



# 2019 ANNUAL REPORT

TRAFIGURA GROUP PTE. LTD.

*ADVANCING*  
TRADE

# Financial and business highlights<sup>1</sup>

<b>Group revenue</b> <b>\$171.5<sub>bn</sub></b> 2019 <b>171.5</b> 2018 <b>180.7</b> 2017 <b>136.4</b>	<b>Combined volume of commodities traded<sup>2</sup></b> <b>389.2<sub>mmt</sub></b> 2019 <b>389.2</b> 2018 <b>371.1</b> 2017 <b>325.9</b>	<b>Gross profit</b> <b>\$3.0<sub>bn</sub></b> 2019 <b>3.0</b> 2018 <b>2.4</b> 2017 <b>2.2</b>	<b>Total assets</b> <b>\$54.2<sub>bn</sub></b> 2019 <b>54.2</b> 2018 <b>53.8</b> 2017 <b>48.8</b>
<b>Oil and Petroleum Products revenue as a percentage of Group revenue</b> <b>65%</b> 2019 <b>65</b> 2018 <b>69</b> 2017 <b>69</b>	<b>Oil and Petroleum Products total volume traded</b> <b>292.0<sub>mmt</sub></b> 2019 <b>292.0</b> 2018 <b>275.2</b> 2017 <b>256.0</b>	<b>Gross profit margin</b> <b>1.7%</b> 2019 <b>1.7</b> 2018 <b>1.3</b> 2017 <b>1.6</b>	<b>Total non-current assets</b> <b>\$10.8<sub>bn</sub></b> 2019 <b>10.8</b> 2018 <b>8.8</b> 2017 <b>8.2</b>
<b>Metals and Minerals revenue as a percentage of Group revenue</b> <b>35%</b> 2019 <b>35</b> 2018 <b>31</b> 2017 <b>31</b>	<b>Metals total volume traded</b> <b>19.9<sub>mmt</sub></b> 2019 <b>19.9</b> 2018 <b>18.5</b> 2017 <b>15.3</b>	<b>Net profit</b> <b>\$867.8<sub>m</sub></b> 2019 <b>867.8</b> 2018 <b>872.8</b> 2017 <b>887.3</b>	<b>Shareholders' equity (excluding minority interest)</b> <b>\$6.5<sub>bn</sub></b> 2019 <b>6.5</b> 2018 <b>5.9</b> 2017 <b>6.0</b>
	<b>Minerals total volume traded</b> <b>77.3<sub>mmt</sub></b> 2019 <b>77.3</b> 2018 <b>77.4</b> 2017 <b>54.6</b>	<b>EBITDA<sup>3</sup></b> <b>\$2.1<sub>bn</sub></b> 2019 <b>2.1</b> 2018 <b>1.7</b> 2017 <b>1.6</b>	<b>Average number of employees over the year<sup>4</sup></b> <b>5,106</b> 2019 <b>5,106</b> 2018 <b>4,316</b> 2017 <b>3,935</b>

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.

<sup>1</sup> Trafigura's financial year ran from 1 October 2018 to 30 September 2019.

<sup>2</sup> Million metric tonnes.

<sup>3</sup> 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 non-operating income and expenses.

<sup>4</sup> Total employee numbers are calculated as an average over the financial year. This year's average employee numbers include Nyrstar employees for two months only as these assets were consolidated in Trafigura's balance sheet from 31 July 2019. MATSA, Porto Sudeste and Simba employees are excluded as these assets are not consolidated in Trafigura's balance sheet. As at 30 September 2019, the *current* total number of Group employees was 8,824 (4,615 Trafigura and 4,209 Nyrstar).

# 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](http://www.trafigura.com)

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The 2019 Annual Report is complemented by our 2019 Responsibility Report, which will be published in January 2020. The Responsibility Report reflects on Trafigura's progress in implementing responsible business practices and presents our performance in managing our social and environmental impacts.

*For further information visit:*  
[www.trafigura.com/responsibility](http://www.trafigura.com/responsibility)

# At a glance

Trafigura's core business is the physical trading of oil and petroleum products and metals and minerals, and their transportation across the globe. Our assets and investments complement and enhance these activities. We have 5,106 employees in 80 offices across 41 countries.

## Trading and logistics<sup>1</sup>

### Oil and Petroleum Products

**292.0** mmt

(Total volume traded)

Trafigura is one of the world's largest traders by volume of oil and petroleum products, with global presence and comprehensive coverage of all major markets.

### Metals and Minerals

**97.2** mmt

(Total volume traded)

As a leading metals and minerals trader, we negotiate offtake and supply agreements with miners and smelters globally.

### Shipping and Chartering

**4,173** fixtures

(Shipping and Chartering 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 Terminals is a multimodal logistics provider focused on export-driven emerging markets. It owns and operates ports, port terminals, warehouses and transport assets.



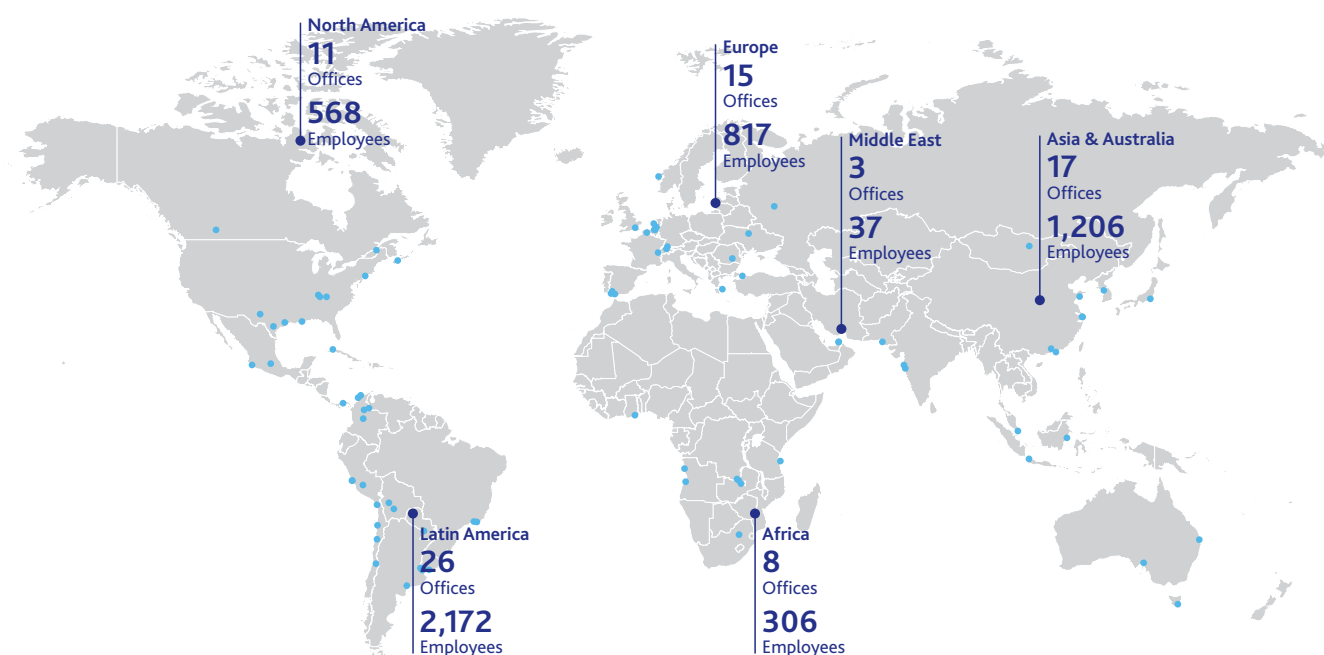
Trafigura Mining Group manages mining operations, develops projects and conducts technical audits of existing and potential partner projects.



Galena Asset Management provides investors with specialised alternative investment solutions through its investments in real assets and private equity funds.



Nyrstar is a global multi-metals business, with a market-leading position in zinc and lead.

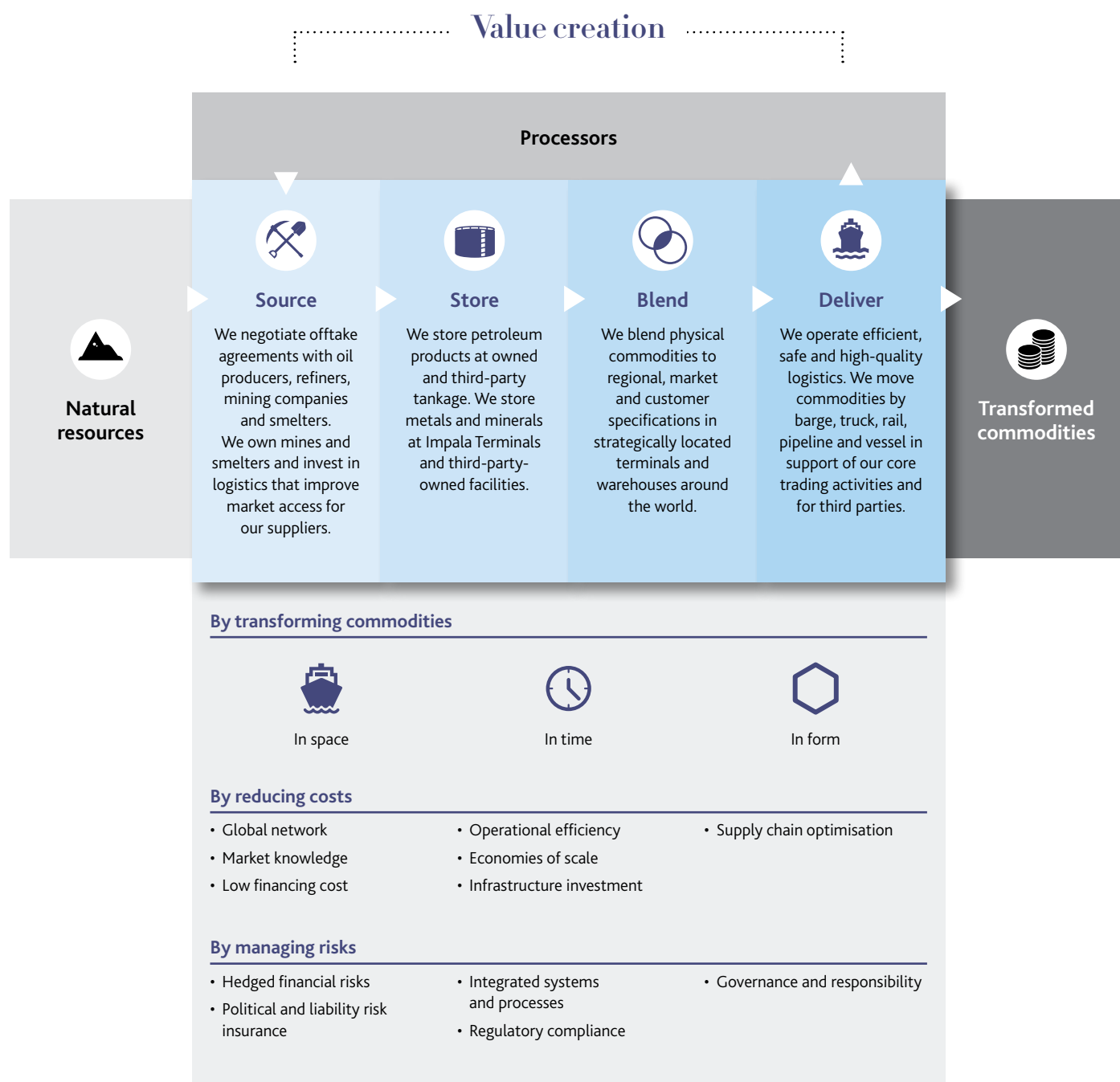


1. Figures as at 30 September 2019



# 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.



## Statement from the Executive Chairman and Chief Executive Officer

# A record year for trading

2019 was another successful and profitable year for the business, giving us confidence in a rapidly changing world.



