A ROBUST PERFORMANCE
IN CHALLENGING MARKET CONDITIONS

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Chief Executive Officer

In its 2016 financial year, Trafigura Group once again demonstrated its resilience through the economic cycle, reporting growth in trading volumes, and profit slightly lower than in 2015.

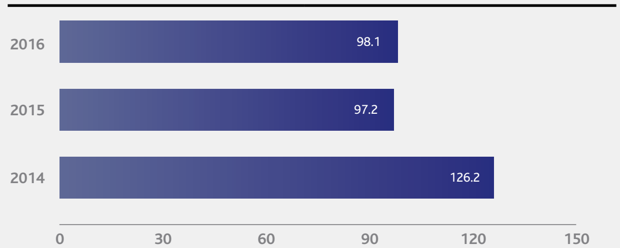
$98.1bn
Group revenue
(2015: USD97.2 billion)

$8.5bn
Total non-current assets
(2015: USD8.4 billion)

$2.3bn
Gross profit
(2015: USD2.6 billion)

$5.5bn
Shareholders' equity
(2015: USD5.6 billion)

Group revenue (USD billion)



Uncertainty and dynamic change were the watchwords for commodities markets throughout 2016, as mixed fortunes in the global economy found parts of the resources industry struggling with over-supply and depressed prices. Against this backdrop, Trafigura Group delivered a robust commercial and financial performance in the 12-month period to 30 September 2016, with significant growth in trading volumes and strong profitability, albeit somewhat reduced from the record trading result achieved in the 2015 financial year.

Net profit for the year was USD975 million, 12 percent lower than the figure of USD1,103 million in 2015. Gross profit was USD2,291 million, also 12 percent down year-on-year, while revenue was flat at USD98,098 million, compared to USD97,237 million in 2015. EBITDA, which we see as the most accurate measure of operating performance since it strips out investment gains and impairments, was USD1,628 million, down 13 percent on the 2015 figure of USD1,861 million.

Conditions remained broadly favourable for trading in the oil market, featuring sustained price volatility and over-supply. The metals market continued to present significant challenges, although some positive signs became visible in some segments in the second half of the year. We were able to build volumes in both our trading divisions, Oil and Petroleum Products and Metals and Minerals, thanks to our global reach, strong commercial relationships and an increasingly diversified global customer base. Competition was intense in all the markets in which we operate, reflected in a reduced gross margin of 2.3 percent from 2.7 percent in 2015.

At the same time, the depressed price environment had an adverse effect on our industrial assets, with the result that we decided to write down the balance-sheet value of certain assets. The sum of impairments we made in 2016 amounted to USD365 million, and was partially offset by USD244 million from reversing a prior-year impairment on another asset.

GROWTH AND EFFICIENCY

Our strategy in 2016 was unchanged: to grow physical trading volumes and revenues by delivering excellent customer service while managing operational and financial risk and optimising efficiency.

Volumes grew strongly in the Oil and Petroleum Products Trading Division, which handled a daily average of 4.3 million barrels, 42 percent more than the daily average of 3.0 million barrels in 2015. This achievement was attributable to a number of factors, including the scale and scope of our presence, the globally integrated nature of our operation, the strong relationships we have built with producers and refiners and with our mid- and downstream investment, Puma Energy, and our expertise stretching right across the product spectrum from crude and fuel oil to liquefied natural gas.

These capabilities and relationships are vital factors for success in over-supplied markets, and positioned us well to benefit from increasing demand for crude, refined products and gas. They also enabled us to take maximum advantage of the dramatic changes in product flows and arbitrage opportunities arising, for example, from the emergence of the US as an exporter of crude and that of China as a major exporter of refined products. Growth was especially strong in Asia, which bodes well for the future since that region is home to the world's most promising growth markets for oil, such as India.

In Metals and Minerals Trading, prices were generally depressed, with the exceptions of coal, zinc and nickel as continuing structural adjustment in the Chinese economy dampened industry demand and producers came under increasing pressure. Yet here, too, Trafigura was able to grow volume across its Metals and Minerals book by 13 percent overall to 59.0 million tonnes from 52.1 million tonnes in 2015, further enhancing our already significant share of these markets.

