc.

Meanwhile, environmental pressure on lead smelters in China has resulted in a severe lead shortage, which has caused stocks on the Shanghai Futures Exchange to drop to historical lows and the opening of import arbitrage.

Marketplace review

# The Global Market Environment

## Aluminium

Aluminium market conditions were nothing if not volatile. The much-anticipated environmental closures over the winter of 2017/2018 turned out to have very muted impact on overall production, resulting in a sell-off and a widening of the Chinese export arbitrage, as a solution was sought for winding down the large stock pile of metal built up in the country.

Further disruptions followed, with the US applying tariffs on the import of aluminium from March, which sent US premiums soaring, and later applying sanctions on the largest shareholder of Russian smelting giant Rusal, which potentially could have left a significant gap in global supply. However, an extended timeline for implementation of the sanctions and lack of follow-through in terms of implementation meant that markets did not feel the full effect of the sanctions and so most of the initial gains were reversed in due course.

Volatility came from raw materials as well, with the world's largest alumina refinery in Brazil having to curtail output following an environmental incident. While this put upward pressure on alumina prices, the raw material cost increase did not fully pass through to smelters, leading to margin contraction. This has been felt in China in particular, where curtailed output is finally allowing stocks to draw back towards more normalised levels.

Overall demand is holding up well as aluminium continues to see increased use in vehicle light-weighting and in transmission grid build-outs. Unusually, aluminium growth is beginning to be driven more by demand outside China rather than in it, providing a solid base for future growth.

### Aluminium LME price and Midwest premium

Stated in USD per tonne


*Source: LME, Platts and Trafigura Research*

## Nickel

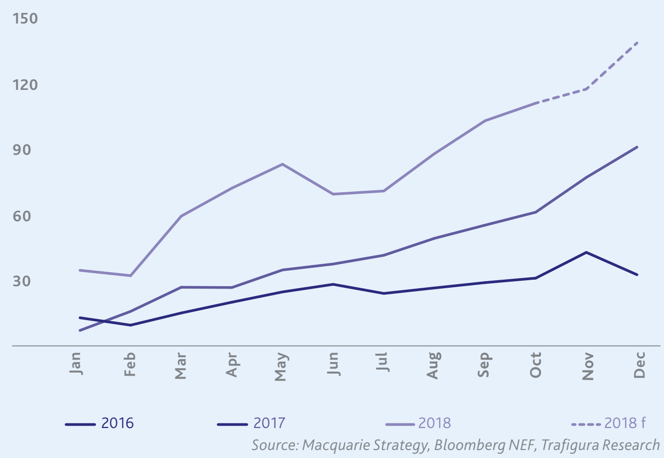
The nickel market saw its third consecutive year of significant deficit, with exchange stocks down by 350,000 tonnes from their peak in Q4 2015. Supply growth in China has been constrained by environmental policy-related restrictions, leaving Indonesia as the main source of new nickel units, almost exclusively in the form of nickel pig iron. Longer-term concerns over the availability of supply were tempered somewhat by the announcement of low-cost, Chinese-led, high pressure acid leach projects. The feasibility of these plans remains is uncertain and the speculative community has turned against nickel for now.

On the demand side, stainless steel production was strong over the year, although worries about an economic slowdown in China hurt consumption and prices later in the year. Asian stainless steel markets felt the pressure of rising low-cost Indonesian exports more broadly and the further addition of Filipino and Indonesian stainless steel capacity remains a key risk factor.

Battery demand continued to grow at a healthy rate. Electric vehicle production and sales beat consensus expectations yet again, with China leading the increase in adoption rates. Electric vehicle production and sales beat expectations yet again, with China leading the increase in adoption rates.

### China electric vehicle sales

Stated in 000 vehicles




*Source: Macquarie Strategy, Bloomberg NEF, Trafigura Research*

### Cobalt

Cobalt prices were less volatile but nonetheless moved substantially, the first part of our 2018 fiscal year, before moving back down in the second half. Essentially, the market moved from concern over impending shortages to realising that short-term production can and had been ramped up, specifically in the Democratic Republic of the Congo. We witnessed a move in the price of cobalt from USD60,000 per tonne to USD95,000 per tonne between September 2017 and March 2018, and then a retracement from USD95,000 per tonne to USD60,000 per tonne between March 2018 and September 2018, as a result of higher supply and macroeconomic concerns. Prices are likely come under pressure in the short term as new supply continues to come online. However, in the longer-term, cobalt still looks to be undersupplied given the expected growth in electric vehicles and other uses. As such, we expect prices to recover at some point.

## Global bulk markets

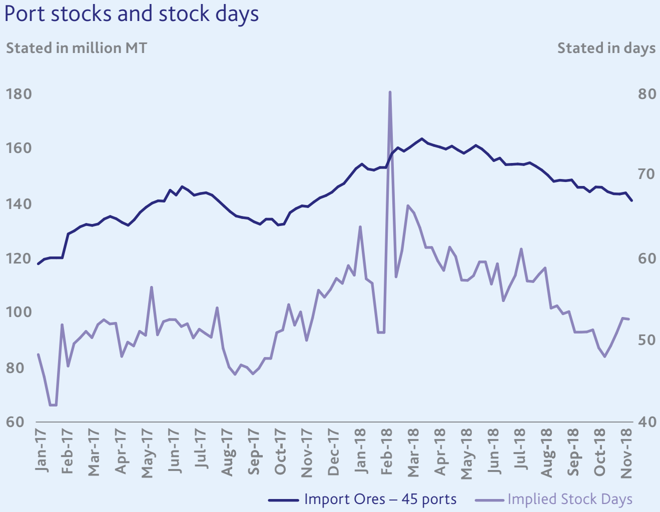
### Iron ore

Iron ore saw its usual seasonal ups and downs over the winter of 2017-2018. Prices rose into February as mills restocked ahead of a spring production ramp-up. Then with restocking complete, prices sank and from there, benchmark prices saw a period of historically low volatility.

However, more interesting moves were observed outside of the benchmark grades. Very strong levels of steel mill profitability drove up premiums for high-grade ore, particularly lumps and pellets. These products allow mills to increase productivity while avoiding the sintering process that has been the target of a number of government environmental clampdowns.

While mill profitability has been strong, China's iron ore imports ended up being weaker in 2018. Part of the shortfall was filled by running down stocks of ore that had built up at ports, but 2018 also saw a large increase in the use of scrap steel as a raw material in China.

Port stocks and stock days




*Source: Mystl, Trafigura Research*

Scrap metal offset is likely to remain a long-term theme in iron ore and steel markets in China. However, with rising consolidation and structurally higher capacity use in the global blast furnace fleet, demand for productive iron ore looks set to remain strong.

### Coal

The coal markets remained tight, a situation shaped by little incremental supply growth outside of Indonesia and the adverse effect of ongoing safety and environmental inspections on domestic Chinese production.

Demand for coal grew further for the two largest emerging economies, China and India. This resulted in strong seasonal price movements, with sharp increases over the winter period and ahead of the summer season. In addition, with supply growth limited to low-to-mid calorific qualities, the premiums for higher-quality coal widened sharply.

Furthermore, efforts on the part of the Chinese to limit coal imports and continuing rail logistic issues in India added brought uncertainty and volatility to the markets.

## Conclusion

In a year beset by turbulence and volatility, the core business of global trade continued to grow apace. Demand for the key commodities Trafigura sources, transports and delivers continues to expand globally, across product types and geographies. The global commodity market is moving from reliance for growth on one critical market, China, to broader support across regions, providing a more stable and robust underpinning for future growth.

However, in the short-term we do see increasing headwinds – both of a political nature, in the form of tariffs and economic sanctions, and in the macroeconomic sphere from rising interest rates. While there was some considerable relief at the truce agreed by the US and China at the G20 summit in Buenos Aires, the risk remains that this will prove temporary. Either way, geopolitical uncertainty looks set to remain a given, with the constant potential to disrupt markets – and to create trading opportunities.

## Performance review

# Oil and Petroleum Products Trading

In a highly challenging market, Trafigura maintained its position as one of the world's leading independent traders of crude oil, refined products and natural gas in 2018.

**Left to right: Ben Luckock, Jose Larocca, Rob Gillon**
Co-Heads of Oil Trading

## Highlights

- Total volumes of oil and petroleum products traded reach 5.8 million barrels per day.
- LNG volumes traded increased by 22 percent.
- LPG volumes traded grew by 68 percent year-on-year

**69%**

Contribution to global revenue (2017: 69 percent)

**275.2mmt**

Total volume traded (2017: 256.0mmt)

| Oil and Petroleum Product volumes traded (mmt) | 2018 | 2017 |
|---|---|---|
| Biodiesel | **0.6** | 0.6 |
| Bitumen | **0.4** | 0.5 |
| Condensates | **1.5** | 1.6 |
| Crude oil | **122.6** | 103.6 |
| Fuel oil | **41.1** | 44.3 |
| Gasoline | **29.1** | 27.8 |
| Liquefied natural gas (LNG) | **9.9** | 8.1 |
| Liquefied petroleum gas (LPG) | **6.9** | 4.1 |
| Middle distillates | **39.4** | 40.4 |
| Naphtha | **16.8** | 16.9 |
| Natural gas | **6.9** | 7.9[1] |
| **Total** | 275.2 | 256.0 |

[1] Million metric tonnes of oil equivalent.

## Market environment and performance

The global oil market presented multiple challenges in 2018 creating a turbulent environment for trading. The market featured strong competition and structural backwardation from the beginning of our fiscal year in October 2017, compressing margins. Trafigura's Oil and Petroleum Products division was not immune from these conditions. We reacted quickly and consolidated our position and whilst volumes traded increased by 10 percent year-on-year to an average of 5.8 million barrels per day, divisional gross profit for the year was USD1,022 million, a fall of 10 percent from 2017.

The backwardated market, in which spot prices trade at a premium to forward prices and it is therefore costly to hold stocks, prompted a major overhaul of our trading books to shrink inventories and storage commitments, and reduce costs. This restructuring took effect progressively through the year and was accompanied by the termination of take-or-pay contracts and term positions that were no longer generating adequate returns. These included some of our more complex blending activities that had been especially hard hit by the low physical margin environment.

Exiting these various commitments enabled us to reallocate volume to business offering a quicker payment cycle and higher margin. It also helped us refocus on the long-term relationships and opportunities that will ensure Trafigura continues to grow and perform over time. In this longer-term context, our trading teams established new positions during the year that we expect to generate good returns for several years ahead.

Just as importantly, we maintained critical mass and global scale across our uniquely broad portfolio of trading books. We believe these are vital success factors in today's competitive oil trading sector, where inter-regional arbitrage is the dominant feature driving all market segments – not least because of the rapid and continuing rise of US crude oil, refined product and LNG exports.

Trafigura maintained its established position in 2018 as a leading exporter of all products from the US, further building its collection and logistics footprint in the Permian Basin of Texas and repeatedly demonstrating its ability to place these cargoes in Asian markets, amongst others, with an attractive netback to producers. We also extended our lead in LNG trading by further growing volumes handled, and by signing a number of term offtake deals including a 15-year sale and purchase agreement with Cheniere Energy.

Crude oil vessel departing Corpus Christi terminal, Texas, US.

Scale and scope are barriers to entry in a market that is consolidating around the largest players and that showed clear signs of retrenchment among smaller competitors during 2018. Another vital success factor in our view is an integrated approach. Trafigura prides itself on close team-work and constant communication within and across trading teams, and these attributes are at an even bigger premium in tough and rapidly-changing markets.

## Internal restructure

During the year, we took a number of steps to strengthen and streamline client interaction and internal information flow, in an operation that has doubled in size in just five years. To bolster the significant growth of the division's operations, Rob Gillon and Ben Luckock joined the newly formed Trafigura Group Management Committee (see page 40) and were also promoted to run the division as Co-Heads alongside Executive Director Jose Larocca.

We refreshed some of the trading desks with new talent. We merged the middle distillates (gasoil) and fuel oil trading teams in order to prepare for big changes expected in the marketplace ahead of the implementation of the IMO 2020 regulation reducing permitted sulphur emissions from burning bunker fuel. We also decided to establish a dedicated in-house bunkering team to drive business development in this sector.

We believe these and other changes position us well for the coming year. The final months of the financial year were already showing an improvement in trading margins, and we are confident – based on business we have already booked for 2019 – that this more positive trend will continue. In particular, our US footprint continues to evolve positively in tandem with the rise in shale oil production. The current wave of investment in infrastructure to expand the flow of crude from the US offers tremendous opportunities for the future, and we intend to participate to the fullest extent possible in moving US oil to export markets.

## Crude oil

The global supply-demand balance in crude remained tight throughout the year as OPEC and Russia maintained the output curbs first applied in January 2017. Indeed, the market tightened steadily throughout our fiscal year as demand continued to grow and production in Venezuela and Iran among other countries declined. By the year-end, the prospect of renewed US sanctions on Iranian oil exports was the dominant factor, as the market adjusted upwards its expectations of the extent to which Iranian supplies would be curtailed. However, how this actually plays out remains to be seen.

Together with the continuing increase in supplies from the US shale oil fields, notably the Permian Basin, these developments fundamentally changed the dynamics of the crude market. The established flow of light sweet crude from the US to Asia was supplemented by increasing arb flows in heavy sour crude between regions, as the market sought a replacement for Iranian barrels.

With the market in backwardation from early in the year and still featuring fierce competition, the squeeze on trading margins continued. The disruption was accentuated by a change in China's consumption tax regime which affected crude demand among private-sector refiners there. Trafigura's crude desk responded to the backwardated structure by overhauling its storage base and by reducing costs by exiting from term agreements that offered less attractive returns. The trading team was also substantially reshaped to focus on the fast-developing global arbitrage opportunities, with an emphasis on building our already strong US footprint and on building capacity to place these new flows in Europe and Asia.

Trading volume was reduced somewhat from its peak earlier in the year as we focused on the most lucrative opportunities. Close to half of our crude volume in the year came from North America. Trafigura also took a lead in selling Urals crude to Chinese refiners, and continued to develop its relationship with Indian counterparties including Nayara Energy (formerly Essar Oil), the refiner and distributor in which Trafigura acquired a stake in 2017. By year-end, the crude desk was in more robust shape and generating good profits.

In consequence and on the basis of business already concluded, we are confident that performance in 2019 will show a substantial improvement. We expect our leadership position in the US to be reinforced by the agreement to become an anchor tenant on Plains' Cactus 2 pipeline from the Permian to the port of Corpus Christi coming on stream in late 2019. Further ahead, subject to licences being granted, Trafigura hopes to further expand its US position by constructing a new offshore export facility enabling the loading of Very Large Crude Carriers. The question for crude trading globally in the coming year is the extent to which higher prices will choke off demand.

Performance review

# Oil and Petroleum Products Trading

## Gasoline

The global gasoline market remained a challenging environment in 2018 as it had been the year before. Healthy margins meant refineries continued to run at or near full capacity. Globally the market was fairly balanced in terms of supply and demand, and volatility was low. On the other hand the inter-regional arbitrage market was very active, and time spreads were, on average, the strongest since 2015.

Our fiscal year started in the aftermath of Hurricane Harvey, which had prompted a sharp drawdown of US gasoline stocks which remained modest in the Atlantic Basin through the winter period. In the East, however, stocks built heavily between December and March. The onset of summer demand sparked the most active transpacific arbitrage season on record, leading to a steady build-up of product in New York and a tightening of eastern markets. This was further supported by a spike in refinery outages in the Middle East.

Trafigura's gasoline desk made the most of its strong US and Asian presence and did a good job capturing inter-regional arbitrage margin. Volume traded grew five percent year-on-year and profitability at the upper end of performance within the oil division.

Looking forward to 2019 we believe that the timing around increased refinery capacity in Asia will be a determining factor on the global gasoline balance. Additionally, we are closely watching refinery margins and the price relationship between gasoline and other clean products.

## Fuel oil

Overall the fuel oil market continued to tighten in 2018, with demand remaining healthy and supply reducing as a result of the new generation of refineries producing a lower proportion of heavy product. While some power generation markets switched from fuel oil during the year, bunker demand was robust. However, competition in the marine market kept margins very thin.

The Trafigura fuel oil desk was disciplined and selective in its approach, focusing only on those areas in which it could add value for our customers – for example in the complex and logistically challenging West African market.

Towards the end of the year, we made two important structural changes. First, the fuel oil and middle distillates (gasoil) teams were merged to facilitate a more integrated approach to the changes in the marketplace arising from the upcoming IMO 2020 regulation reducing permitted sulphur emissions from bunker fuel. The new rule will force owners either to install scrubbers on their vessels or procure a different fuel mix in which distillates will play a larger role. We expect an integrated trading desk across this spectrum to enable us to identify and address emerging business opportunities.

The second structural decision was to establish a dedicated in-house bunkering team within this merged operation. This team will enable more effective management of our own fleet needs, an enhanced dialogue with other owners, and a focus on the unique operational requirements of the bunker market.

## Middle distillates

The distillates market remained a competitive space this year, with a backwardated price curve exacerbating pressure on margins and a number of players targeting market share over margins. Trafigura remained nimble in our approach, broadening our focus from areas of historic strength to other parts of the world. We further developed our position in Latin America, while in origination we took full advantage of our strong US export footprint and also started exporting material from Europe.

IMO 2020 will continue to be a major focus and driver of the market. In the coming year we expect this rule change to exert significant downward pressure on demand for fuel oil and to cause a commensurate increase in consumption of gasoil, as already indicated at the back end of the futures curve. We believe these unprecedented and multi-faceted developments will play to our strengths in communication and information sharing within and between trading desks, and that Trafigura is thus well positioned to contribute to the necessary market adjustment.

## Naphtha

Trading conditions in naphtha were robust throughout the year, with strong petrochemical and gasoline blending margins supporting demand growth and rising US production swelling supply. With propane supplies remaining tight, naphtha prices were on average 30-40 percent higher than in 2017.

Trafigura continued to build its position as one of the leading global players in naphtha, with volumes traded increasing to a new record. We continued to benefit from our strong US footprint, while Latin American, European and Asian markets were strong points for sales. Given the close relationship between naphtha trading and activity in such segments as gasoline and petrochemicals, this market enables Trafigura to maximise the benefits of its integrated trading model.

## Condensates

The global condensates market tightened during the course of 2018, as robust demand collided with an emerging supply shortage. The prospect of renewed US sanctions on Iran forced traditional Asian buyers of Iranian condensate to seek alternatives. This and other disruptions prompted a firming of prices and some unconventional trade patterns including the export of US condensate to the Arabian Gulf for the first time in decades. Meanwhile, demand was supported by the restart of splitting capacity in China.

With our strong tankage position and export footprint on the US Gulf coast, complemented by ample storage positions in Asia, Trafigura was well positioned to capture these flows. We also benefited from the exit of some competitors from the market during the year. Looking ahead, we are bullish on the market, especially in view of the increasing condensate flows we expect to handle from the Permian Basin of Texas as new pipeline capacity comes on stream.

## Liquefied natural gas

The big story in the LNG market in 2018 was a surge in demand in Asia. In China, efforts to clean-up the energy mix led to a 45 percent increase in LNG imports year-on-year, while South Korean purchases also rose sharply owing to the country's low nuclear output as well as a severe winter and hot summer. Japan also experienced seasonal extremes keeping gas imports strong, despite returning nuclear output and rising renewable generation. Indian imports grew by 19 percent in 2018 as infrastructural expansion unlocked further demand and emerging importers such as Pakistan and Bangladesh continued to demonstrate their growth potential. Significant new supplies also came on stream from the US, Australia and Russia, but the growth in demand meant that the market was tighter than many had expected. The physical market became more liquid during the year, with real-time price discovery facilitated by the establishment by Platts this year of a physical trading window.

Trafigura, which has been the world's leading independent trader of LNG for several years, further built its market position in 2018. Delivered volumes rose by 22 percent to 9.85 million tonnes, driven by sales to China and South Korea, with the Asian share of our LNG business jumping to 30 percent. The LNG book is now satisfactorily diversified by geography, with an important customer base in Europe, Middle East and the Americas as well as Asia, and is supported by our ample access to infrastructure such as storage tanks and time-chartered LNG vessels. This enabled us to take full advantage of the global arbitrage opportunities by rapidly switching LNG cargoes from Europe, say, to Asia in response to market signals.

We expect demand to continue its upward trajectory over the next year to accommodate the new production coming online. Trafigura is well positioned to supply the market, not least by virtue of a series of multi-year offtake agreements signed with LNG producers in 2018. In particular, the first cargo under our 15-year purchase agreement with Cheniere Energy is due to ship in January, marking the start of a contract amounting to one million metric tonnes per annum.

## Natural gas

Trafigura's natural gas business focuses in the US and Europe, and is conducted from our offices in Houston, Geneva and Kiev. This year we benefited from strong demand and prices in Europe, and a significant flow of pipeline gas from the US shale fields by pipeline to Mexico, a relatively new import market. In Europe, we saw growing sales of natural gas to Ukraine, Spain and Italy in particular. In the US, we became the largest purchaser of gas in Texas and the largest supplier of natural gas to Mexico, where our Mexico City office has developed a strong roster of domestic industrial and power utility clients. In aggregate we handled 20 million metric tonnes of natural gas in 2018, a big increase over last year's total that makes this book a substantial addition to our portfolio.

Our natural gas traders work closely with the LNG team, giving us a crucial advantage in identifying and responding to emerging arbitrage opportunities. We expect the next year to be one of continuing growth in both regions, as natural gas continues to displace coal in power generation. We see further opportunities to build our position in southern and eastern Europe. Meanwhile, US exports to Mexico are set to expand as the pipeline infrastructure permits and we expect to continue to develop our relationships with US shale producers and Gulf coast downstream customers.

## Liquefied petroleum gas

Liquefied petroleum gas remains a growth market, driven by switching from dirtier fuels at the retail level in emerging markets as well as increasing chemical cracking demand in the US and China. Global volumes were up by more than 8 percent year-on-year. Rising US production was again a predominant theme on the supply side, with US exports finding a home in Latin America but also increasingly in the Far East.

Trafigura's LPG desk continued to build volume and market share, maintaining a strong presence in the Americas and adding capacity in Asia. But trading suffered from weak margins and from performance issues on the part of counterparties exposed to falling prices in certain Latin American markets. In particular, the LPG freight market weighed on performance, as an over-supply of shipping combined with a shortage of product to send prices plummeting. Efficiency gains from the opening of the new Panama Canal further reshaped logistics.

These temporary difficulties did not, however, affect our confidence in further market growth in the coming year. As an indication of Trafigura's commitment to LPG, we confirmed an order for four specialised LPG vessels as part of the company's programme of procuring new-build tankers. These state-of-the-art ships, fitted with scrubbers, will be delivered between April and September 2019 and will further enhance the cost-efficiency of our service.

## Biodiesel

Biodiesel remained a challenging market in 2018 as prices continued to eliminate the potential for discretionary blending of biodiesel. Regulatory uncertainty in the US and Europe such as US tax and renewable fuel policy, as well as anti-subsidy duties on various biodiesel imports being dropped by the European Union as they were adopted in the US, created further obstacles for the biodiesel business. Global commitment from consumers and regulators alike remains firm in calling for increased penetration of renewable fuels in to the energy mix. In response to this environment, Trafigura maintains expertise to evaluate and act on market movements as they occur.

Performance review

# Metals and Minerals Trading

Trafigura is one of the world's largest traders of non-ferrous concentrates, and metals, and of bulk minerals. The Metals and Minerals division had an exceptional 2018, both by expanding volumes and substantially increasing profitability.

**Julien Rolland,** Global Head of Coal and Iron ore
**Amin Zahir,** Global Head of Refined Metals and Concentrates

## Highlights

- Trafigura maintained its position as market leader in concentrates and refined metals.
- Total volumes traded increased by 37 percent year-on-year.

**31%**

Contribution to global revenue (2017: 31 percent)

**95.9mmt**

Total volume traded (2017: 69.9mmt)

| Metals and Minerals volumes traded (mmt) | 2018 | 2017 |
|---|---|---|
| Non-ferrous metal concentrates | 10.4 | 7.9 |
| Non-ferrous refined metals | 8.1 | 7.4 |
| Coal | 60.5 | 46.4 |
| Iron ore | 16.9 | 8.1 |
| **Total** | **95.9** | 69.9 |

## Market environment and performance

### Non-ferrous concentrates and refined metals

There were two dominant themes that characterised the base metal markets in 2018.

The first was global macro uncertainty arising from trade tensions – most notably between the US and China – which negatively impacted base metal prices. The second factor was based on the Chinese central government's environmental policy and its subsequent implementation at the local level – together with the central government's policy to pivot away from a polluting heavy industry to a more qualitative and value added model for sustainable GDP growth.

2018 saw the focus on emissions from industry and from the base metal basket, with the biggest impact in terms of smelter cut backs and closures being felt in aluminium.

Trafigura's base metals trading team (comprising concentrates and refined metals) reported a second consecutive year of record volumes and profits. Gross profits for the combined base metals department improved year-on-year by almost 16 percent.

Traded volumes in concentrates grew 31 percent in aggregate year-on-year to 10.4 million tonnes from 7.9 million tonnes. In refined metals, volume increased nine percent to 8.1 million tonnes from 7.4 million tonnes.

Although the performance of the concentrates teams was robust and encouraging in terms of future growth, the biggest contribution to this year's record performance came again from the refined metals teams who were able to optimise returns by timely captures of regional arbitrages.

We expect both of the dominant market factors in 2018 to continue through 2019. In the event current trade tensions continue in to the second half of the year, such that demand erosion becomes a real concern, the possibility of a further sell-off in base metals remains real.

In terms of the Chinese government's environmental focus, the expectation is that solid waste and water treatment will now take centre stage and dominate the agenda for 2019 and 2020. Consequently further disruption in base metal output is to be expected.

### Bulk minerals

In bulk minerals, we continued to make progress in strengthening both our iron ore and coal businesses throughout 2018.

Our iron ore book developed significantly, particularly in the domestic Chinese market by buying stocks held at ports and selling them to inland steel mills in their own currency. This initiative helped grow total volumes traded by well over 100 percent in 2018 to 16.9 million tonnes compared to 8.1 million tonnes in 2017.

It was also a very good year for our market-leading global coal book with traded volumes growing by 30 percent, led by growth from Indonesia, and with demand supported by surging electricity consumption across Asia. Our coking coal business similarly experienced healthy growth, particularly in India, and continued to benefit from existing relationships via our iron ore trading business. Trafigura's established export lines from Australia, Canada, Colombia, Indonesia and the US were well positioned to be able to expand to meet the growing demand for this mineral.

## Non-ferrous concentrates

### Copper concentrates

The global copper concentrates market confounded expectations this year as an anticipated tightness in the supply-demand balance failed to materialise. This was partly a consequence of unexpected disruptions to smelter production – notably the surprise shutdown by state authorities of the Sterlite copper smelter in Tuticorin, southern India, in May, which had a significant impact on demand as well as various other unexpected smelting issues. On the supply side, there were fewer disruptions to mine production than seen in recent years with labour negotiations in particular all being concluded relatively smoothly.

Trafigura's market-leading copper concentrates team had another good year, substantially increasing volumes handled, growing market share in a product where the overall proportion of tradable units is expanding, and generating a stronger profit than in 2017. We were relatively unaffected by periodic weakness in the spot market as much of our volume is booked on a longer-term basis. In addition, the scale of our copper concentrates activity gives us the flexibility to respond rapidly to events affecting the market. One example was China's imposition of tariffs on imports of concentrates from the US as part of the trade conflict between the two countries: our size enabled us to redirect the affected product to alternative markets.

Looking forward, we expect the concentrates market to tighten next year as new Chinese smelting capacity comes onstream, coinciding with a continuing deficit of new mine projects. On the other hand, uncertainty over the implications of Chinese environmental regulations for the smelting industry is creating a concern over concentrates demand in the longer term.

### Zinc and lead concentrates

For the zinc concentrates market, 2018 was a year of mixed fortunes. A persistently tight supply-demand balance in the first half was reflected in zinc prices averaging USD3,628 per tonne until June and zinc concentrate treatment charges remaining chronically low throughout that period. In the second half of the year, the market eased markedly as new mine supplies came onstream, a trend accentuated by the trade tensions between the US and China and by curtailed smelter production in China as a result of deteriorating smelter economics and environment-related pressures. LME prices were therefore selling off to an average of USD2,534 per tonne between July and September

In contrast to zinc, the lead concentrates market remained in deficit as a result of low lead content in ore produced by new zinc mines. LME prices eased from USD2,590 per tonne in January to USD2,028 in September, although treatment charges – which in lead concentrates reflect significantly less flat price exposure than in the case of zinc – remained well bid driven by the underlying fundamentals.

Overall, Trafigura's lead and zinc concentrates desk increased aggregate volumes handled and profitability during the year and was well positioned to capitalise on the changes in the market. Looking ahead, we continue to focus on developing material long-term supply and off-take contracts that will position us well to take advantage of a raw material market that continues to evolve through the cycle.

### Nickel

With the global supply-demand balance in deficit for a second year, two major factors affected the global nickel market this year. First, growing stainless steel output and exports from Indonesia which are directly competing with stainless steel production in China and Asia, have negatively impacted nickel demand in these regions and diverted supply of nickel stocks and feed to other regions. In the meantime the overall sentiment was driven by forecasts for increased nickel consumption in electric vehicle (EV) batteries and while this is not evident in the current physical demand, the realisation that battery consumption of nickel could increase tenfold by 2025, gave nickel prices good support for the better part of calendar 2018.

Trafigura's nickel trading desk had a strong year, with increased trading volume and profit versus 2017. We have increased our activity in China focusing more on domestic trading, we have strengthened our trading position in Indonesia with nickel pig-iron and laterite flows, and catered to end-users in Europe, India and Asia ex-China. In addition, our exclusive marketing agreement with Finland's Terrafame nickel mine, which produces intermediate product that can be processed into nickel sulphate, helped us grow volumes and market share on the nickel EV supply chain.

## Performance review

# Metals and Minerals Trading

Looking forward, we expect EV demand to remain the market's principal driver with stainless steel consumption forecasts growing at a healthy rate year-on-year. What remains unclear is how rapidly EV penetration will occur and what will be the effect of continued growth in Indonesian stainless steel output. Trafigura remains well placed to continue catering to the demand of its counterparties globally by offering the full range of nickel products for both stainless and EV consumption and structuring contracts that protect and service the needs of its counterparties in a market that has strong fundamentals in the long run but could be extremely volatile in the short term.

### Cobalt

Cobalt has historically been a small market operating within its own system. With the recent attention drawn to cobalt through the projected demand of the metal for electrical vehicle batteries, there was a strong distortion of the traditional fundamentals of the market with a sharp increase in prices, a strong supply response from producers in the Democratic Republic of the Congo (DRC) and increased refining capacities in China. This, in conjunction with environmental controls in China and the demand that has yet to fully materialise, has left the market temporarily looking for direction but the undoubtedly strong fundamentals for the metal require these market dynamics to adjust to the sizeable demand increase that is expected.

Trafigura has been actively growing its presence in the cobalt market with reputable partners by providing the necessary support during this period of market adjustment. We are committed to doing so for the future. By utilising our marketing and logistics network and our robust responsible sourcing approach we are able to provide a holistic and transparent service platform for our counterparties. Further building out this platform will be our principal focus for the next year as we establish an enduring presence in what will undoubtedly remain a growth market.

### Alumina

A major supply outage in Brazil and disruptions elsewhere caused by economic sanctions were the determining events in a roller-coaster year in the global alumina market. The supply-demand balance already seemed tight as the year began, amid fears that government-mandated production cuts at Chinese alumina refineries would create a shortage. Yet as those fears faded, the market was shocked by the shutdown of 50 percent of production capacity at Norsk Hydro's giant Alunorte refinery in Brazil following an environmental incident. This cut, which lasted beyond the end of the fiscal year, eliminated more than 2.5 million tonnes of annual production capacity and prompted a significant price rally. Nervous sentiment propelled prices higher in April when the US imposed sanctions on Russia's Rusal aluminium group, creating uncertainty around supplies from Rusal's Irish alumina refinery. By the end of the year the ex-China supply deficit was alleviated through the drawdown and export of stocks held in China, sending prices back down.

In this volatile market, Trafigura's alumina trading desk captured significant arbitrage opportunities – notably buying at advantageous prices in China – and made a good profit. The outlook for 2019 is uncertain and depends partly on ongoing negotiations between Norsk Hydro and the Brazilian authorities about restarting full production at Alunorte, and also on final US dispositions regarding sanctions on Rusal. But we expect the market to remain prone to volatility for the foreseeable future amid uncertainty over the pace of aluminium smelter construction worldwide, and by extension over future alumina demand.

Terrafame mine in Sotkamo, Finland

## Non-ferrous refined metals

### Refined copper

After years of relatively low volatility, refined copper experienced a dramatic change during the course of 2018, as stocks built and were then largely drawn down – with prices also moving in a range of USD1,000. In March, stocks held in London Metal Exchange (LME), Shanghai Futures Exchange (SHFE) and COMEX warehouses all approached historic highs, but by year-end only 150,000 tonnes remained in the LME system and the LME and SHFE markets were flirting with backwardation. The explanation lay in stronger than expected demand as a result of robust economic growth in China, the US and Europe, tempered only by weaker demand in the Middle East. At the same time supply of copper scrap became tighter as a result of regulatory changes in China and of that country's imposition of import duties on US scrap, leading to substitution with refined metal and to an increase in cost, insurance and freight (CIF) China copper premia from USD75 per tonne to USD120.

Trafigura's refined copper team had a very strong year, setting another record in trading volume and generating increased profit in both the cathode and blister books. We took maximum advantage of rising demand, and given the volatile price environment we actively traded the geographical arbitrage between regions. Continuing a trend initiated in 2017, we also reaped gains from synergies along the supply chain, between trading in concentrates, blister and cathodes – for example by further reinforcing our long-term business relationships in Africa.

Looking forward, we expect the market to remain tight in the coming year as smelter capacity continues to grow while concentrates supply fails to keep pace. We will maintain our focus on China and on global arbitrage opportunities. In India, a growing market where the supply-demand balance is especially tight as a result of the closure of a major copper smelter, we expect our position to be further enhanced with the start of production before the end of the calendar year at our Ryker copper rod joint venture with Polycab.

### Refined zinc and lead

The refined zinc market presented a difficult environment for trading in 2018, as supplies of both concentrates and refined metal remained tight for much of the year and refined prices were backwardated. Concentrates supply had been constrained for two years as a result of the closure of the Century and Lisheen mines. However, as the year progressed this tightness started to ease as new zinc mine projects came on stream, while smelters within and outside China moved closer to producing at full capacity. By year-end there was very little idle capacity at existing smelters and there seemed little prospect that smelter output would rise to match the increase in concentrate production.

