STRONG TRADING RESULT
DRIVEN BY INCREASED VOLUMES

CHRISTOPHE SALMON
Chief Financial Officer

The Trafigura Group continued its path of profitable expansion during the 2016 fiscal year, growing traded volumes but recording reduced net profit after write-downs on some industrial assets.

Performance Indicators

$98.1bn Group revenue (2015: $97.2 billion)	**$8.5bn** Total non-current assets (2015: $8.4 billion)
$2.3bn Gross profit (2015: $2.6 billion)	**$41.2bn** Total assets (2015: $39.1 billion)
2.3% Gross profit margin (2015: 2.7 percent)	**$5.5bn** Shareholders' equity (2015: $5.6 billion)
$0.975bn Net profit (2015: $1.1 billion)	**$1.6bn** EBITDA* (2015: $1.9 billion)

Despite a global commodities market characterised by significant stresses and headwinds, the Trafigura Group delivered a sound financial performance in 2016. The year had two key features: continued profitable volume growth in both trading divisions, Oil and Petroleum Products and Metals and Minerals; and write-downs on some of the Group's industrial and logistical assets, reflecting the impact of a more challenging business environment on the value of these assets. The net result was a profit for the year of USD975 million, a decrease of 12 percent from the figure of USD1,103 million recorded in 2015.

The 2016 performance is broadly in line with the levels seen over the past several years, albeit lower than the peak achieved in the exceptional market conditions of 2014-15. It demonstrates the strengths of a diversified business model that enables Trafigura to maintain strongly profitable operations in the widest variety of market conditions.

In 2016, both main trading divisions made a significant contribution to profit. A highlight of the year was a sharp increase in traded volume in the Oil and Petroleum Products Trading Division, which handled a daily average volume of 4.3 million barrels – a 42 percent increase from the daily average of 3.0 million barrels in 2015. Volume also increased in Metals and Minerals trading, to 59.0 million tonnes from 52.1 million tonnes in 2015. Our inventories in storage and in transit showed a correspondingly sharp increase, with our ability to finance this growth a key indication of Trafigura's financial strength.

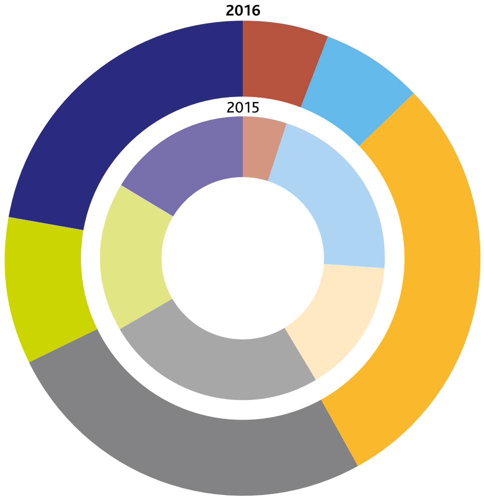
The year saw Trafigura complete a phase of intensive investment in infrastructure and logistical assets that support access to trade flows. A number of important capital investment projects ramped-up commercial operations, but faced challenging commodity market conditions. In consequence we took significant impairments on the value of certain assets, with total write-downs of USD365 million, partially offset by a USD244 million gain from reversing a prior-year impairment on another asset. At the same time, we made a start on reducing our leverage through the sale of non-core assets.

We demonstrated continued disciplined credit risk management over the year. With distress affecting increasing numbers of commodity producers, processors and refiners as well as large parts of the shipping industry, our ability to limit our exposure to credit events was crucial.

* 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 expense.