**Jeremy Weir**  
Executive Chairman and  
Chief Executive Officer

It gives me great pleasure to present the 2019 Annual Report from the Trafigura Group, which describes another successful and profitable year for our company.

We live in volatile and uncertain times, not least in respect of international trade and the role of natural resources. These times demand qualities of resilience, discipline and adaptability in companies seeking to build a long-term position serving consumers and producers in global commodity markets. One message that emerges strongly from these pages is that Trafigura possesses these qualities and has this year prospered by deploying them to service our customers and partners.

### Record trading performance

Trafigura's two core trading divisions, Oil and Petroleum Products and Metals and Minerals, delivered a record performance in 2019, as measured by Group gross profit and EBITDA. Gross profit was USD2,978 million, a 25 percent increase on 2018, while EBITDA was up 24 percent at USD2,129 million. Gross profit from oil trading was up by 64 percent, showing the benefits of our restructuring of the division in 2018 and of its focus on the most profitable flows, notably from the US. Metals and Minerals matched its strong performance in 2018. Overall gross trading margin was 1.7 percent compared to 1.3 percent last year. Trading volume on both sides of the business also increased, with total volume up by four percent to 389 million tonnes and oil volumes up by six percent to a daily average of 6.07 million barrels.

Net profit for the year, by contrast, was steady at USD867.8 million. This is a satisfactory result and in line with performance in each of the two previous years. The fact that it does not fully reflect the excellent trading performance is due to financial impairments and write-offs related to some of our industrial assets and investments. These adjustments in themselves demonstrate our disciplined and conservative approach to asset evaluation. We will continue to invest in assets in a prudent and disciplined way where it supports our trading business.

In oil, the emergence of the US as the world's leading producer has effectively re-engineered the global market, with barrels now moving predominantly from west to east. Trafigura is a leading player in exports of crude and of other products such as liquefied natural gas from the US, and has built an unrivalled network of relationships with producers, refiners and end-users around the world. We are a leading supplier of the materials required in the transition to a lower-carbon economy, including aluminium, cobalt, copper and nickel.

Trafigura Group's core strategy is to provide logistical services to producers and consumers of energy and industrial raw materials. Our business relies on managing global supply chains of such commodities in the most efficient and reliable manner. These services are in particular demand now as a result of trade conflicts, geopolitical tensions and radical changes in commodity flows.

### Mixed picture in asset investments

The third pillar of our diversified business model is investment in assets relevant to our commodities trading business. It remains our strategy to address bottlenecks in the supply chain even if it results in short-term costs. In 2019, the picture was mixed. On the positive side, we made a significant gain as a result of two important transactions with leading ship owners Frontline Ltd. and Scorpio Tankers Inc. to exchange long-term leasing obligations with purchase options on a total of 29 oil tankers for equity in those companies.

This gain was however more than offset by impairments elsewhere, including write-downs related to Nyrstar N.V., following financial restructuring of that company. We also saw further adjustment in the value of other infrastructure assets and investments. The financial impairments and value adjustments taken in 2019 demonstrate that Trafigura is making progress in addressing under-performing assets. This applies to our 49 percent holding in Puma Energy, where management is on course to achieve a turnaround. The Nyrstar transaction was an important event during the year for us. Nyrstar owns world-class assets on three continents, but ran into financial distress as a result of an excessive debt burden through overexpansion. It has the potential to return to profitability. In addressing Nyrstar's problems, Trafigura has assisted in safeguarding thousands of jobs and given a company with a distinguished past a viable future.

We will continue to invest in assets and form partnerships in a prudent and disciplined way where it supports our trading business. An example realised in 2018 is our joint venture with IFM Investors to manage a number of Impala Terminals operations handling non-ferrous concentrates and other logistical assets previously operated by Impala Terminals. This venture is performing well. Another promising development is our investment in downstream and retail oil assets in Argentina, which is making good progress despite a turbulent political and economic environment. Our portfolio of mining assets also continues to perform well with a robust outlook for 2020.

### Compliance

Trafigura has for a number of years now been focused on developing effective and robust compliance practices and this has continued over the year. Our practices address the need to be compliant and also how our business is adapting and growing. To highlight some key developments:

- We have eliminated the practice of using intermediaries or agents for business origination and development purposes.
- We are increasingly utilising technology to review, monitor, identify and flag high-risk counterparties and activities faster and more accurately.
- We continue to enforce strong, systemised, controls on expenses and conflicts of interest.
- We continue to develop our programme of customised, frequent and mandatory compliance training across our company in accordance with our Code of Business Conduct.

We will continue to reassess our compliance programme while working with industry on improvements as technology, regulations and stakeholder expectations evolve.

### Outlook: confidence in a rapidly changing world

We are confident that 2020 will be another good year for us. The reasons for this include:

- The market volatility and political and economic uncertainty experienced this year are unlikely to diminish in the next 12 months. This will reinforce the need for flexible, risk-aware and resilient global platforms in the commodities business.
- The market is already preparing for changes in the global shipping and oil businesses as a result of the IMO 2020 rule change that is aimed at reducing sulphur emissions from ships. Trafigura is well positioned to help the industry cope with these changes and to build its position in the bunker fuel market via a newly-established bunkering joint venture with ship owners Frontline and Golden Ocean.
- We see our long-term asset investments making progress and contributing to our bottom line. We see further upside, for example, in our mining operations and the shipping market. Nyrstar, with its global footprint of production across Europe, Asia-Pacific and the US, should over time contribute to our EBITDA.

We also see many opportunities related to the wider changes underway in the world. The most important of these changes is undoubtedly the growing recognition that climate change needs to be addressed and that to do so, entire energy and transportation economies need to change. By virtue of our global footprint, financial resources and talented people, Trafigura is well positioned to make a positive contribution.

We are intensely focused on the opportunities that addressing climate change will bring to our business. Trafigura is already, for example, extensively involved in the supply chain of materials required for batteries. Through our newly created Power and Renewables trading division, our power trading activities are developing, as are investment opportunities in renewable energy.

Trafigura remains a major trader in energy and fuels. We are taking action to reduce emissions and we contribute towards industry change, including the need for greater actions to curb emissions from shipping. Our Responsibility Report provides information on the steps we are taking to reduce these emissions.

In considering these possibilities, we have the advantage of not being heavily exposed to ownership of resources in the ground. Instead, we aim to apply our trading skills to assisting with the commodities transition, for example, by harnessing our existing expertise in commodity trading to provide new services to power generation. We also continue to refine our global trading platform, through the growing use of artificial intelligence, bringing further efficiencies to commodity markets. These are all subjects I hope to report on more in next year's Annual Report.

### Jeremy Weir

Executive Chairman and Chief Executive Officer

## Financial review

# Strong and steady financial performance

Record gross profit and EBITDA<sup>1</sup> from trading operations have produced a strong financial result for FY2019, in line with FY2018 and previous years, despite some impairments in fixed assets.



**Christophe Salmon**  
Group Chief  
Financial Officer

### Group revenue

**\$171.5<sub>bn</sub>**



### Total assets

**\$54.2<sub>bn</sub>**



### Gross profit

**\$3.0<sub>bn</sub>**



### Shareholders' equity

**\$6.5<sub>bn</sub>**



### Gross profit margin

**1.7 %**



### EBITDA

**\$2.1<sub>bn</sub>**



### Net profit

**\$867.8<sub>m</sub>**



### Adjusted debt

**0.78<sub>x</sub>**



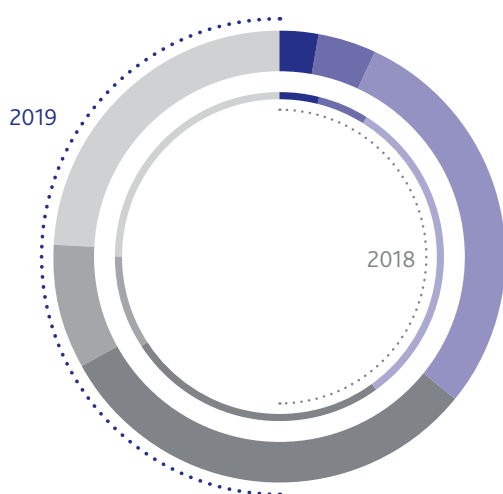
<sup>1</sup> EBITDA (earnings before interest, tax, depreciation and amortisation) is operating profit excluding the share in results of equity-accounted investees, depreciation and amortisation, gains/losses on divestments of subsidiaries, equity-accounted investees and other investments, impairment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

In FY2019, the Trafigura Group continued the track record of steady financial and commercial performance it has delivered over several years, registering a profit for the year of USD867.8 million. This was in line with the figure of USD872.8 million recorded in FY2018 and within the range of annual profits declared every year since FY2014. The net figure reflects a combination of very strong performance by both trading divisions on one hand, and some value adjustments relating to our fixed asset portfolio on the other hand – principally consisting of impairments and write-offs in relation to Nyrstar N.V. The 2019 financial year also saw the Group realise significant gains from shipping investments. At the same time, we maintained our strong financial liquidity and substantially reduced our financial leverage.

Gross profit for the year stood at USD2,978 million. This represented an increase of 25 percent on FY2018 and an all-time record for the Group, reflecting the strong performance of both of our Oil and Petroleum Products and Metals and Minerals trading divisions. Oil trading generated gross profit nearly two thirds higher than in FY2018 at USD1,681 million, or 56 percent of the total. Metals and Minerals matched what had been a strong performance in FY2018, generating gross profit of USD1,297 million or 44 percent of the total. Another indicator of our strong financial performance was EBITDA, which was a record for the Group at USD2,129 million, an increase of 24 percent on FY2018.

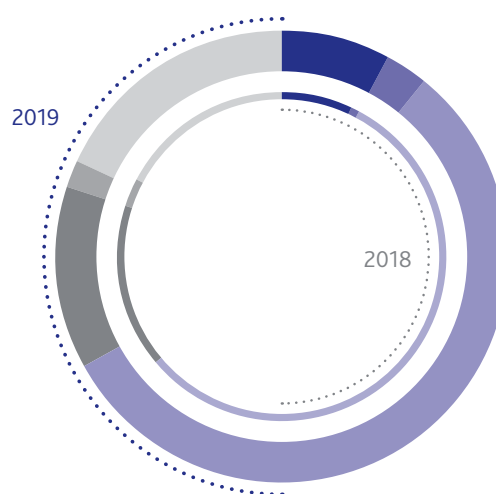
Our trading operations continued to benefit from our positioning in the market. In oil, heightened market volatility also helped boost margins, but performance also reflected the fact that we have reshaped the business over the past two years to capture the most profitable trade flows. The Group further consolidated its position as an exporter of crude oil in the US, whilst also developing important positions in other strategic flows (such as refined products and liquefied natural gas), further diversifying the oil book across the global energy market. In non-ferrous metals, we maintained our market position as a key trader of both metal concentrates and refined metals.