In lead, mine supply showed no sign of recovery after significant decreases in recent years, and the concentrates market remained tight. To add to the pressure, recent environmental inspections in China have targeted secondary lead producers directly. The metal falls within two major categories that face scrutiny from the central government: solid waste and heavy metal. This has impacted smelters' ability to produce, while demand has remained strong, driven by replacement battery needs.

Trafigura's refined zinc and lead trading desk had a mixed year. In zinc, performance failed to match that of 2017 and volume was flat overall. In lead, we continued to grow market share and in particular to build our position in China, now a cornerstone of our global refined lead book.

Looking ahead, we expect both products to present interesting market opportunities. In zinc, we see an increasing divergence between the concentrates and refined metal markets, with an emerging surplus in concentrates and a continuing deficit in refined before that market moves into balance. This disconnect between the two markets will make for a unique trading dynamic going forward, and Trafigura's strong market presence in both will be key for our continued success. We expect the markets for lead concentrates and refined lead to remain strong as new mine supply is constrained and the smelting industry consolidates.

A key development for Trafigura in the coming year in both refined zinc and lead will be a significant increase in offtake volumes from Nyrstar under new contracts that take effect in January 2019. This will enhance Trafigura's global ability to service end-users of both metals and further grow volume and market share.

## Performance review

# Metals and Minerals Trading

### Aluminium

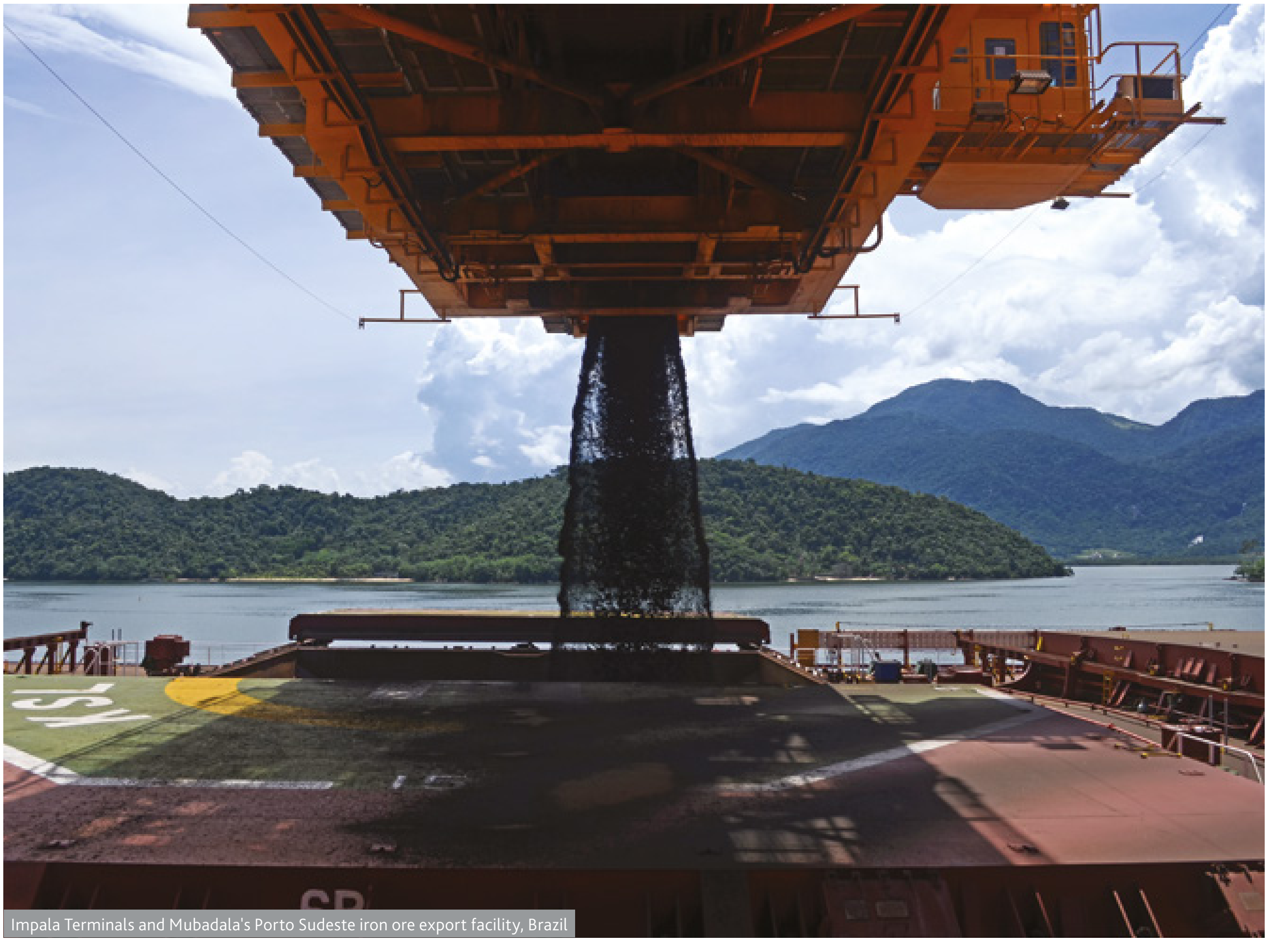
A market that has long been characterised by supply surplus, aluminium was increasingly in deficit during 2018, especially in the world ex-China, which saw an increase in Chinese exports and a final drawdown of the once-massive stocks accumulated in Europe since the financial crisis of 2007-8. The metal is increasingly in demand for use in light-weight transportation vehicles as well as packaging, but smelter production is failing to keep pace with consumption growth.

The supply deficit that is emerging as a result was exacerbated in 2018 by protracted industrial action that shut down the ABI smelter in Canada, and by a 50 percent production cut at the Albras smelter in Brazil, a knock-on from the similar curbs at the Alunorte alumina refinery there. Additional volatility resulted from US tariffs on aluminium imports and the unexpected imposition of sanctions on Russian aluminium giant Rusal in April, though the latter was more of a market uncertainty and liquidity issue than one of supply per se.

Meanwhile, high and volatile alumina prices increased the pressure on the aluminium smelting industry world-wide, with a number of facilities operating at a loss.

Trafigura's aluminium desk had a solid year. We increased traded volume and moved fast to position ourselves to provide support for our long-term customers in rapidly changing market conditions. We believe Trafigura's scale, long-term customer focus and financial strength will help us maintain that position, in a market where the barriers to entry have grown and competition has normalised.

Looking forward, we expect demand growth and stock drawdowns to continue. Trafigura has built up sufficient stocks to service the industry on an ongoing and reliable basis. The long-term relationships we have developed with aluminium producers and fabricators over the past years will help us to grow our footprint in the aluminium industry in the coming years.



Impala Terminals and Mubadala's Porto Sudeste iron ore export facility, Brazil

## Bulk minerals

### Iron ore

With the global market still in surplus, a structural shift gathered pace in iron ore trading in China during 2018, as the business's traditional focus on seaborne trade under long-term contracts was supplemented by a lively domestic spot trade based on the accumulated stockpiles at Chinese ports. Purchasing smaller parcels under this so-called 'stock-and-sale' model suits Chinese steel mills, as it enables them to operate flexibly and eliminates foreign exchange risk.

Trafigura stepped up its activity in this market during the year, operating out of ten Chinese ports and serving about 130 Chinese steel mills. Our traded volume rose sharply as a result; of total volume handled of 16.9 million tonnes, half was concluded through stock-and-sale transactions. Elsewhere, we continued to grow Brazilian tonnage passing through the dedicated Porto Sudeste export terminal, jointly owned by Impala Terminals and Mubadala. Looking forward, we expect to retain this dual focus in 2019. That means further ramping up tonnage from our mines in Minas Gerais as permitting allows, and building out the Chinese stock-and-sale business by injecting additional tonnage from the seaborne trade.

### Coal

The global coal market was surprisingly strong in 2018, with traded volumes increasing and prices much higher than expected as a result of increased coal burn, notably in China, India and south-east Asia. The global supply-demand balance was thus tight to short during the year. The supply response has been led by increased US and Indonesia exports, which are dominated by high sulphur and low calorific value coals, while traditional high calorific coal supply has been underwhelming, leading to historically wide discounts for off-spec products.

Additional support for the coal price came from the gas market. The widespread expectations that a global LNG surplus would emerge in 2018 were confounded. Instead, the surge in incremental LNG production, notably from the US, was absorbed in Asia and gas prices rose, taking coal along for the ride.

Trafigura's coal trading desk was well positioned to take advantage of these trends. We increased volumes traded by over 30 percent. Our exports expanded from Indonesia and from the US via Impala Terminals' Burnside facility on the Mississippi River in Louisiana while flows were maintained at a similar level to last year from Colombia, South Africa and Australia.

We also made significant progress in building our coking coal business, on the back of the relationships we have established with steel producers via our iron ore trading business. A particularly strong focus for this activity was India, which needs to import 40-50 million tonnes per year of coking coal. We shipped material from Colombia but also the US and Australia, and we also launched a stock-and-sale business in India and China to provide liquidity for smaller producers.

Our short-term outlook is for continued volume growth. With very few exceptions, coal mining companies are making profits at today's price levels, and a response in increasing supply is also underway. It is our view that economic forecasters have consistently under-estimated the near-term increase in power requirements and that is likely to remain the case as, for example, air conditioner use becomes more prevalent and the global car fleet moves toward electricity. While coal remains challenged in the long run by environmental concerns, it remains for now an essential fuel for global development.

Impala Terminals' US coal export facility at Burnside, Louisiana

## Performance review

# Shipping and Chartering

Trafigura Maritime Logistics arranges shipping and freight services for Trafigura's commodity trading teams and third-party clients. It operates as a service provider, securing competitive and reliable freight for in-house oil, metals and minerals traders, while the Wet and Dry Freight desks also function as profit centres in their own right.

**Rasmus Bach Nielsen,** Head of Wet Freight Shipping
**Alan Cumming,** Head of Dry Freight Shipping

## Highlights

- Focused risk management in Wet Freight supports profits.
- Dry freight fixtures increased by 12 percent.
- Both desks remained profitable and well positioned for the imminent change in sulphur regulations.

**4,190**

Shipping and Chartering fixtures (2017: 4,151)

| 2018 Wet and Dry Freight Activity | Wet | Dry |
|---|---|---|
| Number of fixtures | **2,956** 2017: 3,051 | **1,234** 2017: 1,100 |
| Average time-charter fleet[1] | **45 – 65** 2017: 60 – 65 | **50 – 55** 2017: 45 – 50 |

1 A vessel on hire for more than three months

## Wet freight

The global tanker market was a challenging trading environment in 2018. The backwardated oil market had a negative impact on demand as it, amongst other factors, reduced demurrage time. Meanwhile the global reduction of oil stocks removed any requirement for tankers to be used for storage as any distressed cargoes could easily be discharged onshore. On balance, fleet growth during the year was not matched by a commensurate increase in demand. On the other hand, scrapping of existing vessels rose significantly during the year, which is a positive pointer for the market's evolution in the next few years.

Despite one of the most challenging markets on record, Trafigura's Wet Freight desk remained profitable even if the out-turn was significantly lower than in 2017. Volume amounted to 2,956 fixtures, compared to 3,051 in 2017 of which 78 percent of the Trafigura controlled cargoes were fixed on 3rd party tonnage. We expect this percentage to decrease only marginally in the years ahead and we will continue to be a significant charterer in the global tanker space.

The newly constructed Suezmax vessel, the Marlin Sardinia.

Two of the vessels under construction at the Hyundai Sambo shipyard, South Korea

In 2018, trading strategy was to reduce on-the-water exposure owing to an unfavourable near-term risk/reward proposition. The on-the-water exposure was down at year-end to a level last seen in 2014, with 45 ships on time-charter for longer than three months. One of the challenges during the year, given the widespread belief amongst owners that the impending IMO 2020 regulation will create a tight tanker market, was to secure additional time charter tonnage on a forward basis.

Looking forward, the big event for our Wet Freight book in the next year will be delivery of a significant proportion of the 35 new-build crude and product tankers on order in South Korea and China as well as four Very Large Gas Carriers (VLGCs). The order, including Medium Range (MR) tankers, LR2s and Suezmax tankers, has been placed by a close Asian financial partner and the vessels are being leased on delivery to Trafigura with options to purchase at a later stage. Vessels are being delivered throughout 2019, with the majority of which will be delivered in the first quarter of the calendar year. We look forward to integrating them into our trading portfolio, and thus further developing our service offering both within Trafigura as well as externally.

Overall we have a more positive outlook on the wet freight market for 2019. The renewed US sanctions on Iran have been positive for the market as they force longer voyages with oil sourced from further afield. We also expect the supply-demand balance to improve as scrapping continues and new fleet supply tails off. With our fleet positioning we expect strong years ahead for the wet freight book.

## Dry freight

The dry freight market remained on the healthy footing established in 2017, with owners making better returns than for some time. Trafigura's Dry Freight desk trading focused principally on two market segments during the year – Capesize vessels on the iron ore export route from Brazil and Supramax vessels sailing between the Pacific coast of Latin America and Asia. While the general trend of the market through the year was positive, both of these segments had periods of extreme volatility which created trading opportunities for the Dry Freight desk.

In 2018, we increased fixtures year-on-year to 1,234 from 1,100 the previous year, and volumes handled by 14 percent to 40 million tonnes largely as a result of continued growth in internal coal volumes carried. Profitability was flat compared to last year with a strong performance in navigating Cape volatility offset by a weaker showing in Supramaxes.

In the coming year, we expect our strategy to remain unchanged, focussing trading on our two core market segments, and expect coal volumes to continue to grow. The impending IMO 2020 rule change should add volatility in the dry freight market, which we believe we are well-positioned to take advantage of having concluded a number of longer time-charter contracts for vessels fitted with scrubbers. This regulation change will be instrumental in defining the fortunes of freight market participants in the coming years.

## Performance review

# Impala Terminals

Impala Terminals is a multimodal logistics provider that owns and operates ports, terminals, warehouses and transport assets serving commodities trade flows in emerging markets. At the end of the fiscal year, Trafigura agreed to establish a long-term partnership with global fund manager IFM Investors to invest in and operate certain Impala Terminals assets as a 50:50 joint venture.

**Nicolas Konialidis,** CEO, Impala Terminals

## Highlights

- Trafigura and IFM Investors created a 50:50 joint venture to operate Impala Terminals assets in Mexico, Spain, Peru, Paraguay and the multimodal freight forwarding operation in Africa.
- Volumes handled through barging operation Parana-Paraguay Waterway increased by 29 percent

**$410.3m**

Sales revenue
(2017: USD389.8 million)

**20**

Countries of operation
(2017: 16)

**1,513**

Employees
(2017: 1,428)

**28**

Locations worldwide
(2017: 23)

**23.5mmt**

Combined volume handled[1]
(2017: 22.6mmt)

[1] Includes all materials handled: general cargo, bulk iron ore and coal, concentrates, containers, liquids including crude oil and refined products.

There were three strategic priorities for Impala Terminals in 2018. First was managing a continued profitable growth in volumes passing through its mature assets, including sites supporting the trade in non-ferrous concentrates in Latin America and Europe. These operations, in Peru, Mexico, Chile, Bolivia and southern Spain, had a strong year fuelled by growing concentrates volumes. In addition the barging operation on the Parana River, taking liquid cargoes between Argentina, Paraguay and Bolivia, continued to build capacity and generated good profits.

The second priority was continuing to grow business in its developing operations: principally the inland port and multimodal fluvial transport system in Colombia; the iron ore export terminal at Porto Sudeste in Brazil, jointly owned with Mubadala; and the Burnside coal terminal on the Mississippi River in Louisiana, US. In these activities, progress was slower, impeded by ongoing navigation issues in Colombia and the slower than expected recovery in iron ore mining in Brazil, though volumes did pick up significantly at Burnside with the revival of US coal exports during the year.

The third and most important priority was securing a third-party investor to help create a stronger long-term platform for growth in the infrastructure business. This achieved success close to the year-end, when Trafigura Group entered into an agreement with Australian investment fund IFM Investors to invest in a range of Impala Terminals assets. The agreement creates a 50:50 joint venture to own and operate Impala Terminals assets in Mexico, Spain, Peru and Paraguay, together with a global freight forwarding operation with a strong focus on Africa.

IFM Investors has been in operation for over 20 years and has significant experience in investing in infrastructure assets globally. IFM's commitments to responsible investment, health, safety and environment align with those of Impala Terminals. The shared values of the joint venture create an excellent platform for further development of Impala Terminals' already strong competitive position, and for expansion in existing as well as new markets. The joint venture will bring together the trading and operations expertise of Trafigura and Impala Terminals with the investment experience of IFM Investors allowing the joint venture to further develop current projects through handling increased volumes from Trafigura and from third parties and explore future opportunities. The remaining administrative steps of the transaction were finalised in mid-December 2018 once the necessary regulatory approvals were received.

## Growth at concentrates terminals and fluvial operations

Our sites focused on handling lead, zinc and copper concentrates – at Callao in Peru, Manzanillo in Mexico and Huelva in Spain plus four smaller facilities in Chile and Bolivia – had a very successful year. Aggregate throughput tonnage was over five million unique tonnes, an increase of 455,000 tonnes over 2017.

The three flagship assets continued to benefit from a significant captive customer base and from Trafigura's Metals and Minerals Trading division as an anchor customer:

- Impala Callao (Peru) is the principal export terminal for the world's leading concentrates exporting country, with the lowest-cost mines but also a significant requirement for value-add blending services.
- Impala Manzanillo (Mexico) serves another top-five concentrates exporter with polymetallic mines also requiring blending.
- Impala Huelva (Spain) is the hub for the growing flow of Iberian concentrate exports, located close to the cluster of mines in the south of the peninsula, and has established itself as the European blending hub, also handling concentrates imported from Latin America and the eastern Mediterranean.

Our barging operation on the Parana River, comprising 27 barges delivering gasoil and gasoline imports to land-locked Paraguay and Brazil, operated at full capacity with strong profit margins during the year. Volume handled increased to 578,000 tonnes from 449,000 tonnes, a rise of 29 percent year on year.

In 2018 our global container logistics and freight-forwarding desk, providing container logistics services to Trafigura and to third parties, has handled 75,000 containers, and in Africa the overland imports and exports arranged by Impala have exceeded 500,000 metric tonnes.

## Slower progress in less mature assets

At Porto Sudeste in Brazil, total volumes handled remained at 9.5 million tonnes. The facility continues to operate well below capacity of 50 million tonnes, with further growth dependent on the rate of recovery in the iron ore mining sector in Brazil's Minas Gerais state. Trafigura Mining Group is in the process of ramping up volumes from mines it operates in the region for export through Porto Sudeste, but there too progress is reliant on the speed of the permitting process.

In Colombia, our major investment project comprising an inland port at Barrancabermeja and a fleet of barges and pushers on the Magdalena River continued to face significant headwinds notably due to navigational problems in some months of the year. Although volumes of hydrocarbons handled by our logistical system in 2018 remained flat at 8.5 million barrels, it allowed us to import crude oil from the US into the inland refinery of Barrancabermeja for the first time for the country, import diluent naphtha for the high viscosity barrels Colombia produces, as well as exporting heavy crude oil and fuel oil, showing once more the flexibility the multimodal operation can offer. We have also showed an increase on barged volumes of dry and project cargo which exceeded 90,000 tonnes.

Regrettably a planned government project to dredge and dyke the river and thus enable a sharp increase in barge traffic was delayed by presidential elections and a change of administration. We anticipate that this will be initiated in the coming year, and are well positioned commercially to derive the benefits as soon as the project begins.

At our coal export terminal at Burnside, Louisiana, business improved markedly, with volumes handled growing to 4.4 million tonnes of coal and coking coal and 1.1 million tonnes of bauxite and alumina, a combined increase of 2.1 million tonnes from the 3.4 million tonnes handled in 2017.

Export facility at Huelva, Spain forming part of the Impala Terminals joint venture with IFM Investors

Performance review

# Mining Group

Trafigura's Mining Group manages a portfolio of mines in Europe, Africa, North America and Latin America, ranging from wholly owned facilities to joint ventures and minority investments. As well as generating equity value for the Trafigura Group and volumes for our metals trading books, it provides advisory and support services to the rest of the Group.

**Emmanuel Henry,** Global Head of Mining Operations

## Highlights

- MATSA's Magdalena mine drew level with the production from Aguas Tenidas and Sotiel mines.
- MATSA improved safety performance with a 40 percent reduction in lost time injury rate.
- Castellanos lead and zinc mine in Cuba reached 800,000 tonnes output in first year of operation.
- Terrafame continued to ramp-up nickel, zinc and cobalt production.

**8.8mmt**

Total processed ore (2017: 5.1mmt)

**0.33mmt**

Copper concentrates production (2017: 0.36mmt)

**0.36mmt**

Zinc concentrates production (2017: 0.23mmt)

**0.07mmt**

Lead concentrates production (2017: 0.03mmt)

Stabilisation and improvement of operations and satisfactory performance were the themes of the year for Trafigura Mining Group. The flagship MATSA copper mine in Spain, a 50-50 joint venture with Mubadala, had a very good year with production steady and quality improving. The Castellanos lead and zinc mine in Cuba ramped up production after addressing normal initial operating issues. The Catalina Huanca copper mine in Peru was challenged by a strike and community disturbances, but still came close to meeting its production budget. In Brazil, production continued from the Mineração Morro do Ipê iron ore mine and we came closer to finalising the permitting process for the Tico Tico mine. In aggregate, we saw a substantially improved profit performance by the Mining Group.

## Stable production and strong profit at MATSA

With the completion of a four-year phase of reconstruction and expansion at MATSA, the focus in 2018 was on sustaining performance and optimising operations. There are now three mines operating: the original Aguas Tenidas mine, the more recent Magdalena mine where production has now drawn level with Aguas Tenidas, and Sotiel mine. Total ore extraction was stable at 4.3 million tonnes and the operation generated an increased profit year on year. Worth noting was a major improvement in safety performance, with a reduction of 40 percent in the lost time injury frequency rate, and an improved metallurgical performance, with metal recovery up by 10 percent points in the past two years. This is a fruit of the systematic modernisation programme of recent years and confirms MATSA's status as a high-grade mine that is resilient to price swings. MATSA also continued to expand its resource base thanks to successful exploration around the existing extraction sites.

## Ramp-up at Castellanos

The Castellanos lead and zinc mine is owned by a joint venture, Empresa Minera del Caribe, between Trafigura (49 percent) and Cuban parastatal Geominera (51 percent). With construction having been completed the previous year, the focus in 2018 was on ramping up production while addressing the inevitable initial operational and quality issues. By the end of the year, we had made significant progress, and the plant was rising progressively towards its design capacity of 1 million tonnes per annum. For the full year, 800,000 tonnes of ore were treated, and the mine already generated a profit.

### Challenges at Catalina Huanca

It was another difficult year at our Peruvian mine, with performance affected by a strike. Nevertheless, the mine was able to recoup some of the lost production and in the whole year treated 700,000 tonnes of ore, just five percent short of its production budget. Regrettably we have to report a fatal incident in which one contract worker died. This occurred despite an ongoing programme to improve safety culture at the mine, demonstrating more work is needed in this area. Otherwise safety performance improved, with a 25 percent reduction in the lost time injury frequency rate.

### Continued progress at Mineração Morro do Ipê and Tico Tico

We continued to produce at the Mineração Morro do Ipê iron ore mine in Brazil's Minas Gerais state by processing accumulated stockpiles and sending them to the Porto Sudeste export facility. We produced 1.3 million tonnes of sinter feed by this method, with sufficient stock to continue for another two years. In the meantime we are working to conclude the permitting process to reopen the neighbouring Tico Tico mine and build a brand new processing plant. Once the Tico Tico plant is constructed in the course of 2021, it will produce 5.3 million tonnes per annum of high-quality pellet feed. Trafigura owns a 37 percent stake in these mines, with Mubadala owning a further 37 percent and private Brazilian investors holding the remainder.

The Castellanos lead and zinc mine in Cuba.

## Galena Asset Management

GALENA asset management

Galena Asset Management is Trafigura's wholly-owned investment subsidiary. Its activity has focused on the Galena Private Equity Resources Fund, which is invested in a number of mining and related assets and offers third-party investors the opportunity to invest alongside Trafigura on an equal basis.

The Private Equity Resources Fund was launched in 2012 and became fully invested in 2017. Below is a brief update on the assets held by the Fund.

### Terrafame

The Fund made an initial investment in this Finnish nickel, zinc and cobalt producer in 2017, taking an equity stake and funding a convertible secured loan facility to Terrafame. This was supplemented by the announcement in November 2017 of an additional funding package to support investment in a processing plant that will produce nickel and cobalt sulphate for use in electric batteries. This second investment is being channelled through a USD225 million special purpose vehicle separate from the Private Equity Resources Fund, which had raised USD140 million at its first close in August of this year. The ramp-up of production at Terrafame proceeded according to plan in 2018, and a feasibility study was concluded on the nickel sulphate plant.

### Wolverine Fuels (previously Bowie Resource Partners)

This Utah-based bituminous coal producer, majority owned by the Galena Private Equity Resources Fund which initially invested in 2013, was recapitalised and reorganised during the year, with the appointment of a new management team under externally-hired CEO James Grech. The Fund injected USD13.4 million in Wolverine to improve mine productivity, bringing its total investment in Wolverine since 2013 to approximately USD170 million. In addition Trafigura assisted Wolverine with refinancing its asset-based revolving credit facility, generating USD20 million of additional liquidity. The mine showed good signs of production recovery in the latter part of the fiscal year and the outlook for 2019 is positive, with coal prices strong and forward sales well hedged.

### Mawson West

A high grade copper mine in the Democratic Republic of the Congo (DRC) wholly owned by the Galena Private Equity Resources Fund. In response to the improving copper price, the mine restarted operations in April and started re-exporting copper concentrate in July.

## Risk management

# How Trafigura manages risk

Trafigura operates in dynamic markets that pose a wide range of risks, whether financial, political, operational social or environmental. A rigorous and conservative approach to risk management is therefore an integral element of Trafigura's business and has been a central focus of the Group since its foundation.

As a rule, the Group actively manages and mitigates wherever possible the identifiable or foreseeable risks inherent to its activity – for example in systematically hedging exposure to flat prices and in extensively using insurance and financial tools such as letters of credit.

It has also ensured a degree of diversification in its business – trading a wide range of commodities with diverse and uncorrelated market dynamics in various geographical regions – that in itself reduces the Group's exposure to risk. Unlike many financial assets, physical commodity markets provide many opportunities for risk diversification. The premium paid for copper in China, for example, has little to do with the pricing relationship in LPG between the US and Europe.

Diversification results in lower overall exposure and higher risk-adjusted performance. As we extend our trading capabilities, we are diversifying the business further.

## Trafigura's risk management system

To manage the full range of risks to which it is exposed, the Group has developed a system with multiple lines of oversight.

The first line consists of managers of the trading divisions and operating companies, overseen directly by the Management Committee and the Board of Directors.

Trafigura has a flat corporate governance structure featuring short and direct channels of communication and control (see separate section on Governance on page 40).

The Board of Directors has principal oversight responsibility, sets the risk management framework, determines the overall risk appetite of the business, and ensures that the appropriate structures and processes are in place to handle each category of risks in an appropriate manner.

The second line consists of a series of corporate functions that establish policies and processes for managing different categories of risk, as well as providing analysis, advice and implementation support.

## Market and price risk

### Risk Committee and Chief Risk Officer

Trafigura systematically hedges all index price exposure incurred as a result of its trading activities within a framework set by the Board of Directors and implemented by the Risk Committee and the Chief Risk Officer (CRO).

The CRO reports directly to the Chief Operating Officer (COO) and the Board of Directors. The CRO is a key member of the Risk Committee, which includes company directors and senior traders. The Committee meets at least weekly to manage overall exposures, assess the impact of changing market dynamics and limit risk exposures and concentrations.

Trafigura's ongoing programme of investment in risk management systems includes a reporting system which automatically notifies the risk management and trading teams whenever a book nears its risk limits.

The CRO works proactively with trading teams to analyse changing market conditions and ensures that hedging strategies are focused on current market dynamics. Rigorous methodologies for managing market risk are used across the company. The CRO's risk team employs advanced statistical models that capture the non-normal dynamics which are an important feature of commodity markets.

The risk team focuses on aggregate risk, paying particular attention to term-structure and intra-commodity spreads. Risk concentrations are continuously reviewed in the context of changing market dynamics. The CRO manages strategic hedging activity dynamically to reduce risk concentrations and limit company-wide exposure.

## Finance and credit risks

### Finance Committee and Finance Department

The Finance Department supports the activities of the whole Group and is involved at the earliest stage of transactions and projects. Overseen by the Finance Committee, it is responsible for assessment of financial risk and has the capacity to veto any transaction. Within Finance, the Credit Department's key role is to safeguard the balance sheet. It performs fundamental credit analysis, assessing credit risk associated with the Group's counterparts, setting internal limits, monitoring exposures and overseeing documentation.

## Compliance risks

### Compliance Committee and Head of Compliance

Trafigura's Global Head of Compliance oversees the implementation and further development of our compliance programme, reporting to the COO and to the Trafigura Compliance Committee. The Compliance Department focuses on financial and commercial compliance, incorporating KYC, anti-money laundering, trade sanctions and anti-bribery and corruption. The Compliance Committee is chaired by Trafigura's CEO.

## Risks pertaining to health, safety, environment and communities

### HSEC Steering Committee and Corporate Affairs

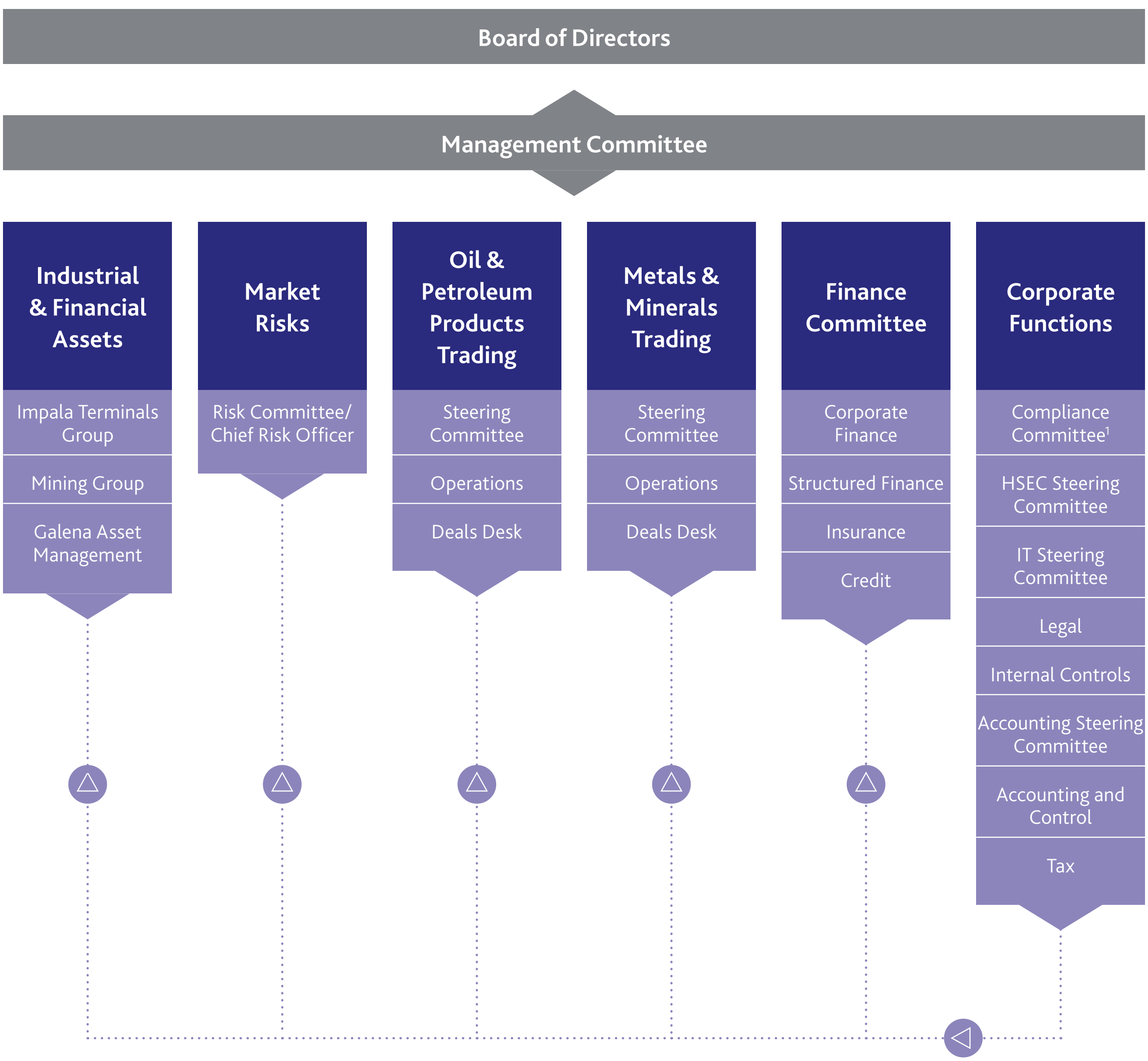
This committee is co-chaired by a member of the Board of Directors and the Head of Corporate Affairs and comprises senior representatives from across the Group. It is mandated by the Board to promote best practice, oversee the management of health, safety, environment and community (HSEC) risks and ensure that Trafigura's Corporate Responsibility Policy and Business Principles are implemented consistently across the organisation.

## Control risks

### Internal Controls Team

The Internal Controls team supports management across the Group in annually assessing risks and controls for the governance, trading, IT and support processes. Results of these activities are reported to the Board of Directors accompanied by action plans to strengthen controls and further mitigate risks where required. Internal Controls manage these annual framework cycle activities and external auditors validate the existence of the Trafigura Internal Control System every year. Additionally the team performs site reviews to assess how local management manages risk and to identify opportunities for improvement, and advises on process design for new IT applications.

## Overview of Trafigura's risk management system




1 The Trafigura Group Pte. Ltd. Compliance Committee is chaired by our CEO. The Global Head of Compliance chairs the Compliance Committees of all Group companies.