OIL AND PETROLEUM PRODUCTS

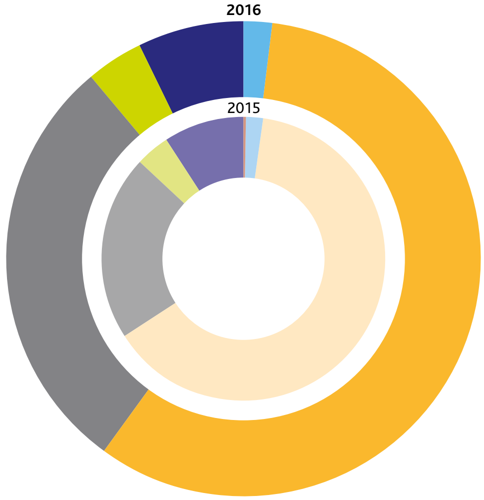
Revenue by geography (%)



Region	2016	2015
Middle East	6%	5%
Africa	7%	21%
Asia & Australia	29%	15%
Europe	26%	25%
Latin America	10%	17%
North America	22%	16%

METALS AND MINERALS

Revenue by geography (%)



Region	2016	2015
Middle East	–	0.3%
Africa	2%	2%
Asia & Australia	58%	64%
Europe	29%	21%
Latin America	4%	4%
North America	7%	9%

PROFITABILITY

Revenue in 2016 totalled USD98,098 million, broadly comparable with the USD97,237 million recorded in 2015, reflecting sharply increased volume offset by lower average prices. Total volume of commodities traded rose by 33 percent to 264.4 million tonnes from 198.4 million tonnes, with oil and petroleum products volumes rising 41 percent to 205.4 million tonnes and metals and minerals volumes increasing 13 percent to 59 million tonnes.

Gross profit was USD2,291 million, a decrease of 12 percent from the figure of USD2,600 million recorded in 2015. This represented a gross profit margin of 2.3 percent compared to the margin of 2.7 percent registered in 2015, reflecting a return to more normal business conditions. General and administrative expenses including staff costs were USD947 million, a 5 percent decrease from the 2015 figure of USD995 million despite the volume increases. This reflects in part the operating and scale efficiencies we have created by establishing consolidated mid- and back-office support centres in Mumbai, Montevideo and Shanghai.

In divisional terms, the gross profit figure reflected a 13 percent decrease in gross profit in oil and petroleum products to USD1,460 million and a 10 percent fall in gross profit in metals and minerals, with gross profit at USD831 million compared to USD920 million in 2015.

The 'other income/expense' line showed a significant negative impact from impairments of financial and non-financial assets and of equity-accounted investees. Impairments to financial assets totalled USD40 million. Impairments to non-financial assets totalled USD75 million. Of this USD43 million represented a write-off of Impala's investment in the FDP rail project in Colombia, management of which has been transferred to a local operator. Impairments to equity-accounted investees were USD250 million, representing a write-down in the value of the Porto Sudeste iron ore export terminal in Brazil. These impairments were partially offset by the reversal of a USD244 million impairment that had been taken in 2015 on the value of the AEMR iron ore mining project in Angola. In our view the impairments taken in 2016 reflect a fair approach in view of the distressed conditions in commodity markets and their likely impact on our assets.

From an operating profit perspective, we believe that EBITDA is the appropriate indicator to assess our performance as the amount of depreciation and amortisation has steadily increased following the growth in our fixed asset portfolio. EBITDA in 2016 was USD1,628 million, compared to USD1,861 million the previous year, a decrease of 13 percent but still a very strong operating result in the market circumstances.

Net financing costs this year totalled USD121 million, less than half the 2015 level. This reduction is partly due to the fact that in 2015, USD49 million relating to the distributions on the perpetual capital securities was recorded as part of financing costs because these securities were not transferred to Trafigura Group Pte Ltd. from Trafigura Beheer B.V. until the end of 2015. In 2016, the capital securities and their associated distributions have been recorded as part of equity. The reduction in net financing costs also reflects the net effect of an increase in finance expense due to higher borrowings and a significant increase in finance income generated through our structured trade finance activity. Trafigura's financial income and expense line items include interest on cash balances and loans respectively, as well as interest from commercial operations.

CAPITAL ALLOCATION

An important focus for the Trafigura Group in recent years has been investing in industrial and logistical assets that offer strong synergies with our physical trading business. In 2016, we reached the end of a period of intensive investment dating back to 2012 as our largest infrastructure investment projects were completed and we started commercial operations. Capital expenditure was USD754 million, significantly lower than the previous year's level of USD1,223 million. In 2017 and in subsequent years, we expect capital expenditure to continue to sharply reduce as no further major investments of this kind are currently planned.