Oil and Petroleum Products Revenue by geography (%)



	2019	2018
Middle East	3%	4%
Africa	4%	5%
Asia & Australia	29%	31%
Europe	31%	26%
Latin America	9%	9%
North America	24%	25%

Metals and Minerals Revenue by geography (%)



	2019	2018
Middle East	8%	7%
Africa	3%	1%
Asia & Australia	56%	56%
Europe	13%	16%
Latin America	2%	3%
North America	18%	17%

During the year, Trafigura acquired 98 percent of NN2 Newco Limited ('NN2'), the holding company of the operating business of Nyrstar, a leading zinc and lead smelting business, following a major financial restructuring between Nyrstar, its bondholders and bank creditors. The transaction was legally enacted by an agreement between financial stakeholders and the UK courts following the sanction of two English schemes of arrangement. The restructuring was completed on 31 July 2019, on which date the business became fully consolidated within the Trafigura Group balance sheet. As detailed by our Executive Chairman on the preceding pages, we believe that this restructuring will create a stable basis for Nyrstar to turn around its operations following a period of financial distress. However, it also comes with significant short-term costs, including a write-off of our remaining equity holding in Nyrstar N.V. and other impairments.

Trafigura realised significant gains as a result of two important transactions with ship owners Frontline Ltd. and Scorpio Tankers Inc. Following discussions that started in July 2019, we concluded contractual agreements in August and September with these two companies to sell 29 oil tankers through the sale of two subsidiaries and the exercise of purchase options embedded within the existing lease agreements. The tankers were sold in exchange for equity in Frontline and Scorpio Tankers, generating an income gain of USD201 million. This did not, however, fully compensate for the impairments, value adjustments and write-offs relating to our continuing equity investment in Nyrstar N.V. and other investments, which totalled USD315 million.

These movements were the main drivers of the "other income and expenses" line in the P&L showing a loss of USD172 million. The Frontline and Scorpio transactions are a testament of Trafigura's ability to access assets that can serve our trading activity and be monetised at the right moment.

Overall, these results represent a continuation of Trafigura's strong and steady financial performance, combining a dynamic trading business with conservative balance sheet management and a prudent and disciplined financial approach. The decision to reduce the distribution to shareholders from USD528 million in FY2018 (59 percent of the previous year's profit) to USD337 million in FY2019 (39 percent of FY2018 profit) emphasises the importance attributed to growing our equity base and maintaining our leverage ratio within our target guidance of 1x adjusted debt to equity. To underline the latter, the ratio of adjusted debt to equity fell to 0.78x in 2019, continuing a downward trend dating back to 2016.

***"Trafigura realised significant gains as a result of two important transactions with ship owners Frontline Ltd. and Scorpio Tankers Inc."***



***"Repositioning the business around more profitable flows is paying off."***

## Profitability

Revenue in 2019 totalled USD171,474 million, a decrease of five percent from the figure of USD180,744 million recorded in FY2018. Whilst trading volumes increased year-on-year, average prices of many of the commodities we trade were lower than in the previous year. The total volume of commodities traded rose by four percent to 389 million tonnes from 371 million tonnes. Oil and petroleum products volume rose by six percent to 292 million tonnes, representing an average daily volume of 6.1 million barrels. Metals and minerals volume was just 1 percent higher at 97 million tonnes.

Aggregate gross profit margin was 1.7 percent, compared to 1.3 percent in FY2018. This shows how our focus on repositioning the business around the more profitable flows is paying off in a market that remains competitive despite consolidation. General and administrative expenses rose to USD1,157 million (which is equivalent to a 10 percent increase excluding the Nyrstar effect) and is due primarily to the inclusion of Nyrstar in the total and to an increase in compensation paid to Trafigura staff. Gross financing costs were 18 percent higher than in FY2018 at USD1.4 billion, driven by the sharp increase in USD Libor compared to FY2018.

▼ Nyrstar advanced metal recovery and refining facility in Port Pirie, Australia.



In the other income and expenses line, the significant losses, apart from the Nyrstar related impairments, write-offs and costs of USD73 million, were a USD121 million adjustment in the value of securities related to the Porto Sudeste iron ore operation in Brazil. The Group's share of profit of equity-accounted investees was USD48 million, up from USD17 million in 2018. This reflects the net effect of Trafigura's share of the profits and losses of industrial assets held but not consolidated on our balance sheet, including the profit generated by Minas de Aguas Tenidas (MATSA), our flagship copper mine in Spain that is jointly-owned with Mubadala, and an excellent debut by "Simba", the newly-established infrastructure joint venture between Trafigura and IFM Investors.

## Balance sheet

As at 30 September 2019, total assets amounted to USD54,151 million, largely unchanged from a year earlier, despite the full consolidation of Nyrstar. Fixed and non-current assets were 22 percent higher at USD10,777 million, reflecting the inclusion of Nyrstar's fixed assets in our balance sheet. Equity-accounted investees were valued at USD3,417 million, compared to USD3,361 million a year earlier: this reflects the net effect of additions, disposals, impairments, and income and losses from various investments. It includes, for instance, the reduction in the value of Trafigura's 49 percent stake in Puma Energy, from USD1.95 billion as at 30 September 2018 to USD1.75 billion at the end of this financial year. The "other non-current assets" line was USD348 million, significantly lower than the USD1,095 million recorded as at 30 September 2018, leading to the recovery of cash collateral posted against hedges. Prepayments, including near-term advances and those with a duration of more than 12 months, rose to USD4,133 million from USD3,660 million a year ago. Trafigura lays off a significant portion of such risks through insurance risk cover and bank syndication arrangements.

Current assets were slightly down from last year at USD43,372 million and inventories were also lower at USD13,435 million, reflecting lower average commodity prices. Trade and other receivables were also lower at USD18,517 million.

Group equity was USD6,805 million, up from USD6,250 million a year ago. It is Trafigura's policy to continue to grow its equity base. Equity increased year on year by close to USD600 million, which is mainly explained by the retained earnings and by the net proceeds from perpetual bonds. The Group redeemed its SGD200 million perpetual bond at its first call date in February 2019 and on 31 July 2019, issued a EUR262.5 million perpetual bond as part of the acquisition of the Nyrstar operating companies, valued at USD267 million in the balance sheet. Current liabilities, including short-term bank borrowings, were USD37,379 million, down from USD38,576 million at the FY2018 year-end.



## Cash flow

Operating cash flow before working capital changes was USD1,993 million, up from USD1,655 million in 2018. 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 decreased significantly year-on-year with a net working capital release of USD3,153 million for the year compared to a USD702 million requirement in 2018, leading to the equivalent repayment of working capital financing lines.

Investing activities resulted in a net cash use of USD285 million, compared to a net use of USD95 million in 2018. The net cash used in financing activities was USD3,074 million in FY2019, compared to the USD148 million generated in the previous year, in line with the USD3 billion release of working capital mentioned above.

The overall balance of cash and cash equivalents as of 30 September 2019 was USD6,267 million, compared to USD5,356 million a year earlier.

## 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 making 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 as at 30 September 2019, had access to over USD60 billion 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 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 market, relying on a combination of diversified funding sources and strong banking relationships. Trafigura has cemented relationships with its lending banks and investors over many years, and they have supported us throughout various commodity cycles and financial market environments.

Trafigura's banking group consisted of around 135 financial institutions across the world as at 30 September 2019. 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 markets, securitisation markets, bond markets (public or private) and trade finance.

In terms of financing and liquidity, Trafigura achieved an increase in its available credit lines from USD58.4 billion to USD59.7 billion following Nyrstar's integration. This increase comes mainly from the transaction facilities which finance day-to-day activity and represent the largest portion of the Group's financing.

Of those total current lines, more than USD19.0 billion remained unutilised at the end of September 2019, providing significant buffer of unused credit in case of unforeseen events. In September 2019, the resilience of Trafigura's funding model was demonstrated when the Group was able to comfortably manage significant margin calls when crude oil increased by approximately 15 percent over a day. As at 30 September 2019, the Group had USD9.2 billion (FY2018: USD9.5 billion) of committed unsecured syndicated loans, of which USD2.3 billion (FY2018: USD2.7 billion) remained unutilised. The Group had USD6,267 million of cash and cash equivalents at the end of the year.

During its financial year, Trafigura refinanced both of its flagship revolving credit facilities in Europe and Asia, which represent the cornerstone of Trafigura's unsecured funding. In October 2018, Trafigura refinanced its Asian Revolving Credit Facility (RCF) and Term Loan Facilities (TLF) at USD1,945 million equivalent with the support of 28 banks. The transaction comprised three tranches: a one-year USD denominated revolving credit facility (USD1,075 million), a one-year CNH denominated term loan facility (USD370 million equivalent) and a three-year USD term loan facility (USD500 million). This facility was further upsized to USD2,030 million equivalent post closing via the accordion feature.

In March 2019, Trafigura successfully refinanced the one-year tranche of its European RCF at USD2,050 million at tighter pricing levels with the support of a larger and deeper bank group. At the same time as refinancing the one-year facility, the company decided to extend the maturity of the USD3,550 million three-year tranche by 365 days, hence maintaining the facility tenor to three years. The one-year tranche was subsequently upsized to USD2,180 million via the accordion feature.

***"Access to deep and constant liquidity is a key reason for our leading competitive position."***

## Debt and capital markets issuance

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

Trafigura took advantage of the conducive debt capital market environment in FY2018 and raised liquidity to pre-finance two upcoming maturities; the EUR607 million Eurobond, which matured in November 2018, and the SGD200 million perpetual bond, which was redeemed in February 2019 on its first call date.

Over FY2019, Trafigura opportunistically focused its efforts on debt capital markets that offered attractive market conditions, a key advantage of the funding diversification strategy. In May 2019, Trafigura successfully issued a fourth tranche of its Panda Bond Programme. This 540 million renminbi-denominated issuance was significantly oversubscribed and drew a more diverse investor base than for the previous tranches. Moreover, the coupon has significantly tightened since the first tranche issued in April 2018, confirming the strong appetite of the Chinese bond market for Trafigura's long-term debt.

As part of the acquisition of NN2, Trafigura Group issued three bond instruments:

- i) a EUR262.5 million perpetual resettable step-up subordinated securities issued by Trafigura Group Pte. Ltd., with an interest rate of 7.5 percent per annum, resetting after five years and listed on the Singapore Stock Exchange.
- ii) a USD88 million guaranteed senior notes issued by Trafigura Funding S.A. under the EUR3 billion Euro Medium-Term Notes Programme, through a tap of the USD400 million notes issued in March 2018, maturing on 19 March 2023.
- iii) a USD251 million, seven-year zero coupon commodity-linked principal amortising instrument issued by a subsidiary of the Trafigura Group, guaranteed by Trafigura Group Pte. Ltd., Trafigura Trading LLC and Trafigura Pte. Ltd., and listed on the Vienna MTF.

In September 2019, Trafigura Group issued a further CHF55 million bond into the Swiss retail market. This incremental transaction allowed Trafigura to increase liquidity raised in the Swiss market to CHF220 million following its inaugural bond issued in May 2018. By tapping the CHF bond market, Trafigura has succeeded in optimising its long-term funding costs, showing again the benefit of the funding diversification strategy followed by the Group.