# Risk management

| Key risk | Mitigation and actions | |
|---|---|---|
| **Markets and prices**<br>• Volatility in commodity prices, spreads, interest and exchange rates.<br>• Fluctuations in the supply of, or demand for, commodities which we trade. | • It is a fundamental objective of Trafigura's business model to be able to operate successfully in all market conditions. The Group's policy is to hedge all index price exposure related to physical transactions on a deal-by-deal basis.<br>• As a matter of policy, 100 percent of stock is at all times either pre-sold or the index price is hedged.<br>• Despite such hedging Trafigura remains exposed to basis risk, i.e. the risk of changes in the difference between the price of the commodity being hedged and the hedging instrument. The group carefully monitors all its hedging positions on a daily basis in order to avoid excessive basis risk resulting from these imperfect correlations. | • In terms of exchange rate risks, the majority of sales and purchases are denominated in US dollars. Exposure to other currencies is hedged and financing raised in currencies other than USD is generally swapped into US dollars.<br>• Concerning interest rate risks, our policy is to borrow short-term working capital at floating rates, with any rate changes passed through to our customers, and to fix rates for medium- and long-term financing via the swaps market.<br>• Freight costs are hedged by our Shipping and Chartering Desk via Forward Freight Agreements (FFAs) and bunker costs. |
| **Finance and liquidity** | • Trafigura relies on a deep pool of financing from banks for working capital to support its business, consisting of three pillars: trade finance, securitisation and unsecured committed revolving credit facilities.<br>• For longer-term capital needs we raise funds from time to time on public bond markets or through private placements with investment institutions. We follow a strict policy of matching the maturity of our assets and liabilities, with longer-term assets supported by longer-term borrowings. | • We take a conservative approach to managing our funding liquidity, with more than one-third of committed facilities unutilised at all times under normal market conditions, and immediately available cash of around USD500 million always on hand. Our transactional financing base allows the underlying assets to be 100 percent marked-to-market value, matching liquidity needs for any related margin calls.<br>*See CFO statement, p6.* |
| **Compliance** | • Trafigura's Compliance Department oversees Group activities, in partnership with front-office functions, to ensure that we operate appropriately, and that our controls are relevant and robust. It focuses on promoting a sound compliance culture across the organisation, in which everyone recognises their personal responsibility for meeting our compliance objectives. The team adopts a risk-based approach, allocating energy and resources to the issues that matter most to our core business and our stakeholders. | • The Department's activities include counterparty due diligence (KYC); anti-money-laundering; sanctions and trade restrictions; anti-bribery and corruption; and financial market conduct.<br>*See 2018 Responsibility Report.* |
| **Economic and financial sanctions** | • The Group takes its compliance obligations with regard to international sanctions extremely seriously. Ensuring this position is respected in all our business activities, and that we fulfil the undertakings on sanctions that we give as part of our credit facilities, is a key focus for the trading desks with support from the Compliance, Legal and Finance departments. | *See 2018 Responsibility Report.* |

| Key risk | Mitigation and actions | |
|---|---|---|
| **Counterparty, country and credit risk** | • On counterparty and credit risk, Trafigura uses internal credit limits established by the Credit department.<br>• Trafigura reduces political risk in relation to countries below a certain risk rating as gauged by Dun & Bradstreet, by purchasing political risk insurance.<br>• Credit limits reflect Trafigura's own appetite for risk and are based on a credit analysis of the client as well as the size of the relevant transaction when compared to Trafigura's balance sheet. | • In light of lower commodity prices in 2018, we paid particular attention to screening our portfolio of prepayment agreements with producers for credit risk.<br>• Exposures in excess of a credit limit are covered through the insurance or bank markets.<br>• The Group prides itself on having had an extremely low incidence of credit losses throughout its history. |
| **Digital infrastructure/ cyber-security** | • The company takes IT security extremely seriously and is investing in state-of-the-art systems to protect the integrity of its IT architecture and processes against the threat of fraud or other potential damage from cyber-attack. | |
| **Legal, taxation and regulation**<br>• Changes in taxation arrangements in various territories.<br>• Collateral effects of changes in financial regulatory framework. | • Trafigura is increasingly focused on managing legal, taxation and regulatory risks, given the multiple jurisdictions in which it operates and its global scope. Trafigura adheres to applicable local and international tax law in the countries where it operates, including legislation on transfer pricing. We are following the unfolding discussions on Base Erosion and Profit Shifting (BEPS) within the Organisation for Economic Co-operation and Development, and will adapt our reporting to respond as and when this produces more concrete recommendations. | • We are also following closely the discussions about potential new forms of regulation that may be imposed on commodities trading firms, for example under the European Union's MiFID II legislation. We have made representations to the appropriate authorities about the risks and unnecessary costs of introducing position limits in commodity derivatives markets and of imposing regulatory capital requirements on commodity trading firms. |
| **Corporate responsibility** | • Our Corporate Responsibility Policy and Business Principles articulate the leadership team's priorities and commitments for social and environmental governance. At the operational level, they outline what is expected from everyone in the Group, its divisions and operating companies. Each division and operating company is required to supplement the Policy and Principles with relevant, sector-specific standards and procedures to manage the impacts of their operations.<br>• The HSEC Steering Committee requires all divisions and operating companies to maintain a material risk register describing the key issues they need to manage and mitigate. | • All HSEC incidents are recorded and categorised for severity on Safeguard, the Group's HSEC data management system. Incidents registered as levels 3, 4 or 5, involving significant spills or single or multiple fatalities, as well as high-potential near misses are investigated and the results and remedial actions are presented to the Steering Committee.<br>• We engage actively with leading industry forums, including the UN Global Compact and the EITI.<br>*See 2018 Responsibility Report.* |

## Funding model

# Finance to meet diverse business needs

Our funding strategy matches sources of funding to financing requirements. We have developed diverse financing strategies that maximise scalability, flexibility and business resilience.

## Continuing access to capital

Trafigura's activities require substantial amounts of capital.

We source, store, blend and deliver commodities around the globe.

We invest in terminals, logistics and physical infrastructure to improve the efficiency of our trading operations.

Our diversified funding model allows us to continue to operate effectively and successfully in all market conditions. Its scalability and structure protects the business from market shocks and provides flexibility and the ability to capitalise on opportunities as they arise.

We have put a global programme of flexible, short-term facilities in place to finance our day-to-day operations and a programme of longer-term, corporate facilities to finance our asset acquisition and other corporate requirements.

Available funding exceeds our everyday requirements. This provides headroom for unusual market conditions. We also maintain substantial cash balances to ensure we will always meet day-to-day capital commitments, even in unexpected circumstances.

## Our approach to funding

### Diversification improves competitiveness and access to capital

We diversify both the sources and the structure of our financing to minimise risk and maximise operational effectiveness.

We raise funds in a variety of markets in the US, Europe and Asia-Pacific. We have lending arrangements in place with 137 banks around the world. We are therefore not constrained by credit restrictions for specific financial institutions, sectors or regions.

We raise capital with a range of repayment schedules, from very short-term facilities to maturities greater than 10 years. This spreads our exposure across the yield curve.

### Match-funded, collateralised lending reduces credit risk

As a matter of policy, we match the type of financing to the business requirement. We have established a three-pillar funding structure to put this into practice.

We use short-term financing for trading. These loans are secured against the underlying physical commodities. Lines are marked-to-market each week so the level of financing tracks the value of the underlying collateral as prices change. We raise longer-term debt to finance fixed assets and investments.

### Transparency promotes stability

As a private company relying on debt to finance its operations, Trafigura's performance is closely scrutinised by a large group of banks worldwide. We comply with the financial covenants attached to our syndicated bank facilities. Members of the finance team regularly meet our banks. These meetings often include operationally focused personnel

(from Credit, Compliance and Trading Desks) who provide additional insight into our business model. As an issuer of publicly listed debt, we also meet the transparency requirements of our bond investors. Our interim and full-year reports are published online. We hold regular calls and presentations to update investors and respond to specific queries directly.

## How our funding model works in practice

| Transaction component | Day 1 – Trade agreement | Days 2>40 – Pricing period | Days 41>45 – Loading |
|---|---|---|---|
| | Brent contract = \$50<br>Dubai contract = \$49 | Oil major issues invoice to Trafigura | Average Brent contract = \$52 Average Dubai contract = \$50 |
| Physical trade | Trafigura agrees: (1) To buy crude, (2) To sell crude (see key for trade details) | | Buy 1m bbls @ Brent-\$1 Counterparty draws on LC -\$51m |
| Finance physical buy leg by issuing letter of credit (LC) | | Bank issues LC, drawable on loading date | Drawdown amount moves onto balance sheet as secured loan: +\$51m |
| Hedge buy leg with Brent futures | Buy 1,000 Brent futures @50 -\$2m (initial margin) | Mark-to-market daily (variation margin) | Sell 1,000 Brent futures @52 +\$2m (initial margin) (realised p/l = +\$2m) |
| Hedge sales leg with Dubai futures | Sell 1,000 Dubai futures @49 -\$2m (initial margin) | Mark-to-market daily (variation margin) | Buy 1,000 Dubai futures @50 +\$2m (initial margin) (realised p/l = -\$1m) |
| Freight cost | | | Charter tanker for 65 days @ \$3.50/bbl -\$3.5m |
| Physical sales leg | | | |
| Net cash flow | | | • Return of initial margin: +\$4m<br>• Realised profit on futures: +\$1m<br>• Transportation costs: -\$3.5m<br>Total: +\$1.5m |

## Trafigura funding model

**Cash on hand**

**Headroom**

- Transactional facilities
- Securitisation Programme
- Corporate Credit facilities

## Our three-pillar funding structure

### 1. Transactional facilities

All transaction-based lending is fully collateralised. We fund day-to-day trading through one-to-one (i.e., bilateral) agreements with individual banks.

For most transactions, this starts with a bank issuing letter of credit (LC) on behalf of the buyer in favour of the seller. The physical commodity being financed by the LC is specified as security. On delivery, the seller of the commodity draws down the LC, which then converts into a secured loan from the LC-issuing bank. The loan is marked-to-market at least weekly until maturity so that the amount being financed always corresponds to the value of the underlying commodity. This secured loan is repaid by the cash flow from the on-sale of the commodity from Trafigura to the end-buyer, with a receivable created once the sale has been agreed. This receivable is either repaid when the counterparty pays Trafigura according to the credit terms of the transaction, or from the securitisation programme if the receivable is sold into the programme.

### 2. Securitisation programme

Trafigura manages a securitisation programme through a separately capitalised special purpose vehicle (SPV). The programme further diversifies Trafigura's funding sources and, thanks to its investment-grade ratings from Moody's and S&P, is a cost-effective financing mechanism.

Most trades are financed on a trade-by-trade basis with bilateral trade finance loans, but Trafigura can fund eligible receivables once an invoice has been issued by selling them to the SPV. Securitising our receivables accelerates the rotation of existing credit lines, since secured bilateral loans can be repaid faster with the programme proceeds.

### 3. Corporate credit facilities

Trafigura invests in fixed assets to support our trading activity. We finance these with long-term debt adhering to our policy of matching assets with liabilities. We issue securities and negotiate lending facilities in diverse markets. Funding sources include eurobonds, perpetuals, revolving credit facilities, private placements and term loans.

## Public ratings

Trafigura does not hold a public rating and does not seek to obtain one. The Group focuses on strengthening its balance sheet through long-term value creation.

We obtain our funding from stakeholders who understand our business model in detail and whose investment decisions are not driven by ratings. We have significantly expanded our sources of financing over the years by maintaining a sustainable credit standing that is consistent with an investment-grade profile.

Likewise, the absence of a rating means that Trafigura's business and investment decisions are not taken on the basis of maintaining a particular rating level, something which becomes particularly important at times of high-market volatility.

**Days 46>100**
**Transportation**

Loan marked-to-market (physical excess/deficit)

**Days 101>105**
**Delivery**

Trafigura issues invoice to refinery. Invoice is securitised with SPV as beneficiary.

Sell 1m bbls @ Dubai +$4 (transaction value = $54m)

Securitisation programme refinances loan -$51m (principal) -$85,000 (1% interest) for 60 days

Securitisation vehicle receives payment for cargo from refinery +$54m on 30 days payment terms

| | |
|---|---|
| Proceeds from physical sale: | +$54m |
| Repayment of loan principal: | -$51m |
| Payment of loan interest: | -$85,000 |
| **Total:** | **+$2.92m** |

**Net result**
**$415,000**

Key: The chart on the left illustrates the interaction between the three different types of financing Trafigura uses during the life of an example trade.

Example crude oil transaction: Trafigura agrees today:

(1) To buy one million barrels of crude from an oil major loading in 41-45 days @ Brent-$1/bbl. The Brent price is fixed as the average during the loading period.

(2) To sell one million barrels of crude to a refinery for delivery in 101-105 days @ Dubai+$4/bbl. The Dubai price is fixed as the average during the loading period.

- **Revolving line:** Cash flows arising from hedging activity and freight costs.
- **Transactional line:** Cash flows arising from the physical transaction and its financing by the letter of credit (LC) issuing bank.
- **Securitisation line:** Cash flows between Trafigura and its separately capitalised special purpose vehicle (SPV).
- △ Cash inflow
- ▽ Cash outflow
- Market-contingent cash flow

Corporate governance

# Board of Directors and Committees

Trafigura is owned by its management and senior employees. This alignment of employee and shareholder interest promotes sustainable financial performance with management depth and stability.

The parent company of the Group is Trafigura Group Pte. Ltd. (TGPL), incorporated in Singapore which is the entity for our Group corporate reporting.

## Board of Directors

The principal oversight body for the Group is the Board of Directors which has overall responsibility for the strategic direction and management of the Group, including commercial and financing strategy and stakeholder relations. Members of the Board of Directors are listed on the opposite page.

The Directors with executive responsibilities are also members of the Management Committee and subsidiary committees as outlined below. Management of the Group is characterised by short reporting lines, flat structures, clear delineation and segregation of responsibilities, and personal accountability.

Employee remuneration is linked to Group performance and individual contribution. The Group's senior employees, in their capacity as shareholders, have a personal commitment to its long-term success.

Two sub committees sit within the Board of Directors: the Audit Committee and the Nomination and Remuneration Committee.

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

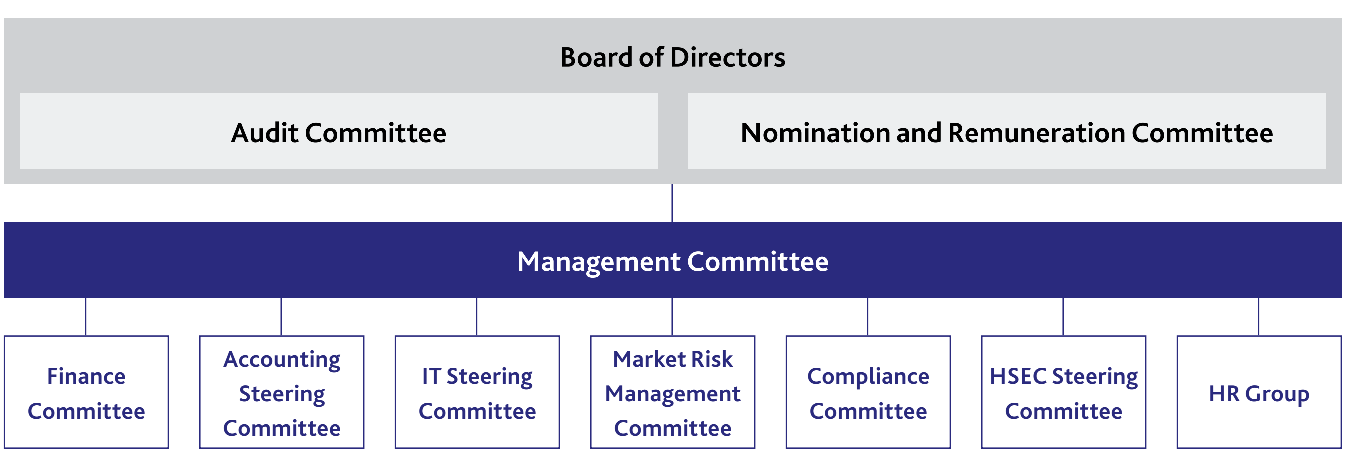
The Nomination and Remuneration Committee assists and advises the Board of Directors on matters relating to the appointment and remuneration of the Executive Directors, the Management Committee and other senior employees of the Trafigura Group.

## Management Committee

The nine-strong Management Committee sits below the Board of Directors and includes Trafigura's three Executive Directors. The Management Committee is responsible for the execution of Trafigura's business strategy including management of the day-to-day trading, commercial and operational functions as well as its investment portfolio.

The Management Committee is supported by the following committees:

- Finance Committee
- Accounting Committee
- IT Steering Committee
- Market Risk Management Committee
- Compliance Committee
- HSEC Steering Committee
- HR Group



## Members of the Board of Directors

### Jeremy Weir

Executive Chairman and
Chief Executive Officer

Jeremy Weir was appointed CEO of Trafigura in March 2014 and Executive Chairman in March 2018, after a career spanning nearly three decades in commodity and commodity derivative markets. An Australian national, he joined the Trafigura Group in 2001 as head of metals derivatives, structured products and risk management.

Immediately prior to his current positions he served as a Management Board Director, Head of Risk and CEO of Galena Asset Management and Trafigura Mining Group. Before Trafigura, Jeremy spent nearly nine years between 1992 and 2000 with N M Rothschild. Jeremy holds a BSc (Hons), Geology Major from the University of Melbourne.

### Mike Wainwright

Executive Director and
Chief Operating Officer

Mike Wainwright was appointed Chief Operating Officer and Trafigura Management Board member in January 2008. His principal focus is the management of the middle and back office support teams for the trading division in addition to direct responsibility for the Group's profit and loss.

Mike joined Trafigura in 1996 as an accounts assistant in the Oil Division. He has held various roles within the Group, covering accounting, deals desk and middle-office IT development. A UK national, Mike holds a BSc in Mathematics and Actuarial Studies from Southampton University.

### José Larocca

Executive Director and Co-Head of Oil and Petroleum Products Trading

José Larocca was appointed to the Trafigura Management Board and Head of the Oil and Petroleum Products Trading Division in March 2007. He was one of the company's earliest employees, joining Trafigura in London in 1994 on the Oil Deals Desk before taking a series of commercial roles, including as a trader of naphtha and gasoline.

Prior to joining Trafigura, José worked for two years at Interpetrol, a small oil trading company in Buenos Aires. An Argentine national born in Switzerland, he holds a diploma in International Trading from the Bank Boston Foundation (Buenos Aires).

### Pierre Lorinet

Pierre Lorinet was Chief Financial Officer of Trafigura from 2007 until 2015. In September 2015, Pierre joined the Board of Directors of Trafigura Group Pte. Ltd. and was also nominated on to the Board of Directors of Puma Energy. In 2017 he became independent Director and Chairman of the Audit Committee for COFCO International Ltd, the international trading subsidiary of COFCO group.

Prior to joining Trafigura, Pierre worked for Merril Lynch in London and Banque Indosuez in Bahrain. A French national, he holds a Master's degree in Business from ESCP Europe in Paris and an MSc in Finance from Lancaster University.

### Sipko Schat

Sipko Schat joined the Board of Directors in January 2016 and chairs the Audit Committee. A Dutch citizen, Sipko worked in the Rabobank Group for over 25 years, where he was on the Executive Board of Rabobank Nederland and was responsible for the Wholesale division of Rabobank International.

Sipko is Non-Executive Director of various companies including an independent member of the Supervisory Board and Chairman of the Risk Committee for Rothschild & Co; Chairman of the Supervisory Board of Vion N.V., an international food company; and a senior independent Director of OCI N.V., a global producer of natural gas-based fertilizers and industrial chemicals. Sipko holds a Master of Law degree from the University of Groningen.

### Mark Irwin

Mark Irwin joined Trafigura as financial controller in 1994 and has been a Director since 2004. Mark provides support for the Group's corporate infrastructure including IT which reflects his background as a UK Chartered Accountant. He holds a degree in Computer Science and Accounting from the University of Manchester.

### Andrew Vickerman

Andrew Vickerman has held a Board position with Trafigura since October 2010 and chairs the Nomination and Remuneration Committee and co-chairs the HSEC Steering Committee.

Andrew spent almost 20 years with Rio Tinto, one of the world's leading mining companies, the last 10 as a member of the Executive Committee with responsibility for Global Communications and External Relations. An economist by background, with a PhD in economics from Cambridge University, he has previously worked for The World Bank and other international agencies.

# Financial statements

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## Report of the auditor on the consolidated financial statements of Trafigura Group Pte. Ltd.

### To the Shareholders and the Board of Directors

## Opinion

We have audited the consolidated financial statements of Trafigura Group Pte. Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 30 September 2018 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 52 to 93 give a true and fair view of the consolidated financial position of the Group as at 30 September 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Our audit approach

Trafigura Group Pte. Ltd. is one of the world's largest independent commodity trading and logistics companies. The Group trades operationally across different geographical locations around the world within two primary segments, Oil and Petroleum Products and Metals and Minerals, both of which are supported by the related shipping and chartering activities. The Metals and Minerals segment also encompasses the mining and logistics businesses. The Group also invests in terminals, storage warehouses, mines and other commodity-related assets, either directly or through equity stakes in joint ventures and associate companies over which they may have significant influence.

The Group's business is focused on commodity trade flows, including the transporting, storing and blending of a diverse portfolio of commodities to exploit natural arbitrage opportunities. To ensure the accurate capture of all the transactions for financial reporting, the Group relies on complex front-office trade and risk management systems with varying levels of integration, supported by manual reconciliations. The high volume of transactions and complexity of the systems heightens the risk of inaccurate or incomplete recording of transactions within the system. Minor errors, which repeat, could, have a material impact on the consolidated financial statements.

As a part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements, especially in respect of significant accounting estimates that involved making assumptions and considering the impact of future events that are inherently uncertain. In Note 3(y) Use of estimates and judgements of the financial statements, the Group describes the areas of key judgements made in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the higher inherent risks of material misstatement, many of these areas were also considered by us to be key audit matters and are described in more detail in the section 'Key audit matters' of this report. We also addressed risk of management override of controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. Furthermore, we evaluated and tested the design and operating effectiveness of the Group's controls over the accounting and financial reporting aspects within its trading operations, including the use of data analytics to assist in the testing of revenue (trade to cash) to identify non-standard and more risky transactions.

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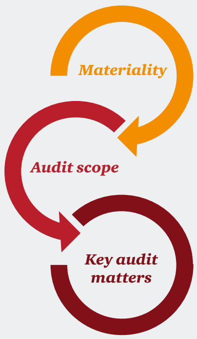
The outline of our audit approach as follows:

Overview




Overall Group materiality: USD48,000,000

We performed full scope audit work at six components, audited specific balances at 29 components and performed specified procedures at 1 component. Additionally, specified procedures were performed by a non-PwC audit firm over the valuation and financial performance of Puma Energy Holdings Pte. Ltd. Our audit scope addressed approximately 82 percent of the Group's revenue and 75 percent of the Group's total assets.

As key audit matters the following areas of focus have been identified:

- Fair value of physical commodity contracts and commodity hedges
- Impairment testing of non-current assets in Colombia and Brazil
- Evaluation of uncertain tax positions and valuation of deferred tax assets
- Determination of control of subsidiaries and joint arrangements

## Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 358 legal entities that are accounted for in 595 financial ledgers, which we have defined as "components" for audit scoping purposes.

We identified six components that, in our view, required an audit of their financial information due to their size or risk characteristics. For these six components, the audit work was performed either centrally by the Group audit team in Switzerland or the Netherlands or by another PwC audit firm at one of the Group's global service centres located in Mumbai, India or Montevideo, Uruguay under the direct guidance of the Group audit team. Additionally, we identified 31 components, that in our view, required either an audit of specific balances or specified procedures to be performed due to the significant or higher risk areas and to achieve appropriate coverage over material amounts.

Of the 31 components, there were only 4 components where the work was not performed directly by ourselves or through our direct supervision at the Group's global services centres. We determined the level of our involvement in the audit work performed by the component auditors for these four other components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We ensured that the audit teams both at Group and at the component levels included the appropriate skills and competencies necessary for the audit of the Group's consolidated financial statements, including specialists in the areas of information technology, valuation and taxes. The Group audit team was in continuous communication during the year with the local teams to discuss the audit approach, progress of the audit and observations or findings, if any. To facilitate our direct review, local PwC teams in India and Uruguay documented their audit work directly in the Group audit team's files. The Group audit team also performed further audit procedures over Group functions (including those relating to taxation, equity-based remuneration, valuation of certain non-current assets, litigation, consolidation and financial reporting disclosures).

By performing the procedures described above at the components, combined with the additional procedures at a Group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

## Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

| | |
|---|---|
| Overall Group materiality | USD48,000,000 |
| How we determined it | 5% of the three-year average profit before tax, adjusted for impairment losses and reversals |
| Rationale for the materiality benchmark applied | We chose profit before tax as the measure because, in our view, it is the measure against which the performance of the Group is most commonly assessed and is a generally accepted benchmark.<br>We used a three-year average to allow for the volatility in earnings normally encountered in the commodity trading markets. Profit before tax is adjusted for the impact of impairment losses and reversals to normalise it for non-recurring elements outside the normal course of business. |

We agreed with the Management that we would report to them misstatements above USD2,400,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Fair value of physical commodity contracts and commodity hedges

Refer to "Use of estimates and judgements" in Note 3(y) and Note 29

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| The Group discloses USD329 million and USD308 million of "Level 3" financial assets and liabilities, respectively, for its physical commodity contracts which are the most judgemental category in the IFRS fair valuation hierarchy. Changes in these estimates may significantly impact the Group's future results.<br><br>The majority of the physical purchase or sale commodity contracts entered by the Group are, however, short-term in nature. The significance in both size and volume of these short-term contracts, including an IT-supported, yet manual process to assess anomalies, presents inherent valuation risks. These shorter-term contracts do involve less judgement in determining the fair value for financial reporting; however, the Group does hold a portfolio of long-dated physical commodity contracts that require more assumptions.<br><br>The Group has also entered into a number of derivatives to hedge a splitter refinery tolling arrangement, a pipeline transportation contract and long-term LNG off-take agreements. The fair value gain of these agreements was USD1,750million at 30 September 2018, hedged with derivative instruments with a fair value loss totalling USD1,898 million. In addition to these fair value hedges, the Group applied cash flow hedge accounting for forecasted transactions as detailed in Note 29(g).<br><br>The fair valuation of these physical contracts and commodity hedges involves significant estimates, especially when the Group is required to use unobservable inputs, adopt market-based assumptions or make comparisons to similar instruments. These judgements become more significant in less liquid markets or for longer dated contracts. These fair valuations are calculated and managed manually. | We included financial instrument and treasury specialists directly in our team to evaluate management's approach to estimating the fair values and performed the following:<br><br>• Evaluated the Group's process and controls for capturing and reviewing the inputs into the fair value estimates, including the relevant IT systems;<br><br>• Substantively tested the forward curve calculations for a sample of physical and paper contracts across all commodities traded by the Group, including the verification of the relevant inputs, such as observable benchmark prices for similar products or adjustments for quality and location;<br><br>• Evaluated the reasonableness of the methodology and any assumptions adopted by management in their forward curve pricing and hedging models, especially those which involved greater judgement around unobservable inputs. This was performed by benchmarking management's approach to our understanding of industry practices, agreeing or comparing the model support to observable market pricing inputs, and evaluating the reasonableness of using differing alternatives to calculating fair value.<br><br>• For the LNG hedging of the various off-take agreements, we assessed the reasonableness of management's assumption that there is no readily available LNG market to determine the instruments classification under IFRS. We also verified the consistent application across the hedged population; and<br><br>• Where manual calculations were involved, we tested the mathematical accuracy of the models and verified the input curves to external sources.<br><br>We were able to conclude that the significant judgements were reasonable and free from bias as well as the appropriateness of the valuation models used and their consistent application. |

## Impairment testing of non-current assets in Colombia and Brazil

Refer to Notes 11, 13, and 16

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| The Group invests in ports and terminals to support its trading activities. With the input of local management, the Group assesses market conditions and country specific risks to determine if there are any triggering events that may be indicators of an impairment of the asset carrying amounts. This resulted in two significant investments being reviewed by management:<br><br>*Impala Terminals Colombia inland port*<br>The Group has constructed a river port to transport wet and dry bulk cargoes along the Magdalena River, one of Colombia's main waterways. The carrying amount of the total multimodal project as one cash-generating unit was USD1,025 million at 30 September 2018. The port's potential profitability is hindered by the Colombian government's delays of its planned dredging of the Magdalena River. The depth of the Magdalena River determines the ease of navigability and how much each barge convoy can load. The dredging project continues to be delayed until a new contractor is mandated to complete the project; management expects the valuation to be negatively impacted if the dredging project commences after 2020. These delays impact the volume and timing of future cash flows. Management also used other significant assumptions in its valuation model, including discount rate, tariffs, mix and level of volumes and costs and expenses. Management's assessment was that there was no impairment required to the carrying value of the project.<br><br>*Investment in Porto Sudeste do Brazil S.A. and its direct impact on the fair value of the related debt securities*<br>The Group holds a 49.5 percent interest in a joint venture that owns and operates an iron ore port facility in Brazil. Linked to this investment, the Group also holds listed debt securities totalling USD466 million which are accounted for at fair value through profit and loss. The performance of these debt instruments is dependent on the future throughput results of the port. As there is limited liquidity of these debt securities, the fair value is based on a Level 3 valuation using the key assumptions of the port's business plan that underlie the impairment test. A 10 percent discount is also applied due to lack of marketability. Management engaged an independent valuation expert to assist them in their valuation of these instruments.<br><br>In 2016, the Group recorded a USD250 million impairment on its investment in associate primarily due to the depressed iron ore prices and low volumes. The Group's residual exposure at 30 September 2018 was USD42 million. Management re-assessed the impairment risk in 2018 due to continued challenges to increase volumes and improve pricing and determined no further impairment was required.<br><br>The estimates and judgements used in determining the fair value of the debt securities and related impairment assessments are significant, open to bias and are considered a key audit matter. | Similar to prior year, we obtained the valuation models and met with management to gain an overview of the triggering events, market and operational factors and key assumptions supporting the Group's impairment assessment. With the assistance of our internal valuation specialists, we performed the following procedures for the impairment risks in Colombia and Brazil:<br>• Gained an understanding of the controls and process for collecting the inputs into the valuation models to evaluate the design of the Group's controls over its impairment assessment and challenged the appropriateness of the inputs and significant assumptions, including the cash flow projections, discount rate, volumes, tariffs, costs and expenses as well as the impact of the expected finalisation of the river improvement project specific to Colombia.<br>• Re-performed the valuation calculations; benchmarked the valuation model with generally accepted valuation techniques; compared historical estimates used by management to actual results.<br>• Re-performed the calculations supporting the sensitivity analysis prepared by management for the forecasted assumptions over volumes, discount rates, commodity prices, foreign exchange and operating costs; we performed our own independent calculations where applicable, especially when only a lower headroom was available. The risk of management bias was considered in our work.<br>• Assessed the appropriateness of disclosures included in the financial statements, including key assumptions used and inherent sensitivities of the financial results to these assumptions.<br><br>Specifically for the listed debt securities, we have also assessed the objectivity and competence of the valuation expert used by management to determine the fair value of the listed debt securities. The procedures performed over the port impairment model were used to determine the appropriateness of the fair value calculation of these instruments.<br><br>We were able to conclude that the significant judgements were reasonable and free from bias as well as the appropriateness of the valuation models used and their consistent application. |

### Evaluation of uncertain tax positions and valuation of deferred tax assets

Refer to "Use of estimates and judgements" in Note 3(y) and Note 10

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| The Group has significant intercompany transactions among companies in the numerous jurisdictions where it operates, with certain jurisdictions having varying levels of maturity in regards to acceptance by the local tax authorities of global transfer pricing practices that are specific to the Group in each territory.<br><br>Changes in the tax legislation, interpretations or the underlying business model, as well as one-off transactions, may create or crystallize tax exposures in a particular country. The Group's assessment on whether it should provide for an uncertain tax position involves significant judgements over the applicable tax legislation in the jurisdiction of the underlying transactions and interpretation of complex transfer pricing rules.<br><br>At 30 September 2018, the Group's deferred tax asset resulting from net operating losses was USD147 million. Certain of these losses will not be recoverable before an extended period, which increases the judgement to determine their eventual recovery.<br><br>The assessment of the valuation of deferred tax assets resulting from net operating losses and temporary differences involves judgement around the feasibility of the long-term future profitability and development of the activities. | To assess the recognition and valuation of the Group's deferred tax assets resulting from net operating losses as well as the provision for uncertain tax positions made by the Group, we performed the following with the assistance of our tax specialists:<br><br>• Agreed net operating losses to prior year returns to determine their existence and assessed if the associated deferred tax asset were properly netted against any deferred tax liabilities;<br>• Reviewed management's assessment of the recoverability of the deferred tax assets by testing the assumptions supporting projected forecasts. The assumptions supporting this analysis were consistent with the impairment assessment described above, including the review of differences between historical estimates and actual results;<br>• Evaluated the probability of future cash outflows of specific, uncertain tax risks identified by the Group;<br>• Assessed the Group's application of its transfer pricing policies that are specific to the Group in each jurisdiction, paying particular attention to changes in the applicable local fiscal regulations. Further, we tested a sample of intercompany transactions to their applicable transfer pricing policies.<br>• Analysed the tax positions by benchmarking the assumptions and methodologies adopted by the Group to our understanding of local tax practices.<br><br>We also assessed the adequacy of the Group's disclosures on deferred tax assets and uncertain tax positions using our understanding.<br><br>We did not identify any material differences between our independent assessment and the amounts of the deferred tax assets and provisions recorded by management; we found the judgements made by management to be reasonable. |

Determination of control of subsidiaries and joint arrangements

Refer to "Use of estimates and judgements" in Note 3(y) and Note 13 and 28

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Under the financial reporting framework, the Group is required to determine whether it controls an entity, and consequently, whether it needs to consolidate that entity into the consolidated financial statements. Specifically, the Group assesses whether it has the power over the relevant activities of the entity, exposure to its variable returns and the ability to use this power to impact returns of the entity. This is considered a key audit matter because of the judgements often required to assess the impact of complex contractual terms and underlying business rationale. The Group has certain investments in companies, which are not consolidated and whose results are accounted for in the Group's consolidated financial statements based on their equity share ownership. The most significant of the Group's investments is a 49.3 percent investment in Puma Energy Holdings Pte. Ltd., which was deconsolidated as of 30 September 2013 following the sale of the majority interest. Furthermore as of 30 September 2018, the Group deconsolidated Simba Holding Sàrl, a new structure created in 2018 to group selected logistics activities into a joint venture with an external investor. Total gain recognised from this transaction was USD191 million.<br><br>The impact of the decision regarding the existence of control significantly impacts the accuracy, completeness and presentation of the financial statements and potentially, the debt covenant ratios which are included in the covenants to the Group's debt financing arrangements. | We obtained an understanding of the investments and entities, their structure and relationships to the Group (funding, supply agreements, governance structures) as well as their business rationale. We sought to capture any changes in the relationship that would impact the original assumptions adopted for investments existing in prior years.<br><br>We inquired of various members of management to corroborate the representations being received and reviewed contracts, supply agreements, amendments, minutes and other supporting documentation providing further clarity into the question over control.<br><br>In particular for the deconsolidation of the Simba Holding structure, we reviewed the investor shareholding and commercial agreements, potential hurdles to regulatory approval and related critical judgments supporting Management's determination that Simba is under joint control and the resulting accounting treatment.<br><br>We involved our financial reporting specialists to assist in our assessment of management's conclusions against the IFRS guidance and to ensure we had considered all possibly factors in this assessment.<br><br>As a result of our procedures, we determined that the judgements adopted by management were reasonable. |

## Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements of Trafigura Group Pte. Ltd. and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS as issued by the IASB, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### PricewaterhouseCoopers SA

| | |
|---|---|
| /s/ TRAVIS RANDOLPH | /s/ EWA ANSELM-JEDLINSKA |
| Travis Randolph | Ewa Anselm-Jedlinska |

Geneva, Switzerland
7 December 2018

# A. Consolidated statement of income

| | Note | 2018 USD'M | 2017 USD'M |
|---|---|---|---|
| Revenue | 7 | **180,744.1** | 136,420.7 |
| Cost of sales | | **(178,360.0)** | (134,181.7) |
| **Gross profit** | 4 | **2,384.1** | 2,239.0 |
| Other income/(expenses) | 8 | **44.9** | 163.2 |
| General and administrative expenses | 9 | **(937.3)** | (945.0) |
| **Results from operating activities** | | **1,491.7** | 1,457.2 |
| Finance income | | **647.4** | 557.1 |
| Finance expense | | **(1,189.6)** | (813.4) |
| **Net financing costs** | | **(542.2)** | (256.3) |
| Share of profit/(loss) of equity-accounted investees | 13 | **17.4** | (232.2) |
| **Profit before tax** | | **966.9** | 968.7 |
| Income tax expense | 10 | **(94.1)** | (81.4) |
| **Profit for the year** | | **872.8** | 887.3 |
| **Profit attributable to** | | | |
| Owners of the Company | | **849.2** | 847.7 |
| Non-controlling interests | 24 | **23.6** | 39.6 |
| **Profit for the year** | | **872.8** | 887.3 |

See accompanying notes

# B. Consolidated statement of other comprehensive income

| | Note | 2018 USD'M | 2017 USD'M |
|---|---|---|---|
| **Profit for the year** | | **872.8** | 887.3 |
| **Other comprehensive income** | | | |
| Items that are or may be reclassified to profit or loss: | | | |
| Gain/(loss) on cash flow hedges | 23 | **9.8** | (17.4) |
| Effect from hyperinflation adjustment | 32 | **79.3** | – |
| Tax on other comprehensive income | 10 | **(18.3)** | (1.0) |
| Exchange gain/(loss) on translation of foreign operations | | **(131.7)** | 18.6 |
| Share of other comprehensive income/(loss) from associates | | **(108.5)** | (38.2) |
| Items that will not be reclassified to profit or loss: | | | |
| Net change in fair value through other comprehensive income | 16 | **11.9** | 8.6 |
| Defined benefit plan actuarial gains/(losses), net of tax | | **0.8** | 0.7 |
| **Other comprehensive income for the year net of tax** | | **(156.7)** | (28.7) |
| **Total comprehensive income for the year** | | **716.1** | 858.6 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **692.5** | 819.0 |
| Non-controlling interests | | **23.6** | 39.6 |
| **Total comprehensive income for the year** | | **716.1** | 858.6 |

See accompanying notes

# C. Consolidated statement of financial position

| | Note | 30 September 2018 USD'M | 30 September 2017 USD'M |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 11 | **1,900.1** | 2,190.8 |
| Intangible assets | 12 | **173.4** | 203.7 |
| Equity-accounted investees | 13 | **3,361.2** | 3,487.9 |
| Prepayments | 14 | **595.9** | 608.8 |
| Loans receivable | 15 | **485.5** | 670.7 |
| Other investments | 16 | **715.9** | 635.0 |
| Derivatives | 29 | **338.6** | 147.5 |
| Deferred tax assets | 10 | **171.2** | 153.2 |
| Other non-current assets | 17 | **1,094.6** | 119.1 |
| **Total non-current assets** | | **8,836.4** | 8,216.7 |
| Inventories | 18 | **14,732.9** | 13,926.7 |
| Trade and other receivables | 19 | **19,951.7** | 17,367.1 |
| Derivatives | 29 | **569.0** | 462.9 |
| Prepayments | 14 | **3,063.7** | 3,130.4 |
| Income tax receivable | 10 | **40.0** | 88.4 |
| Other current assets | 21 | **849.5** | 182.6 |
| Deposits | 22 | **334.4** | 338.3 |
| Cash and cash equivalents | 22 | **5,355.8** | 4,988.7 |
| **Total current assets** | | **44,897.0** | 40,485.1 |
| Non current assets classified as held for sale | 11 | **67.6** | 68.3 |
| **Total assets** | | **53,801.0** | 48,770.1 |
| **Equity** | | | |
| Share capital | 23 | **1,503.7** | 1,503.7 |
| Capital securities | 23 | **953.6** | 1,247.3 |
| Reserves | 23 | **(765.3)** | (606.1) |
| Retained earnings | 23 | **4,229.4** | 3,900.5 |
| **Equity attributable to the owners of the Company** | | **5,921.4** | 6,045.4 |
| Non-controlling interests | 24 | **328.7** | 339.4 |
| **Total group equity** | | **6,250.1** | 6,384.8 |
| **Liabilities** | | | |
| Loans and borrowings | 25 | **8,462.1** | 7,401.1 |
| Derivatives | 29 | **275.9** | 267.8 |
| Provisions | 26 | **63.8** | 90.9 |
| Deferred tax liabilities | 10 | **173.3** | 188.6 |
| **Total non-current liabilities** | | **8,975.1** | 7,948.4 |
| Current tax liabilities | 10 | **176.3** | 207.6 |
| Loans and borrowings | 25 | **23,741.6** | 23,853.5 |
| Trade and other payables | 27 | **13,809.2** | 9,940.9 |
| Derivatives | 29 | **848.7** | 434.9 |
| **Total current liabilities** | | **38,575.8** | 34,436.9 |
| **Total group equity and liabilities** | | **53,801.0** | 48,770.1 |

See accompanying notes

# D. Consolidated statement of changes in equity

| USD'000 | Note | Share capital | Currency translation reserve | Revaluation reserve | Cash flow hedge reserve | Capital Securities | Retained earnings | Profit for the year | Total | Non-controlling interest | Total Group equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to the owners of the Company | | | | | | | | | |
| **Balance at 1 October 2017** | | 1,503,722 | (525,723) | (32,626) | (47,743) | 1,247,318 | 3,052,784 | 847,710 | 6,045,442 | 339,367 | 6,384,809 |
| Profit for the year | | – | – | – | – | – | – | 849,217 | 849,217 | 23,576 | 872,793 |
| Other comprehensive income | | – | (169,071) | 11,876 | (337) | – | 801 | – | (156,731) | (1) | (156,732) |
| Total comprehensive income for the year | | – | (169,071) | 11,876 | (337) | – | 801 | 849,217 | 692,486 | 23,575 | 716,061 |
| Profit appropriation | | – | – | – | – | – | 847,710 | (847,710) | – | – | – |
| Dividend | 23 | – | – | – | – | – | (527,826) | – | (527,826) | (28,600) | (556,426) |
| Transfer revaluation reserve to retained earnings FVOCI instruments | 16 | – | – | (1,682) | – | – | 1,682 | – | – | – | – |
| Acquisition of non-controlling interest in subsidiary | | – | – | – | – | – | – | – | – | 226 | 226 |
| Share based payments | 30 | – | – | – | – | – | 84,489 | – | 84,489 | – | 84,489 |
| Capital securities issued | 23 | – | – | – | – | 207,250 | (1,487) | – | 205,763 | – | 205,763 |
| Repayment of capital securities | | – | – | – | – | (500,000) | – | – | (500,000) | – | (500,000) |
| Capital securities (currency translation) | | – | – | – | – | (1,013) | 1,013 | – | – | – | – |
| Capital securities dividend | | – | – | – | – | – | (85,380) | – | (85,380) | – | (85,380) |
| Divestment and deconsolidation of subsidiary | 6 | – | – | – | – | – | – | – | – | (5,165) | (5,165) |
| Share of other changes in equity of associates | | – | – | – | – | – | 6,345 | – | 6,345 | – | 6,345 |
| Other | | – | – | – | – | – | 39 | – | 39 | (705) | (666) |
| **Balance at 30 September 2018** | | **1,503,722** | **(694,794)** | **(22,432)** | **(48,080)** | **953,555** | **3,380,170** | **849,217** | **5,921,358** | **328,698** | **6,250,056** |

See accompanying notes

| USD'000 | Note | Share capital | Currency translation reserve | Revaluation reserve | Cash flow hedge reserve | Capital Securities | Retained earnings | Profit for the year | Total | Non-controlling interest | Total Group equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to the owners of the Company | | | | | | | | | |
| **Balance at 1 October 2016** | | 1,503,727 | (549,763) | (23,023) | 14,057 | 646,724 | 3,205,489 | 750,817 | 5,548,028 | 299,079 | 5,847,107 |
| Profit for the year | | – | – | – | – | – | – | 847,710 | 847,710 | 39,583 | 887,293 |
| Other comprehensive income | | – | 23,865 | 8,583 | (61,800) | – | 661 | – | (28,691) | (21) | (28,712) |
| Total comprehensive income for the year | | – | 23,865 | 8,583 | (61,800) | – | 661 | 847,710 | 819,019 | 39,562 | 858,581 |
| Profit appropriation | | – | – | – | – | – | 750,817 | (750,817) | – | – | – |
| Dividend | 23 | – | – | – | – | – | (933,877) | – | (933,877) | – | (933,877) |
| Transfer revaluation reserve to retained earnings FVOCI instruments | 16 | – | – | (18,186) | – | – | 18,186 | – | – | – | – |
| Acquisition of non-controlling interest in subsidiary | | – | – | – | – | – | – | – | – | 735 | 735 |
| Share-based payments | 30 | – | – | – | – | – | 82,151 | – | 82,151 | – | 82,151 |
| Capital securities issued | 23 | – | – | – | – | 600,000 | (5,519) | – | 594,481 | – | 594,481 |
| Capital securities (currency translation) | | – | – | – | – | 594 | (594) | – | – | – | – |
| Capital securities dividend | | – | – | – | – | – | (70,656) | – | (70,656) | – | (70,656) |
| Dilution gain from capital contribution in equity-accounted investees | | – | – | – | – | – | 4,377 | – | 4,377 | – | 4,377 |
| Reclassification | | – | 175 | – | – | – | (175) | – | – | – | – |
| Share of other changes in equity of associates | | – | – | – | – | – | 1,916 | – | 1,916 | – | 1,916 |
| Other | | (5) | – | – | – | – | 8 | – | 3 | (9) | (6) |
| **Balance at 30 September 2017** | | **1,503,722** | **(525,723)** | **(32,626)** | **(47,743)** | **1,247,318** | **3,052,784** | **847,710** | **6,045,442** | **339,367** | **6,384,809** |

See accompanying notes

# E. Consolidated statement of cash flows

| | Note | 2018<br>USD'M | 2017<br>USD'M |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **966.9** | 968.7 |
| **Adjustments for:** | | | |
| Depreciation | 11 | **135.5** | 135.8 |
| Amortisation of intangible assets | 12 | **56.1** | 63.2 |
| Provisions | 26 | **(31.0)** | 18.8 |
| Gain/(loss) on fair value through profit and loss instruments | 16 | **(4.2)** | (118.7) |
| Impairment losses on financial fixed assets | 16 | **(13.4)** | 23.8 |
| Impairment losses on non-financial fixed assets | 8 | **1.2** | 17.4 |
| Impairment losses on equity-accounted investees | 13 | **72.7** | 4.2 |
| Net finance costs | | **542.2** | 256.3 |
| Share of (profit)/loss of equity-accounted investees | 13 | **(17.4)** | 232.2 |
| (Gain)/loss on sale of non-financial fixed assets | 8 | **(1.0)** | 0.4 |
| (Gain)/loss on sale of equity accounted investees | 8 | **56.6** | (3.0) |
| (Gain)/loss on sale of other investments | 8 | **(0.1)** | (0.6) |
| (Gain)/loss on divestments of subsidiaries | 8 | **(92.9)** | (30.8) |
| Revaluation gain on remeasurement of retained interest | 6 | **(103.9)** | – |
| Equity-settled share-based payment transactions | 30 | **87.6** | 82.2 |
| **Operating cashflow before working capital changes** | | **1,654.9** | 1,649.8 |
| **Changes in:** | | | |
| Inventories | | **(732.2)** | (2,387.8) |
| Trade and other receivables and derivatives | | **(4,516.7)** | (2,343.0) |
| Prepayments | | **80.5** | (534.5) |
| Trade and other payables and derivatives | | **4,466.7** | 385.0 |
| **Cash generated from/(used in) operating activities** | | **953.2** | (3,230.5) |
| Interest paid | | **(1,193.8)** | (819.8) |
| Interest received | | **620.4** | 523.8 |
| Dividends (paid)/received | | **50.4** | 35.8 |
| Tax (paid)/received | | **(115.6)** | (180.8) |
| **Net cash from/(used in) operating activities** | | **314.6** | (3,671.5) |
| **Cash flows from investing activities:** | | | |
| Acquisition of property, plant and equipment | 11 | **(167.5)** | (318.7) |
| Proceeds from sale of property, plant and equipment | 11 | **28.6** | 159.6 |
| Disposal of assets/liabilities held for sale | | **(0.2)** | (0.3) |
| Acquisition of intangible assets | 12 | **(35.6)** | (51.6) |
| Proceeds from sale of intangible assets | | **0.0** | 0.1 |
| Acquisition of equity accounted investees | 13 | **(101.2)** | (374.9) |
| Disposal of equity accounted investees | | **216.6** | 26.5 |
| Proceeds from loans receivable and advances | 14/15 | **(86.9)** | (119.6) |
| Repayment of loans receivable and advances | 14/15 | **227.4** | 168.2 |
| Acquisition of other investments | 16 | **(56.1)** | (72.8) |
| Disposal of other investments | 16 | **53.7** | 107.6 |
| Acquisition of subsidiaries, net of cash acquired | 5 | **(190.1)** | (0.8) |
| Disposal of subsidiaries, net of cash disposed of | 6 | **16.0** | 64.7 |
| **Net cash from/(used in) investing activities** | | **(95.3)** | (412.1) |
| **Cash flows from financing activities:** | | | |
| Proceeds from the issue of capital securities | 23 | **205.8** | 594.5 |
| Payment of capital securities dividend | 23 | **(92.5)** | (69.6) |
| Dividend and payment in relation to the share redemption by the direct parent company | 23 | **(527.8)** | (568.9) |
| Repayment of capital securities | 23 | **(500.0)** | – |
| Proceeds from capital contributions to subsidiaries by non-controlling interests | 24 | **2.4** | 0.7 |
| Dividend non-controlling interest | | **(7.3)** | – |
| Net proceeds from long-term loans and borrowings | 25 | **1,719.8** | 586.3 |
| Payment of finance lease liabilities | 25 | **(9.1)** | (5.2) |
| Increase of short-term bank financing | 25 | **(643.5)** | 5,392.6 |
| **Net cash from/(used in) financing activities** | | **147.8** | 5,930.4 |
| **Net increase/(decrease) in cash and cash equivalents** | | **367.1** | 1,846.8 |
| Cash and cash equivalents at 1 October | 22 | **4.988.7** | 3,141.9 |
| **Cash and cash equivalents at 30 September (note 22)** | | **5.355.8** | 4,988.7 |

See accompanying notes

# F. Notes to consolidated financial statements

## 1. Corporate information

The principal business activities of Trafigura Group Pte. Ltd. ('the Company') and together with its subsidiaries ('the Group') are trading in crude and petroleum products, non-ferrous concentrates, refined metals and bulk commodities such as coal and iron ore. The Group also invests in assets, including investments in associates, which have strong synergies with its core trading activities. These include storage terminals, service stations, metal warehouses and mines.

The Company is incorporated in Singapore and its principal business office is at 10 Collyer Quay, Ocean Financial Centre, #29-00, Singapore, 049315.

The immediate and ultimate holding companies of the Company are Trafigura Beheer B.V. and Farringford N.V., respectively. Trafigura Beheer B.V. is incorporated in The Netherlands and Farringford N.V. is incorporated in Curacao.

The consolidated financial statements for the year ended 30 September 2018 were authorised for issue by the Board of Directors on 7 December 2018.

## 2. Basis of preparation

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements have been prepared under the historical cost convention except for inventories, derivatives and certain other financial instruments that have been measured at fair value. The consolidated financial statements have been prepared on a going concern basis.

### Functional and presentation currency

The Group's presentation currency is the US dollar (USD) and all values are rounded to the nearest tenth of a million (USD'M 0.1) except when otherwise indicated. The US dollar is the functional currency of most of the Group's principal operating subsidiaries. Most of the markets in which the Group is involved are USD denominated.

## 3. Significant accounting policies

The consolidated financial statements have been prepared in compliance with IFRS. The company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position and throughout all periods presented, as if these policies had always been in effect.

### a. Reclassifications made in the comparative figures

As a result of the increased value of the non-financial hedged items during 2018, management decided to report these items under two newly introduced line items: Other non-current assets and other current assets. In the 2017 financial statements the fair value of the non-financial hedged items, amounting to USD162.6 million, were recorded in the line item Trade and other payables. This prior year balance related to non-financial hedged items was reclassified to align with current year presentation.

With the introduction of the new line item Other current assets, management also decided to present Prepaid expenses, which in 2017 was included within Trade and other receivables (2017: USD139.2 million), within Other current assets going forward. This was done to better differentiate between items which are considered to be financial instruments (all remaining items under Trade and other receivables) and items which are not considered to be financial instruments (all items presented under Other current assets).

For further information on the composition of the new balances, see note 17 Other non-current assets and note 21 Other current assets.

### b. Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of all subsidiaries and branch offices, which the Company, either directly or indirectly, controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Subsidiaries are consolidated from the date on which control is obtained by the Company and cease to be consolidated from the date on which control is transferred to a person or entity outside of the control of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions with any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received being recognised directly in equity and attributed to equity holders of the Company.

If the Group loses control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. The parent's share of components previously recognised in other comprehensive income (OCI) is reclassified to profit and loss or retained earnings, as would be required if the Group had directly disposed of the related assets or liabilities. Any surplus or deficit arising on the loss of control is recognised in the statement of income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an equity investment depending on the level of influence retained.

Non-controlling interests in subsidiaries are identified separately from the Company's equity and are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### c. Investments in equity-accounted investees

Associates and joint ventures (together 'Associates') in which the Group exercises significant influence or joint control are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control those policies. Joint control is established by contractual agreement and requires unanimous consent for strategic financial and operating decisions. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method the investment in an Associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share in the net assets of the Associate or joint venture since acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the Associate are eliminated to the extent of the interest in the Associate, unless the sale or contribution of assets constitute a business in which case the gains and losses are recognised in full.

The aggregate of the Group's share of profit or loss of equity-accounted investees is shown on the face of the statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired.

The financial statements of the Associates are prepared for the same reporting period as the Group, unless otherwise indicated.

Changes in the Group's interest in Associates are accounted for as a gain or loss on disposal with any differences between the amount by which the carrying value of the Associate is adjusted and the fair value of the consideration received being recognised directly in the statement of income.

### d. Business combinations

The Company accounts for its business combinations under the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If a business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of income except when measured at fair value through OCI. The remeasured stake is then considered in the determination of goodwill.

If the consideration transferred for a business combination exceeds the fair values attributable to the Group's share of the identifiable net assets, the difference is treated as goodwill, which is not amortised but is reviewed annually for impairment or when there is an indication of impairment. If a business combination results in a negative goodwill, the Group reassesses whether it has correctly identified and measured all assets acquired and all liabilities assumed. If the negative goodwill remains after the reassessment, it is recognised as a gain in the statement of income.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the statement of income.

### e. Fair value measurement

The Group measures financial instruments, such as derivatives, and certain non-derivative financial assets, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 29j.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1 —** Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2 —** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3 —** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

# F. Notes to consolidated financial statements

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### f. Foreign currency

#### *(i) Foreign currency transactions*

Subsidiaries, joint ventures and equity accounted investees record transactions in the functional currency of the economic environment in which they operate. Transactions in currencies other than the functional currency of the subsidiary, joint ventures and equity investees are recorded at the rates of exchange prevailing at the date of the transaction.

Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and gains and losses are reported in the statement of income.

#### *(ii) Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to USD at the average rate for the year which is considered as the best estimate of transaction dates. The resulting exchange differences are recorded in equity through other comprehensive income and are included in the statement of income upon sale or liquidation of the underlying foreign operation.

Group entities, with a functional currency being the currency of a hyperinflationary economy, first restate their financial statements in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies (see 'Reporting in hyperinflationary economies' below). The related income, costs and balance sheet amounts are translated at the foreign exchange rate ruling at the balance sheet date.

#### *(iii) Reporting in hyperinflationary economies*

When the economy of a country in which the Group operates is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and restatement of non-monetary items in the balance sheet to reflect current purchasing power as at the period end using a general price index from the date when they were first recognised. Comparative amounts are not adjusted. Any differences arising were recorded in other comprehensive income on adoption.

The only hyperinflationary economy applicable to the Group is Argentina. The financial statements of the major subsidiaries in this country are first adjusted for the effect of inflation with any gain or loss on the net monetary position recorded in the related functional lines in the consolidated income statement and then translated into US Dollars. See note 32.

### g. Financial instruments

The financial assets are classified in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through the statement of income), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the statement of income or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. Reclassification takes place at the first day of the financial year following the financial year in which the business model changes.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss as incurred.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement of debt instruments depends on the Groups business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its equity and debt instruments:

#### *(i) Amortised cost*

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost include loans receivable, trade and other receivables, and other financial assets that are held with the objective of collecting contractual cash flows. After initial measurement at fair value, the financial assets are measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in other income.

*(ii) Fair value through other comprehensive income*

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Where Group management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the statement of income. Dividends from such investments continue to be recognised in the statement of income as other income when the Group's right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income.

*(iii) Financial assets at fair value through profit or loss*

The Group classifies the following financial assets at fair value through profit or loss:

- Debt investments that do not qualify for measurement at amortised cost;
- Debt investments that do not qualify for measurement at fair value through other comprehensive income; and
- Debt investments that have been designated at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, debt securities and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income/ (expenses) in the statement of income. Interests, dividends and gain/loss on foreign exchange on financial assets at fair value through profit or loss are included separately in finance income or other income respectively.

The Group enters into prepayment agreements where purchases of commodities are prepaid. When the prepayment agreement can be settled in cash or another financial asset, it is classified at amortised cost in line with IFRS 9. When settlement of the prepayment agreement solely occurs by having the commodities physically delivered, these agreements are not classified as financial instruments as they do not meet the definition of a financial asset. For the clauses in the contracts which might result in cash settlement instead of physical delivery, the objective of the contract and the economic reality of such clauses, determine the classification. Interest received on prepayment agreements is presented in finance income in the statement of income.

The Group invested in listed equity securities and unlisted equity investments. The Group subsequently measures all equity investments at fair value. The Group classifies the following financial assets at fair value through profit or loss:

- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position if, and only if, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

*Non-derivative financial liabilities*

The Group measures non-derivative financial liabilities at amortised cost. The non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

*Derivative financial instruments, including hedge accounting*

Derivative instruments, which include physical contracts to sell or purchase commodities that do not meet the own use exemption, are initially recognised at fair value when the Group becomes a party to the contractual provisions of the instrument and are subsequently remeasured to fair value at the end of each reporting period. Any attributable transaction costs are recognised in the statement of income as incurred.

The Group utilises derivative financial instruments (shown separately in the statement of financial position) to hedge its primary market risk exposures, primarily risks related to commodity price movements, and to a lesser extent, exposure to foreign currency exchange rates and interest rate movements. Commodity derivative contracts may be utilised to hedge against commodity price risk for fixed priced physical purchase and sales contracts, including inventory. Commodity swaps, options and futures are used to manage price and timing risks in conformity with the Group's risk management policies.

Generally, the Group does not apply hedge accounting, but in some instances it may elect to apply hedge accounting. The Group elects to apply fair value hedge accounting to hedge certain risk components of non-financial hedged items. When applicable, the Group designates derivative hedging instruments as fair value hedges in relationship to the hedged item. The hedged item may be individual risk components which are separately identifiable and reliably measurable. The designated hedge derivatives are accounted for at fair value through profit and loss and reflected on the balance sheet as either a recognized asset or liability or an unrecognised firm commitment. Each of the identified risk components of the hedged item will be revalued at each period with its corresponding benchmark accounted for at fair value and recognized through profit and loss and reflected on the balance sheet as either a recognized asset or liability or an unrecognised firm commitment. The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

# F. Notes to consolidated financial statements

Those derivatives qualifying and designated as hedges are either (i) a fair value hedge of the change in fair value of a recognised asset or liability or an unrecognised firm commitment, or (ii) a cash flow hedge of the change in cash flows to be received or paid relating to a recognised asset or liability or a highly probable transaction.

A change in the fair value of derivatives designated as a fair value hedge is reflected together with the change in the fair value of the hedged item in the statement of income. A change in the fair value of derivatives designated as a cash flow hedge is initially recognised as a cash flow hedge reserve in OCI. The deferred amount is then released to the statement of income in the same periods during which the hedged transaction affects the statement of income.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity and are reclassified to the statement of income when the forecast transaction affects in profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for at the time of the hedge relationship rebalancing.

*Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current, or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. the underlying contractual cash flows).

Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions).

### h. Cash and cash equivalents

Cash and cash equivalents include all cash on hand and short-term highly liquid investments such as deposits with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short term deposits as defined above.

### i. Property, plant and equipment

*(i) Recognition and measurement*

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). The Group provisions certain survey expenses, repairs and eventually dry docking costs for leases vessels when there is a contractual commitment to pay such costs at the end expiration of the contract.

Gains or losses on disposal of an item of property, plant and equipment are recorded in the statement of income under 'Other income/ (expense)'.

The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. Upon completion, the cost of construction is transferred to the appropriate category.

*(ii) Subsequent costs*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

*(iii) Depreciation*

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of each component. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use. Assets under construction are not depreciated.

Depreciation of assets held under finance leases is calculated over the shorter of the lease term or the estimated useful life of the asset.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

| | |
|---|---|
| • Buildings | 20-33 years |
| • Machinery and equipment | 3-28 years |
| • Barges and vessels | 10-20 years |
| • Other fixed assets | 1-5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

*(iv) Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are calculated using the effective interest rate method and are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs directly in connection with the borrowing of funds.

## j. Intangible assets and goodwill

### *(i) Goodwill*

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition see note c.

Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or group of cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain and loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

### *(ii) Licences and Other intangible assets*

Licences and other intangible assets, which include software development costs, and are stated at cost, less accumulated amortisation and accumulated impairment losses. Licences are amortised over the term of the licence, generally not exceeding 10 years.

An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in the accounting estimates.

Gains or losses on disposal of intangible assets are recorded in the statement of income under 'Other income/ (expense)'.

## k. Leases

The Group is the lessee of equipment, buildings, vessels and terminals under various operating and finance leases. The Group classifies its leases as operating or finance leases based upon whether the lease agreement transfers substantially all the risks and rewards of ownership.

For leases determined to be finance leases, an asset and liability are recognised at an amount equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments during the lease term. Such assets are amortised on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset taking into account the residual value, with depreciation included in depreciation expense.

Leases that do not qualify as finance leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the lease term.

If a sale and leaseback transaction can be classified as an operational lease, which implies that substantially all the risks and rewards of ownership of the lease agreement have been transferred, the difference between the carrying value and the consideration of the sold assets will be accounted for in the statement of income under 'Other income/ (expense)'.

## l. Inventories

Trading-related inventories are measured at fair value less costs to sell. Fair value movements are included in cost of sales.

Inventories of non-trading related products are measured at the lower of cost or net realisable value. Costs comprise all costs of purchases and other costs incurred.

## m. Impairment of financial instruments

### *Non-derivative financial assets*

The Group assesses the expected credit losses associated with its debt instruments and trade receivables carried at amortised cost and fair value through other comprehensive income. The impairment provisions for financial assets disclosed in Notes 15 and 16 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. This judgement is based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

### *Trade receivables*

The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. In calculating the expected credit loss rates for trade receivables, the Group considers historical loss rates for each category of counterparties, and adjusts for forward looking macroeconomic data. Refer to Note 19 for the loss provision on trade receivables.

### *Loans receivable*

Over the term of the loans, the Group manages its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of counterparties, and adjusts for forward looking macroeconomic data. The Group classifies its loans receivable in four categories that reflect their credit risk as follows:

| Category | Group definition of category | Basis for recognition of expected credit loss provision |
|---|---|---|
| Performing | Customers have a low risk of default and a strong capacity to meet contractual cash flows. | 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. |
| Underperforming | A significant increase in credit risk is noted (see definition below). | Lifetime expected losses |
| Non-performing | The loan meets the definition of default (see definition below) | Lifetime expected losses |
| Write-off | Based on observable data the interest and/or principal will not be collected. | Asset is written off through profit or loss to extent of expected loss. |

# F. Notes to consolidated financial statements

A significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due or if there are other indicators of a significant increase in the probability of default.

A default is defined when one or both of the following events have taken place:

- A counterparty structurally fails to perform under a financial contract with a Trafigura group company and such failure is not expected to be cured shortly;
- A Trafigura group company declares a default due to the failure of the counterparty to comply with the conditions of an obligation or agreement.

Trafigura decided to assess the Expected Credit Loss ('ECL') of these loans individually based on the discounted product of probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD') as defined below:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default. For most cases, this represents the carrying value of the financial asset.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, seniority of claim and available collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by projecting PD, LGD, EAD for each future month and for each exposure. These three components are multiplied together and discounted at the original effective interest rate of the loan. The PD and LGD are developed by utilising historical default studies and publicly available data.

Refer to note 15 for the loss provision on loans receivable.

*Write-off*

The Group also assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If the decrease in impairment relates to an objective event occurring after the impairment was recognised, a previously recognised impairment loss is reversed to a maximum of the amount required to carry the asset at amortised cost at the time of the reversal if no impairment had taken place, while taking into consideration the expected credit losses associated to the instrument. The Group recognises in the statement of income, as an impairment gain, the amount of expected credit losses reversal that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised under the expected credit loss model.

## n. Accrued turnover

Accrued turnover relates to sales made before the end of the year that have not been invoiced at the balance sheet date. Reasons for such delays include the need to determine final pricing, quantity and quality analysis. All are typical of the industry in which the Group operates.

## o. Employee benefits

*(i) Post-employment benefits*

Pensions and other post-employment benefits, wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Group. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Unvested past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in profit or loss during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on plan assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. Actuarial gains and losses are recognised in full within other comprehensive income in the year in which they occur.

The defined benefit pension plan surplus or deficit in the consolidated statement of financial position comprises the total for each plan at the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. Contributions to defined contribution schemes are recognised in profit or loss in the period in which they become payable.

*(ii) Employee share incentive plan and employee share trust*

Employees of the Group receive remuneration in the form of shares of the immediate holding company Trafigura Beheer B.V. as consideration for services rendered. This is considered an equity-settled share scheme as the Company neither has a present legal nor constructive obligation to settle in cash, nor has a past practice or stated policy of settling in cash.

The cost of the equity-settled transactions is measured at fair value at the grant date taking into account the terms and conditions upon which the shares were granted. This fair value is expensed over the vesting period with a corresponding credit to equity. For shares that immediately vest, the fair value is expensed in the accounting period corresponding to the date of grant.

### p. Provisions

The Group recognises provisions for liabilities and onerous contracts that have been incurred as of the balance sheet date and can be reliably estimated. A provision is recognised when (i) the Group has a present obligation (legal or constructive) as a result of a particular event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) an estimate can be made of the amount of the obligation.

Provisions for claims, disputes and legal proceedings are recorded if it is probable that the Group will be liable in a proceeding, for the estimated amount at which the liability can be settled. If the amount for which the liability can be settled cannot be reliably estimated, the claim, dispute or legal proceeding is disclosed, if it is expected to be significant.

#### *(i) Restoration, rehabilitation and decommissioning*

Restoration, rehabilitation and decommissioning costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the time such an obligation arises. The costs are charged to the statement of income over the life of the operation through depreciation of the asset and the unwinding of the discount on the provision.

#### *(ii) Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

### q. Accrued costs of sales and expenses

The accrued cost of sales and expenses relate to purchases and expenses made before the year end that have not been invoiced at the balance sheet date. Reasons for such delays include the need to determine final pricing, quantity and quality analysis. All are typical of the industry in which the Group operates.

### r. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from the sale of goods which are transported in discrete cargoes is recognised when the significant risk and rewards of the goods have passed to the buyer, which is usually the date of the bill of lading. Revenue from the sale of goods which are transported in continuous systems is recognised when the goods have been delivered.
- Revenue from the sale of goods which are consigned to counterparties on a sale-and-return basis is recognised when the goods are sold to the customers on a non-recourse basis. At these points the quantity and the quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured.
- Revenue from rendering of services is recognised in the statement of income in proportion to the stage of the rendered performance as at the balance sheet date.

For certain commodities, the sales price determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30 to 90 days after initial booking. Revenue on provisionally priced sales is recognised based on the estimate fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustments is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

### s. Cost of sales

Cost of sales includes the purchase price of the products sold, as well as the costs of purchasing, storing, and transporting the products. It also includes the changes in mark to market valuation of inventories, all derivatives and forward contracts.

### t. Selling, general and administrative expenses

Selling, general and administrative expenses include the Group's corporate offices, rent and facility costs, staff cost, depreciation and certain other general and administrative expenses. As the Group chooses to present the gross profit as the result on the trades these costs are not attributed to cost of sales.

### u. Finance income and finance expense

Interest income and interest expense are recognized on a time-proportion basis using the effective interest method.

### v. Corporate taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

#### *(i) Current income tax*

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The charge for taxation includes Singaporean and foreign corporate income taxation. Due to the different statutory rates applicable and non-deductible expenses, the Group effective tax charge differs from the statutory tax rate applicable in Singapore.

# F. Notes to consolidated financial statements

*(ii) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

*(iii) Tax exposure*

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

## w. Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

## x. Segments

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance.

## y. Use of estimates and judgements

The preparation of the Group's financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ from those estimates. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The Group has identified the following areas as being critical to understanding the Company's financial position as they require management to make complex and/or subjective judgments and estimates about matters that are inherently uncertain.