Growth came both in segments where we are well-established such as non-ferrous concentrates and refined metals but also in our newer books, coal and iron ore. We continued to differentiate ourselves from the competition by offering our business relationships innovative solutions drawing on our strengths in operations, logistics and finance. We further extended strategic relationships to support our growth, for example with Nyrstar in Europe, in which Trafigura has a 24.6 percent shareholding, and with Chinese smelters including Jinchuan Group's new copper smelter in Fangchenggang where we own a 30 percent equity stake.

Key to our resilience were the efficiencies and improvements in risk management we have created by investing significant sums in information technology and in creating consolidated mid- and back-office support centres in Mumbai, Montevideo and Shanghai. These operations enable the business to scale up without a corresponding escalation in cost and thus provide sustainable support for the bottom line.

REDUCING CAPITAL INVESTMENT

Another vital pillar of Trafigura's strategy is investing in industrial and infrastructure assets that support trading, principally through our Impala Terminals subsidiary. In 2016, this strategy reached an inflection point as a number of assets in which we had invested heavily in recent years moved from the construction phase to commercial operations.

In Brazil, the Porto Sudeste iron ore export terminal that Impala jointly controls with Mubadala Development Company built volume, though at a slower pace than anticipated owing to the depressed state of the global iron ore market: it handled about 7 million tonnes in 2016, a number that we expect to grow in 2017. To reflect the fact that the port is operating at a pace considerably below installed capacity, we wrote down its balance-sheet value by USD250 million at the year-end.

In Colombia, Impala's wet and dry barge fleet on the Magdalena River ramped-up commercial operations, exporting heavy crude, importing naphtha and handling container traffic to our inland port at Barrancabermeja. Elsewhere in the country Impala exited its involvement in the FDP railway, writing down its investment in that project by USD43 million.

As our cycle of asset investment reaches its natural conclusion, capital expenditure required to complete key projects dropped significantly to USD754 million in 2016, compared with USD1,223 million the previous year. We also made a start on reducing our leverage, partly thanks to the sale of some non-core shipping assets, and leverage reduction is a strategy we expect to continue through next year.

LEADERSHIP AND TRANSPARENCY

We introduced some changes to Trafigura's management structure during 2016. In particular we established two new management committees, one to oversee trading and the other to supervise investments. The Trading Committee manages the group's trading activities within the financial and operating parameters established by the Board. The Investment Committee is responsible for defining and implementing an investment strategy, as well as the portfolio management and risk framework for the Group and its subsidiaries. Both these bodies have enabled us to promote talented individuals from the trading divisions to more senior positions and to start building the company's next generation of leaders.

We also continued to develop our strategies of corporate responsibility and transparency during the year. In addition to our second standalone Responsibility Report, we published a general-interest guide to trading and the role of trading firms in organising global supply chains, entitled 'Commodities Demystified', and a paper on the regulatory challenges facing trade finance. We see these activities as vital to building trust in our firm and our industry.

LOOKING AHEAD

As we move into 2017, uncertainty and change seem likely to intensify, creating new challenges as well as opportunities for commodities trading. Indeed, after the political surprises of 2016, I cannot recall another moment in recent history at which the future seemed so unclear on such a range of subjects. The one sure prediction is that expectations about economic and monetary policy, currencies and geopolitical risk will continue to fluctuate, bringing the prospect of enhanced volatility and changes in supply and demand of key commodities.

At Trafigura Group we will continue to position ourselves to take advantage of the opportunities for further growth this environment will undoubtedly create, while maintaining our focus on resilience and responsible risk management. One transaction announced after our 2016 year-end is likely to be of particular importance in 2017 and after: our investment as a significant minority shareholder alongside Russia's Rosneft and investment group UCP in Mumbai-based Essar Oil Limited. This purchase will yield broad commercial benefits for Trafigura, giving us exposure to a world-class refining and infrastructure asset with a strategic position in the global oil market and one of its fastest-growing segments. Once it is concluded, Essar Oil will join a large and still-growing collection of third-party joint ventures and investments which together with our strong trading platform are driving our business forward.

Jeremy Weir,
Chief Executive Officer