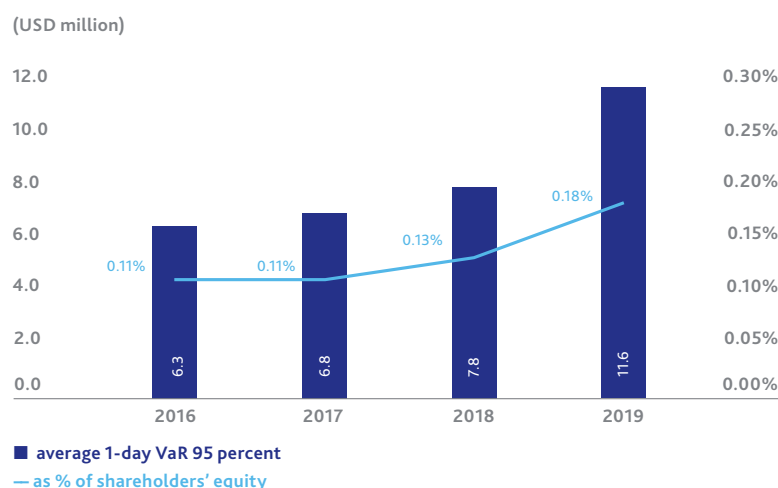
## Key financing milestones in FY2019:

Oct.18	Asian RCF Refinancing (post accordion)	USD2,030 million
Mar.19	European RCF Refinancing (post accordion)	USD2,180 million
May 19	Panda Bond – 4 <sup>th</sup> tranche	RMB540 million
July 19	Tap of the USD senior bond	USD88.1 million
	EUR perpetual bond	EUR262.5million
	Zero coupon commodity-linked instrument	USD250.7 million
Sep.19	CHF Bond	CHF55 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 30). During 2019, the average 95 percent one-day VaR for derivative positions was USD11.6 million (2018: USD7.8 million) which represented less than one percent of Group equity.



## Shareholder structure

Trafigura is owned by its management and over 700 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 its 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 2019, the ratio of adjusted debt to Group equity stood at 0.78 down from 0.97 at 30 September 2018. 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 increase over 1.0x over a sustained period.

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

	2019	2018
	USD'M	USD'M
Non-current loans and borrowings	8,492.1	8,462.1
Current loans and borrowings	22,455.5	23,741.6
<b>Total debt</b>	<b>30,947.6</b>	<b>32,203.7</b>
<b>Adjustments</b>		
Cash and cash equivalents	6,267.2	5,355.8
Deposits	374.2	334.4
Inventories (including purchased and pre-paid inventories)	14,137.2	15,620.5
Receivables securitisation debt	4,422.1	4,294.1
Non-recourse debt	437.2	562.2
<b>Adjusted debt</b>	<b>5,309.7</b>	<b>6,036.7</b>
<b>Group equity</b>	<b>6,804.7</b>	<b>6,250.1</b>
<b>Adjusted debt to Group equity ratio at the end of the period</b>	<b>0.78</b>	<b>0.97</b>

## 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 2019 it was 12.5 percent compared to 9.7 percent in 2018.

## Outlook

While 2019 was a good year for trading and financial performance, there is an expectation that 2020 could be better still. The market backdrop remains favourable in both oil and metals. Prices remain relatively volatile and uncertainty is being enhanced by a tense geopolitical environment, protracted trade negotiations and specific disruptions, such as the implementation of the IMO 2020 rule change limiting sulphur emissions from the global shipping fleet. Moreover, our market position in both segments has never been stronger.

Our asset position is also improving. With NN2 fully consolidated within our balance sheet and the implementation of its turnaround plan, we will experience a first full-year contribution by that company to our EBITDA. Among our equity-accounted investees, the turnaround of Puma Energy is on course. Our infrastructure joint venture with IFM Investors is also set to continue to make a positive contribution. And with the bunker market likely to experience considerable turbulence as a result of IMO 2020, we see further upside in the shipping market. We expect the Trafigura Group to continue on its established history of delivering strong trading profits while managing financial and balance sheet risks in a prudent manner.

## Christophe Salmon

Chief Financial Officer

## Marketplace review

# Trade headwinds slow global economy



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

Global growth clearly slowed in 2019, as Central Bank easing was insufficient to offset headwinds from the trade conflict between the US and China. Global manufacturing and trade contracted. The US economy remained fairly resilient throughout 2019, but most other major markets were negatively affected to a significant degree. Vehicle sales, a good proxy for the health of the consumer market given the relative cost of a vehicle, fell sharply year on year, as consumers reevaluated their economic prospects. As such, we spent much of the year in an environment where we were not making, moving or driving.

### Manufacturing and services PMI

#### Global

Stated as an index (>50 = Expansion)



On top of a late-cycle slowdown, the ongoing back and forth of the trade conflict between the US and China certainly kept markets on edge throughout the year. While equity markets have made new record highs heading into the end of the year, we have also seen the yield curve inverting, normally a harbinger of recession. The fluid nature of the trade talks over the year has meant that businesses have been unable to commit to forward capex plans, while consumers have been buffeted by the fluctuating prospects of higher prices in the near future and thus limited consumption below what it might have otherwise been.

### Global Macroeconomic Environment

Perhaps nothing illustrates the shift in macroeconomic sentiment more than the complete reversal Central Banks have made in the space of a few months. As 2018 came to a close, the question was not whether Central Banks would continue tightening but rather by how much they would tighten. Markets were expecting the US Federal Reserve, for example, to raise interest rates at least once if not twice in 2019. Instead, the US Federal Reserve has cut rates three times this year, as concerns around growth proliferated, in large part due to the trade war uncertainty.

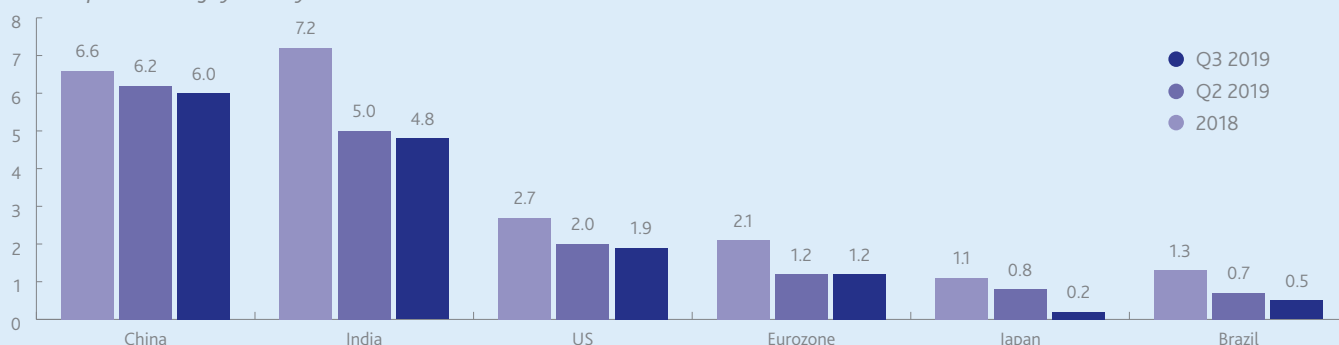
For most of the year, those concerns seemed well justified. Global manufacturing slid from a peak in early 2018 into a severe contraction in 2019. Of concern was the fact that it was not just the US and China, the two main protagonists in the trade war that were affected. Germany, Japan, South Korea and other major export and manufacturing powers all suffered significantly as global trade flows contracted due to increased tariffs. The European auto sector was particularly hard hit as weak demand was exacerbated by the effects of tariffs.

Tariffs did not simply raise the cost of goods, they also helped rewire the direction and magnitude of trade flows. This could clearly be seen across commodity markets, as flows of crude oil, LNG and metal concentrates out of the US and refined products out of China were affected either directly or indirectly. US crude oil, of which Trafigura is the largest exporter, is a clear example, in that volumes that under non-trade war conditions would naturally have flowed to China were instead exported to Europe as China took major supplies of European crude oil.

## Gdp growth 2018 vs. 2019

### Global

Stated in percent change year-on-year



Chinese growth decelerated markedly this year due to a combination of trade war-related pressures and limits on the debt-led growth that had characterised recent years. Chinese manufacturing contracted for most of the year and industrial profitability slumped. But instead of responding with a big credit jolt as they would have done in years past, the Chinese authorities focused more on the quality of growth rather than the quantity. As such, the emphasis was more on boosting retail spending, services and the value-added transformation of raw materials and components into higher-value end products. This shift in turn meant a conspicuous absence of large-scale infrastructure and real estate projects, which weighed on commodity demand, particularly for key base metals. As a result, growth slumped to the lowest level in almost 30 years, restraining commodity prices even in the face of major supply disruptions across oil and metals markets.

Other markets were not immune, with growth in India also dropping to the lowest level seen in many years, as domestic spending and investment dropped despite lower interest rates and imported crude oil prices. Brazil, which had been recovering in recent years, saw growth recede again on the back of weak investment and spending.

The US, the world's largest economy, continued to march on with its record expansion. Although growth has slowed markedly, it remains positive, driven by strong consumption and retail spending, even as corporate capital expenditure and exports slumped. Record low unemployment, continuing wage growth and ever-higher equity markets all combined to keep consumer confidence high and therefore spending to continue flowing. Whether this persists against the backdrop of a continuing trade war and no retracement on tariffs remains to be seen, but for now the US consumer has helped keep the world from an outright recession.

The weakness in global economic growth was reflected clearly in commodity markets. Despite an unprecedented attack on the global oil market's most critical piece of infrastructure, the Abqaiq processing plant in Saudi Arabia, which had been preceded by major attacks on oil shipping in the Straits of Hormuz, oil remained firmly mired in a band between USD55-60 per barrel (Brent) for most of the second half of the year.

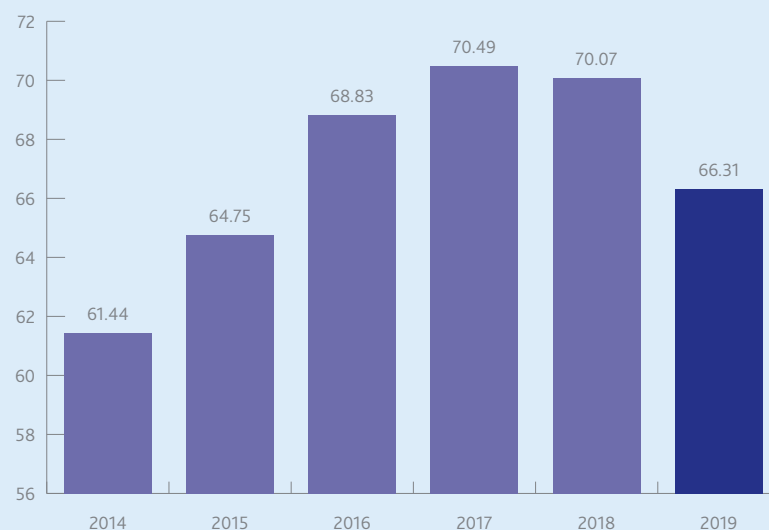
It was a similar story on the metals side, where strikes and unrest in Chile and cutbacks in zinc production failed to materially move metals prices higher. Copper prices fell almost USD1,000 per metric tonne, from their April high of USD6,556 per metric tonne to a low of USD5,600 in September, while zinc lost USD700 per metric tonne from USD2,933 to USD2,205 per metric tonne inside of four months. Aluminium peaked early in our fiscal year, going above USD2,200 per metric tonne in October 2018, only to steadily slide downwards all year to its now rangebound level of USD1,700-1,800 per metric tonne. Nickel was the outstanding performer, rising from a low of USD10,690 per metric tonne at the start of 2019 to a peak of USD18,000 per metric tonne. However, this too was driven by supply issues rather than demand growth, as Indonesia implemented an export ban that limited the quantity of material available.