*(i) Valuation of derivative instruments*

Derivative instruments are carried at fair value and the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by IFRS 13. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring the Group to make market based assumptions (Level 3). For more details refer to note 29. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

*(ii) Impairments*

Investments in associates and other investments, loans receivables and property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable or at least annually for goodwill and other indefinite life intangible assets. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognised. Future cash flow estimates which are used to calculate the asset's fair value are based on expectations about future operations primarily comprising estimates about production and sales volumes, commodity prices, operating, rehabilitation and restoration costs and capital expenditures. For loans receivables, impairments are measured using expected credit losses. The measurement of the loss provision requires significant assumptions including likelihood of default, collectability and timing of expected recovery of future cash flows for the loans. Changes in such estimates could impact recoverable values or loss provisions of these assets. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management. Refer to note 11, note 12, note 13 and note 15.

*(iii) Provisions*

The amount recognised as a provision, including tax, legal, restoration and rehabilitation, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Group assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements. Refer to notes 26 and 28.

*(iv) Restoration, rehabilitation and decommissioning costs*

A provision for future restoration, rehabilitation and decommissioning costs requires estimates and assumptions to be made around the relevant regulatory framework, the magnitude of the possible disturbance and the timing, extent and costs of the required closure and rehabilitation activities. To the extent that the actual future costs differ from these estimates, adjustments will be recorded and the statement of income could be impacted. The provisions including the estimates and assumptions contained therein are reviewed regularly by management. Refer to note 26.

*(v) Taxation*

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. These judgements are subject to risk and uncertainty and hence, to the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in the statement of income in the period in which the change occurs. The recoverability of deferred tax assets, including the estimates and assumptions contained therein, are reviewed regularly by management. Refer to note 10.

*(vi) Determination of control of subsidiaries and joint arrangements*

Judgement is required to determine whether the Group controls an entity, and consequently, whether it needs to consolidate that entity into the consolidated financial statements. Specifically, the Group assesses whether it has the power over the relevant activities of the entity, exposure to its variable returns or the ability to use power to impact returns of the entity.

The Group has certain investments in companies, which are not consolidated and whose results are accounted for in the Group's consolidated financial statements based on their equity share ownership. The most significant of the Group's investments are the 49.3 percent investment in Puma Energy Holdings Pte Ltd ('Puma') and the 50 percent investment in Simba Holding S.à r.l. ('Simba'). Puma Energy was deconsolidated as of 30 September 2013 and Simba was deconsolidated as of 30 September 2018 (refer note 6).

Judgement is also required in determining the classification of a joint arrangement between a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement.

The impact of the decision regarding the existence of control, and classification of joint arrangements, significantly impacts the accuracy, completeness and presentation of the financial statements and, potentially, the debt covenant ratios which are included in the Group's debt financing agreements.

## 4. Operating segments

The Group's operating businesses are organised and managed separately according to the nature of the products, with each segment representing a strategic unit that offers different products and serves different markets.

Segment results that are reported to the Group's Chief Executive Officer (CEO), being the chief operating decision maker, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

- The Oil and Petroleum Products segment is engaged in the sourcing, provision and storage of oil, at all stages from crude to finished products such as naphtha and gasoline. This includes the blending required to make gasoline in the various grades suitable for the different specifications relevant in different countries.
- The Metals and Minerals segment trades copper, lead, zinc, aluminium, iron ore and coal in all forms including ores, concentrates, and refined metals. There is involvement in all the various stages from mining through smelting to the finished metal. This segment also includes the Mining group and the Impala activities (as from 30 September 2018 only those that were not included in the deconsolidated group as disclosed in note 6), and includes the blending of metal concentrates, iron ore, coal and alumina, as well as warehousing and transportation.
- All other segments include holding companies, and some smaller operating companies.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the Group's CEO. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Trafigura accounts for inter-segment sales and transfers where applicable as if the sales or transfers were to third parties.

Reconciliations of reportable segment revenues, results, assets and liabilities, and other material items are as follows:

| 2018 | Oil and Petroleum USD'M | Metals and Minerals USD'M | All other segments USD'M | Total USD'M |
|---|---|---|---|---|
| Revenue from external customers | 124,563.0 | 56,181.1 | – | 180,744.1 |
| **Gross profit** | **1,022.4** | **1,361.7** | | **2,384.1** |
| Other income/(expenses) | – | – | – | 44.9 |
| General and administrative expenses | – | – | – | (937.3) |
| Finance income | – | – | – | 647.4 |
| Finance expense | – | – | – | (1,189.6) |
| Share of profit/(loss) of equity-accounted investees | – | – | – | 17.4 |
| Income tax expense | – | – | – | (94.1) |
| **Profit for the year** | | | | **872.8** |

# F. Notes to consolidated financial statements

| 2018 | Oil and Petroleum USD'M | Metals and Minerals USD'M | All other segments USD'M | Total USD'M |
|---|---|---|---|---|
| **Segment assets and liabilities** | | | | |
| Equity-accounted investees | 2,254.6 | 1,078.9 | 27.7 | 3,361.2 |
| Other non-current assets | 2,343.5 | 2,169.6 | 962.1 | 5,475.2 |
| Non current assets classified as held for sale | 65.5 | 2.1 | – | 67.6 |
| Total assets | 26,389.2 | 19,880.7 | 7,531.1 | 53,801.0 |
| Total liabilities | 19,879.4 | 14,837.6 | 12,833.9 | 47,550.9 |
| **Other segment information** | | | | |
| Capital expenditure | 181.8 | 77.2 | 48.4 | 307.4 |
| Depreciation and amortisation | 14.4 | 100.2 | 77.1 | 191.7 |
| Impairment of non-financial assets | 0.9 | 0.3 | – | 1.2 |
| Impairment of financial assets | – | (13.4) | – | (13.4) |
| Impairment of equity-accounted investees | 0.3 | 72.4 | – | 72.7 |

| 2017 | Oil and Petroleum USD'M | Metals and Minerals USD'M | All other segments USD'M | Total USD'M |
|---|---|---|---|---|
| Revenue from external customers | 94,016.8 | 42,403.9 | – | 136,420.7 |
| **Gross profit** | **1,139.3** | **1,099.7** | | **2,239.0** |
| Other income/(expenses) | – | – | – | 163.2 |
| General and administrative expenses | – | – | – | (945.0) |
| Finance income | – | – | – | 557.1 |
| Finance expense | – | – | – | (813.4) |
| Share of profit/(loss) of equity-accounted investees | – | – | – | (232.2) |
| Income tax expense | – | – | – | (81.4) |
| **Profit for the year** | | | | **887.3** |

| 2017 | Oil and Petroleum USD'M | Metals and Minerals USD'M | All other segments USD'M | Total USD'M |
|---|---|---|---|---|
| **Segment assets and liabilities** | | | | |
| Equity-accounted investees | 2,664.7 | 810.2 | 13.0 | 3,487.9 |
| Other non-current assets | 1,253.8 | 2,708.3 | 766.7 | 4,728.8 |
| Non current assets classified as held for sale | 66.3 | 2.0 | – | 68.3 |
| Total assets | 23,983.3 | 18,523.1 | 6,263.7 | 48,770.1 |
| Total liabilities | 14,918.8 | 15,289.7 | 12,176.8 | 42,385.3 |
| **Other segment information** | | | | |
| Capital expenditure | 218.8 | 126.9 | 45.3 | 391.0 |
| Depreciation and amortisation | 22.3 | 93.1 | 83.6 | 199.0 |
| Impairment of non-financial assets | 7.9 | 8.8 | 0.6 | 17.4 |
| Impairment of financial assets | – | 23.8 | – | 23.8 |
| Impairment of equity-accounted investees | 2.4 | 1.8 | – | 4.2 |

### Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers:

| 2018 | Oil & Petroleum USD'M | Metals and Minerals USD'M | Total USD'M |
|---|---|---|---|
| **Revenue from external customers** | | | |
| Europe | 32,572.5 | 8,915.5 | 41,488.0 |
| Asia | 37,891.6 | 31,624.0 | 69,515.6 |
| North America | 31,195.3 | 9,438.0 | 40,633.3 |
| Latin America | 11,501.7 | 1,434.0 | 12,935.7 |
| Africa | 5,893.5 | 580.3 | 6,473.7 |
| Australia | 754.1 | 117.4 | 871.5 |
| Middle East | 4,754.2 | 4,072.0 | 8,826.2 |
| **Total revenue from external customers** | **124,563.0** | **56,181.1** | **180,744.1** |

| 2017 | Oil & Petroleum USD'M | Metals and Minerals USD'M | Total USD'M |
|---|---|---|---|
| **Revenue from external customers** | | | |
| Europe | 20,876.2 | 5,763.9 | 26,640.1 |
| Asia | 34,760.8 | 24,013.2 | 58,774.0 |
| North America | 20,500.3 | 9,218.9 | 29,719.2 |
| Latin America | 9,357.9 | 992.3 | 10,350.2 |
| Africa | 3,974.5 | 381.8 | 4,356.3 |
| Australia | 339.6 | 30.2 | 369.8 |
| Middle East | 4,207.5 | 2,003.6 | 6,211.1 |
| **Total revenue from external customers** | **94,016.8** | **42,403.9** | **136,420.7** |

## 5. Business combinations and acquisition of non-controlling interests

On 9 May 2018, the Group completed the acquisition of the majority of the downstream business of Pampa Energia S.A. The acquired business included various legal entities, in which the Group acquired 100 percent of the shares, as well as certain assets. The business acquired predominantly included a refinery and service stations.

The Group completed an overview of the assets acquired and liabilities assumed. The fair values of the identifiable assets and liabilities of the acquired business as at the acquisition date were:

| | Fair value recognised on acquisition USD'M |
|---|---|
| Intangible assets | 5.5 |
| Property, plant and equipment | 79.5 |
| Inventories | 73.8 |
| VAT receivables | 44.0 |
| Other receivables | 0.1 |
| Cash and cash equivalents | 1.8 |
| **Total assets** | **204.7** |
| Provision for decommissioning costs | 12.8 |
| Other liabilities | 3.2 |
| **Total liabilities** | **188.7** |
| Goodwill arising on acquisition | – |
| **Total consideration** | **188.7** |

The identified intangible assets predominantly relate to customer relationships which will be amortised over the useful life of 5 years.

The analysis of cash flows on acquisition date is included below:

| | USD'M |
|---|---|
| Total consideration | 188.7 |
| Of which to be received from sellers based on final price | 3.2 |
| **Total cash paid to previous owners** | **191.9** |
| Cash acquired with the business | 1.8 |
| **Acquisition related cash flow, net of cash acquired** | **190.1** |

The results of the acquired business are consolidated as from acquisition date, contributing an amount of over USD200 million to the consolidated revenue for the year. As volatility of commodity prices have significant impact on revenue, and historical information is not readily available, the full year revenue of the acquired business cannot be reliably estimated and is therefore not disclosed. As a result of the integration in the Group, resulting in various positive synergy effects, it is impracticable to disclose the individual full year net result of the acquired business.

No significant transactions occurred during financial year 2017.

## 6. Deconsolidation of subsidiaries

### Financial year 2018

During the financial year 2018, the Group incorporated Simba Holding S.à.r.l. ('Simba') in Luxemburg. Following an internal restructuring, Simba became the ultimate parent company of some of the Impala entities (all the entities that were transferred to Simba were consolidated for 100 percent in the 2017 financial statements).

On 27 September 2018, following the investment from an external investor into Simba, the Group's shareholding was reduced to 50 percent. In exchange for the decrease in its shareholding, the Group received a total consideration of USD247.9 million, which has been recorded as a receivable from related parties as of 30 September 2018.

On 27 September 2018, the new governance structure of Simba became effective. The Group has no longer the power, directly or indirectly, to govern the financial and operational policies of Simba. As a consequence, the Group entities which are now included in the group headed by Simba have been deconsolidated from the Group's consolidated financial statements as per 30 September 2018. The USD87.3 million gain resulting from this divestment is recorded in Other income (see note 8). The Group's remaining stake in Simba has been remeasured at fair value and recorded as a joint venture as from 30 September 2018. This remeasurement resulted in a gain of USD103.9 million (see note 8).

The impact of Simba on the Group's consolidated statements of income and cash flows, both before intercompany eliminations, is as follows:

| | 2018<br>USD'M | 2017<br>USD'M |
|---|---|---|
| Revenue (including intercompany) | 291.2 | 249.1 |
| **Gross profit** | **137.6** | **122.6** |
| **EBITDA** | **96.3** | **77.5** |
| **Profit for the year** | **49.0** | **7.5** |

| | 2018<br>USD'M | 2017<br>USD'M |
|---|---|---|
| Net cash from/(used in) operating activities | 34.6 | 25.9 |
| Net cash from/(used in) investing activities | (12.3) | (21.4) |
| Net cash from/(used in) financing activities | (17.6) | 1.8 |
| **Net cash flows for the year** | **4.7** | **6.3** |

The effect of the divestment and deconsolidation of Simba on the Group's consolidated statement of financial position is as follows:

| | 2018<br>USD'M |
|---|---|
| Non-current assets | 321.9 |
| Current assets | 75.6 |
| Non-current liabilities | 48.8 |
| Current liabilities | 55.5 |
| Minority interest | 5.2 |
| **Net assets and liabilities at 100%** | **288.0** |
| **Total consideration for 50% equity sale** | **247.9** |
| Retained investment in Simba at carrying value | 144.0 |
| Retained investment in Simba measured at fair value | 247.9 |
| **Gain on remeasurement of retained interest at fair value** | **103.9** |
| Net gain on divestment of 50% equity stake | 87.3 |
| **Total gain on divestment and remeasurement of retained interest** | **191.2** |

### Financial year 2017

On 14 October 2016, the Group has entered into a Stock Purchase Agreement with Tajin Transporte S.a.r.l for the sale of 100 percent of its share in Trafigura Mexico Holding BV and PPM Energy S.A.P.I. de C.V, including the owned Rights of Way necessary for the Transportation Service Agreement tender for the Tuxpan – Tula natural gas pipeline and real estate properties in Mexico. The total consideration of the sale was USD68.1 million of which USD65.3 million was received in cash before 30 September 2017. On 31 May 2017, being the closing date of the transaction, the Group has recognised a gain of USD50.2 million which has been recognised under disposal of subsidiaries as reported in note 8, Other income/(expense).

# F. Notes to consolidated financial statements

## 7. Revenue

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Sales of goods | **179,977.2** | 136,315.1 |
| Rendering of services | **766.9** | 105.6 |
| **Total** | **180,744.1** | 136,420.7 |

## 8. Other income/(expense)

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Release/(additions) to provisions | **19.1** | (1.1) |
| Gain/(loss) on disposal of tangible and intangible fixed assets | **1.0** | (0.4) |
| Gain/(loss) from disposal of other investments | **0.1** | 0.6 |
| Gain/(loss) on sale of equity-accounted investees | **(56.6)** | 3.0 |
| Gain on divestment of subsidiaries | **92.9** | 30.8 |
| Revaluation gain on remeasurement of retained interest | **103.9** | – |
| Gain/(loss) on fair value through profit and loss instruments | **4.2** | 118.7 |
| Impairments of financial assets | **(1.5)** | (23.8) |
| Reversal of impairments of financial assets | **14.8** | – |
| Impairments of non-financial assets | **(1.2)** | (17.4) |
| Impairments of equity-accounted investees | **(72.7)** | (4.2) |
| Dividend income | **2.0** | 0.7 |
| Gain/(loss) on foreign exchange | **(47.7)** | 31.3 |
| Other | **(13.6)** | 25.0 |
| **Total** | **44.9** | 163.2 |

### Financial year 2018

In April 2018, the Group sold its 20 percent stake in Buckeye Texas Partners LLC for an agreed price of USD210 million. The result on this transaction amounted to a pre-tax loss of USD56.9 million, which is reported under Gain/(loss) on sale of equity accounted investees.

The revaluation gain of USD103.9 million, and the majority of the gain on divestment of subsidiaries of USD92.9 million, relate to the total gain on the divestment and remeasurement of the retained interest in Simba Holding S.à r.l. of USD191.2 million (see note 6). The Group recorded an impairment on the carrying amount of the equity-accounted investee Nyrstar N.V. for an amount of USD72.4 million, see note 13.

### Financial year 2017

The gain on divestments of subsidiaries reported in 2017 comprises of the gain of USD50.2 million on the sale of Trafigura Mexico Holding BV and PPM Energy S.A.P.I. de C.V. This gain is offset by the effect of the deconsolidation of the Group's railway operations in Colombia in Impala. These operations have been sold to a third party resulting in a loss on disposal of USD19.4 million. This loss is mainly comprised of recycling of foreign currency translation losses recognised in equity until the disposal date.

The gain on fair value instruments through profit and loss includes a fair value movement of the debt securities related to the investment in Porto Sudeste de Brasil SA of USD135.7 million offset by a USD20.1 million impairment to nil value in relation to the investment in Indian refinery NOCL which filed for bankruptcy in July 2017. During the regular assessment to determine asset impairments, the Group decided to record impairments of USD23.8 million on financial assets mainly related to the Cedars Energy LLC of USD20.1 million.

## 9. General and administrative expenses

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Depreciation and amortisation | **191.7** | 199.0 |
| Staff costs | **497.2** | 527.9 |
| General and other | **248.4** | 218.1 |
| **Total** | **937.3** | 945.0 |

Refer to note 30 for a breakdown of the staff costs. The category 'General and other' mainly comprise office, IT, and travelling costs.

## 10. Tax

### a. Tax expense

Income tax expense recognised in the statement of income consists of the following:

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Current income tax expense | **139.6** | 135.0 |
| Adjustments in relation to current income tax of previous year | **(16.3)** | (8.7) |
| Deferred tax expense/(income) | **(38.8)** | (48.6) |
| Withholding tax in the current year | **9.6** | 3.7 |
| **Total** | **94.1** | 81.4 |

### b. Tax recognised in other comprehensive income

The tax credit/(charge) relating to components of other comprehensive income is as follows:

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Tax (expense)/income on cash flow hedges | **(0.6)** | (1.1) |
| Tax (expense)/income on hyperinflation adjustment | **(17.7)** | – |
| **Total** | **(18.3)** | (1.1) |

### c. Reconciliation of effective tax rate

Trafigura's operations are subject to income taxes in various foreign jurisdictions. The statutory income tax rate vary between 10 percent and 35 percent, which results in a difference between the weighted average statutory income tax rate and Singapore's statutory tax rate of 17 percent (2017: 17%).

The weighted average statutory income tax rate did not change in 2018 compared to 2017 notwithstanding the change in the mix of profits and losses generated in the various countries in which Trafigura operates.

The reconciliation between tax expense and the result of accounting profit multiplied by the Company's statutory income tax rate for the years ended 30 September 2018 and 2017 is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | USD'M | % | USD'M | % |
| Profit before tax | **966.9** | **–** | 968.7 | – |
| Income tax expense at statutory blended tax rate | **226.2** | **23.4%** | 227.0 | 23.4% |
| **Tax effect of adjustments to arrive at the effective income tax rate:** | | | | |
| Effect of unused tax losses, not recognised as deferred tax assets | **20.7** | **–** | 20.3 | – |
| Non-taxable income or subject to specific tax holidays | **(240.5)** | **–** | (232.8) | – |
| Non-deductible expenses | **46.3** | **–** | 53.6 | – |
| Foreign exchange | **8.5** | **–** | 18.3 | – |
| Adjustments in relation to income tax of previous year | **(16.3)** | **–** | (8.7) | – |
| Tax rate changes | **39.6** | **–** | 18.3 | – |
| Withholding tax | **9.6** | **–** | 3.7 | – |
| **Effective tax rate** | **94.1** | **9.7%** | 81.4 | 8.4% |

On 22 December 2017 new U.S. tax legislation was enacted. The new law includes the reduction of the statutory federal income tax rate from 35 percent to 21 percent effective 1 January 2018, which affected Trafigura's U.S. deferred tax position at the end of 2017. The "tax rate changes" shows the impact of recalculating the deferred tax positions of Trafigura U.S. entities applying the reduced U.S. corporate income tax rate. The effects of tax reforms have been included in the reported tax balances based on the information per reporting date. The Company keeps following any development and further clarifications of changes in tax laws and will make adjustments to the tax balances accordingly.

### d. Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities in significant components as well as the movement between 1 October 2017 and 30 September 2018 of these components is as follows:

| USD'M | Opening balance | Recognised income statement | Other comprehensive income | FX and other | Closing balance | Deferred tax assets | Deferred tax (liabilities) |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | (3.2) | 5.2 | (17.7) | 3.4 | (12.3) | 13.3 | (25.6) |
| Investment in subsidiaries & associates | (36.0) | 30.5 | – | – | (5.5) | – | (5.5) |
| Other temporary differences | (17.3) | 18.3 | – | 14.5 | 15.5 | 38.7 | (23.2) |
| Provisions | (158.1) | 19.3 | 0.1 | 3.8 | (134.9) | 13.4 | (148.3) |
| Derivatives | 10.0 | (9.0) | (0.7) | (12.2) | (11.9) | 5.4 | (17.3) |
| Tax losses carried forward and tax attributes | 169.1 | (25.5) | – | 3.4 | 147.0 | 147.0 | – |
| **Total deferred tax position** | **(35.4)** | **38.8** | **(18.3)** | **12.9** | **(2.1)** | **217.8** | **(219.9)** |
| Set-off deferred tax positions | | | | | | (46.6) | 46.6 |
| **Net deferred tax position** | | | | | | **171.2** | **(173.3)** |

Deferred tax assets are recognised for temporary differences and unused tax losses to the extent that realisation is probable as sufficient taxable profit is expected in the countries where the deferred tax assets are originated. The majority of the reported deferred taxes will be settled after 12 months from the balance sheet date.

No significant deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries. This is because Trafigura is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Included in the table above are tax losses available in one of Trafigura's Colombian group companies which were incurred up to and including 31 December 2016. These losses do not expire and can therefore be carried forward unlimited. A deferred tax asset is recognised for these tax losses for an amount of USD24 million as it is probable that this group company will generate sufficient taxable profits in the future to off-set the amount of unused tax losses. For underlying assumptions see note 11.

Based on the forecast, the expectation is that the tax losses will be fully utilised by the end of financial year 2034.

| Unrecognised tax losses carry forward and tax attributes | 2018 USD'M |
|---|---|
| Losses expiring in 2019 | **–** |
| Losses expiring in 2020 | **0.4** |
| Losses expiring in 2021 | **4.2** |
| Losses expiring in 2022 | **0.1** |
| Losses expiring in 2023 | **53.7** |
| Losses expiring in 2024 | **0.5** |
| Losses expiring in 2025 | **5.6** |
| Losses expiring after 2025 | **82.4** |
| Losses which do not expire | **5.0** |
| **Total** | **151.9** |

In the prior year, the gross unrecognised tax losses carry forward and tax attributes expiring within five years amounted to USD0.5 million and those expiring after five years amounted to USD253.9 million.

The unrecognised deferred tax assets for losses and tax attributes relate to entities for which it is not probable that taxable profit will be available to offset against these losses and attributes.

# F. Notes to consolidated financial statements

### e. Tax uncertainties

Trafigura operates in numerous jurisdictions worldwide resulting in cross border intercompany transactions whereby the transfer pricing rules applied in one country have an impact on the results in another country. In order to reduce transfer pricing uncertainties, transfer pricing studies are performed and reports are prepared to fulfil local transfer pricing requirements. Due to complexity of tax rules, interpretation by local taxing authorities can differ from Trafigura's interpretation based on opinions provided by local tax counsel. Trafigura believes that it has sufficiently provided for financial consequences (if any).

In countries where Trafigura starts new operations or alters business models, the issue of permanent establishment and profit allocation thereto may arise. The risk is that taxing authorities in multiple jurisdictions claim taxation rights over the same profit.

## 11. Property, plant and equipment

| USD'M | Land and buildings | Machinery and equipment | Barges and vessels | Other fixed assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 October 2017 | 1,077.4 | 785.8 | 724.9 | 513.1 | 3,101.2 |
| Additions | 18.2 | 23.6 | 2.6 | 142.8 | 187.2 |
| Acquired through business combination | 40.3 | 28.7 | – | 10.5 | 79.5 |
| Reclassifications | 9.1 | 7.8 | – | (14.2) | 2.7 |
| Effect of movements in exchange rates, including hyperinflation adjustment | 6.0 | (3.6) | – | (14.2) | (11.8) |
| Disposals | (0.2) | (32.7) | (23.4) | (13.1) | (69.4) |
| Divestment of subsidiaries | (267.0) | (97.3) | (92.8) | (13.3) | (470.4) |
| **Balance at 30 September 2018** | **883.8** | **712.3** | **611.3** | **611.6** | **2,819.0** |
| **Depreciation and impairment losses** | | | | | |
| Balance at 1 October 2017 | 261.6 | 295.2 | 121.5 | 232.0 | 910.3 |
| Depreciation for the period | 44.8 | 36.2 | 35.5 | 19.0 | 135.5 |
| Impairment losses | – | 0.3 | – | – | 0.3 |
| Reclassifications | (1.0) | – | – | 4.5 | 3.5 |
| Effect of movements in exchange rates, including hyperinflation adjustment | 0.6 | (0.7) | – | (0.7) | (0.8) |
| Disposals | – | (8.9) | – | (12.3) | (21.2) |
| Divestment of subsidiaries | 49.5 | (42.8) | (15.1) | (1.3) | (108.7) |
| **Balance at 30 September 2018** | **256.5** | **279.3** | **141.9** | **241.2** | **918.9** |
| **Net book value at 30 September 2018** | **627.3** | **433.0** | **469.4** | **370.4** | **1,900.1** |

| USD'M | Land and buildings | Machinery and equipment | Barges and vessels | Other fixed assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 October 2016 | 968.9 | 587.0 | 654.4 | 944.4 | 3,154.7 |
| Additions | 15.5 | 8.1 | 48.5 | 266.8 | 338.9 |
| Reclassifications | 150.5 | 197.8 | 166.0 | (578.0) | (63.7) |
| Effect of movements in exchange rates | (21.0) | (0.8) | (0.3) | (3.4) | (25.5) |
| Disposals | (30.4) | (2.7) | (134.1) | (96.5) | (263.7) |
| Divestment of subsidiaries | (6.1) | (3.6) | (9.6) | (20.2) | (39.5) |
| **Balance at 30 September 2017** | **1,077.4** | **785.8** | **724.9** | **513.1** | **3,101.2** |
| **Depreciation and impairment losses** | | | | | |
| Balance at 1 October 2016 | 218.0 | 270.9 | 82.9 | 237.9 | 809.7 |
| Depreciation for the period | 46.4 | 31.4 | 36.2 | 21.8 | 135.8 |
| Impairment losses | 9.2 | – | 6.5 | 0.8 | 16.5 |
| Reclassifications | 6.0 | 2.5 | – | (3.8) | 4.7 |
| Effect of movements in exchange rates | (9.5) | (0.7) | (0.1) | (2.0) | (12.3) |
| Disposals | (4.7) | (0.8) | – | (3.5) | (9.0) |
| Divestment of subsidiaries | (3.8) | (8.1) | (4.0) | (19.2) | (35.1) |
| **Balance at 30 September 2017** | **261.6** | **295.2** | **121.5** | **232.0** | **910.3** |
| **Net book value at 30 September 2017** | **815.8** | **490.6** | **603.4** | **281.1** | **2,190.8** |

### Financial year 2018

The total additions for the year amounted to USD187.2 million. The main investments during 2018 relate to investments in a power plant in Ghana of USD25.9 million, investments in a saltwater treatment project related to mining operations in Peru of USD18.6 million, the construction of a splitter unit in Mexico of USD14.7 million and the Colombian port project of USD11.4 million. The remaining investments relate to various smaller projects.

The acquisitions through business combinations totalling USD79.5 million relate to the acquired downstream business in Argentina, as disclosed in note 5.

The Colombian port project relates to the development of multimodal transport activities in Colombia, which includes an inland port at Barrancabermeja and fluvial equipment providing multimodal logistics services linking the industrial heartland to the Caribbean ports Cartagena and Barranquilla via the Magdalena River. The total book value of the assets as per 30 September 2018 is USD1,025 million (consisting of assets within all asset categories). During the ramp-up of the project, the Colombian market environment for oil products has been challenging and combined with insufficient draft on the Magdalena River resulted in a trigger to perform an impairment test. To assess a potential impairment, the Colombia project was combined into one Cash Generating Unit ('CGU') as the specific assets do not have independent associated cash flows. The value in use is calculated based upon the discounted cash flows associated with the assets. This calculation incorporates all aspects of the Colombia multimodal project including the expected award of a dyking and dredging contract by the local authorities following a tender in 2019, a gradual ramp-up of the work from mid-2020, expected revenues and relevant costs. Based on the projections until 2044, which correspond to the current end of the port concession and does not include the expected extension, and using a pre-tax discount rate of 8.89 percent (2017: 9.77%), the recoverable amount exceeded the tested carrying amount of the assets by USD240 million and therefore no impairment was required. The sensitivity analyses on the valuations show that an increase/decrease in the discount rate of +/-0.5% points has an impact on the recoverable amount of minus USD67 million/plus USD71 million. A change in the EBITDA of 10 percent causes a change of USD128 million to the recoverable amount.

The disposals for the year amounted to USD48.2 million and mainly relate to the sale of a vessel and the sale of a storage terminal in Argentina. The impact recorded on the Divestment of subsidiaries lines predominantly relate to the deconsolidation of Simba Holding S.à r.l. as disclosed in note 6.

The category 'Other fixed assets' includes assets under construction, which relates to assets not yet in use. Total balance at 30 September 2018 amounted to USD265.9 million (2017: USD194.2 million). Once the assets under construction come into operation they are reclassified to the appropriate asset category and it is from that point that they are depreciated. The increase is mainly driven by investments in various longer term construction projects, such as the power plant in Ghana and the splitter unit in Mexico. The total book value of these projects reported as assets under construction as per 30 September 2018 amount to USD97.3 million (power plant) and USD86.7 million (splitter unit) respectively. Further the category 'Other fixed assets' mainly includes small equipment, computer hardware, office equipment and refurbishments.

The net book value of property, plant and equipment acquired under finance leases at 30 September 2018 was USD23.2 million (2017: USD20.6 million).

Certain items of property, plant and equipment are pledged as collateral for an amount of USD421.3 million (2017: USD496.2 million).

Depreciation expenses are included in general and administrative expenses. Impairment charges are included in other income and expense.

During the financial year ended 30 September 2018, the Company has capitalised borrowing cost of a total amount of USD7.8 million under other fixed assets (2017: USD12.3 million).

### Financial year 2017

In 2017 the Group finalised the sale and leaseback transactions of 17 vessels entered in 2016 by delivering the last three vessels. The vessels have been leased back from periods ranging between 8 and 10 years. The sale and leaseback transaction generated a total consideration in 2017 of USD134.2 million and a net nil result. The sale and leaseback transaction can be classified as an operational lease. The lease agreements are in line with market rent for longer term charters. The future charter commitments of these leases are included in the outstanding commitments under note 28.

Main investments during 2017 relate to the Colombian port project USD71.7 million, vessels USD103.4 million and the construction of a splitter unit in Mexico USD54.4 million.

During 2017, assets with a value of USD66.3 million (mainly land and buildings) from three DT subsidiaries were transferred to assets held for sale.

# F. Notes to consolidated financial statements

## 12. Intangible assets

| USD'M | Goodwill | Licences | Other intangible assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 October 2017 | 8.1 | 38.5 | 393.4 | 440.0 |
| Additions | – | 0.4 | 35.2 | 35.6 |
| Acquired through business combination | – | – | 5.5 | 5.5 |
| Reclassifications | – | (1.5) | 0.7 | (0.8) |
| Effect of movements in exchange rates, including hyperinflation adjustment | – | (0.3) | (2.9) | (3.2) |
| Disposals | – | – | – | – |
| Divestment of subsidiaries | – | (5.1) | (24.6) | (29.7) |
| **Balance at 30 September 2018** | **8.1** | **32.0** | **407.3** | **447.4** |
| **Amortisation and impairment losses** | | | | |
| Balance at 1 October 2017 | 2.2 | 2.3 | 231.8 | 236.3 |
| Amortisation for the period | – | 0.2 | 55.9 | 56.1 |
| Impairment | – | – | – | – |
| Effect of movements in exchange rates, including hyperinflation adjustment | – | – | (0.3) | (0.3) |
| Reclassifications | – | 0.1 | (0.8) | (0.7) |
| Disposals | – | – | – | – |
| Divestment of subsidiaries | – | (0.6) | (16.8) | (17.4) |
| **Balance at 30 September 2018** | **2.2** | **2.0** | **269.8** | **274.0** |
| **Net book value at 30 September 2018** | **5.9** | **30.0** | **137.5** | **173.4** |

| USD'M | Goodwill | Licences | Other intangible assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 October 2016 | 8.1 | 36.4 | 343.2 | 387.7 |
| Additions | – | 2.0 | 50.2 | 52.2 |
| Reclassifications | – | 0.7 | 15.5 | 16.2 |
| Effect of movements in exchange rates | – | (0.4) | 0.4 | – |
| Disposals | – | – | (1.3) | (1.3) |
| Divestment of subsidiaries | – | (0.2) | (14.6) | (14.8) |
| **Balance at 30 September 2017** | **8.1** | **38.5** | **393.4** | **440.0** |
| **Amortisation and impairment losses** | | | | |
| Balance at 1 October 2016 | 2.2 | 2.1 | 152.9 | 157.2 |
| Amortisation for the period | – | 0.3 | 63.0 | 63.3 |
| Impairment | – | – | 0.2 | 0.2 |
| Effect of movements in exchange rates | – | – | – | – |
| Reclassifications | – | (0.1) | 16.5 | 16.4 |
| Disposals | – | – | (0.5) | (0.5) |
| Divestment of subsidiaries | – | – | (0.3) | (0.3) |
| **Balance at 30 September 2017** | **2.2** | **2.3** | **231.8** | **236.3** |
| **Net book value at 30 September 2017** | **5.9** | **36.2** | **161.6** | **203.7** |

Goodwill is the only intangible asset with an indefinite life. All other intangible assets are amortised as follows:

- Licence fees paid are amortised evenly over their respective periods, for which the licences have been granted, generally not exceeding 10 years;
- Other intangible assets are amortised evenly over their estimated useful economic life. Other intangibles mainly consist of software of USD122.5 million (2017: USD146.8 million) which is amortised over 5 years, and payments made under exclusivity contracts with clients for petroleum fuels and lubricants which are amortised over the contractual period.

Amortisation expenses are included in general and administrative expenses. Impairment charges are included in other income and expense. Intangible assets with finite lives are tested for impairment when impairment indicators exist. For the purpose of impairment testing, goodwill is allocated to the CGUs, or groups of CGUs.