ASSETS

As at 30 September 2016, total assets amounted to USD41,230 million, an increase of 5 percent from the figure of USD39,087 million at the same date in 2015. Fixed and non-current assets were 2 percent higher at USD8,528 million, compared to USD8,357 million a year earlier. The variance reflects the net effect of a number of developments including Impala Terminals' investments in Colombia, Paraguay and elsewhere, the disposal of non-core assets including the sale-and-leaseback of six new medium-range oil tankers that had been previously purchased and various impairments to reflect the fair value of our fixed-asset investments. Equity-accounted investees rose by 9 percent to USD3,464 million from USD3,168 million, reflecting the net effect of additional corporate investments, income received from investments, disposals and impairments. Additions included Trafigura's contribution to a capital increase by Puma Energy, the equity investment in the copper smelting venture with China's Jinchuan Group, and the investment in Nyrstar. The impairment was the USD250 million write-down on Porto Sudeste described above.

Pre-financings and prepayments were broadly steady with a decrease in longer-term pre-financing activity offset by an increase in prepayments of 12 months or less duration. Loans receivable were 82 percent higher than last year at USD801 million, due principally to monies outstanding following the disposal of our interest in the AEMR iron ore mining project in Angola.

Current assets were 7 percent up at USD32,702 million from USD30,641 million in 2015. Inventories rose by more than 52 percent to USD11,538 million from USD7,614 million a year earlier, reflecting the significant growth in trading volumes during the year. Of the total inventories as of 30 September 2016, USD7,069 million were held in storage and USD4,456 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. Group equity was USD5,847 million as of 30 September 2016, compared to USD5,658 million as at 30 September 2015. Current liabilities including short-term bank borrowings were up from the 2015 figure of USD25,629 million to USD27,652 million.

CASH FLOW

Operating cash flow before working capital changes was USD1,615 million in 2016, down from the figure of USD1,886 million in 2015. Trafigura believes 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. Cash flow from operating activities after working capital changes was a net outflow of USD2,827 million compared with a net inflow of USD1,717 million in 2015. Investing activities resulted in a net cash use of USD67 million compared to a net use of USD2,198 million in 2015. Net cash generated from financing activities was USD2,502 million compared to USD345 million in 2015. The overall balance of cash and cash equivalents as of 30 September 2016 was USD3,142 million, a decrease of USD392 million from the figure of USD3,534 million at the same date the previous year.

MATSA mine near Seville, Spain.

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

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 USD45 billion, as at 30 September 2016, in credit facilities 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 our unsecured lenders and is underlined by the strong support we receive from our banking group and investors.

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 and throughout various commodity cycles and financial market environments, Trafigura has cemented strong relationships with its lending banks.

In spite of the challenges facing commodity markets, Trafigura's banking group remained stable and consisted, as at 30 September 2016, of 121 banks across the world. Cyclicality and volatility is a characteristic of many industries, not just commodities trading. Just as we rely on an open dialogue with our banking partners at times of increased stress or volatility within the banking market, likewise banks and investors rely on clear and comprehensive communication from Trafigura when increased commodity market volatility brings new questions to the fore. As such, Trafigura has significantly and demonstrably increased its transparency over the past few years, with very positive feedback indeed from its main stakeholders.

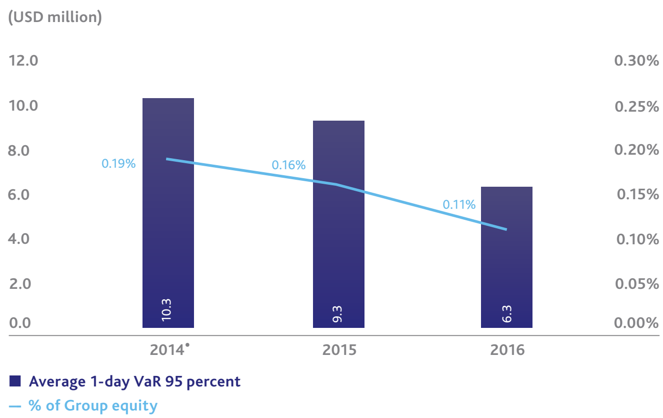
Access to deep and constant liquidity is a key reason for Trafigura's leading competitive position and we see communication with banks, financial stakeholders and trading counterparties as instrumental to maintaining this position. Trafigura sources funding from a number of markets: syndicated bank loans, securitisation markets, bond markets and trade finance. Of total current lines of USD45 billion, there is approximately USD14.4 billion which remains unutilised, ensuring resilience during volatile markets.