As we exit our fiscal year, we have seen some early signs of stabilisation in the macro environment, and if there is a positive outcome to the US/China trade discussions then perhaps those green shoots will turn into a more substantial recovery for 2020. If that indeed is the case, then it should be a positive growth environment for commodity demand and trade.

### Passenger vehicle sales

#### Major markets

Stated in million units





## Performance review

# Oil and Petroleum Products Trading

Trafigura's Oil and Petroleum Products Trading division made the most of a more favourable trading environment in 2019 and reaped the benefit of the previous year's restructuring.



Left to right:

**Ben Luckock,**  
**Jose Larocca,**  
**Hadi Hallouche**  
Co-Heads of Oil Trading

## 65%

Contribution to  
global revenue  
(2018: 69 percent)

## 292.0 mmt<sup>1</sup>

Total volume traded  
(2018: 275.2 mmt)

### Oil and Petroleum Products volumes traded (mmt)

	2019	2018
Biodiesel	0.6	0.6
Bitumen	0.0	0.4
Condensates	1.5	1.5
Crude oil	147.2	122.6
Fuel oil	28.5	41.1
Gasoline	25.7	29.1
Liquefied natural gas (LNG)	12.6	9.9
Liquefied petroleum gas (LPG)	7.4	6.9
Middle distillates	35.5	39.4
Naphtha	15.9	16.8
Natural gas	17.1	6.9
<b>Total</b>	<b>292.0</b>	<b>275.2</b>

<sup>1</sup> Million metric tonnes of oil equivalent.

## Market overview

Despite macro uncertainties and headwinds, the global markets for oil, gas and refined petroleum products presented a much more favourable environment for trading in 2019 than in the previous year. Geopolitical tensions and trade conflict created volatility in prices and flows and, in most segments, significant opportunities for Trafigura's core business of physical arbitrage based on price differences in time and location.

Chief amongst these dislocations has been the continuing change in the global trade flows of oil. We have been moving away from a world where the primary oil trade was crude from the producers of the Middle East, Africa and Latin America moving to the US and Europe. Instead, with the rise of Chinese and now Indian demand, those crude barrels are increasingly moving eastward rather than westward. Growing urbanisation in Asia has boosted consumer income and spending, particularly on energy and transportation.

Another part of this transition has been on the supply side, namely the rise of the US as the world's largest crude producer. This rapid rise in production has led to significantly reduced demand for crude imports into the US, pushing those barrels back out into the market, particularly towards the Eastern markets. Over the last four years, the US has grown its own exports to the point where it exports more volumes than any OPEC member except Saudi Arabia. The destinations for these barrels have changed numerous times over the last few years as ebbs and flows in demand economics have in turn meant that the appeal and viability of US barrels into certain markets has evolved. But Trafigura's global footprint and access to demand opportunities has meant that we have been able to fully address these dislocations by increasing our US exports to European homes while also increasing the traded amount of our European and West African barrels into Asia.





### Trafigura performance

A number of both crude oil and product markets were backwardated through the year, meaning that spot prices were higher than forward prices.

However, this did not impede our ability to generate margin and highlighted the robustness of the Trafigura physical trading model. On the contrary the division had an exceptionally strong year almost across the board. Volume was steady at 292 million metric tonnes, approximately 6 million barrels per day, while divisional gross profit increased by almost 64 percent to USD1,681 million, from USD1,022 million in 2018. We maintained our market leadership in key growth segments such as LNG, while further building our strength as a leading player in the US, now a key hub of the global industry thanks to rising production of shale oil and gas. Our access to flows of light sweet crude from the US, and to associated infrastructure, has become a key competitive advantage in the global arbitrage business. It also means we are well positioned to help our customers navigate the anticipated market disruption resulting from the introduction of IMO 2020, a rule lowering sulphur limits in marine fuel – another key market driver for this past year and next.

We derived maximum benefit from the careful but significant restructuring of the division in 2018. Key moves included the establishment of a new leadership team, the injection of new talent, the restructure of our Derivatives and Execution function and the establishment of a dedicated in-house bunkering team. The team works alongside our fuel oil and middle distillate desks in order to serve the marketplace more effectively in preparation for IMO 2020.

The restructuring has created a stronger and more stable division, with lower staff turnover and a strong culture of collaboration. We have continued to hire and promote promising talent to reinforce our regional offices and product teams. Working together in this way has enabled us to deepen our relationships with clients, including refiners, and to build a very strong book of forward business.

▲ A Trafigura chartered oil vessel leaving Corpus Christi, Texas, US.

***"The division had an exceptionally strong year almost across the board."***

[www.trafigura.com/  
products-and-  
services/oil-and-  
petroleum-products](http://www.trafigura.com/products-and-services/oil-and-petroleum-products)



▲ Plains All American "Cactus II" pipeline under construction before coming on line in August 2019.

## Crude oil

The crude oil market was in a state of backwardation throughout the year, with spot supply constrained by such factors as the impact of US sanctions on Iranian and Venezuelan crude exports. At the same time geopolitical concerns and the ongoing trade conflict between the US and China drove volatility in both prices and flows.

This was a favourable trading environment for the crude team, which had an excellent year expanding both volumes and profits. We extended our lead as the largest exporter of US crude, with flows growing further from August onwards, thanks to shipments through the Plains All American Cactus II pipeline linking the shale fields of the Permian Basin to a storage and loading terminal on the Gulf Coast. Access to this infrastructure gives us a unique and highly efficient means of channelling premium quality US crude oil to global markets. It means we can take full advantage of profitable arbitrage opportunities into Europe and Asia and build deeper client relationships with Asian refiners. At the same time, we maintained our long-term supply relationship in the Urals market and built Middle East crude volumes during the year. Overall, physical margins improved markedly over 2019.

With these favourable trends set to continue, and a very strong crude oil trading team, we are optimistic about performance in 2020. We expect US volume to continue to grow, demand for US light sweet crude to gain extra momentum from IMO 2020, and margins to continue to build.

***"This was a favourable trading environment for the crude oil team, which had an excellent year expanding both volumes and profits."***

## Gasoline

It was a volatile year in the global gasoline market, with a period of oversupply and depressed pricing during the first half of our fiscal year followed by rising prices and volatility from February 2019 onward. The change came as refiners minimised gasoline yields to rationalise production and was intensified by a significant number of unplanned refinery outages.

In this rapidly moving market, Trafigura's global gasoline team was very well positioned to capture volatile interregional arbitrage opportunities. Overall gasoline volumes were slightly lower compared to last year, but margins were better than in 2018.

In 2020, we expect gasoline supplies to remain tight and volatility to be high as refineries adjust for IMO 2020 and make a full transition into US Tier 3 Sulphur.

## Fuel oil and Middle distillates

Volatility was also the dominant characteristic in fuel oil and gasoil as the markets prepared for IMO 2020. The reduction in bunker fuel sulphur specifications from 3.5 percent to 0.5 percent is one of the largest regulatory changes in the industry's history. It is having a huge impact on fuel oil and distillate flows but has also connected the balances and specifications of these products as they now share a pool of demand. The high-sulphur fuel oil market was tight in 2019 as a result of US sanctions which reduced supplies from Venezuela and Iran. However, the prospective removal of 50 percent of high sulphur fuel oil (HSFO) demand under IMO 2020 weighed heavily on the back of the curve, leading to extreme volatility and disconnects between paper and physical markets, and enhanced physical arbitrage opportunities.

For Trafigura, it was the first full year of trading as an integrated gasoil, fuel oil and bunker business. We decided to merge these operations in 2018 in preparation for IMO 2020. This allowed us to approach the market in a cohesive, client-focused manner, to the point where we are now one of the leaders in supply of RMG fuels specification to some of the world's largest bunker consumers. Our overall volumes were slightly down on 2018 as the team focused on the most profitable business as opposed to market share. Profitability increased strongly. We will continue to focus on the bunker fuel market in 2020.

During 2019, Trafigura and leading ship owners Frontline Ltd. and Golden Ocean Group Ltd. announced an agreement to establish a leading global supplier of marine fuels. Trafigura will contribute its existing physical bunkering operations to the joint venture and owns 75 percent interest. The joint venture, TFG Marine, is expected to commence operations in the third quarter of 2020 and will act as the exclusive purchaser of marine fuels for Trafigura, Frontline and Golden Ocean.

Our priority will be to work with our customers to find the most cost-effective and reliable solutions for continuity of supply amid the uncertainty and volatility created by IMO 2020. This includes our bunker customers managing a new specification and price set, but also extends to our traditional diesel customers who will see the knock-on effects of IMO 2020 in the form of increased demand and potential disruptions to supply.



***"We are now leaders in supply of RMG specification to the world's largest bunker consumers."***

## Liquefied petroleum gas (LPG)

The global LPG market continued to grow in 2019, driven by rising supply from the US and increasing demand in Asia, especially in China and India. US exports rose dramatically to reach levels rivalling those from the Arabian Gulf. At the same time, the trade conflict between the US and China and US economic sanctions on Iran and Venezuela had a disruptive influence on trade flows, with China absorbing the vast bulk of supplies from the Middle East and the US becoming the supplier of choice for the rest of the world. These changes in turn created a tight freight market by increasing the aggregate length of voyages for LPG freight.

Trafigura's LPG team had a challenging year dealing with the impact of changing LPG flows and long-term purchase and supply agreements. However, on the shipping side we took delivery of four Very Large Gas Carrier vessels on bareback charter, which alongside our time charter fleet, give us a good position in current strong market. Further to this, we have continued to invest for the future with an order for the first LPG carriers able to burn LPG as a fuel. As well as being the most CO<sub>2</sub> efficient LPG ships built to date this gives both the trading and shipping section of the book the most technologically advanced freight position in the market.

Looking forward, we are optimistic about 2020. In addition to upside in the shipping market, we see further growth in US exports following a wave of infrastructure investment and continuing market volatility. Towards the end of 2019, our global LPG trading team was restructured to enable it to take advantage of these conditions.

## Naphtha and Condensates

Pronounced volatility and new supply marked naphtha and condensates markets in 2019, with the US acting as the key driver of change. As production of light crude from the US shale fields continued to rise, so did the availability of competitively priced naphtha and condensates for use in a variety of applications in international markets, including as feedstock for petrochemical manufacturers and refiners, diluent for producers of heavy crudes, and a component for blending gasoline.

Trafigura remained a market leader in 2019 with a strong position in all key producing and consuming countries. Thanks to access to infrastructure in the US Gulf Coast at Corpus Christi, we were well placed to efficiently source and channel the new abundant supply to the global waterborne market and to rebalance flows in the event of market disruptions. We trade naphtha and condensates in one global team working closely with other trading desks such as gasoline and crude oil. This gives us agility, flexibility and speed in identifying market opportunities, and we made the most of these capabilities during the year to enhance profit margins on a trading volume broadly comparable to the 2018 level. Geopolitical events such as US sanctions on Iran and Venezuela, global trade tensions, and events in the Middle East, impacted global premiums, notably in the Far East, creating trade flow distortions which became trading opportunities for our naphtha and condensate flows, excluding Europe and the US, as well as for new condensate supplies from Australia. We also saw increased opportunities in Latin America in 2019.