## 13. Equity-accounted investees

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Opening Balance – 1 October | **3,487.9** | 3,464.4 |
| Effect of movements in exchange rates | **(98.6)** | 5.9 |
| Additions | **101.2** | 375.1 |
| Fair value of retained interest in deconsolidated subsidiaries | **261.1** | – |
| Disposals | **(272.3)** | (60.4) |
| Impairments | **(72.7)** | (4.2) |
| Share of net income/(loss) | **17.4** | (232.2) |
| Dividends received | **(50.4)** | (35.8) |
| Other | **(12.4)** | (24.9) |
| **Closing Balance – 30 September** | **3,361.2** | **3,487.9** |

### Financial year 2018

The additions to equity accounted investees amounted to USD101.2 million. In November 2017, the Group participated for its share in an equity placement of Nyrstar resulting in an additional investment of USD28.8 million. Other main additions relate to further investments in Porto Sudeste of USD17.8 million, an iron ore mine in Brazil of USD14.2 million, and investments in Tendril Ventures Pte Ltd of USD13.9 million.

The fair value of retained interests in deconsolidated subsidiaries of USD261.1 million predominantly relates to the recognition of the fair value of the retained interest in Simba Holding S.à r.l. as disclosed in note 6.

As disclosed in note 8, the Group sold its 20 percent interest in Buckeye Texas Partners LLC to Buckeye Texas Partners Holdings LLC in April 2018. The book value of the investment at the moment of the sale amounted to USD263.9 million, which is included in the Disposals line.

The Group's share of results in its equity-accounted investees for the year amounted to a gain of USD17.4 million. This result includes the positive share in the income of MATSA and Puma Energy of USD84.4 million and losses in Porto Sudeste and Tendril Ventures of USD107.9 million.

The Group performs a periodic assessment of whether there is an indication of asset impairment or whether a previously recorded impairment may no longer be required. The Group decided that due to Nyrstar's exposure to adverse market conditions, most notably a decline in zinc prices compounded with historically low zinc treatment charges, coupled with concerns about financial liabilities maturing in 2019, an impairment of USD72 million was required to reduce Trafigura's equity investment in Nyrstar to USD35 million.

In recognition of the volatile market price quotations of Nyrstar, the recoverable amount of USD35 million was determined based on its value-in-use using a discounted cash flow model and incorporated a discount rate of 12 percent. The value-in-use calculation inherently includes elements of judgment and estimations in relation to projected future production volumes, commodity prices and treatment charges.

In 2018, the Group received dividends of USD50.4 million from its investments in equity-accounted investees (2017: USD35.8 million).

### Financial year 2017

The Group's share of results in its equity-accounted investees for the year amounted to a loss of USD232.2 million. The positive share of income in our investments of Puma Energy and MATSA of USD81.6 million was offset against losses in Porto Sudeste and Nyrstar of USD317.6 million.

On 31 July 2017 the Group sold its 46.5 percent stake in PT Servo Meda Sejahtera (Servo), an Indonesia based business with strategic logistical assets which enable efficient transportation of unprocessed Coal from local mines to the river port. The total consideration was USD226 million and included a USD158 million repayment of outstanding loans to Servo. The result on this transaction amounted to USD3.0 million, which is offset by the share of net loss during the year until the date of the transaction.

On 18 August 2017, an investment consortium comprised of Trafigura, private investment group United Capital Partners (UCP) and Oil Holdings completed the acquisition of a 49 percent stake in Mumbai-based Essar Oil Limited (renamed in 2018 to Nayara Energy Limited) for a total consideration of USD3,880 million including acquisition costs. The acquiring entity, Kesani Enterprises Company Limited (Kesani), has financed the acquisition through a non-recourse loan facility and capital contributions by the consortium. The acquisition includes the Vadinar oil refinery and storage and import/export facilities, as well as a domestic retail network business consisting of over 3,500 retail service stations. The 20Mtpa super refinery, with a Nelson complexity index of 11.8, is located on strategic shipping routes to demand centres in the Far East and close to Middle East sources of production. India is one of the world's most important sources of growth in energy demand and the deregulation of pricing of the Indian retail market is expected to bring potential growth opportunities for EOL's retail network. Tendril Ventures Pte Ltd qualifies as an associate. Furthermore during 2017 Trafigura made additional investments of USD56.1 million in Porto Sudeste, USD9.0≈million in Buckeye Texas Partners LLC and a new investment in an Iron ore mine in Brazil of USD11.0 million.

# F. Notes to consolidated financial statements

| Name | Place of incorporation/ registration | Activities | Percentage of equity attributable to the Group 2018 | Percentage of equity attributable to the Group 2017 |
|---|---|---|---|---|
| Atalaya Mining PLC (previously known as EMED Mining Public Limited) | Cyprus | Mining | **22.4%** | 22.0% |
| Buckeye Texas Partners LLC | United States | Terminalling | **–** | 20.0% |
| Empresa Minera del Caribe S.A. (Joint venture) | Caribbean | Mining | **49.0%** | 49.0% |
| Guangxi Jinchuan Non-ferrous Metals Co., Ltd | China | Smelter | **30.0%** | 30.0% |
| Mineração Morro do Ipê S.A. | Brazil | Mining | **36.2%** | 25.5% |
| Napoil Limited | Bermuda | Oil trading | **49.0%** | 49.0% |
| Nyrstar N.V. | Belgium | Mining, Metal processing | **24.4%** | 24.6% |
| Porto Sudeste do Brasil S.A. (Joint venture) | Brazil | Port services | **49.5%** | 49.2% |
| Puma Energy Holdings Pte. Ltd. | Singapore | Mid- and downstream oil activities | **49.3%** | 49.6% |
| Tendril Ventures Pte Ltd | Singapore | Oil refinery, terminal and retailing of fuel | **49.0%** | 49.0% |
| TM Mining Ventures, S.L. (Joint venture) | Spain | Mining | **50.0%** | 50.0% |
| Transportadora Callao S.A. | Peru | Transportation | **30.0%** | 30.0% |
| Simba Holding S.à r.l. (Joint venture) | Luxembourg | Multimodal logistics and warehousing | **50.0%** | – |

| Name | Segment | 2018 USD'M | 2017 USD'M |
|---|---|---|---|
| **Oil and Petroleum:** | | | |
| Puma Energy Holdings Pte. Ltd. | Oil and Petroleum | **1,953.0** | 2,113.5 |
| Tendril Ventures Pte Ltd (Nayara Energy Limited) | Oil and Petroleum | **291.8** | 270.3 |
| Buckeye Texas Partners LLC | Oil and Petroleum | **–** | 270.9 |
| Napoil Limited | Oil and Petroleum | **8.7** | 8.7 |
| Others | Oil and Petroleum | **1.1** | 1.2 |
| | **Total** | **2,254.6** | 2,664.6 |
| **Metals and Minerals:** | | | |
| TM Mining Ventures, S.L. (MATSA) | Metals and Minerals | **454.2** | 395.6 |
| Porto Sudeste do Brasil S.A. | Metals and Minerals | **41.9** | 65.4 |
| Nyrstar N.V.* | Metals and Minerals | **35.0** | 96.7 |
| Guangxi Jinchuan Non-ferrous Metals Co., Ltd | Metals and Minerals | **151.8** | 141.7 |
| ATALAYA MINING PLC (previously known as EMED MINING PUBLIC LIMITED)* | Metals and Minerals | **81.9** | 63.7 |
| Simba Holding S.à r.l. | Metals and Minerals | **247.9** | – |
| Empresa Minera del Caribe S.A. | Metals and Minerals | **25.5** | 16.8 |
| Transportadora Callao S.A. | Metals and Minerals | **8.9** | 8.4 |
| Mineração Morro do Ipê S.A. | Metals and Minerals | **15.5** | 9.2 |
| Ryker Base Pvt Ltd | Metals and Minerals | **4.0** | – |
| Others | Metals and Minerals | **12.3** | 12.8 |
| | **Total** | **1,078.9** | 810.3 |
| **All other segments:** | | | |
| Others | Corporate and Others | **27.7** | 13.0 |
| **Total** | | **3,361.2** | 3,487.9 |

* Listed investments. Fair value as of 30 September 2018 (and 2017) based on quoted stock prices:

| | 2018 | 2017 |
|---|---|---|
| Nyrstar N.V. | 64.2 | 182.9 |
| ATALAYA MINING PLC (previously known as EMED MINING PUBLIC LIMITED) | 104.2 | 53.9 |

Only the individually significant associates Puma Energy Holdings Pte. Ltd., TM Mining Ventures S.L (MATSA) and the joint venture Simba Holding S.à r.l. are shown separate from the other associates.

| | Puma Energy Holdings Pte. Ltd. | | TM Mining Ventures, S.L. | | Simba Holding S.à.r.l. | |
|---|---|---|---|---|---|---|
| | 2018 USD'M | 2017 USD'M | 2018 USD'M | 2017 USD'M | 2018 USD'M | 2017 USD'M |
| Non current assets | **4,918.9** | 5,192.8 | **1,520.9** | 1,514.1 | **321.9** | – |
| Current assets | **2,982.4** | 2,415.0 | **174.8** | 297.7 | **75.9** | – |
| Non current liabilities | **2,977.2** | 2,764.0 | **572.7** | 579.5 | **48.8** | – |
| Current liabilities | **3,188.6** | 2,797.0 | **214.7** | 441.2 | **55.4** | – |
| Revenue | **17,697.6** | 14,178.3 | **646.9** | 593.5 | **–** | – |
| Profit/(loss) for the year | **61.2** | 127.5 | **104.9** | 49.8 | **–** | – |
| Dividends paid | **7.3** | 29.9 | **24.8** | – | **–** | – |
| Other Comprehensive income | **(565.4)** | 30.9 | **61.9** | (73.3) | **–** | – |
| Total comprehensive income | **(504.2)** | 158.4 | **166.8** | (23.5) | **–** | – |
| Net assets | **1,735.6** | 2,047.4 | **908.4** | 791.2 | **293.5** | – |
| Trafigura's ownership interest | **49.3%** | 49.6% | **50.0%** | 50.0% | **50.0%** | – |
| Fair value adjustment as a result of partial sale and other adjustments | **1,097.4** | 1,100.3 | **–** | – | **101.1** | – |
| Carrying value | **1,953.0** | 2,113.5 | **454.2** | 395.6 | **247.9** | – |

| Other associates | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Assets | **5,445.8** | 5,700.8 |
| Liabilities | **4,878.6** | 4,718.8 |
| Revenue | **2,273.0** | 2,009.9 |
| Profit/(loss) for the year | **61.0** | (300.6) |

The amount of corporate guarantees in favour of associates and joint ventures as at 30 September 2018 was USD121.7 million (2017: USD101 million).

## 14. Prepayments

Under the prepayments category we account for the prepayments of commodity deliveries. Out of the total current prepayments balance of USD3.1 billion (2017: USD3.1 billion), an amount of USD0.9 billion (2017: USD0.7 billion) relates to prepayments which are made for specifically identified cargos. The contractually outstanding prepayments amount decreases in size with each cargo that is delivered, until maturity. Once the contractually agreed total cargo has been fully delivered, the prepayment agreement falls away leaving no remaining contractual obligations on Trafigura or the supplier. The Company monitors the commodity prices in relation to the prepayment contracts and manages the credit risk together with its financial assets as described in note 29. The prepayments are split in non-current prepayments (due > 1 year) and current prepayments (due < 1 year). A portion of the long-term prepayments, as well as short-term prepayments, is insured. Unpaid interest on the prepayments is added to the prepayment balance.

## 15. Loans receivable

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Loans to associates and related parties | **305.9** | 326.4 |
| Other non-current loans receivable | **179.6** | 344.3 |
| **Total** | **485.5** | 670.7 |

The loans to associated and related parties decreased by USD20.5 million during the year. This decrease mainly results from the full repayment of the shareholder loan receivable from the equity-accounted investee Minas de Aguas Teñidas (MATSA) of USD82.6 million. This decrease was partly offset by the increase in the loan receivable to Empresa Minera del Caribe S.A. ('Emincar'), which increased by USD67.5 million to a balance of USD297.5 million as at 30 September 2018 (30 September 2017: USD230.0 million). The increase of USD67.5 million predominantly relates to the capitalisation of interest and receivables previously reported under related party receivables, offset by USD12.2 million repayments during financial year 2018.

In determining the impairment provision on loans granted to associates, where repayment is neither planned nor likely, these loans form part of the net investment in the associate and the impairment test has been based upon the total consideration on these associates. Based on these assessments no impairment needs to be recorded at 30 September 2018.

Other non-current loans receivables include various loans which are granted to counterparties which the Group trades with. The decrease for the year of USD164.7 million relates to received repayments on prior year receivables totalling USD132.5 million and reclassifications to short-term loans, partly offset by new loans. The main movements are described below.

This other non-current loans receivable includes the long-term part of a debt agreement with the Angolan Ministry of Finance of USD122.9 million (30 September 2017: USD214.8 million), which relates to compensation for iron-ore investments made by the Group following the liquidation of a consolidated Angolan subsidiary in 2016. During the year, USD91.9 million was reclassified to short term loans based on a payment plan established with the Angolan Ministry of Finance with repayment in full by end of 2020. Due to ongoing liquidity constraints within Angola for foreign currencies, the loan is in arrears. The Group continues to expect all amounts will be collected within the timeframe defined in the agreed payment plan.

The other non-current loans receivable also include a loan with a balance of USD39.9 million provided to PT Titan Infra Energy ('Titan'), the buyer of our 46.5 percent share in PT Servo Meda Sejahtera which was sold on 31 July 2017. This amount resulted from a debt refinancing by Titan during 2018, through which the prior year vendor loan receivable granted by the Group of USD70.1 million was repaid in full. As part of the refinancing the Group participated as lender within a consortium that provided a facility to Titan, resulting in the USD39.9 million loan receivable per 30 September 2018.

Based upon the individual analysis of these loans, the recorded expected losses on these loans amount to USD4.6 million (2017: USD3.3 million). The following tables explain the movements of the ECL between the beginning and the end of the year and the gross carrying amounts of the loan receivables by credit risk category.

| | 2018 | | | 2017 |
|---|---|---|---|---|
| | Performing | Under performing | Total | Performing |
| | 12-months ECL | Life time ECL | | 12-months ECL |
| Loan Receivables | USD'M | USD'M | USD'M | USD'M |
| **ECL Provision** | | | | |
| Opening Balance – 1 October | **3.3** | **–** | **3.3** | 2.5 |
| Transfer to under performing | **(1.4)** | **1.4** | **0.0** | – |
| New loans originated during the period | **2.0** | **–** | **2.0** | 1.8 |
| Loans derecognised during the period | **(1.9)** | **–** | **(1.9)** | (1.0) |
| Changes in PD/LGD/EAD | **–** | **1.2** | **1.2** | – |
| Closing Balance 30 September | **2.0** | **2.6** | **4.6** | 3.3 |
| **Gross carrying amount 30 September** | | | | |
| Current (note19) | **276.5** | **177.1** | **453.6** | 295.2 |
| Non Current | **362.6** | **122.9** | **485.5** | 670.7 |
| **Total** | **639.1** | **300.0** | **939.1** | 965.9 |

# F. Notes to consolidated financial statements

## 16. Other investments

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Listed equity securities – Fair value through OCI | **10.2** | 19.3 |
| Listed equity securities – Fair value through profit or loss | **44.6** | – |
| Listed debt securities – Fair value through profit or loss | **466.3** | 447.6 |
| Unlisted equity investments – Fair value through profit and loss | **31.6** | 45.5 |
| Unlisted equity investments – Fair value through OCI | **163.2** | 122.6 |
| **Total** | **715.9** | 635.0 |

The Group's long-term investments consist of listed equity securities, listed debt securities and unlisted equity securities. The listed equity securities have no fixed maturity or coupon rate. The fair values of listed equity investments are based on quoted market prices while the fair value of the unlisted equity securities is determined based on a Level 3 valuation prepared by management.

The increase of USD35.5 million in listed equity securities is mainly due to investments in Nostrum Oil & Gas shares of USD25.9 million as a result of the Group's security pledge on a loan and an investment in SBM Securities Ltd of USD16.7 million offset by the sale of Highland shares of USD7.4 million. The listed debt securities increased by USD18.7 million due to the upward valuation of the debt instrument related to Porto Sudeste of USD18.7 million (2017: USD135.7 million). The increase of the equity investments of USD26.7 million mainly relates to investments in Royal London Asset Management and Wolverine Fuels for a total of USD20.4 million.

The listed debt securities consist of a financial instrument related to the investment in Porto Sudeste do Brasil SA, which is accounted for under equity accounted investees in note 13. These instruments are held to collect cash flows. Since the payments on these debt instruments are dependent on the port's throughput, they are classified as fair value through profit or loss. Since the free float of these listed debt instruments is extremely thin and in the absence of normal market activity, it has been concluded that no active market exists and therefore the fair value is determined using a level 3 valuation. The holders of the instrument are entitled to a fixed royalty payment per metric tonne processed by the port and therefore have direct exposure to the business risks of Porto Sudeste. As a result, the fair value of this instrument is based on a discounted cash flow model of the port in which the business plan of Porto Sudeste is reflected. Revenue is calculated over a period ending in 2064 and throughput volumes are held constant from 2025 onwards. In this calculation, management used a discount rate of 12.5 percent (2017: 12.5%). Due to the limited liquidity of the port asset, a discount factor of 10 percent is applied (2017: 10%). The level 3 valuation of the debt securities increased as a result of movements in both foreign exchange and inflation rates leading to a value of the debt securities of USD466.3 million (2017: USD447.6 million). The sensitivity analysis on this valuation shows that an increase/decrease of the throughput of the port of five percent has an impact on the value of USD23 million (2017: USD22 million), an increase/decrease of the discount rate by 0.5% has an impact on the valuation of USD28 million (2017: USD27 million). A change in the discount rate due to lack of marketability by 0.5% has an effect of USD26 million (2017: USD25 million) on the valuation.

Throughout the financial year, no dividend has been recognised related to the equity securities held at 30 September 2018 (2017: nil). The net change in fair value in equity securities measured at fair value through other comprehensive income ('OCI') was positive USD11.9 million (2017: positive USD8.6 million). A cumulative gain of USD1.7 million (2017: USD18.2 million gain) was transferred within equity from OCI to retained earnings due to disposals of items valued at fair value through OCI.

## 17. Other non-current assets

As at 30 September 2018, the other non-current assets amounted to USD1,094.6 million (2017: USD119.1 million). This majority of this balance, amounting to USD1,073.9 million (2017: USD119.1 million), relates to the non-current part of the non-financial hedged items which are disclosed in note 29h.

## 18. Inventories

| Carrying amount | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Storage inventories | **9,038.9** | 8,508.1 |
| Floating inventories | **5,683.0** | 5,403.7 |
| Supplies | **11.0** | 14.9 |
| **Total** | **14,732.9** | 13,926.7 |

As at 30 September 2018 (and 30 September 2017) the entire inventory has either been pre-sold or hedged.

The Group is committed to financing its day-to-day trading activity through self-liquidating transactional lines, whereby the financing banks retain security on the goods purchased. The percentage of total inventories financed through these lines is carefully monitored.

## 19. Trade and other receivables

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Trade debtors | **8,722.8** | 7,148.3 |
| Provision for bad and doubtful debts | **(56.1)** | (55.1) |
| Accrued turnover | **7,472.3** | 7,406.1 |
| Broker balances | **789.9** | 1,011.0 |
| Other debtors | **388.8** | 340.9 |
| Loans to third parties | **447.3** | 293.3 |
| Loans to related parties | **6.3** | 1.9 |
| Other taxes | **570.8** | 407.6 |
| Related parties | **1,609.6** | 813.1 |
| **Total** | **19,951.7** | 17,367.1 |

All financial instruments included in trade and other receivables are held to collect the contractual cash flows except for those subject to certain dedicated financing facilities which would be held for collection of contractual cash flows and for selling the financial asset. Furthermore, the cash flows that the Group receives on these instruments are solely payments of principal and interest.

In 2018 Trafigura entered into a number of dedicated financing facilities, which finance a portion of its receivables. Part of these facilities meet the criteria of derecognition of the receivables according to IFRS. As per 30 September 2018 an amount of USD3,263.3 million of trade debtors has been discounted. Of this amount, USD2,903.3 million has been derecognised, as Trafigura has transferred substantially all the risks and rewards of ownership of the financial asset with non-recourse. The remaining part of discounted receivables which does not meet the criteria for derecognition, amounting to USD360.0 million at 30 September 2018, remains in the balance of trade debtors. For the received amount of cash of these items the company has recognised a liability under current loans and borrowings.

Of the USD8,722.8 million trade debtors, USD3,693.8 million (2017: USD2,142.7 million) had been sold on a non-recourse basis under the securitisation programme. Of the USD1,609.6 million receivables to related parties, USD719.6 million (2017: USD124.2 million) had been sold on a non-recourse basis under the securitisation programme, see note 20.

As at 30 September 2018, 10.6 percent (2017: 14.6%) of receivables were between 1-60 days overdue, and 9.2 percent (2017: 12.6%) were greater than 60 days overdue. Trafigura applied the simplified method in assessing expected credit losses. The accounts receivables have been divided in aging buckets and based on a historical analysis on defaults and recovery rates, a percentage for expected credit losses has been determined. Trafigura manages to limit credit losses by renegotiating contracts in the case of a default. From the above analysis, an expected credit loss as at 30 September 2018 of USD4.9 million has been taken into account (2017: USD4.7 million). The loss allowance provision at 30 September 2018 amounts to USD56.1 million (2017: USD55.1 million). The provision mostly relate to demurrage claims and commercial disputes with our clients.

Accrued turnover represents receivable balances for sales which have not yet been invoiced. They have similar risks and characteristic as trade debtors. Trade debtors and accrued turnover have similar cashflow characteristics and are therefore considered to be a homogeneous group of financial assets.

## 20. Securitisation programme

The Group operates various securitisation programmes: Trafigura Securitisation Finance plc. (TSF) enables the Group to sell eligible receivables and Trafigura Commodities Funding Pte. Ltd. (TCF) enables Trafigura to sell and repurchase eligible inventories. Those securitisation vehicles are consolidated and consequently the securitised receivables and inventories are included within the consolidated trade debtor and inventory balances.

Over time the external funding of TSF has increased significantly in size while incorporating a longer term committed funding element, principally through the issuance of Medium Term Notes (MTN) and Variable Funding Notes (VFN) purchased by bank sponsored conduits.

The available external funding of the securitisation programme consists of:

### Receivable securitisation

| | Interest rate | Maturity | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| TSF AAA MTN | Libor + 0.95% | 2017 – October | – | 279.0 |
| TSF BBB MTN | Libor + 2.25% | 2017 – October | – | 21.0 |
| TSF AAA MTN | Libor + 0.85% | 2020 – June | **235.0** | 235.0 |
| TSF AAA MTN | 2.47% | 2020 – June | **230.0** | 230.0 |
| TSF BBB MTN | Libor + 1.70% | 2020 – June | **35.0** | 35.0 |
| TSF AAA MTN | Libor + 0.73% | 2021 – September | **185.0** | – |
| TSF AAA MTN | 3.73% | 2021 – September | **280.0** | – |
| TSF BBB MTN | 4.33% | 2021 – September | **35.0** | – |
| TSF AAA VFN | See note | Various throughout the year | **2,973.1** | 1,525.4 |
| TSF BBB VFN | See note | Various throughout the year | **223.6** | 114.7 |
| TSF Senior subordinated debt | Libor +4.25% | 2020 – March | **108.3** | 95.8 |
| **Total** | | | **4,305.0** | 2,535.9 |

As at 30 September 2018, the maximum available amount of external funding was USD4,305.0 million (2017: USD2,535.9 million) for the receivable securitisation programme. The utilised external funding of the programme as at 30 September 2018 was USD4,294.0 million (2017: USD2,517.4 million).

### Inventory securitisation

| | Interest rate | Maturity | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| TCF VFN | See note | 2018 – November | **470.0** | – |
| TCF MLF | See note | 2018 – November | **45.0** | – |
| **Total** | | | **515.0** | – |

As at 30 September 2018, the maximum available amount of external funding was USD515.0 million (2017: Nil) for the inventory securitisation programme. The utilised external funding of the programme as at 30 September 2018 was USD239.1 million (2017: Nil).

### a. Interest rate

The rate of interest applied to the AAA Variable Funding Notes is defined in the securitisation facility documentation and is principally determined by the demand for commercial paper issued by eight bank-sponsored conduits. The Group benchmarks the rate provided against 1-week Libor. In the case of the rate of interest applicable to the BBB Variable Funding Notes, the rate of interest is principally determined by the liquidity of the interbank market.

The rate of interest applied to the VFN and MLF under the inventories securitisation is defined in the facility documentation.

### b. Maturity

The maturity of the AAA and BBB Variable Funding Notes has been staggered to diversify the maturity profile of the notes. This aims to mitigate the 'liquidity wall' risk associated with a single maturity date for a significant funding amount.

## 21. Other current assets

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Non-financial hedged items | **675.6** | 43.5 |
| Prepaid expenses | **173.9** | 139.2 |
| **Total** | **849.5** | 182.6 |

The non-financial hedged items balance of USD675.6 million (2017: USD43.4 million) fully relates to the current part of the non-financial hedged items, refer to note 29h for further information. Prepaid expenses relate to prepayments other than those made for physical commodities.

# F. Notes to consolidated financial statements

## 22. Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents approximates the carrying value. An amount of USD81.0 million (2017: USD103.6 million) of cash at bank is restricted including restrictions that require the funds to be used for a specified purpose and restrictions that limit the purpose for which the funds can be used, unless fixed asset construction invoices are presented to the banks.

| | 2018 | 2017 |
|---|---|---|
| | USD'M | USD'M |
| Cash at bank and in hand | **4,924.5** | 4,753.2 |
| Short-term deposits | **431.3** | 235.5 |
| **Total** | **5,355.8** | 4,988.7 |

As at 30 September 2018, the Group had USD9.5 billion (2017: USD8.7 billion) of committed unsecured syndicated loans of which USD2.7 billion (2017: USD2.2 billion) remained unutilised. The Group had USD3.0 billion (2017: USD2.8 billion) of immediately (same day) available cash in liquidity funds. The Group had immediate access to available liquidity balances from liquidity funds and corporate facilities in excess of USD5.7 billion (2017: USD5.0 billion). Short-term deposits made for periods longer than three months are separately shown in the statement of financial position and earn interest at the respective short-term deposit rates.

## 23. Capital and reserves

### a. Share capital

As at 30 September 2018 the company has 25,000,000 ordinary shares outstanding and a capital of USD1,504 million. During 2018 no changes took place in the outstanding share capital.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

### b. Capital securities

As part of the financing of the Company and its subsidiaries, the Company has two capital securities instruments at 30 September 2018 with a carrying value of USD953.6 million.

These two capital securities are perpetual in respect of which there is no fixed redemption date. The distribution on the capital securities is payable semi-annually in arrears every six months from the date of issue. The company may elect to defer (in whole but not in part) any distribution in respect of these capital securities by providing no more than 30 nor less than five business days' notice, unless a compulsory interest payment event has occurred, including amongst other the occurrence of a dividend payment in respect of subordinated obligations of the Company. Any interest deferred shall constitute arrears of interest and shall bear interest.

In the event of a winding-up, the rights and claims of the holders in respect of the capital securities shall rank ahead of claims in respect of the Company's shareholders, but shall be subordinated in right of payment to the claims of all present and future senior obligations, except for obligations of the Company that are expressed to rank pari passu with, or junior to, its obligations under the capital securities.

These two capital securities have a par value of SGD200 million and USD800 million respectively. The carrying value as per 30 September 2017 amounted to USD1,247.3 million and comprised three instruments with a par value of SGD200 million, USD600 million and USD500 million respectively. The capital security of USD500 million has been repaid in April 2018.

The SGD200 million capital security was originally issued in February 2014 and is listed on the Singapore Stock Exchange. The distribution on the security is 7.5 percent per annum until February 2019. The capital security may be redeemed at the Company's option in whole, but not in part, on the distribution payment date in February 2019 or any distribution date thereafter at its principal amount together with any arrears of interest, additional interest amounts and accrued interests to the date fixed for redemption upon giving not less than 30 nor more than 60 days' notice to the holders.

The USD600 million capital security was originally issued on 14 March 2017, with an additional tap of USD200 million in November 2017 increasing the carrying value to USD800 million as per 30 September 2018. The distribution on the capital security is 6.875 percent per annum until March 2022. The capital security may be redeemed at the Company's option in whole, but not in part, in the period starting 90 calendar days before, and ending on, the distribution payment date in March 2022 or any distribution date thereafter upon giving not less than 30 nor more than 60 days' notice to the holders. The early redemption amount payable by the Company shall be the principal amount of the capital security, together with any interest accrued to the date fixed for redemption, all arrears of interest and all additional interest amounts.

### c. Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation. For the impact of hyperinflation accounting, see note 32.

### d. Revaluation reserve

The revaluation reserve comprises the fair value measurements movements of the equity investments which are accounted for at fair value through other comprehensive income. On realisation of these gains or losses, for example the sale of an equity instrument, the cumulative amounts of this reserve are transferred to retained earnings. The revaluation reserve relates to a loss of USD22.4 million (30 September 2017: USD32.6 million loss) related to the mark-to-market valuation of equity investments.

### e. Cash flow hedge reserve

Trafigura has elected to not apply the cost of hedging option. Included in the cash flow hedge reserve is a loss of USD48.1 million (30 September 2017: USD47.7 million loss) related to the effective portion of the changes in fair value of cash flow hedges, net of tax. These cash flow hedges relate to hedging of interest and currency exposure on corporate loans and hedging of price exposure on future purchases and sales of physical commodities.

### f. Dividends

The value of the dividends declared on the ordinary shares amount to USD527.8 million (2017: USD933.9 million), representing USD21.1 per share (2017: USD37.4).

## 24. Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interest is provided below. The information is based on amounts before intercompany eliminations.

The Company has control over DTS Holdings Singapore Pte. Ltd. with a 50 percent equity interest (2017: 50%). DTS Holdings Singapore Pte. Ltd. is a business venture between the Group and Cochan Singapore Pte. Ltd. and is the main holding company of the DT Group. The DT Group's activities span trading, shipping, infrastructure, asset management and logistics.

The summarised statement of income is as follows:

| | 2018<br>USD'M | 2017<br>USD'M |
|---|---|---|
| Revenue | **768.3** | 1,188.4 |
| Cost of sales | **(737.1)** | (1,116.4) |
| General and administrative expenses | **(9.0)** | (12.1) |
| Other income/(expense) | **(1.7)** | (5.2) |
| Net financing income | **26.0** | 24.2 |
| **Profit before tax** | **46.5** | 78.9 |
| Income tax expense | **(0.2)** | (2.7) |
| **Profit for the period** | **46.3** | 76.2 |
| Attributable to non-controlling interest | **23.2** | 38.3 |

During 2018, DTS Holdings Singapore Pte. Ltd. declared a dividend of USD28.6 million (2017: nil).

The summarised statement of financial position as at 30 September is as follows:

| | 2018<br>USD'M | 2017<br>USD'M |
|---|---|---|
| Total non-current assets | **240.6** | 336.4 |
| Total current assets | **756.0** | 1,276.8 |
| Total non-current liabilities | **(0.0)** | (1.8) |
| Total current liabilities | **(346.1)** | (950.0) |
| **Total equity** | **650.5** | 661.4 |
| **Attributable to** | | |
| Non-controlling interests | **325.1** | 330.6 |
| Owners of the Company | **325.4** | 330.8 |

## 25. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 29.

| Carrying value of loans and borrowings | 2018<br>USD'M | 2017<br>USD'M |
|---|---|---|
| **Non-current** | | |
| Committed unsecured syndicated loans | **4,893.9** | 3,905.0 |
| Private placements | **826.6** | 207.0 |
| Listed bonds | **1,207.0** | 1,368.3 |
| Other loans | **1,520.9** | 1,907.4 |
| Finance leases | **13.7** | 13.4 |
| **Total non-current** | **8,462.1** | 7,401.1 |
| **Current** | | |
| Committed unsecured syndicated loans | **1,743.8** | 1,915.0 |
| Private placements | **–** | 124.0 |
| Listed bonds | **704.0** | – |
| Other loans | **371.5** | 637.1 |
| Finance leases | **10.4** | 7.2 |
| Short-term bank borrowings | **20,912.0** | 21,170.2 |
| **Total current** | **23,741.6** | 23,853.5 |
| **Total** | **32,203.7** | 31,254.6 |

| Net debt reconciliation | Non-current debt | Current debt | Cash and cash equivalent | Net Debt |
|---|---|---|---|---|
| **At 1 October 2017** | **(7,401.1)** | **(23,853.5)** | **4,988.7** | **(26,265.9)** |
| Cashflow movements | (2,673.3) | 1,606.1 | 367.1 | (700.1) |
| Finance lease additions | (8.8) | – | – | (8.8) |
| Currency translation gains/(losses) | 39.7 | 30.7 | – | 70.4 |
| Reclassifications from long term to short term | 1,581.4 | (1,581.4) | – | – |
| Other movements | – | 56.5 | – | 56.5 |
| **As of September 2018** | **(8,462.1)** | **(23,741.6)** | **5,355.8** | **(26,847.9)** |
| **As of October 2016** | **(7,234.2)** | **(18,033.0)** | **3,141.9** | **(22,125.3)** |
| Cashflow movements | (1,096.1) | (4,877.6) | 1,846.8 | (4,126.9) |
| Finance lease additions | (1.2) | – | – | (1.2) |
| Currency translation gains/(losses) | (27.5) | – | – | (27.4) |
| Reclassifications from long term to short term | 957.8 | (957.8) | – | – |
| Other movements | – | 14.9 | – | 14.9 |
| **As of September 2017** | **(7,401.1)** | **(23,853.5)** | **4,988.7** | **(26,265.9)** |

The total of the presented cashflow movements for non-current and current debt amount to USD1,067.2 million (2017: USD5,973.7 million). These movement are reflected in the cashflow statement lines Net proceeds from long-term loans and borrowings, Increase of short-term bank financing, and Payment of finance lease liabilities.