As at 30 September 2016, the Group had USD8.0 billion (2015: USD7.8 billion) of committed revolving credit facilities of which USD3.2 billion (2015: USD3.2 billion) remained unutilised. The Group had USD2.0 billion (2015: USD1.8 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 USD5.2 billion (2015: USD4.9 billion). Over 2016, Trafigura refinanced both of its revolving credit facilities (RCFs) and Samurai loan, which altogether represent the cornerstone of Trafigura's unsecured funding as well as a large proportion of the Group's banking pool. In October 2015, Trafigura refinanced its Asian revolving credit facility which continues to be syndicated mostly with South Asian, Australian and Middle Eastern banks and closed at USD2.2 billion. As part of the transaction, the 2014 364-day USD and one-year CNH tranches were both refinanced, along with the maturing three-year USD tranche from 2012. Twenty-eight banks participated in the transaction of which six were newcomers to the facility.

The Asian RCF closing was followed in early 2016 by the refinancing of the European RCF which closed on 24 March 2016. This facility was launched at USD4.3 billion, and closed substantially over-subscribed at USD5.1 billion with a total of 45 banks.

March 2016 was an eventful month for Trafigura when we also refinanced our Samurai loan, a Japanese Yen denominated loan placed with domestic Japanese banks. Trafigura has been accessing the Samurai loan market since 2012 and has been able to increase the size of the facility on each of the three occasions that we have accessed the market. The March 2016 facility reached JPY50.5 billion (USD450 million), up from JPY26 billion (USD280 million at historical foreign exchange rates) in 2014. The deal also attracted nine new lenders, reaching a total lending bank pool of 15 Japanese financial institutions.

VALUE AT RISK



• 2014 based on equity as reported TBBV consolidated accounts. *Basis: IFRS.*

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 27). During 2016, average 95 percent one day VaR for derivative positions was USD6.3 million (2015: USD9.3 million) which represented less than 1 percent of Group equity.

SHAREHOLDER STRUCTURE

Trafigura is exclusively 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 upon management's evaluation of the individual's performance, seniority and future potential.

Trafigura has continuously built up its shareholders' equity since inception in 1993 and the Group retains profits to further increase its capital base. No dividend or profit distribution is paid other than through share buy-backs. Any share buy-backs are discretionary and each buy-back can be deferred indefinitely subject to sufficient liquidity being available/compliant with financial covenants.

LEVERAGE AND ADJUSTED DEBT

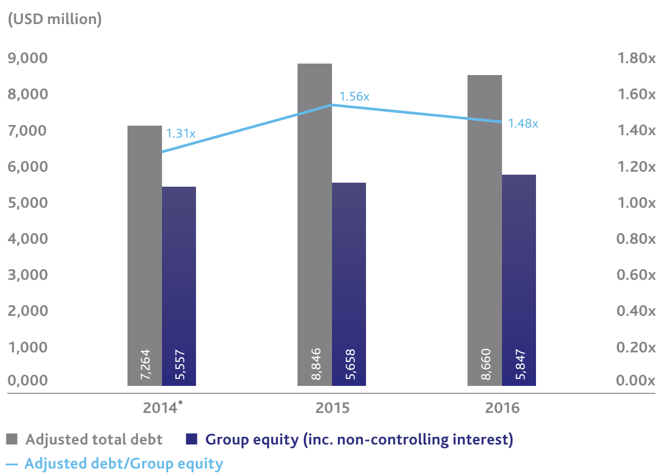
As a physical trading group, Trafigura relies on a specific funding model. As a result, one cannot apply the same financial analysis framework as for other, more typical industrial companies.