Looking ahead, we see volatility persisting into 2020, with the implementation of IMO 2020 creating an additional source of potential market dislocation as US supplies of naphtha and condensate continue to grow. We expect to maintain growth on the strength of our diversified global trading model.

▼ Very Large Gas Carrier being loaded in Corpus Christi terminal, Texas, US.



***"The LNG team continued to strongly increase volume with growth up 27 percent."***

## Liquid natural gas (LNG) and Natural gas

The global LNG market continued to grow rapidly in size and complexity in 2019, driven by abundant new flows from the US and Russia, the development of a more liquid spot market in the Far East, and sustained low gas prices resulting in a record amount of LNG being delivered to Europe. More countries are buying LNG, and buyers are becoming more flexible and more willing to buy from the spot market as opposed to traditional long-term contracts, recognising that security of supply can better be provided on a liquid, open and transparent spot market. With supplies plentiful and prices low, a significant driver of demand was gas-for-coal switching among power utilities both in Europe and across Asia.

The LNG team strongly increased volume, with growth up 27 percent to 12.6 million metric tonnes equivalent. This year marked the start of shipments under our 15-year offtake agreement with Cheniere and several other mid-term contracts. With weak demand in Asia redirecting trade flows, the European market absorbed the bulk of our Atlantic cargoes, often in conjunction with our natural gas desk, while we continued to build our position in the Far East with regionally sourced LNG.

▼ LNG carrier berthing at the Gasport FSRU based terminal in Karachi, Pakistan which is utilised by Trafigura.



Given the greater integration of global gas prices, we reaped considerable benefits from our integrated approach to trading LNG and natural gas in one team.

Our natural gas book grew significantly during the year, both in scale and scope. Volume traded grew by 147 percent to 17.1 million metric tonnes equivalent. We were again the largest supplier of natural gas to Mexico from the US, while in Europe we expanded our business, in particular in Spain, Italy and the UK. We increased sales in Ukraine despite ongoing political uncertainty, and we remain committed to this market. We continue to grow our footprint in new gas markets: for instance, this year we became the first foreign company to acquire a gas sales license in Pakistan.

Looking ahead, we expect the pattern of growing LNG production, increasing demand and greater market liquidity and transparency to offer more opportunities for our integrated LNG/natural gas operation in the US, Europe, Asia and Latin America.

## Biodiesel

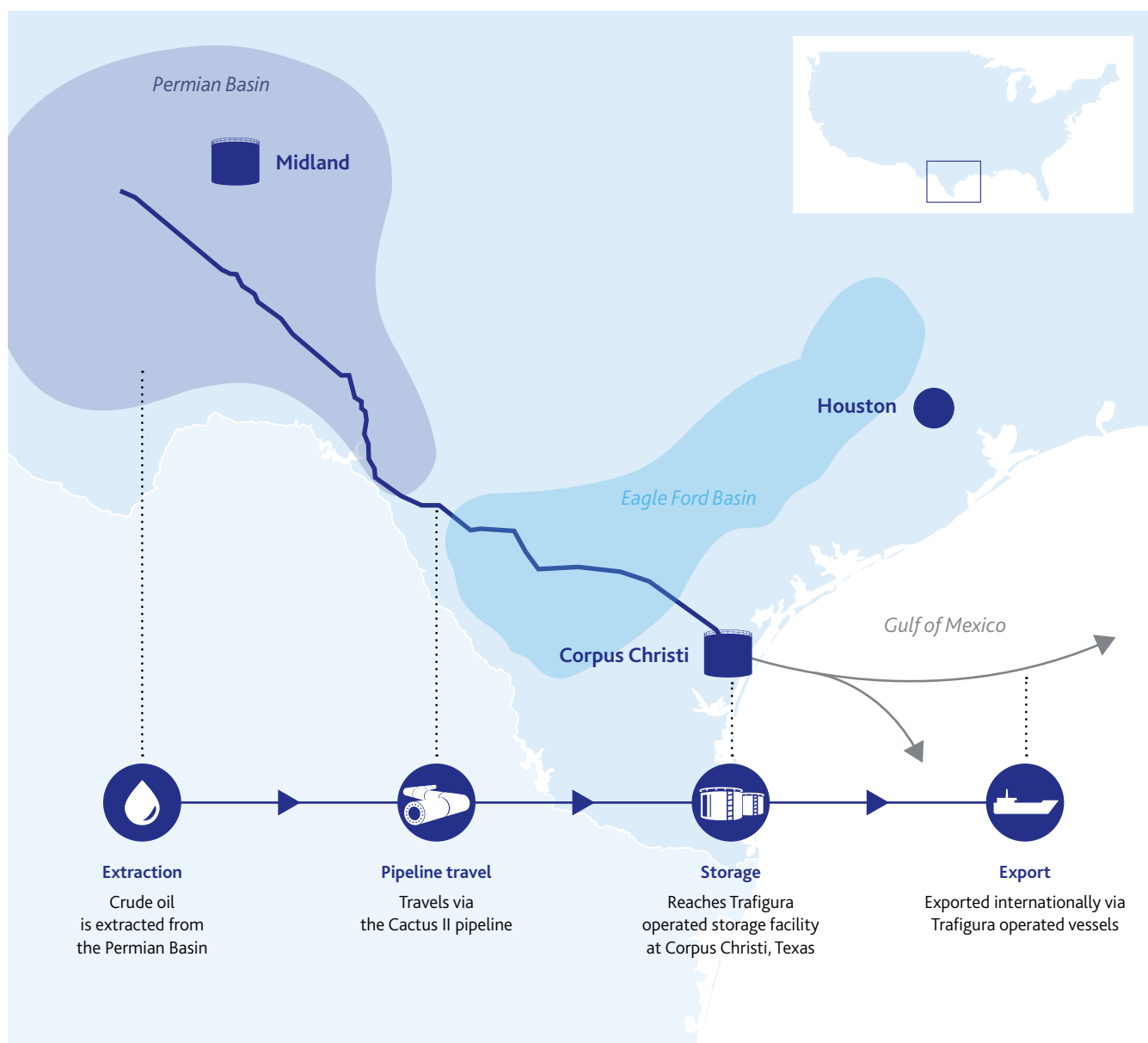
Biodiesel remained a challenging market in 2019 as prices continued to eliminate the potential for discretionary blending. Regulatory uncertainty in the US and Europe on matters such as US tax and renewable fuel policy, as well as anti-subsidy duties on various biodiesel imports being dropped by the 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 into the energy mix. In response, Trafigura maintains expertise to evaluate and act on market movements as they occur.

## Derivatives and Executions

In 2019, Trafigura restructured and significantly enhanced its Derivatives and Execution function to bolster the Oil and Petroleum Products Trading division's proprietary trading capabilities.

This now 20-strong team is headed-up by a long-serving senior physical trader and supported by a number of derivatives specialists from a range of financial backgrounds operating out of each of our key regional trading hubs in Geneva, Houston and Singapore.

The Derivatives team works closely with each physical trading desk, sharing information and placing data at the core of its work. Through its use of new technologies in trading, including advanced analytics, the new team will enable us to evolve and diversify our business practices in line with the changing oil market and influx of significant financial flows influencing prices, and to manage the challenge of competing with automated trading.



## With a secure supply network, Trafigura is the leading US crude exporter

Over the last five years, Trafigura has been building its West and South Texas operations to ensure it provides low-cost, high-value supply for customers and counterparties across the supply chain.

Our footprint is anchored by our physical crude operations team working in the field, by long-term commitments on pipelines and by our access to private dock solutions at the Port of Corpus Christi.

Our wellhead to vessel supply chain enables Trafigura to deliver consistent, rateable and neat Midland barrels to our customers, avoiding the challenges of co-mingled product from other North American sources and third-party terminals that exist elsewhere in the US.

In West Texas, we collaborate with our customers to provide wellhead solutions to gather and aggregate volumes across the Permian Basin. These volumes move through the Cactus II pipeline, in which Trafigura is the anchor shipper, with 300,000 barrels per day of capacity. We deliver these volumes into our segregated tanks in Corpus Christi, at the NuStar and Buckeye facilities, ensuring quality and consistency. Finally, our operations team manages our own vessel loading and export programmes, working with customers to provide a secure and reliable supply of high-quality neat Midland crude oil to customers across the globe.

Read more about Trafigura's operations in the US here:

[www.trafigura.com/about-us/assets-and-alliances/trafigura-in-the-us/](http://www.trafigura.com/about-us/assets-and-alliances/trafigura-in-the-us/)

## Performance review

## Metals and Minerals Trading

Trafigura is one of the world's largest traders of non-ferrous concentrates and refined metals and bulk minerals. Despite challenging conditions, the Metals and Minerals division had a robust year, growing volumes and retaining profitability comparable to that of 2018.

## Non-ferrous concentrates and refined metals



**Amin Zahir,**  
Global Head of Refined  
Metals and Concentrates

# 19.9<sup>mmt</sup>

Total volume traded  
(2018: 18.5mmt)

Metals and Minerals volumes traded (mmt)	2019	2018
Non-ferrous metal concentrates	10.6	10.4
Non-ferrous refined metals	9.3	8.1
<b>Total</b>	<b>19.9</b>	<b>18.5</b>

## Market environment and performance

2019 was a challenging year for the global economy and with it the industrial activity that drives metals demand. Compounding the impact on industrial production of metals was the simultaneous decline in automobile sales across China, Europe, India and the US.

In China, while manufacturing activity slowed, construction activity remained relatively robust, which provided some relief for metals demand. Infrastructure spending also showed signs of picking-up as the government provided some fiscal support to the economy.

The three main factors that shaped the non-ferrous concentrates and refined metals markets in 2018 continued to do so throughout 2019: global trade tensions, tighter Chinese environmental regulations and low supply.

Firstly, ongoing trade tensions between China and the US, coupled with the continued slowdown of the Chinese economy, created a stagnation of global trade, substantially reducing metals consumption and negatively impacting base metal prices.

Secondly, China's sustained emphasis on improving environmental conditions continued to curb production at the country's mines and smelters over the year. Efforts to improve water quality along China's major rivers, particularly along the Yangtze, saw productive assets curtailed in Hunan and Hubei. Meanwhile, an increased focus on ground water and soil pollution saw special attention paid to waste disposal processes, with several enforced shut downs occurring at assets where systems were deemed inadequate or a potential risk.

Thirdly, while demand was weak, the supply side of the metals markets also failed to impress. A combination of under investment, weather-related disruptions and changing government policy meant that percentage growth in mine supply on a year-on-year basis was in the low single digits at best.

Despite these challenging conditions of low supply growth and weak demand, Trafigura maintained its position as market leader in non-ferrous concentrates and refined metals. The base metals teams continued to trade healthy volumes of both concentrates and refined metals, highlighting their ability to capture opportunities at all points of the business cycle, and by offering our business partners innovative solutions that make use of our various strengths in operations, logistics, credit and finance.

Traded volumes in concentrates remained consistent year-on-year at 10.6 million metric tonnes. In refined metal, volume increased 15 percent to 9.3 million metric tonnes from 8.1 million metric tonnes in 2018.

[www.trafigura.com/products-and-services/metals-and-minerals](http://www.trafigura.com/products-and-services/metals-and-minerals)



A key event in 2019 was the restructuring of the non-ferrous metals division into four main groups, formally integrating the concentrates and refined books for each product, as well as the creation of a metals business development team. The newly merged base metals teams (Copper, Lead & Zinc, Alumina & Aluminium and Nickel & Cobalt) will not only make better use of our internal analysis and market intelligence and help optimise trading activities across products, but will work closely with the business development unit to identify and take advantage of new market opportunities.