# F. Notes to consolidated financial statements

## a. Terms and debt repayment schedule

The terms and conditions of the outstanding debt (excluding short-term bank borrowings) per 30 September 2018 were as follows:

| | Principal | Interest rate | Maturity | Floating/fixed rate debt | < 1 year USD'M | 1-5 years USD'M | > 5 years USD'M | Total USD'M |
|---|---|---|---|---|---|---|---|---|
| **Committed unsecured syndicated loans** | | | | | | | | |
| USD | 2,250.0 | Libor + 0.60% | 2019 – March | Floating | 510.0 | – | – | **510.0** |
| USD | 3,350.0 | Libor + 0.80% | 2021 – March | Floating | – | 3,530.0 | – | **3,530.0** |
| USD | 1,175.0 | Libor + 0.65% | 2018 – October | Floating | 155.0 | – | – | **155.0** |
| CNH | 2,502.6 | Libor + 1.00% | 2018 – October | Floating | 363.8 | – | – | **363.8** |
| USD | 435.0 | Libor + 1.10% | 2020 – October | Floating | – | 435.0 | – | **435.0** |
| USD | 625.0 | Libor + 1.10% | 2018 – October | Floating | 625.0 | – | – | **625.0** |
| USD | 290.0 | Libor + 1.10% | 2019 – October | Floating | – | 290.0 | – | **290.0** |
| USD | 90.0 | Libor + 2.35% | 2018 – October | Floating | 90.0 | – | – | **90.0** |
| JPY | 72,640.0 | Libor + 0.95% | 2021 – March | Floating | – | 638.9 | – | **638.9** |
| | | | | | 1,743.8 | 4,893.9 | – | **6,637.7** |
| **Private placements** | | | | | | | | |
| USD | 98.0 | 7.11% | 2021 – April | Fixed | – | 98.0 | – | **98.0** |
| USD | 51.5 | 4.89% | 2020 – March | Fixed | – | 51.5 | – | **51.5** |
| USD | 57.5 | 5.53% | 2023 – March | Fixed | – | 57.5 | – | **57.5** |
| USD | 53.0 | 5.55% | 2023 – May | Fixed | – | 53.0 | – | **53.0** |
| USD | 67.0 | 5.72% | 2025 – May | Fixed | – | – | 67.0 | **67.0** |
| USD | 20.0 | 5.86% | 2028 – May | Fixed | – | – | 20.0 | **20.0** |
| CNY | 500.0 | 6.50% | 2021 – April | Fixed | – | 72.8 | – | **72.8** |
| CNY | 500.0 | 6.50% | 2021 – May | Fixed | – | 72.8 | – | **72.8** |
| CNY | 700.0 | 6.20% | 2021 – September | Fixed | – | 101.9 | – | **101.9** |
| EUR | 200.0 | 5.50% | 2020 – July | Fixed | – | 232.1 | – | **232.1** |
| | | | | | – | 739.6 | 87.0 | **826.6** |
| **Eurobonds** | | | | | | | | |
| EUR | 606.7 | 5.25% | 2018 – November | Fixed | 704.0 | – | – | **704.0** |
| EUR | 550.0 | 5.00% | 2020 – April | Fixed | – | 638.9 | – | **638.9** |
| CHF | 165.0 | 2.25% | 2023 – April | Fixed | – | 168.1 | – | **168.1** |
| USD | 400.0 | 5.25% | 2023- March | Fixed | – | 400.0 | – | **400.0** |
| | | | | | 704.0 | 1,207.0 | – | **1,911.0** |
| **Other loans** | | | | | | | | |
| USD | 235.0 | Libor + 0.85% | 2020 – June | Floating | – | 235.0 | – | **235.0** |
| USD | 230.0 | 2.47% | 2020 – June | Fixed | – | 230.0 | – | **230.0** |
| USD | 35.0 | Libor +1.70% | 2020 – June | Floating | – | 35.0 | – | **35.0** |
| USD | 185.0 | Libor + 0.73% | 2021 – September | Floating | – | 185.0 | – | **185.0** |
| USD | 280.0 | 3.73% | 2021 – September | Fixed | – | 280.0 | – | **280.0** |
| USD | 35.0 | 4.33% | 2021 – September | Fixed | – | 35.0 | – | **35.0** |
| USD | 129.4 | Libor + 2.65% | 2020 – September | Floating | 36.2 | 38.6 | – | **74.8** |
| USD | 172.5 | Libor + 3.15% | 2022 – March | Floating | 28.5 | 106.0 | – | **134.5** |
| USD | 108.8 | Libor + 4.25% | 2020 – March | Floating | – | 108.3 | – | **108.3** |
| USD | 200.0 | 6.33% | 2036 – July | Fixed | 5.9 | 27.7 | 155.5 | **189.1** |
| EUR | 165.0 | Euribor + 0.95% | 2019 – July | Floating | 90.9 | – | – | **90.9** |
| USD | 30.0 | Libor + 0.65%, | 2019 – March | Floating | 30.0 | – | – | **30.0** |
| USD | 25.0 | Libor + 1.00%, | 2018 – October | Floating | 25.0 | – | – | **25.0** |
| USD | 25.0 | Libor + 1.40%, | 2018 – December | Floating | 25.0 | – | – | **25.0** |
| USD | 80.0 | Libor + 1.75%, | 2018 – December | Floating | 800 | – | – | **80.0** |
| USD | 120.0 | Libor + 4.00%, | 2021 – August | Floating | 20.0 | 45.0 | – | **65.0** |
| USD | 30.0 | Libor + 2.43% | 2022 – March | Floating | 3.0 | 24.8 | – | **27.8** |
| USD | 39.6 | Libor + 2.95% | 2019 – October | Floating | 3.5 | 14.3 | – | **17.8** |
| Various loans with balances outstanding <USD'M15 | | | | | 23.5 | 0.7 | – | **24.2** |
| | | | | | 371.5 | 1,365.4 | 155.5 | **1,892.4** |
| Finance leases | | | | | 10.4 | 13.7 | – | **24.1** |
| **Total** | | | | | **2,829.7** | **8,219.6** | **242.5** | **11,291.8** |

For long term assets pledged under loans and borrowings agreements, refer to note 11 (Property, plant and equipment).

Finance lease commitments are principally for machinery and equipment. Original terms range from two years to five years, some containing renewal options.

At the time of entering into finance lease agreements, the commitments are recorded at their present value using the interest rate then applicable for long-term funding. At 30 September 2018, existing finance lease commitments are recorded at the remaining present value using the interest rate applied at commencement of the lease.

## 26. Provisions

The movement in the provisions balance during year was as follows:

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Opening balance 1 October | **90.9** | 69.3 |
| Additions | **11.5** | 20.0 |
| Reversals | **(43.3)** | – |
| Additions through business combinations | **12.8** | – |
| Amounts charged against provisions | **(1.3)** | (0.6) |
| Unwind of discount | **0.6** | 0.3 |
| Remeasurements and other movements | **(6.3)** | 5.8 |
| Divestments of subsidiaries | **(1.1)** | (3.9) |
| **Closing balance 30 September** | **63.8** | 90.9 |
| | | |
| Non-current portion | **21.1** | 21.1 |
| Current portion | **42.6** | 69.8 |
| **Closing balance 30 September** | **63.8** | 90.9 |

Provisions consist of decommissioning, rehabilitation and restoration provisions totalling USD22.8 million (2017: USD13.2 million), a provision for litigation and disputes of USD25.4 million (2017: USD44.9 million), a provision for pension liabilities of USD4.3 million (2017: USD16.9 million), and other provisions totalling USD11.3 million (2017: USD14.9 million).

Provisions for decommissioning, rehabilitation and restoration costs are recognised due to the environmental commitment the Group has made with local authorities and for its obligations to undertake site reclamation and remediation in connection with its mining and downstream activities. Provisions for litigation and disputes at 30 September 2018 relate to two situations connected with the Company's trading and storage activities in China. Further information is presented in note 28. Under the Onerous contracts the wind up of some long-term lease contracts are accounted for as well as onerous capital expenditure commitments.

## 27. Trade and other payables

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Trade creditors | **3,248.8** | 2,463.7 |
| Accrued costs of sales and expenses | **10,410.9** | 7,395.6 |
| Broker balances | **29.7** | 15.6 |
| Related parties | **119.8** | 66.0 |
| | | |
| **Total** | **13,809.2** | 9,940.9 |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

## 28. Contingencies and commitments

The total contingent liabilities related to trade finance instruments, such as letters of credit and guarantees, as at 30 September 2018 amount to USD9,032.3 million (2017: USD6,707.0 million). In addition to the trade finance liabilities, the Group has various other outstanding commitments. As per 30 September 2018, and 30 September 2017, these are as follows:

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Storage rental | **2,020.3** | 2,572.2 |
| Time charters | **4,126.5** | 2,735.9 |
| Office rent | **99.5** | 111.8 |
| | **6,246.3** | 5,419.9 |
| Assets under construction | **2.8** | 41.0 |
| | | |
| **Total** | **6,249.1** | 5,460.9 |

In 2017 and 2018 Trafigura entered into lease transactions with an Asian financial counterparty for new build crude oil and product tankers. As at 30 September 2018, 35 leases have been entered into (2017: 30 leases). The vessels will be delivered from the end of calendar year 2018, with the majority of the vessels being delivered in the first quarter of calendar year 2019.

Non-cancellable operating lease rentals are payable as follows:

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Less than one year | **1,290.5** | 1,199.4 |
| Less than one year and less than five years | **3,552.5** | 2,880.2 |
| Later than five years | **1,403.3** | 1,340.3 |
| | | |
| **Total** | **6,246.3** | 5,419.9 |

The Company and its subsidiaries are parties to a number of legal claims and proceedings arising out of their business operations. The Group believes that the ultimate resolution of these claims and proceedings will not, in the aggregate, have a material adverse effect on the Group's financial position, consolidated income or cash flows. Such legal claims and proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that the Group could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

As reported in the press, at certain warehouses in China, notably for the Company at Qingdao, Pinglai and Yingkou, there have been rumours that fraudulent warehouse certificates are in circulation. One of the Company's subsidiaries has issued warehouse certificates, and also has a limited number of collateral management agreements in place, regarding metal stored at these locations. The position remains that it has not been possible to independently verify the quantity and ownership of the metal stored at these locations and consequently legal proceedings have been commenced in England and China relating to ownership of the metal and potential liabilities regarding the storage arrangements. In view of the uncertainties surrounding (a) the volume of material in the warehouses; (b) its correct ownership; and (c) the approach the majority of the customers will ultimately take, it remains premature to speculate on the Group's likely net total exposure in relation to this matter. Looking at hypothetical yet realistic scenarios, it is considered unlikely that a potential liability would be material for the Group.

The Group has a potential financial exposure resulting from certain oil trading and risk management activities of its counterparty's representative. These activities are the subject of on-going actions, claims and disputes against the Group. The underlying circumstances regarding these actions, claims and disputes are complex and opaque and consequently how these disputes and actions will be resolved is uncertain and the provisions taken for them are reviewed annually (and adjusted appropriately) based on the most current information and advice.

Guarantees include guarantees to trading partners in the normal course of business.

# F. Notes to consolidated financial statements

## 29. Financial instruments

### a. Financial risk management

The Group is exposed to a number of different financial risks arising from normal business exposures as well as its use of financial instruments including: market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk.

Prudently managing these risks is an integral element of Trafigura's business and has been institutionalised since the Group's foundation. Risk management guidelines are established at senior management level. The various risks the Group is exposed to are managed through a combination of internal procedures, such as strict control mechanisms and policies, as well as external third parties such as the derivative, insurance and bank markets. As a rule, Trafigura actively manages and lays off where possible a large majority of the risks inherent to its activity. Trafigura's conservative risk management process is designed to:

- Provide a full and accurate awareness of risks throughout the Group
- Professionally evaluate and monitor these risks through a range of risk metrics
- Limit risks via a dynamic limit setting framework
- Manage risks using a wide range of hedging instruments and strategies
- Ensure a constant dialogue between trading desks, risk managers and senior management

The three main, reinforcing, components of Trafigura's risk management process are the Chief Risk Officer (CRO), the Derivatives Trading Committee, and the trading teams.

The Chief Risk Officer is independent of the revenue-producing units and reports to the Chief Operating Officer and the Management Committee. The CRO has primary responsibility for assessing and monitoring Trafigura's market risks. The CRO's team liaise directly with the trading teams to analyse new opportunities and ensure that risk assessments adapt to changing market conditions. The CRO's team also ensures Trafigura's risk management capabilities incorporate ongoing advances in technology and risk management modelling capabilities.

The Derivatives Trading Committee, which is comprised of members of the Management Committee and the Chief Risk Officer, is responsible for applying Trafigura's risk management capabilities towards improving the overall performance of the Group. In 2018, the Derivatives Trading Committee met weekly to discuss and set risk and concentration limits, review changing market conditions, and analyse new market risks and opportunities.

Trafigura's trading teams provide deep expertise in hedging and risk management in the specific markets each team operates in. While the trading teams have front line responsibility for managing the risks arising from their activities, our process ensures a strong culture of escalation and accountability, with well-defined limits, automatic notifications of limit overages and regular dialogue with the CRO and Derivatives Trading Committee.

### b. Market risk

Market risk is the risk of loss in the value of Trafigura's positions due to changes in market prices. Trafigura holds positions primarily to ensure our ability to meet physical supply commitments to our customers, to hedge exposures arising from these commitments, and to support our investment activities. Our positions change due to changing customer requirements and investment opportunities. The value of our positions is accounted for at fair value and therefore fluctuates on a daily basis due to changes in market prices. Categories of market risk we are exposed to include:

- Commodity price risk results from exposures to changes in spot prices, forward prices and volatilities of commodities, such as crude oil, petroleum products, natural gas, base metals, coal and iron ore.
- Currency rate risk results from exposures to changes in spot prices, forward prices and volatilities of currency rates.
- Interest rate risk results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of interest rates, and credit spreads.
- Equity price risk results from exposures to changes in prices and volatilities of individual equities and equity indices.

Trafigura hedges a large majority of price risks arising from its activities. When there is a difference in the characteristics of available hedging instruments and the corresponding commodity price exposures, Trafigura remains exposed to a residual price risk referred to as basis risk. Dynamically managing the basis risk that arises from Trafigura's activities requires specialist skills and is a core focus of our trading and risk management teams.

#### *Value at Risk*

Value at Risk (VaR) is a statistical estimate of the potential loss in value of our positions and unsold in-transit material due to adverse market movements. Trafigura calculates VaR over a one-day time horizon with a 95 percent confidence level. We use an integrated VaR model which captures risks including commodity prices, interest rates, equity prices and currency rates. Trafigura's integrated VaR model facilitates comparison of VaR across portfolios comprised of a range of different risk exposures.

As of 30 September 2018, Trafigura's one day market risk VaR was USD8.0 million (2017: USD6.1 million). Average market risk VaR (1 day 95%) during the fiscal year was USD7.8 million compared to USD6.8 million in the previous fiscal year. Trafigura's Management Committee has set a target of maintaining VaR (1 day 95%) below one percent of Group equity.

Trafigura is aware of the inherent limitations to VaR and therefore uses a variety of risk measures and risk management techniques to create a robust risk management process. Limitations of VaR include:

- VaR does not estimate potential losses over longer time horizons where the aggregate moves may be extreme.
- VaR does not take account of the liquidity of different risk positions and therefore does not estimate the losses that might arise if Trafigura liquidated large positions over a short period of time.
- VaR is based on statistical analysis of historical market data. If this historical data is not reflective of futures market prices movements, VaR may not provide accurate predictions of future possible losses.

Trafigura's VaR calculation covers its trading businesses in the crude oil, refined oil products, petrochemical, natural gas, metals, concentrates, coal, iron ore, and freight markets and assesses the open-priced positions which are those subject to price risk, including inventories of these commodities. Trafigura's VaR model is based on historical simulations, with full valuation of more than 5,000 market risk factors.

VaR is calculated based on simultaneously shocking these risk factors. More recent historical price data is more heavily weighted in these simulations, which enables the VaR model to adapt to more recent market conditions and improves the accuracy of our estimates of potential losses.

Trafigura's VaR model utilises advanced statistical techniques that incorporate the non-normal price dynamics that are an important feature of commodity markets. Our VaR model is continuously and automatically calibrated and back-tested to ensure that its out-of-sample performance adheres to well defined targets. In addition, our VaR model is regularly updated to ensure it reflects the current observed dynamics of the markets Trafigura is active in.

Trafigura has made a significant, ongoing investment in risk management systems, including a reporting system which automatically distributes customised risk reports throughout the Group on a daily basis. These reports provide up-to-date information on each team's risk using industry standard measures such as 95 percent and 99 percent Value at Risk and performance indicators such as Sharpe ratios.

All trading books have well defined VaR risk limits and management and the trading teams are automatically notified whenever a book nears its risk limit, as well as whenever a VaR overage occurs. In addition, Trafigura's deals desk management team is automatically notified whenever statistically anomalous changes occur in the profit and loss of any deal.

For senior management, the daily reports provide a comprehensive view of Trafigura's risk, classified according to various risk factors. These reports emphasise the risk diversification created by the Group's varied activities and highlight any excessive risk concentrations.

### c. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument or physical contract fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Company has a formalised credit process with credit officers in the key locations around the world. Strict credit limits are set up for each counterparty on the basis of detailed financial and business analysis. These limits are constantly monitored and revised in light of counterparty or market developments and the amount of exposure relative to the size of the Group's balance sheet. The Company makes extensive use of the banking and insurance markets to cover any counterparty or country risks that are in excess of its credit limits.

The risk management monitoring and decision-making functions are centralised and make extensive use of the Company's integrated bespoke IT system. The Company conducts transactions with the following major types of counterparties:

- Physical commodity counterparties spread across the vertical chains of crude and petroleum products, non-ferrous concentrates, refined metals and bulk commodities industries, e.g. producers, refiners/smelters and end-users. Sales to investment grade and non-investment grade counterparties are made on open terms up to internally approved credit limits. Exposures above such limits are subject to payment guarantees.
- Payment guarantee counterparties, i.e. prime financial institutions from which the Company obtains payment guarantees.
- Hedge counterparties comprising a number of prime financial institutions and physical participants in the relevant markets. There is no significant concentration of risk with any single counterparty or group of counterparties. Collateral is obtained from counterparties when the Company's exposure to them exceeds approved credit limits. It is the Company's policy to have ISDA Master Agreements or ISDA-based Long-Form Confirmation Agreements in place with all hedging counterparties.

The Company trades in all major geographic regions. Where appropriate, guarantees, insurance and letters of credit are used to reduce payment or performance risk. The Company has gross credit exposure in locations across the world with a concentration in emerging markets. Most of this exposure is transferred to third parties while the Company retains between 10 percent to 20 percent on average of the individual exposures.

The Company's maximum exposure to credit risk, without considering netting agreements or without taking into account any collateral held or other credit enhancements, is equal to the carrying amount of Trafigura's financial assets as indicated in the balance sheet plus the guarantees to third parties and associates. The Company's objective is to seek continued revenue growth while minimising losses incurred due to increased credit risk exposure.

The Group has amounts and guarantees outstanding related to countries that are impacted by sanctions currently imposed by the US and EU. The Group analysed the sanctions and exposures and concluded that these do not materially impact the Group's positions.

# F. Notes to consolidated financial statements

*(i) Concentration of credit risk*

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the Company's counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The carrying amount of financial assets represents the maximum credit exposure. The Company determines concentrations of credit risk by monitoring the country profile of its third party trade receivables on an on-going basis.

Trafigura has a diverse customer base, with no customer representing more than 5.1 percent of its revenues over the year ended 30 September 2018 (2017: 4.6%).

Refer to note 19 for the aging of trade and other receivables at the reporting date that were not impaired.

*(ii) Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are considered creditworthy debtors. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default. The credit quality of trade and other receivables is assessed based on a strict credit policy. The Group monitors customer credit risk, by grouping trade and other receivables based on their characteristics.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

*(iii) Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in note 19 (Trade and other receivables).

*(iv) Guarantees*

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries and trading partners in the normal course of business. As part of the Group's ordinary physical commodity trading activities, Trafigura Group Pte. Ltd. may act as guarantor by way of issuing guarantees accepting responsibility for subsidiaries' contractual obligations.

## d. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an on-going basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and cash equivalents and ready sources of committed funding available to meet anticipated and unanticipated funding needs. Sound financial management with a focus on liquidity has been instrumental to the Group's success. The Company has demonstrated the ability to raise the appropriate types of financing to match the needs of the business and to tap various investor bases (e.g. syndicated loan markets, trade finance markets, bond markets, private placement markets, securitisation etc.), maturities and geographies.

The Company manages its treasury and liquidity risks maintaining a strong liquidity position through the following:

- Targeting immediately-available cash on hand of minimum USD500 million under normal conditions (higher in the case of extreme volatility);
- Maintaining transactional lines which allow the Group to mark-to-market financings to the value of the underlying physical assets. Mark to market financing is performed weekly (or intra-weekly in the case of extreme volatility) and provides an additional source of liquidity which is not available to competitors which are financed purely from revolving credit facilities;
- Committed unsecured credit facilities;
- Maintaining headroom under transactional trade finance lines and committed revolving credit facilities; and
- Reasonable distribution of profit (significant retained earnings) and subordination of repurchased equity.

The amount of corporate guarantees in favour of associates and joint ventures as at 30 September 2018 was USD121.7 million (2017: USD101.0 million). The maturity analysis of the Group's financial liabilities based on the contractual terms is as follows:

| | **Total USD'M** | 0-1 years USD'M | 1-5 years USD'M | > 5 years USD'M |
|---|---|---|---|---|
| **30 September 2018** | | | | |
| **Financial liabilities** | | | | |
| Current and non-current loans and borrowings | **32,203.7** | 23,741.6 | 8,219.6 | 242.5 |
| Trade and other payables | **13,809.2** | 13,809.2 | – | – |
| Expected future interest payments on committed lines | **923.7** | 309.3 | 448.1 | 166.3 |
| Derivative financial liabilities | **1,124.6** | 848.7 | 273.9 | 2.0 |
| **Total financial liabilities** | **48,061.2** | **38,708.8** | **8,941.6** | **410.8** |

| | **Total USD'M** | 0-1 years USD'M | 1-5 years USD'M | > 5 years USD'M |
|---|---|---|---|---|
| **30 September 2017** | | | | |
| **Financial liabilities** | | | | |
| Current and non-current loans and borrowings | **31,254.6** | 23,853.5 | 7,173.9 | 227.2 |
| Trade and other payables | **9,940.9** | 9,940.9 | – | – |
| Expected future interest payments on committed lines | **683.2** | 224.4 | 279.2 | 179.6 |
| Derivative financial liabilities | **702.6** | 434.9 | 266.8 | 0.9 |
| **Total financial liabilities** | **42,581.3** | **34,453.7** | **7,719.9** | **407.7** |

## e. Interest rate risk

Trafigura is not exposed to significant interest rate risk. Interest rate risk of the Group is mainly applicable on the long-term funding of the Group, although a majority of debt, whether long-term or short-term, is floating rate.

At 30 September 2018, assuming the amount of floating rate liabilities (excluding working capital financing) were outstanding for the whole year, interest rates were 50 basis points higher/lower and all other variables held constant, the Group's profit, other comprehensive income and group equity for the year ended 30 September 2018 would decrease/increase by USD27.5 million (2017: USD24.2 million).

From time to time the Group enters into interest rate derivatives transactions to lock-in current interest rate levels, for instance, interest rate swaps provide a method of reducing the Group's exposure to floating interest rates arising from its corporate funding programmes. To realise the desired matching of derivative results with the hedged interest rate payments, cash flow hedge accounting is applied and the derivatives are designated as hedging instruments. The derivatives are carried on balance and their effectiveness is tested on a quarterly basis.

## f. Currency risk

Trafigura has few exposures to foreign currency risk on its trading activities and those that do exist are hedged out. The Group does not use financial instruments to hedge the translation risk related to equity and earnings of foreign subsidiaries and non-consolidated companies.

The Group uses cross-currency swaps to hedge currency risk on the principal and related payments of foreign currency denominated loans and bonds for which cash-flow hedge accounting is applied. The hedge relationship is expected to be highly effective due to the matching of critical terms between the underlying hedged item and the associated hedge instrument.

The periods when the cash flows are expected to occur are similar to the periods when the cash flows on the foreign currency denominated loans and bonds occur as indicated in note 25 and 29d. Ineffectiveness may arise if the underlying interest reference rate is divergent to the underlying reference rate in the Company's debt agreements, to the extent that the hedging instrument is already in the money or out of the money at the point of designation (compared to the hypothetical derivative that must be created on market), when the timing of the hedging instrument goes beyond the hedged item and it is not considered highly probable that the hedged item will be refinanced beyond its current maturity date or if the hedging instrument is for an amount greater than the hedged item.

## g. Cash flow hedge accounting

During the year, the Group elected to apply cash flow hedge accounting to hedge certain non-financial hedged items. These are the future purchases and sales of mining products and LNG.

The designated hedge derivatives are accounted for at fair value, with the fair value movements being deferred through other comprehensive income where they are deemed to be entered in an effective hedge relationship with cash flows that are yet to be reflected in the statement of income. Any fair value movements that are not considered to be an effective hedge are recognised directly through the statement of income.

Ineffectiveness will occur due to time spread between the hedged item and the hedging instrument as well as due to the basis risk. The effectiveness of the economic relationship between the hedging instruments and the hedged item has been assessed at the inception of the hedge accounting designation and is reassessed prospectively when new hedging products are introduced and at least annually at the beginning of the reporting period. The hedge ratio is determined by the ratio which provides a strong relationship between movements in the fair value of the hedged item and hedging instruments at the inception of the hedge accounting relationship.

The overview of the cash flow hedges is as follows:

| | | | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|---|---|
| | Maturity | Equivalent | Notionals | | Fair values | |
| Cross-currency swap | | USD | **1,915.0** | 1,670.2 | **(50.0)** | (21.6) |
| Cross-currency interest rate swap | | USD | **681.8** | 581.3 | **(41.7)** | (60.7) |
| Future purchases and sales of LNG | < 1 year | various | **1,121.4** | – | **(86.8)** | – |
| Future purchases and sales of LNG | 1–4 years | various | **381.1** | – | **(38.5)** | – |
| Future sales mining production | < 1 year | DMT | **69,050.0** | 79,425.0 | **28.2** | (31.9) |
| **Total** | | | | | **(188.8)** | **(114.2)** |

| | Ineffectiveness recognised through statement of income | Hedge result deferred through other comprehensive income |
|---|---|---|
| Cross-currency swap | 0.1 | 3.4 |
| Cross-currency interest rate swap | 2.9 | 2.6 |
| Future purchases and sales of LNG | (28.4) | (90.7) |
| Future sales mining production | 20.9 | 80.3 |

Other comprehensive movements in the equity movement schedule include USD40 million movement of cash flow hedge reserves from equity-accounted investees (2017: USD45 million).

## h. Fair value hedge accounting

In some instances, the Group elects to apply fair value hedge accounting to non-financial hedged items or certain risk components of non-financial hedged items. These non-financial hedged items relate to firm commitments with respect to tolling agreements, a transportation agreement, and offtake agreements.

### *Hedged items*

The Group's tolling agreements represent a non-financial hedged item which Trafigura has entered into for fractionation services to convert crude feedstock into various crude refined products. The derivative hedging instruments (hedges consisting of futures and swaps) are entered into, to hedge the spread exposures, referred as the hedged risk, between the purchase of crude feedstock and the sale of crude refined products.

The Group's transportation agreement represent a non-financial hedged item which Trafigura has entered into for transportation services to move crude oil from the Permian Basin of Texas to the Gulf Coast. The derivative hedging instruments (hedges consisting of futures and swaps) are entered into, to hedge the spread exposures, referred as the hedged risk, between the purchase of inland crude oil barrels and the sale of those barrels on the Gulf Coast.

The Group's offtake agreements represent a non-financial hedged item which Trafigura has entered into for the purchase of liquefied natural gas (LNG) from the US with a number of counterparties. The derivative hedging instruments (hedges consisting of futures and swaps) are entered into, to hedge the spread exposures, referred as the hedged risk, between purchasing LNG from the US and selling LNG to its expected destination markets. Where the hedging on the tolling and transportation agreements is done on the above described risk components, offtake agreements are designated as hedged item in its entirety.

# F. Notes to consolidated financial statements

*Hedging instruments*

When applicable, the Group designates derivative hedging instruments as fair value hedges in relationship to the associated hedged items:

- The maturity profile of the hedging instruments used for hedging the designated risk components associated with the tolling agreements varies from one to five years.
- The maturity profile of the hedging instruments used for hedging the designated risk components associated with the transportation agreement varies from one to three years.
- The maturity profile of the hedging instruments used for the hedging of the offtake agreement varies from one to six years.

The designated hedge derivatives are accounted for at fair value through profit and loss and reflected on the balance sheet as a financial asset or liability. The identified hedged items are accounted for at fair value and recognized through profit and loss, the fair value is reflected on the balance sheet as either a recognised asset or liability, see notes 17 and 21. The fair value is determined using benchmarks best representing the designated hedged item. Specifically in the case of LNG, the fair value of the hedged item also considers unobservable inputs.

*Economic relationship*

IFRS 9 requires the existence of an economic relationship between the hedged item and the hedging instrument. At designation and at the start of each reporting period critical terms (volumes) of both hedged items and hedge instruments in a hedge relationship are reviewed to ascertain the expectation that the value of the hedging instrument and the value of the hedged item would move into opposite directions as a result of the common underlying or hedged risk and therefore meeting the risk management objective of the hedge relationship.

*Hedge effectiveness assessment*

At each reporting date or on significant changes in circumstances a quantitative hedge effectiveness assessment is performed. The fair values of both hedged items and hedging instruments are measured and the net difference of the changes is the hedge ineffectiveness amount. The hedge ineffectiveness amount is analysed by its various sources (basis differences, location differences, timing differences, quantity or notional amount differences, currency basis and forward points, credit risk or other risks) where applicable. Specific factors that may impact ineffectiveness are the mismatch in the designated hedge period and the maturity period of the hedging instrument and a differential of the various benchmarks for the pricing of the hedging instruments and the hedged items. In the case of LNG, the hedged item is valued in entirety, however, the FX hedges have not been designated into a hedge relationship giving rise to ineffectiveness on account of FX exposures embedded in the hedged item. The fair value of the FX hedges, that have not been designated, can be seen in the table below.

The fair value adjustment on the non-financial hedged items is presented in the balance sheet under the following categories:

| | **30 September 2018** | | 30 September 2017 | |
|---|---|---|---|---|
| | **Other non-current assets (note 17)** | **Other current assets (note 21)** | Other non-current assets (note 17) | Other current assets (note 21) |
| Non-financial hedged items – tolling agreements | **283.2** | **85.6** | 119.1 | 43.5 |
| Non-financial hedged items – transportation agreements | **269.2** | **465.1** | – | – |
| Non-financial hedged items – LNG contracts | **521.5** | **124.9** | – | – |
| **Total** | **1,073.9** | **675.6** | 119.1 | 43.5 |

The following table summarises the movements in the non-financial hedged items and the related derivatives, as well as the hedge ineffectiveness recognised in the statement of income.

| Fair value hedge accounting | **30 September 2018 USD'M** | 30 September 2017 USD'M |
|---|---|---|
| **Opening balances of the derivatives designated as hedges** | **(179.4)** | 127.1 |
| Fair value movement included in the hedge relationship | **(1,881.4)** | (226.3) |
| Hedges for which hedge relationship matured | **64.6** | (99.4) |
| Hedges not designated in hedge relationship | **98.3** | 19.2 |
| **Closing balance of the derivatives designated as hedges** | **(1,897.9)** | (179.4) |
| **Opening balance of the hedged item** | **162.6** | (151.8) |
| Fair value movement included in the hedge relationship | **1,627.0** | 218.1 |
| Hedging gain/(loss) released to profit or loss | **(40.1)** | 96.3 |
| **Closing balance of the hedged item** | **1,749.5** | 162.6 |
| Lifetime to date net gain/(loss) | **(148.4)** | (16.9) |
| Year to date net gain/(loss) | **(131.5)** | 7.9 |
| Year to date hedge ineffectiveness | **(254.4)** | (8.3) |

## i. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company's immediate parent, Trafigura Beheer B.V., is exclusively owned by its employees. This shareholding arrangement leads to an alignment of the long term interests of the Company and its management team. By virtue of having its own capital at risk, senior management is incentivised to take a long-term view of the Company's overall performance and to protect its capital.

The Company's capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Company monitors capital using an adjusted debt to equity ratio, which is adjusted total debt divided by the Company's equity. For this purpose, the adjusted debt metric represents the Company's total long and short-term debt less cash, deposits, readily marketable inventories (including purchased and pre-paid inventories which are being released), debt related to the Company's receivable securitisation programme and the non-recourse portion of loans from third-parties.

## j. Fair value

### *(i) Fair values versus carrying amounts*

The fair values of inventories, financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| 30 September 2018 | Carrying value USD'M | Fair value USD'M |
|---|---|---|
| **Assets** | | |
| Listed equity securities – Fair value through OCI | 10.2 | 10.2 |
| Listed equity securities - Fair value through profit and loss | 44.6 | 44.6 |
| Listed debt securities – Fair value through profit or loss | 466.3 | 466.3 |
| Unlisted equity investments – Fair value through profit or loss | 31.6 | 31.6 |
| Unlisted equity investments – Fair value through OCI | 163.2 | 163.2 |
| Loans receivable (*) | 485.5 | 485.5 |
| Inventories | 14,732.9 | 14,732.9 |
| Trade and other receivables (*) | 19,951.7 | 19,951.7 |
| Non-financial hedged items | 1,749.5 | 1,749.5 |
| Derivatives | 907.6 | 907.6 |
| Deposits (*) | 334.4 | 334.4 |
| Cash and cash equivalents (*) | 5,355.8 | 5,355.8 |
| **Total financial assets and inventories** | **44,233.3** | **44,233.3** |
| | | |
| **Liabilities** | | |
| Loans and borrowings | | |
| Floating rate borrowings (*) | 28,708.0 | 28,708.0 |
| Fixed rate borrowings | 3,471.6 | 3,481.2 |
| Finance lease and purchase contract (*) | 24.1 | 24.1 |
| Trade and other payables (*) | 13,809.2 | 13,809.2 |
| Derivatives | 1,124.6 | 1,124.6 |
| **Total financial liabilities** | **47,137.4** | **47,147.1** |

| 30 September 2017 | Carrying value USD'M | Fair value USD'M |
|---|---|---|
| **Assets** | | |
| Listed equity securities – Fair value through OCI | 19.3 | 19.3 |
| Listed debt securities – Fair value through profit or loss | 447.6 | 447.6 |
| Unlisted equity investments – Fair value through profit or loss | 45.5 | 45.5 |
| Unlisted equity investments – Fair value through OCI | 122.6 | 122.6 |
| Loans receivable (*) | 670.7 | 670.7 |
| Inventories | 13,926.7 | 13,926.7 |
| Trade and other receivables (*) | 17,367.1 | 17,367.1 |
| Non-financial hedged items | 162.6 | 162.6 |
| Derivatives | 610.4 | 610.4 |
| Deposits (*) | 338.3 | 338.3 |
| Cash and cash equivalents (*) | 4,988.7 | 4,988.7 |
| **Total financial assets and inventories** | **38,699.5** | **38,699.5** |
| | | |
| **Liabilities** | | |
| Loans and borrowings | | |
| Floating rate borrowings (*) | 28,873.7 | 28,873.7 |
| Fixed rate borrowings | 2,360.3 | 2,453.2 |
| Finance lease and purchase contract (*) | 20.6 | 20.6 |
| Trade and other payables (*) | 9,940.9 | 9,940.9 |
| Derivatives | 702.6 | 702.6 |
| **Total financial liabilities** | **41,898.1** | **41,991.0** |

(*)Management has determined that the carrying amounts of loans receivable, trade and other receivables, cash and cash equivalents, deposits, floating rate borrowings, finance lease and purchases contracts, and trade and other payables reasonably approximate their fair values because these are mostly short-term in nature and are re-priced regularly.