Banks and rating agencies have historically considered financial leverage after excluding some specific balance sheet items (e.g. inventories, securitisation), resulting in the use of adjusted debt as an overall leverage metric. The adjusted debt metric represents Trafigura's total long- and short-term debt less cash, deposits, readily marketable inventories, debt related to the Group's securitisation programme and the non-recourse portion of loans. 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 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 is deducted from debt. This reflects the great liquidity of the stock and the ease at which this 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 2016 the ratio of adjusted net debt to Group equity stood at 1.48x, down from 1.56x at 30 September 2015. The build-up of our fixed assets and infrastructure portfolio, initiated in 2012 and now complete, had weighted negatively on this ratio. We are now in a process of de-levering our balance sheet by pursuing multiple initiatives, such as disposing of non-core assets and committing to significantly reducing our capex programme over the years to come. We are thus committed to continuing to reduce the ratio in 2017.

TRAFIGURA ADJUSTED DEBT



• 2014 based on equity as reported TBBV consolidated accounts. *Basis: IFRS.*

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, but in 2016 it was 10.2 percent (2015: 11.3 percent).

OUTLOOK

We expect challenging conditions to persist in commodities markets through 2017, with pressure increasing on producers and other players with large asset footprints. Accordingly Trafigura will continue to focus on running a resilient business focused on physical trading, logistics and risk management. As we stated last year, that involves three key priorities:

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

- First, we will ensure that our liquidity position remains robust even in conditions of extreme volatility and stress. To this end, we have developed close and trusting relationships with our many banking partners, and it is a high priority to maintain these by demonstrating maximum transparency on all our transactions.
- Second, we will focus intensely on maximising efficiency and minimising cost. Trading these markets will require greater agility and financial strength than ever. By the same token, they will offer significant opportunities to those firms that navigate them successfully.
- Third, we will continue to maintain a close eye on counterparty credit risk to minimise risk of losses or defaults.

Part and parcel of this conservative approach, is also to continue to reduce both our leverage and our capital expenditure as compared with the levels seen in previous years. It is worth reiterating that this key consideration also determined our approach to the landmark transaction we are in the process of completing to acquire a significant minority stake in Essar Oil Limited of India. This will be financed on a non-recourse basis, with a limited equity contribution from Trafigura that is well within our reduced capital expenditure level for 2017.

Christophe Salmon,
Chief Financial Officer

Trade finance is part of the life blood of the global economy as well as a vital tool in commodities trading. But there is growing concern in the banking and trading community that changes in financial regulation could put that life blood at risk.

This concern prompted Trafigura to commission the economics firm Llewellyn Consulting to produce a study entitled "Trade finance and regulation: the risk of unintended consequences". The study, written on the basis of interviews with policy-makers, banks and users of trade finance, suggests trade finance is often taken for granted as a well-functioning and liquid market driven by demand.

But it highlights how some of the detailed changes to banking rules now under discussion among regulators could call those assumptions into question. At worst, the paper argues, these changes could make trade finance more expensive for traders, producers and consumers, and even prompt some important trade finance banks to quit the market.

"Disruptions to trade finance, while infrequent, are highly damaging when they occur since one form or another of trade finance underpins around 90 percent of world trade," the authors argue. "All the data shows that trade finance is an inherently low-risk activity featuring very low historic credit losses, and as such it warrants being handled with care.

"But there is now growing concern over the possibility that trade finance could be adversely affected by over-heavy, insufficiently nuanced regulation, particularly in an area like commodity trade finance where policy-makers may perceive the risks involved to be greater than they are. In particular, it is important that separate regulations in the areas of capital, leverage and liquidity do not add up to more than the sum of their parts."

Trafigura has discussed the paper in recent months with leading regulators including the European Banking Authority, the European Commission and the European Central Bank. Our aim has been to impress on them the need to pay special attention to the impact on trade finance as they work with their global peers to finalise the next round of detailed rules.