### Copper (refined and concentrates)

The global market for refined copper weakened in 2019 as increased production, including that from new Chinese smelters, met softer demand triggered by slowing economic growth in all major markets. Negative sentiment was amplified by the continuing trade conflict between the US and China. Prices thus weakened throughout the year, hitting a two-year low of around USD5,600 per metric tonne in September. The one positive development was a structural change in the Chinese market as a result of regulatory curbs on scrap imports, which created a greater incentive than in recent years to import copper from the rest of the world, and boosted London Metal Exchange (LME) premiums.

The concentrates market, by contrast, saw strengthening demand and a tighter supply-demand balance. This resulted partly from the ramp-up in new smelter production but also from supply disruptions caused by social unrest in Peru's copper belt. The market conditions were reflected in miners paying smelters significantly lower treatment and refining charges (TCRCs) during the year, with charges moving from just above USD90 per metric tonne/9 cents per pound in Q4 of calendar 2018, to just above USD50 per metric tonne/5 cents per pound in Q3 calendar 2019.

With the integration of the refined copper and concentrates books this year, we are now well positioned to successfully navigate the tighter concentrates market and to cope with reduced volatility in refined metal. Volumes in both were stable year-on-year, and profitability remained healthy, albeit lower than the record levels attained in 2018.

In refined copper, the outlook for 2020 depends to a significant extent on how the US-China trade conflict evolves. While this remains unresolved, it will continue to weigh on sentiment; on the other hand, a successful resolution would have a strong impact both on price and on market fundamentals and likely lead to significant destocking. In concentrates, continuing growth in smelter demand will contribute to increasing tightness. On a two-to-three-year view, we continue to predict a very strong fundamental environment in both concentrates and refined metal.

### Lead and zinc (refined and concentrates)

The global markets for refined zinc and lead featured slowing demand and very low stocks. In zinc, the tightness in metal supply seen in 2018 continued into 2019, under the influence of constraints to smelting capacity in China due to increased environmental regulation, and the market saw steep backwardations until the end of the first half of 2019. Underlying zinc demand was weak, particularly in the automotive industry. Towards the end of our fiscal year, the tightness eased as slowing demand coincided with increasing smelter output in China, but we remain in a very low stock environment.

In refined lead, the market also began 2019 with a very low stock base, particularly in China. Despite a relatively balanced market forecast, sporadic periods of tightness throughout the year were expected, particularly through the higher consumption season.

As the year progressed, weak global consumption, exacerbated by Chinese vehicle sales that fell in 15 of the 16 months to September 2019, became the dominant factor, offsetting the unexpected supply disruption from the prolonged force majeure at Nyrstar's Port Pirie operation. As a result, at year-end the market remained balanced.

In lead and zinc concentrates, the driving forces were increasing supply and constrained smelting capacity. In zinc, starting in the fourth quarter of 2018, the supply increase in zinc raw materials met a shortage in available smelting capacity globally. Available smelting capacity was further constrained by increased environmental demands on zinc smelters in China throughout the first half of 2019. This development led to a sharp build-up in available zinc concentrate supply and an increase in the spot treatment charges paid to smelters, from USD95 per dry metric tonne in September 2018 to USD285 per dry metric tonne in September 2019. Spot terms traded above annual terms since March 2019, however, the oversupply of raw material persists.

In lead concentrates, after three years of tightness, availability started to improve as a result of rising mine supply coming mainly from expanding production from those mines already in operation. This situation has driven up the treatment charges for lead concentrates from USD20 per dry metric tonne in October 2018 to USD100 per dry metric tonne in September 2019, based on delivery in China. It is likewise expected that this surplus will continue into next year.

Trafigura's newly combined lead and zinc trading operation had a good year, taking advantage of our global network and strong customer relationships significantly increasing volumes across both metals in 2019.

***"We are now well positioned to successfully navigate the tighter concentrates market."***

***"Our team is committed to maximising the contribution of aluminium for a sustainable society."***

## Alumina and aluminium

Following a volatile year in 2018, conditions normalised in the alumina and aluminium markets this year. The return of a supply overhang and softening demand created an increasingly negative tone as the year progressed. With the restoration in June of the bulk of production capacity that had been cut at the Alunorte refinery in Brazil in 2018, alumina prices weakened and the ratio between alumina and aluminium prices returned to more normal levels of around 16 to 17 percent. The LME price for aluminium declined on indications of overall slowing global demand, primarily in the automotive and manufacturing sectors. Additional negative factors were continuing trade tensions, economic uncertainty and the increased availability of secondary aluminium. The one highlight was increased use of aluminium in packaging as a result of moves to curb the use of plastic packaging.



▲ Aluminium storage at Impala Terminals' warehouse and export facility in Jebel Ali, UAE.

Our merged books enable us to take a more holistic approach to meeting our customers' requirements in terms of long-term supply security and tailor-made financing solutions. Overall trading volumes increased again this year and we were able to further strengthen our global position as the largest global independent alumina and aluminium trader. The team's customer-centric approach added further long-term customer relationships which significantly enhanced our trading volumes.

The outlook for 2020 remains uncertain, with weakening macroeconomic indicators fuelling fears of a growing supply overhang. However, we believe we are well positioned to continue this year's growth by further building sales that add value to our customers and by supporting our supply sources in a difficult market environment.

Our team is committed to maximising the contribution of aluminium to a sustainable society. As the first trader to join the Aluminium Stewardship Initiative, we strongly support standards for sustainability performance in the aluminium value chain.

## Nickel

Once again, the global nickel market was in deficit in 2019, underlining the strong fundamentals for the metal, despite growing nickel pig-iron output from China and Indonesia in 2019. The implementation of the ban on Indonesian nickel ore exports from 2020 will offset any increase in supply that the market was anticipating.

Trafigura continued to expand its nickel trading activity across the whole nickel product range, and to grow its presence in key growth regions such as Indonesia and India, while maintaining its strong position in China, Europe and the rest of Asia.

We have seen an exponential increase on the volumes that we traded on nickel predominantly from Indonesia, India and the domestic China market, and we see it as a strategic metal given its importance as a component for electric vehicle (EV) batteries.

We expect 2020 to be a pivotal year for nickel. On the one hand, demand for nickel in EVs is not yet having a material impact on the market and supplies are expected to increase. On the other hand, the implementation of Indonesia's ban on nickel ore exports from 2020 will offset any increase, and depleting ore and metal stocks are likely to support the price in expectation of a more robust 2021, when the effect of the strong demand fundamentals will be evident.

## Cobalt

For much of the year, the cobalt market was looking for direction as it worked through the oversupply built up in recent years. Then came news that Glencore is to halt production at its Mutanda cobalt mine in the Democratic Republic of the Congo (DRC) towards the end of 2019. This, together with a decrease in artisanal supplies, triggered a much-needed market correction, further fuelled by a pick-up in cobalt demand in Q4. The fundamentals for the metal remain extremely strong.

Trafigura continued to provide support to its trading partners during a year when market conditions were challenging, helping them to maintain a robust position and to be well placed to capture the strong growth that is expected to materialise in the coming years.

In 2020, we expect demand growth to exceed incremental supply, fuelling the recovery of the market and revealing the true need for additional units at a time when the EV growth projection is becoming a reality.

## Performance review

# Metals and Minerals Trading (continued)

In bulk minerals, our iron ore business had another strong year in 2019. However the coal market was faced with a number of ongoing challenges.

## Bulk minerals



**Ken Loughnan,**  
Global Head of Coal and  
Iron ore

# 77.3<sub>mmt</sub>

Total volume traded  
(2018: 77.4mmt)

Metals and Minerals volumes traded (mmt)	2019	2018
Coal	59.4	60.5
Iron ore	17.9	16.9
<b>Total</b>	<b>77.3</b>	<b>77.4</b>

## Coal

After a strong 2018, global thermal coal prices collapsed in 2019, as switching from coal to gas in power generation, combined with a mild winter and less hot summer, led to a significant supply overhang. Low-cost gas supplies from the US became an attractive alternative to coal on a global basis (it was the first time power utilities outside the US had switched baseload fuel) and demand suffered in all regions, including North America, Europe and Asia. Even in India, consumption dropped on the back of weaker macroeconomic performance. The coking coal market had a similarly torrid time, with cuts in steel production in Europe and India eating into demand and the ripples from the US-China trade conflict prompting significant steel destocking.

Trafigura's coal trading team positioned itself as much as possible on the short side of this falling market, maintaining total thermal and coking coal volume at similar levels to last year but generating lower profit. Within the total, our Indonesian thermal coal volume increased significantly, while volumes from the US and South Africa contracted.

In 2020, we expect the market to improve somewhat as producers in the US consolidate and other key producing countries such as Russia and Colombia also reduce supply into the Atlantic basin. We expect to maintain our current customer footprint, but given the long-term challenges facing coal, will not be investing in increasing our exposure.

## Iron ore

In 2019, the iron ore market was heavily influenced by supply side disruptions including the tragic collapse of the tailings dam at Vale's Brumadinho mine in Brazil in January 2019, significantly reduced Brazilian ore exports in Q2 and generally created a volatile pricing environment. In April, Brazil exported just 17.6 million tonnes – the lowest monthly total in more than 10 years. Australia was hit by a cyclone, which disrupted supply of ore from Rio Tinto, BHP and FMG. Knock-on effects included a sharp fall in Chinese stocks and a jump in spot prices from USD75 per tonne in February to USD120 per tonne in July.

Trafigura's iron ore trading team had an exceptional year. It increased volume handled to 17.9 million tonnes, developing new outlets in Europe for supplies from our Porto Sudeste facility in Brazil, further expanding our domestic 'spot' business out of Chinese ports, and continued development of flows from sources outside of Brazil – including Australia, South Africa, India, Mauritania and Mexico.

We expect the iron ore market to return to balance in 2020 as Brazilian supplies normalise, and our own enhanced iron ore footprint continues to generate good profitability.

## Performance review

# Shipping and Chartering

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



Left to right:

**Rasmus Bach Nielsen,**  
Head of Wet Freight Shipping

**Alan Cumming**  
Head of Dry Freight Shipping

# 4,173

Shipping and Chartering fixtures  
(2018: 4,190)

### 2019 Wet and Dry Freight

Activity	Wet	Dry
	<b>3,001</b>	<b>1,172</b>
Number of fixtures <sup>1</sup>	(2018: 2,956)	(2018: 1,234)
Average number of vessels under time-charter. <sup>2</sup>	<b>100-120</b>	<b>45-50</b>
	(2018: 45-65)	(2018: 50-55)

1. Approximately 70% of our cargo programme is on external ships

2. A vessel on hire for more than three months(excludes gas carriers)

### Wet freight

The fundamentals of the wet freight market improved during 2019, though not as rapidly as some participants had expected at the start of the year.

As we entered 2019, the Wet Freight desk saw a healthy winter market driven by weather delays, congestion in the Bosphorus Strait and oil arbitrage opportunities boosted by longer voyages required (tonne-miles).

Asian buyers replaced sanctioned Iranian barrels with crude oil from the West, supporting freight rates. However, this was offset by the negative effects of a continuously backwardated oil market throughout the year.

Trafigura's Wet Freight Desk had its most profitable year on record, thanks to a healthy trading performance in the first half of the financial year, and to two landmark transactions with Frontline Ltd. and Scorpio Tankers Inc.