### *Offsetting of financial assets and liabilities*

In accordance with IAS 32 the Group reports financial assets and liabilities on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The financial assets and liabilities subject to offsetting, enforceable master netting and similar agreements as at 30 September 2018 and 2017 were as follows:

| | Amounts eligible for set off under netting agreements | | | | |
|---|---|---|---|---|---|
| | Gross Amount | Amounts offset | Net amount | Amounts not subject to netting agreements | Net amounts presented in the statement of financial position |
| 2018 | USD'M | USD'M | USD'M | USD'M | USD'M |
| Related parties | 1,696.7 | (87.1) | 1,609.6 | – | 1,609.6 |
| Derivative assets | 1,238.8 | (805.5) | 433.3 | 474.3 | 907.6 |
| | | | | – | |
| Related parties | (206.9) | 87.1 | (119.8) | – | (119.8) |
| Derivative liabilities | (1,387.5) | 805.5 | (581.9) | (542.7) | (1,124.6) |

| | Amounts eligible for set off under netting agreements | | | | |
|---|---|---|---|---|---|
| | Gross Amount | Amounts offset | Net amount | Amounts not subject to netting agreements | Net amounts presented in the statement of financial position |
| 2017 | USD'M | USD'M | USD'M | USD'M | USD'M |
| Related parties | 822.2 | (9.1) | 813.1 | – | 813.1 |
| Derivative assets | 674.2 | (458.0) | 216.2 | 394.2 | 610.4 |
| Related parties | (75.1) | 9.1 | (66.0) | – | (66.0) |
| Derivative liabilities | (735.6) | 458.0 | (277.6) | (425.0) | (702.6) |

For the financial assets and liabilities subject to enforceable master netting or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities may be settled on a gross basis, however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

# F. Notes to consolidated financial statements

*(ii) Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 1 classifications primarily include futures with a maturity of less than one year. Level 2 classifications primarily include swaps and physical forward transactions which derive their fair value primarily from exchange quotes and readily observable broker quotes. Level 3 classifications primarily include physical forward transactions which derive their fair value predominately from calculations that use broker quotes and applicable market based estimates surrounding location, quality and credit differentials. In circumstances where Trafigura cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value. It is Trafigura's policy to hedge significant market risk, therefore sensitivity to fair value movements is limited. Trafigura manages its market risk using the Value at Risk (VaR) as disclosed in note 29b.

| Other financial assets and inventories | Level 1 USD'M | Level 2 USD'M | Level 3 USD'M | **Total USD'M** |
|---|---|---|---|---|
| **30 September 2018** | | | | |
| Listed equity securities – Fair value through OCI | 10.2 | – | – | **10.2** |
| Listed equity securities – Fair value through profit or loss | 44.6 | – | – | **44.6** |
| Listed debt securities – Fair value through profit or loss | – | – | 466.3 | **466.3** |
| Unlisted equity investments – Fair value through profit and loss | – | – | 31.6 | **31.6** |
| Unlisted equity investments – Fair value through OCI | – | – | 163.2 | **163.2** |
| Futures | 7.8 | – | – | **7.8** |
| OTC derivatives | – | 93.1 | 44.7 | **137.8** |
| Physical forwards | – | 1.4 | 329.0 | **330.4** |
| Cross-currency swaps | – | 63.4 | – | **63.4** |
| Interest rate swaps | – | 21.6 | – | **21.6** |
| Non-financial hedged items | – | 1,103.0 | 646.5 | **1,749.5** |
| Other financial derivatives | – | 346.5 | – | **346.5** |
| Inventories | – | 14,732.9 | – | **14,732.9** |
| **Total** | **62.6** | **16,362.0** | **1,681.3** | **18,105.8** |

| Other financial liabilities | Level 1 USD'M | Level 2 USD'M | Level 3 USD'M | **Total USD'M** |
|---|---|---|---|---|
| **30 September 2018** | | | | |
| Futures | 5.3 | – | – | **5.3** |
| OTC derivatives | – | 356.1 | – | **356.1** |
| Physical forwards | – | 0.7 | 307.9 | **308.6** |
| Cross-currency swaps | – | 155.1 | – | **155.1** |
| Interest rate swaps | – | 1.4 | – | **1.4** |
| Other financial derivatives | – | 298.1 | – | **298.1** |
| Fixed rate borrowings | – | 3,479.6 | – | **3,479.6** |
| **Total** | **5.3** | **4,291.0** | **307.9** | **4,604.2** |

| Other financial assets and inventories | Level 1 USD'M | Level 2 USD'M | Level 3 USD'M | **Total USD'M** |
|---|---|---|---|---|
| **30 September 2017** | | | | |
| Listed equity securities – Fair value through OCI | 19.3 | – | – | **19.3** |
| Listed debt securities – Fair value through profit or loss | – | – | 447.6 | **447.6** |
| Unlisted equity investments – Fair value through profit and loss | – | – | 45.5 | **45.5** |
| Unlisted equity investments – Fair value through OCI | – | – | 122.6 | **122.6** |
| Futures | 24.4 | – | – | **24.4** |
| OTC derivatives | – | 64.7 | 41.9 | **106.6** |
| Physical forwards | – | 1.8 | 231.4 | **233.2** |
| Cross-currency swaps | – | 68.8 | – | **68.8** |
| Interest rate swaps | – | 5.7 | – | **5.7** |
| Non-financial hedged items | – | 162.5 | – | **162.6** |
| Other financial derivatives | – | 171.7 | – | **171.7** |
| Inventories | – | 13,926.7 | – | **13,926.7** |
| **Total** | **43.7** | **14,402.0** | **889.0** | **15,334.7** |

| Other financial liabilities | Level 1 USD'M | Level 2 USD'M | Level 3 USD'M | **Total USD'M** |
|---|---|---|---|---|
| **30 September 2017** | | | | |
| Futures | 21.8 | – | – | **21.8** |
| OTC derivatives | – | 27.8 | 0.2 | **28.0** |
| Physical forwards | – | 3.8 | 326.9 | **330.7** |
| Cross-currency swaps | – | 151.0 | – | **151.0** |
| Interest rate swaps | – | 2.5 | – | **2.5** |
| Other financial derivatives | – | 168.6 | – | **168.6** |
| Fixed rate borrowings | – | 2,453.2 | – | **2,453.2** |
| **Total** | **21.8** | **2,806.9** | **327.1** | **3,155.8** |

The overview of the fair value hierarchy and applied valuation methods can be specified as follows:

| Listed equity securities – Fair value through OCI | | | **2018 USD'M** | 2017 USD'M |
|---|---|---|---|---|
| | – level 1 | Assets | **10.2** | 19.3 |
| | | Liabilities | **–** | – |
| **Valuation techniques and key inputs:** | Quoted prices in an active market | | | |
| **Significant unobservable inputs:** | None | | | |

| Listed equity securities – Fair value through profit or loss | | | **2018 USD'M** | 2017 USD'M |
|---|---|---|---|---|
| | – level 1 | Assets | **44.6** | – |
| | | Liabilities | **–** | – |
| **Valuation techniques and key inputs:** | Quoted prices in an active market | | | |
| **Significant unobservable inputs:** | None | | | |

| Futures | | | **2018 USD'M** | 2017 USD'M |
|---|---|---|---|---|
| | – level 1 | Assets | **7.8** | 24.4 |
| | | Liabilities | **5.3** | 21.8 |
| **Valuation techniques and key inputs:** | Quoted prices in an active market | | | |
| **Significant unobservable inputs:** | None | | | |

| OTC derivatives | | | **2018 USD'M** | 2017 USD'M |
|---|---|---|---|---|
| | – level 2 | Assets | **93.1** | 64.7 |
| | | Liabilities | **356.1** | 27.8 |
| **Valuation techniques and key inputs:** | Reference prices | | | |
| **Significant observable inputs:** | Inputs include observable quoted prices sourced from traded reference prices or recent traded prices indices in an active market for identical assets or liabilities. | | | |

| Physical forwards | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 2 | Assets | 1.4 | 1.8 |
| | | Liabilities | 0.7 | 3.8 |
| Valuation techniques and key inputs: | Reference prices | | | |
| Significant observable inputs: | Inputs include observable quoted prices sourced from traded reference prices or recent traded prices indices in an active market for identical assets or liabilities. | | | |

| Cross-currency swaps | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 2 | Assets | 63.4 | 68.8 |
| | | Liabilities | 155.1 | 151.0 |
| Valuation techniques and key inputs: | Discounted cash flow model | | | |
| Significant observable inputs: | Inputs include observable quoted prices sourced from exchanges or traded reference indices in an active market for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations. | | | |

| Interest rate swaps | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 2 | Assets | 21.6 | 5.7 |
| | | Liabilities | 1.4 | 2.5 |
| Valuation techniques and key inputs: | Discounted cash flow model | | | |
| Significant observable inputs: | Inputs include observable quoted prices sourced from exchanges or traded reference indices in an active market for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations. | | | |

| Non-financial hedged items | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 2 | Assets | 1,103.0 | 162.5 |
| | | Liabilities | – | – |
| Valuation techniques and key inputs: | Reference prices | | | |
| Significant observable inputs: | Inputs include observable quoted prices sourced from traded reference prices ore recent traded prices indices in an active market for identical assets or liabilities. | | | |

| Non-financial hedged items | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 3 | Assets | 646.5 | – |
| | | Liabilities | – | – |
| Valuation techniques and key inputs: | LNG valuation model | | | |
| Significant observable inputs: | Inputs include observable quoted prices sourced from traded reference prices ore recent traded prices indices in an active market for identical assets or liabilities. | | | |

| Other financial derivatives | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 2 | Assets | 346.5 | 171.7 |
| | | Liabilities | 298.1 | 168.6 |
| Valuation techniques and key inputs: | Discounted cash flow model | | | |
| Significant observable inputs: | Inputs include observable quoted prices sourced from exchanges or traded reference indices in an active market for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations. | | | |

| Inventories | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 2 | Assets | 14,732.9 | 13,926.7 |
| | | Liabilities | – | – |
| Valuation techniques and key inputs: | Quoted prices in an active market | | | |
| Significant unobservable inputs: | Premium discount on quality and location | | | |

| Fixed rate borrowings | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 2 | Assets | – | – |
| | | Liabilities | 3,479.6 | 2,453.2 |
| Valuation techniques and key inputs: | Discounted cash flow model | | | |
| Significant observable inputs: | Cash flow discounted at current borrowing rates for similar instruments | | | |

| Listed debt securities – Fair value through profit or loss | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 3 | Assets | 466.3 | 447.6 |
| | | Liabilities | – | – |
| Valuation techniques and key inputs: | Discounted cash flow model | | | |
| Significant unobservable inputs: | – forecast throughput<br>– discount rates using weighted average cost of capital<br>– market illiquidity<br>– operating cost and capital expenditures<br>The resultant asset is a discounted cash flow of the underlying throughput. Increase/decrease of the forecasted throughput will result in an increase/decrease of the value of the asset. | | | |

| Unlisted equity investments – Fair value through profit and loss | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 3 | Assets | 31.6 | 45.5 |
| | | Liabilities | – | – |
| Valuation techniques and key inputs: | Quoted prices obtained from the asset managers of the funds | | | |
| Significant observable inputs: | – market illiquidity<br>– price of commodities | | | |

| Unlisted equity investments – Fair value through OCI | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 3 | Assets | 163.2 | 122.6 |
| | | Liabilities | – | – |
| Valuation techniques and key inputs: | Quoted prices obtained from the asset managers of the funds | | | |
| Significant observable inputs: | – market illiquidity<br>– price of commodities | | | |

| OTC derivatives | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 3 | Assets | 44.7 | 41.9 |
| | | Liabilities | – | 0.2 |
| Valuation techniques and key inputs: | Discounted valuation of cashflows generated by mean-reverting price simulations | | | |
| Significant observable inputs: | – mean reversion<br>– volatility | | | |

| Physical forwards | | | 2018 USD'M | 2017 USD'M |
|---|---|---|---|---|
| | – level 3 | Assets | 329.0 | 231.4 |
| | | Liabilities | 307.9 | 326.9 |
| Valuation techniques and key inputs: | Discounted cash flow model | | | |
| Significant observable inputs: | Prices are adjusted by differentials including:<br>– quality<br>– location | | | |

# F. Notes to consolidated financial statements

The movements in the Level 3 hierarchy can be summarised as follows:

| USD'M | Physical forwards/ Derivatives | Equity/Debt securities | Non-financial hedged items | Total |
|---|---|---|---|---|
| **1 October 2017** | (53.8) | 615.7 | – | 561.9 |
| Total gain/(loss) recognised in income statement | 67.3 | 20.0 | 646.5 | 733.7 |
| Total gain/(loss) recognised in OCI | – | 9.9 | – | 9.9 |
| Invested | – | 61.1 | – | 61.1 |
| Disposals | – | (45.6) | – | (45.6) |
| Total realised | 52.4 | – | – | 52.4 |
| **30 September 2018** | **65.9** | **661.1** | **646.5** | **1,373.4** |

| USD'M | Physical forwards/ Derivatives | Equity/Debt securities | Non-financial hedged items | Total |
|---|---|---|---|---|
| **1 October 2016** | (30.5) | 427.5 | – | 397.0 |
| Total gain/(loss) recognised in income statement | (51.3) | 117.6 | – | 66.3 |
| Total gain/(loss) recognised in OCI | – | 6.9 | – | 6.9 |
| Invested | – | 74.4 | – | 74.4 |
| Disposals | – | (10.7) | – | (10.7) |
| Total realised | 28.0 | – | – | 28.0 |
| **30 September 2017** | **(53.8)** | **615.7** | **–** | **561.9** |

There have been no transfers between fair value hierarchy levels in 2018. Materially all level 3 physical forwards are settled in the next year. See note 16 for equity/debt securities.

### K. Other

The Group replaced a series of exchange traded futures contracts by entering into an over-the-counter financial swap transaction with a bank. The pricing of the swap transaction was done taking into account the historical value of the exchange traded futures contracts. The transaction price included a structuring fee and funding fee. As part of the swap transaction, the Group received both initial and variation margin cash postings back from its clearing brokers and classified the resulting OTC swap transaction as a derivative liability for an amount of USD247 million at 30 September 2018. The fair value of the swap transaction changes in response to both the underlying commodity price and funding fee, with the impact of these changes being recorded in cost of goods sold. The structuring fee has been recognised immediately through the statement of income as a transactional cost associated with entering into the swap transaction.

## 30. Employee benefits

### a. Equity participation plan

The immediate parent of the Company, Trafigura Beheer B.V., has an equity participation plan (EPP) which is open to employees of the Group. Shares issued to employees, are preference shares of Trafigura Beheer B.V. which give rights to economic benefits with limited voting rights. The founders and controlling shareholders of the Group, represented by the Board of Directors of Trafigura Control Holdings Pte. Ltd., a parent company of Trafigura Beheer B.V., in consultation with the Board of Directors of the Company, decide on the share awards to be issued to employees. Annual remuneration (which includes the equity participation awards) is subject to review by the remuneration committee of the Group.

The value of the shares is based on the net asset value of an ordinary share as set out in the Articles of Association of Trafigura Beheer B.V., which management believe is a fair approximation of the fair value. Shares awarded under the EPP may vest immediately or over a period of several years.

Employees do not have the right to freely sell shares that have vested unless Trafigura Control Holdings Pte. Ltd. has granted approval and has refrained from its right to nominate a prospective purchaser and make a purchase offer. Upon termination of employment, employees must transfer all of their shares at the direction of Trafigura Control Holdings Pte. Ltd. or hold the shares subject to further directions of Trafigura Control Holdings Pte. Ltd.

Neither Trafigura Beheer B.V. nor the Group have a legal or constructive obligation to settle the shares held by employees in cash. If employment is ceased prior to the end of the vesting period the shares will be forfeited unless otherwise determined by Trafigura Control Holdings Pte. Ltd.

The Group's EPP is classified as an equity-settled plan in the Group's financial statements; the fair value of the shares granted, determined at the grant date, is recorded in the statement of income rateably over the vesting period of the shares.

During 2018, 6,344 immediately vesting shares were granted to employees representing a value of USD11.6 million (2017: 12,135 shares representing a value of USD15.5 million) and 35,488 shares were granted with a vesting period of one to five years representing a value of USD64.9 million (2017: 46,555 shares representing a value of USD59.5 million).

Compensation in respect of share based payments recognised in staff costs amounted to USD87.6 million (2017: USD82.2 million).

Unrecognised staff costs in respect of rateably vesting shares expected to be recognised from 2019 to 2021 amount to USD82.3 million at 30 September 2018 (2017: USD97.9 million for the period from 2018 to 2021).

### b. Personnel expenses

| | **2018 USD'M** | 2017 USD'M |
|---|---|---|
| Salaries and bonuses | **379.4** | 387.9 |
| Social security costs | **26.7** | 24.7 |
| Pension costs | **3.5** | 33.1 |
| Share-based payments | **87.6** | 82.2 |
| **Total** | **497.2** | 527.9 |

The average number of employees split geographically is depicted below:

| 2018 | Oil & Petroleum FTE | Non-Ferrous & Bulk FTE | Corporate and other FTE | **Total FTE** |
|---|---|---|---|---|
| North, Central and South America | 503 | 1,713 | 212 | **2,428** |
| Europe and Africa | 190 | 407 | 265 | **862** |
| Asia, Middle East and Australia | 279 | 335 | 412 | **1,026** |
| **Total** | **972** | **2,455** | **889** | **4,316** |

| 2017 | Oil & Petroleum FTE | Non-Ferrous & Bulk FTE | Corporate and other FTE | **Total FTE** |
|---|---|---|---|---|
| North, Central and South America | 249 | 1,705 | 169 | **2,123** |
| Europe and Africa | 185 | 406 | 278 | **869** |
| Asia, Middle East and Australia | 257 | 291 | 395 | **943** |
| **Total** | **691** | **2,402** | **842** | **3,935** |

## 31. Related parties

In the normal course of business, the Company enters into various transactions with related parties including commitments to sell and to purchase commodities, forward sale and purchase contracts, agency agreements and management service agreements. Outstanding balances at period end are unsecured and settlement occurs in cash.

All transactions between the Company and its subsidiaries are eliminated on consolidation along with any unrealised profits and losses between its subsidiaries, associates and joint ventures.

### a. Transactions with key management personnel

*(i) Key management personnel compensation*

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers. Executive officers also participate in the Group's share participation programme (see note 30). Compensation of key management personnel, including all members of the Board of Directors and the Management Committee, comprised of the following:

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Short-term employee benefits | **7.0** | 12.8 |
| Post-employment benefits | **0.5** | 0.5 |
| Share-based payments | **32.3** | 29.5 |
| **Total** | **39.8** | 42.8 |

*(ii) Key management personnel and director transactions*

As at 30 September 2018, loans receivable from the members of the Board of Directors and Management Board total USD7.6 million (2017: USD10.6 million). Interest is charged on the loans at approximately LIBOR + 1.5 percent and the loans are repayable within the 1-3 year bracket.

### b. Other related-party transactions

| Related-party receivables/(payables) | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Trafigura Beheer B.V. | **(17.7)** | (47.4) |
| Puma Energy | **1,173.2** | 642.1 |
| Farringford N.V. | **83.1** | 29.6 |
| Beheer Malta Ltd. | **(9.0)** | (8.1) |
| Ecore B.V. | **1.3** | 4.3 |
| Emincar | **295.1** | 263.3 |
| Jinchuan Group Co. Ltd. | **58.5** | 16.5 |
| Minas de Aguas Teñidas, S.A.U ("MATSA") | **(7.2)** | 72.6 |
| Simba Holding S.à r.l. | **242.9** | – |
| Nayara Energy Limited | **132.7** | 374.4 |
| Nyrstar Sales & Marketing Ag | **118.7** | 40.2 |
| Other | **(4.5)** | 62.8 |
| **Total** | **2,067.2** | 1,450.5 |

| | 2018 USD'M | 2017 USD'M |
|---|---|---|
| Sales (mainly Puma Energy) | **11,865.1** | 7,627.1 |
| Purchases | **3,826.3** | 1,986.5 |
| Terminalling & dockage fees | **127.5** | 167.6 |
| Interest income | **29.8** | 58.2 |
| Interest expenses | **3.7** | – |
| Cost recharges | **57.7** | 73.1 |

Transactions between related parties are made on commercial terms.

Below table summarises the nature of relationship and nature of transactions entered with the related party:

| Party | Nature of relationship | Nature of transaction |
|---|---|---|
| Beheer Malta Ltd | Parent company | Buy back of treasury shares |
| Buckeye Partners LLC | Equity-accounted investee | Lease agreements |
| Ecore B.V. | Cousin group | Cost recharges, trading and hedging |
| Empresa Minera del Caribe SA | Equity-accounted investee | Financing and trading agreement |
| Nayara Energy Limited | Equity-accounted investee | Financing and trading agreement |
| Farringford N.V. | Ultimate parent | Loans and cost recharges |
| Jinchuan Group Co. Ltd. | Equity-accounted investee | Trading agreement |
| Minas de Aguas Teñidas, S.A.U ("MATSA") | Equity-accounted investee | Financing and trading agreement |
| Porto Sudeste do Brasil S.A. | Equity-accounted investee | Loans and cost recharges |
| Nyrstar | Equity-accounted investee | Financing and trading agreement |
| Simba Holding S.à.r.l. | Equity-accounted investee | Multimodal logistics services |
| Puma Energy Holdings Pte. Ltd. | Equity-accounted investee | Financing and trading agreement |
| Trafigura Beheer B.V. | Parent company | Loans and cost recharges |

A list of consolidated subsidiaries and associates is included in note 35.

## 32. Hyperinflationary economies

With the effect from 1 July 2018, the Argentine economy is considered to be hyperinflationary in accordance with the criteria in IAS 29, 'Financial reporting in hyperinflationary economies'. Accordingly, the financial statements include restatements for changes in the general purchasing power of the Argentine Peso. These restatements are made for all Group entities that have the Argentine Peso as functional currency.

On the application of IAS 29 the Group used a conversion coefficient derived from official wholesale price and consumer price indices published by the National Institute of Statistics and Censuses (INDEC, in its Spanish acronym). The index rates and corresponding conversion coefficients applied are as follows:

| Year | Index, % (December 2010=100) | Conversion coefficient |
|---|---|---|
| 30 September 2014 | 182.0 | 268.6 |
| 30 September 2015 | 205.6 | 237.7 |
| 30 September 2016 | 288.6 | 169.4 |
| 30 September 2017 | 347.8 | 140.5 |
| 30 September 2018 | 488.7 | 100.0 |

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at 30 September 2018. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit as at 30 September 2018) are restated by applying the above index.

The impact of the initial application has been recorded in Other comprehensive income. The effect of inflation after initial application of USD19.1 million (pre-tax gain) is included in the Finance Income.

# F. Notes to consolidated financial statements

## 33. New and amended standards or interpretations

### a. New and amended standards or interpretations adopted by the Group

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group's financial statements. In 2015 the Group early adopted IFRS 9 – Financial instruments.

### b. New and amended standards or interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods started on 1 October 2017 and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

*IFRS 15 – Revenue from Contracts with Customers*

IFRS 15 'Revenue from Contracts with Customers' applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS. The standard outlines the principles an entity must apply to measure and recognise revenue and the related cash flows.

The Group has undertaken a preliminary comprehensive analysis of the impact of the new standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. During the preliminary analyses, the following points were noted:

- The Group sells part of its products on Cost and Freight (CFR) or Cost, Insurance & Freight (CIF) Incoterms. This means that the Group is responsible for providing shipping services in addition to the delivery of physical commodities. Under IAS 18, the Group recognises such shipping and other freight revenue and accrues the associated costs in full on loading. The Group is currently reassessing the control transfer moment on these trading contracts based on the guidance set forth in IFRS 15.
- The nature of the products sold by the Group is such that adjustments may be made to prices in the situation where the specification of the commodities delivered deviate from the terms agreed in the contract with the customer. The Group has considered whether revenue arising from the sales of such products should be constrained under the IFRS 15 rules on variable consideration. Based on the initial assessment, the Group concluded that the impact of the potential constraint is immaterial.
- Final consideration to which the Group is entitled may change as a result of quantity differences. The Group has considered whether revenue arising from the sales of such products should be constrained under the IFRS 15 rules on variable consideration. Based on the initial assessment, the Group concluded that the impact of the potential constraint is immaterial.
- Certain of the commodities delivered to customers are provisionally priced at the date revenue is recognised. The prices are generally finalised within 3 months. Such adjustments to revenue are dealt with under IFRS 9, "Financial Instruments" rather than IFRS 15 and therefore the IFRS 15 rules on variable consideration do not apply. The Group is assessing the potential impact on the disclosure notes.

IFRS 15 must be applied for annual periods beginning on or after 1 January 2018. The Group will hence apply the new standard as from 1 October 2018. The Group envisages adopting the modified retrospective approach, where any transitional adjustment (if any) will be recognised in retained earnings at 1 October 2018 without adjustment of comparatives. The new standard will only be applied to contracts that remain in force at that date.

*IFRS 16 – Leases*

IFRS 16 'Leases' will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The Group anticipates electing the short-term lease and low-value lease exemptions.

During 2018, the Group initiated a project team which has focused on the identification and understanding of:

a. The provisions of the standard which will most impact the Group;
b. Establishing the population of lease contracts which will extend beyond 1 October 2019 based on the current lease portfolio;
c. Preliminary impact analysis; and
d. A preliminary review of system and process requirements.

During 2018 and 2019, the Group will continue to work on the process with a preliminary focus on the further analysis of the contract portfolio, the selection of an IT solution, and enhancing internal processes where required.

IFRS 16 is expected to have a significant impact on the primary statements and on systems and processes. As the impact on implementation date will depend on factors such as the lease portfolio at that date and the discount rate to be applied, the impact cannot be determined from the disclosure of the minimum lease payments in accordance with IAS 17 in Note 26.

IFRS 16 must be applied for annual periods beginning on or after 1 January 2019. The Group will hence apply the new standard as from 1 October 2019. The Group envisages adopting the modified retrospective approach, through which the cumulative effect of the initial application is recognised 1 October 2019 without any restatement of comparative information.

*Other*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 34. Subsequent events

There are no significant subsequent events which require disclosure.

## 35. Consolidated subsidiaries and associates

For entities where legal shareholding is less than 50 percent, the Group has consolidated based on the definition of control under IFRS. Certain entities with a percentage of effective economic interest below 50 percent are held through intermediate holding companies controlled by the Group.

| Principal consolidated operating subsidiaries | Location | % Owned 2018 | % Owned 2017 |
|---|---|---|---|
| AngoRecycling Industry, Lda. | Angola | 25.0% | 25.0% |
| Boyaca Navigation Inc. | Panama | 100.0% | 100.0% |
| C.I. Trafigura Petroleum Colombia S.A.S | Colombia | 100.0% | 100.0% |
| Catalina Huanca Sociedad Minera S.A.C. | Peru | 100.0% | 100.0% |
| DT Trading Ltd. | Bahamas | 50.0% | 50.0% |
| DTS Commercial Pte. Ltd. | Singapore | 50.0% | 50.0% |
| DTS Refining Pte. Ltd. | Singapore | 50.0% | 50.0% |
| DTS Shipping Ventures Pte. Ltd | Singapore | 50.0% | 50.0% |
| Edenfield Procurement DMCC | United Arab Emirates | 100.0% | 100.0% |
| Empresa de Recolha de Residuos de Angola, Lda. (Errangol) | Angola | 25.0% | 25.0% |
| Fangchenggang Guo Tong Import and Export Co. Ltd. | China | 100.0% | 100.0% |
| Galena Asset Management B.V. | Netherlands | 100.0% | 100.0% |
| Galena Asset Management Limited | United Kingdom | 100.0% | 100.0% |
| Galena Asset Management SA | Switzerland | 100.0% | 100.0% |
| Galena Investments 2 Limited | Malta | 100.0% | 100.0% |
| Genghis Holding Company Limited | Malta | 100.0% | 100.0% |
| Iberian Minerals Corp. | Switzerland | 100.0% | 100.0% |
| Impala Holdings Limited | Malta | 100.0% | 100.0% |
| Impala Middle East General Warehousing L.L.C. | United Arab Emirates | 100.0% | 100.0% |
| Impala Terminals Barrancabermeja S.A. | Colombia | 100.0% | 100.0% |
| Impala Terminals Burnside LLC | United States | 100.0% | 100.0% |
| Impala Terminals Colombia SAS | Colombia | 100.0% | 100.0% |
| Impala Terminals DRC SARL | Congo, The Democratic Republic of the | 100.0% | 100.0% |
| Impala Terminals Middle East FZE | United Arab Emirates | 100.0% | 100.0% |
| Impala Terminals UK Limited | United Kingdom | 100.0% | 100.0% |
| Impala Warehousing and Logistics (Shanghai) Co., Ltd | China | 100.0% | 100.0% |
| IWL (Luxembourg) S.à r.l. | Luxembourg | 100.0% | 100.0% |
| IWL Capital LLC | Marshall Islands | 100.0% | 100.0% |
| IWL Holding B.V. | Netherlands | 100.0% | 100.0% |
| IWL Holdings (Luxembourg) S.à r.l. | Luxembourg | 100.0% | 100.0% |
| IWL River Inc. | Panama | 100.0% | 100.0% |
| Lykos India Private Limited | India | 100.0% | 100.0% |
| Manatee Holding Company Limited | Malta | 100.0% | 100.0% |
| NGL Equipments, S.A. de C.V. | Mexico | 100.0% | 100.0% |
| Ningbo Trans-Coal Trading Co., Ltd. | China | 100.0% | 100.0% |
| Petromining S.A. | Argentina | 100.0% | 100.0% |
| Seal Sands Gas Transportation Limited | United Kingdom | 100.0% | 100.0% |
| Shanghai Trafigura Energy and Resource Trading Co., Ltd. | China | 100.0% | 100.0% |
| TAG ECO Recycling (UK) Limited | United Kingdom | 100.0% | 100.0% |
| TCPU Inc. | United States | 100.0% | 100.0% |
| Teesside Gasport Limited | United Kingdom | 100.0% | 100.0% |
| Trafigura Argentina S.A. | Argentina | 100.0% | 100.0% |
| Trafigura B.V. | Netherlands | 100.0% | 100.0% |
| Trafigura Canada General Partnership | Canada | 100.0% | 100.0% |
| Trafigura Chile Limitada | Chile | 100.0% | 100.0% |
| Trafigura Coal Colombia S.A.S. | Colombia | 100.0% | 100.0% |
| Trafigura Corpus Christi Holdings LLC | United States | 100.0% | 100.0% |
| Trafigura Derivatives Limited | United Kingdom | 100.0% | 100.0% |
| Trafigura DMCC | United Arab Emirates | 100.0% | 100.0% |
| Trafigura Energy Colombia S.A.S. | Colombia | 100.0% | 100.0% |
| Trafigura Eurasia LLC | Russian Federation | 100.0% | 100.0% |
| Trafigura Funding S.A. | Luxembourg | 100.0% | 100.0% |
| Trafigura Holding GmbH | Switzerland | 100.0% | 100.0% |
| Trafigura Holdings Limited | Malta | 100.0% | 100.0% |
| Trafigura Holdings Pte. Ltd. | Singapore | 100.0% | 100.0% |
| Trafigura India Private Limited | India | 100.0% | 100.0% |
| Trafigura Investment (China) Co., Ltd. | China | 100.0% | 100.0% |
| Trafigura Limited | United Kingdom | 100.0% | 100.0% |
| Trafigura Maritime Logistics Pte. Ltd. | Singapore | 100.0% | 100.0% |
| Trafigura Maritime Ventures Limited | Malta | 100.0% | 100.0% |
| Trafigura Marketing Inc. | United States | 100.0% | 100.0% |
| Trafigura Marketing Ltd. | Canada | 100.0% | 100.0% |
| Trafigura Metales Basicos S.A.C. | Peru | 100.0% | 100.0% |
| Trafigura Mexico, S.A. de C.V. | Mexico | 100.0% | 100.0% |
| Trafigura Mongolia LLC | Mongolia | 100.0% | 100.0% |
| Trafigura Nat Gas Limited | Malta | 100.0% | 100.0% |
| Trafigura Overseas Projects Pte. Ltd. | Singapore | 100.0% | 100.0% |
| Trafigura PE Holding Limited (Formerly Puma Energy Holdings Malta Limited) | Malta | 100.0% | 100.0% |
| Trafigura Peru S.A.C. | Peru | 100.0% | 100.0% |
| Trafigura Pte. Ltd. | Singapore | 100.0% | 100.0% |
| Trafigura Services Pte. Ltd. | Singapore | 100.0% | 100.0% |
| Trafigura Services South Africa (Pty) Ltd. | South Africa | 100.0% | 100.0% |
| Trafigura Trade Holdings B.V. | Netherlands | 100.0% | 100.0% |
| Trafigura Trade Investments B.V. | Netherlands | 100.0% | 100.0% |
| Trafigura Trading (Europe) Sàrl | Switzerland | 100.0% | 100.0% |
| Trafigura Trading LLC | United States | 100.0% | 100.0% |
| Trafigura Trading Yangshan Co., Ltd. | China | 100.0% | 100.0% |
| Trafigura Ukraine LLC | Ukraine | 100.0% | 99.5% |
| Trafigura US Inc. | United States | 100.0% | 99.5% |
| Trafigura Ventures IX B.V. | Netherlands | 100.0% | 0.0% |
| Trafigura Ventures Trading Ltd. | Mauritius | 100.0% | 100.0% |
| Trafigura Ventures V B.V. | Netherlands | 100.0% | 100.0% |
| Trafigura Ventures VIII B.V. | Netherlands | 100.0% | 0.0% |
| Urion Holdings (Malta) Limited | Malta | 100.0% | 100.0% |
| Urion Mining International B.V. | Netherlands | 100.0% | 100.0% |

## 36. Board of Directors

| The Board of Directors | |
|---|---|
| Mark Irwin | José Larocca |
| Pierre Lorinet | Sipko Schat |
| Andrew Vickerman | Mike Wainwright |
| Jeremy Weir | |

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Notes

Notes

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