In 2019, in addition to significantly growing the time chartered fleet exposure, reflecting a constructive forward market view, we took delivery of 31 of the 35 new-build tankers that we had committed to on long-term leases in 2017. The remaining four ships will be delivered directly to Scorpio Tankers in 2020.

Competitively priced long-term leasing obligations including the attached purchase options on a total of 29 of the new vessels were transferred in exchange for equity in Frontline Ltd. and Scorpio Tankers Inc. respectively. A 30<sup>th</sup> vessel was sold to Spanish buyers who will take delivery at the end of the 2019 calendar year (no profit impact in FY2019), leaving Trafigura with long-term leasing obligations with purchase options on five Suezmax tankers.

In addition to the above 35 tankers, the Wet Freight desk took delivery of four Hyundai Heavy Industries-built, eco-scrubber fitted Very Large Gas Carriers throughout the year, again on long-term lease with purchase options. A further two dual-fuel VLGCs have been placed on order, with options for four more. These are expected to be completed and received by late 2021.

These transactions marked the continuation of Trafigura's strategy of investing in structured arrangements (in this case through the use of external funds) in support of our commodity flows, then deleveraging the risk, while maintaining access to a number of the assets for our freight trading business. As stated elsewhere in this report, the net benefit from the ship to equity transactions was a contribution of USD201 million towards Group profit for the year.

We continued to fix about 70 percent of Trafigura wet cargoes on third-party tonnage and Trafigura-controlled tonnage was fixed at around 50 percent for both internal and external business.





Looking ahead, we expect considerable market volatility and disruption as a result of the IMO 2020 rule change, and we will maintain an agile strategy to respond to fast-changing dynamics. We believe the fundamentals of the wet freight market are now stronger than they have been for many years, with more crude oil being seaborne, very limited supply growth in the next 18-24 months and an ageing crude tanker fleet in which more than 20 percent is more than 15 years old. We have subsequently positioned ourselves to benefit from these conditions. We have an increased focus on managing CO<sub>2</sub> emissions on both time-chartered tonnage as well as third-party ships fixed and we continue to be engaged in industry efforts to address climate change.

### Dry freight

The dry freight market was extremely volatile through our 2019 fiscal year as a result of political, environmental and regulatory influences. On the political front, the ongoing trade conflict between the US and China meant a dramatic change in the flow of soya beans to China which was further exacerbated by the African swine flu epidemic. In January 2019, the tragic accident at Vale's Brumadinho mine in Brazil severely impacted iron ore flow and in the lead up to the IMO 2020 fuel change, we have seen the supply of vessels able to carry cargo reduced through vessels being in dry dock for extended periods fitting exhaust fume scrubbers. The Brumadinho disaster had the biggest effect on the market as we saw Brazilian ore exports reduced in April to 17.6 million tonnes, their lowest monthly level in more than 10 years, before soaring back to a record 37.8 million tonnes in August. In the same period, the average Cape earnings, as assessed by the Baltic Exchange, ranged from a low of USD3,640 per day to a high of USD38,014 – a price move not seen for over a decade.

It was a very profitable year for the Trafigura Dry Freight desk, which grew cargo volume handled by five percent to 42 million tonnes and notched-up improved margin on the basis of taking some contrarian positions in the market. Our operations continued to focus principally on Capesize vessels carrying iron ore from Brazil to Asia and Supramax trading between the Pacific Coast of Latin America and various ports in Asia. This year, however, we also broadened our scope to include a dedicated Panamax trading desk to expand our operations around internal coal flows, especially in the Atlantic market.

In the last quarter of our financial year, we have seen major disruption in the market as ship owners prepare for the IMO 2020 rule change capping sulphur emissions, creating considerable uncertainty around pricing and sourcing of bunker fuel. We have already seen major price fluctuations, with traditionally efficient bunkering ports seemingly unprepared for the switch in fuel grades. Looking ahead, we expect this trend to continue, with IMO 2020 generating both margin opportunities and heightened risks. Our focus will be on maintaining our adaptable position amid the predicted market disorder, so that we can fully meet our commercial obligations.

▲ Trafigura Suezmax vessel The Marlin Shikoku sailing through the Bosphorus Strait.

***"It was a very profitable year for the Trafigura Dry Freight desk, which grew cargo volumes handled by five percent."***

[www.trafigura.com/products-and-services/shipping-and-chartering](https://www.trafigura.com/products-and-services/shipping-and-chartering)

## Performance review

# Industrial and financial assets

In 2019, strategic alliances with carefully selected counterparties continued to extend the scope of our activities with complementary skills and resources.

### Mining Group

Trafigura's Mining Group has invested in a portfolio of mines in Africa, Latin America, North America and Europe, ranging from wholly-owned facilities to joint ventures and minority investments. As well as generating equity value for Trafigura Group and traded volumes for our metals trading books, it provides advisory and support services to the rest of the Group. The Mining Group had a satisfactory year, with a strong performance at MATSA mines in Spain accompanied by optimisation at the Castellanos joint venture in Cuba, an improved outturn at Catalina Huanca in Peru and consolidation at our Mineração Morro do Ipê iron ore operations in Brazil.

MATSA, our 50:50 copper joint venture with Mubadala, had a solid year for production and for metallurgical yield, with increased cost control contributing to a satisfactory financial result. We continued to invest in IT and automation, and combined with the improvements made last year, this should help the MATSA mines to further increase productivity next year, underlining resilience in the face of expected lower metal prices.

The Castellanos zinc and lead mine, a joint venture between Trafigura and Cuban parastatal Geominera, overcame some operational issues to achieve a significant improvement in plant performance, both in terms of overall throughput and concentrate quality, closing the year with favourable budgets. Total production rose to the original capacity level of 1 million tonnes, while ongoing work on increasing the capacity during the year has now raised potential production to 1.2 million tonnes for 2020.

In Brazil, the tailings dam incident at Vale's Brumadinho mine impacted production at our Ipê mine directly and indirectly. Production was reduced to 1.5 million tonnes of iron ore compared to 1.9 million tonnes budgeted in 2019. We continued engineering work on Tico Tico, the future expansion of Ipê, and are ready to start construction of the new processing plant on receipt of the construction permits, with a view to commencing production in 2021. The current Ipê operation and the future Tico Tico project do not use dams to store the tailings; tailings are filtered and deposited as dry stacks, hence eliminating the risks associated with tailing dams.

### Galena Asset Management

Galena Asset Management, Trafigura's wholly owned investment subsidiary, operates a number of funds investing in mining and related assets and offers third-party investors the opportunity to invest alongside Trafigura on an equal basis.

#### Galena Private Equity Resources Fund

This fund launched in 2012 and became fully invested in 2017, holding positions in three assets: Finnish nickel, zinc and cobalt producer Terrafame; Utah-based bituminous coal producer Wolverine Fuels; and the Mawson West copper mine in the Democratic Republic of the Congo.

#### Terrafame II Investment Vehicle

This fund was established to undertake a second investment in Terrafame, with the aim of adding a new production unit for nickel sulphate, a product in growing demand for use in batteries for electric vehicles. This fund closed with investment of USD225 million during 2019.

#### Galena Multistrategy Fund

This fund was established with an initial allocation of USD45 million in November 2018 to invest in liquid, commodity-related strategies across multiple asset classes.

▼ Pictured in the foreground is the battery chemical plant under construction at Terrafame's mine and metals production plant located in Sotkamo, Finland.





## Impala Terminals

Impala Terminals assets include a multimodal barging operation and inland port on the Magdalena River in Colombia. The governments intention to proceed with the dredging of the Magdalena River remains in place. The dredging of the river will enable deeper draughts, which will result in increased volumes of liquid cargo carried by our barging fleet.

In Africa, warehouse facilities at Lubumbashi, DRC, Dar es Salaam, Tanzania and Ndola, Zambia were all operating with increased volumes and a large new warehouse facility was opened near Lubumbashi to handle increasing volumes of copper exports from the DRC.

The Burnside bulk logistics export terminal on the Mississippi River in Louisiana, US, was operating well and launched a development project to diversify cargos handled in light of the drop in US coal exports.

Other assets include a growing footprint in Bolivia and Chile which handle concentrates and a multiproduct warehouse in Dubai, United Arab Emirates.

### Map of all non-Impala Terminals Joint Venture assets



### Impala Terminals Joint Venture

The asset management team of the recently formed joint venture with IFM Investors provides support to local management of all the other Impala Terminals assets to ensure that consistent and high quality standards, policies and practices are upheld across both entities.



▲ Nyrstar advanced metal recovery and refining facility in Port Pirie, Australia.

## Nyrstar

On 31 July 2019, Trafigura became 98 percent owner of the operating business of Nyrstar, the world's second largest producer of zinc metal, following a financial restructuring agreement with Nyrstar's creditors and bondholders. As a result, the business is now consolidated within the Trafigura Group balance sheet.

Nyrstar is a major global industrial company employing more than 4,000 people around the world and producing approximately 1.1 million tonnes of zinc metal and 200,000 tonnes of lead metal annually.

Nyrstar was burdened with an inappropriate capital structure with an unsustainably heavy debt load and encountered increasing financial difficulties. In the second half of 2018, Nyrstar's operational and financial performance deteriorated significantly, leading to a loss of market confidence and liquidity and necessitating a fundamental capital restructuring.

The restructuring involved many financial stakeholders. The goal of the restructuring was to deliver a viable financial structure for the Nyrstar business going forward. This restructuring was recognised as being the only realistic option available to Nyrstar, and the scheme was sanctioned by the UK courts on 31 July 2019, having taken into account the interests and priority of claims of all the financial stakeholders and with the support hereof.

The agreement reached among Nyrstar's creditors in July enabled Nyrstar to focus on turning around its operations.

As the change of ownership took effect, Trafigura appointed Daniel Vanin, a seasoned company executive with 40 years' experience in the metals industry, including leadership of mining and smelter development projects, as CEO of Nyrstar's operational business. Other senior appointments followed, including a new CFO, who joined Nyrstar from the smelting division of Boliden.

## 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 and central focus of Trafigura's business.

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 systems

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

Trafigura's risk management system is based on the starting premise that Trafigura complies with all applicable laws.

As reflected in our Chairman's statement at the start of this report, ensuring compliant behaviour is both the personal and collective responsibility of all employees at Trafigura. This high standard of behaviour expected of our colleagues is enshrined in our Code of Business Conduct which every member of staff must attest to receiving and understanding.

### Compliance Committee and Head of Compliance

Trafigura's Chief Compliance Officer oversees the implementation and development of the Group's compliance programme. He reports to the Chief Operating Officer and the Trafigura Compliance Committee. The Compliance Department operates in partnership with the front office to ensure our controls are relevant and effective. The Department works to continually improve its practices in an environment of evolving technology, regulations and stakeholder expectations. Our compliance training programme continues to expand, ensuring employee awareness of key external and internal requirements.

Further details on our compliance practices can be found in the Responsibility section of our website and in our Responsibility Report.

### Management Committee and Board of Directors

The trading divisions and operating companies are 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 34).

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.

Further lines of oversight consist 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

#### Market Risk Management 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 Market Risk Management 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 Market Risk Management 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.



[www.trafigura.com/brochure/trafigura-code-of-business-conduct](http://www.trafigura.com/brochure/trafigura-code-of-business-conduct)



[www.trafigura.com/responsibility](http://www.trafigura.com/responsibility)

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.

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

### HSEC Steering Committee and Corporate Affairs

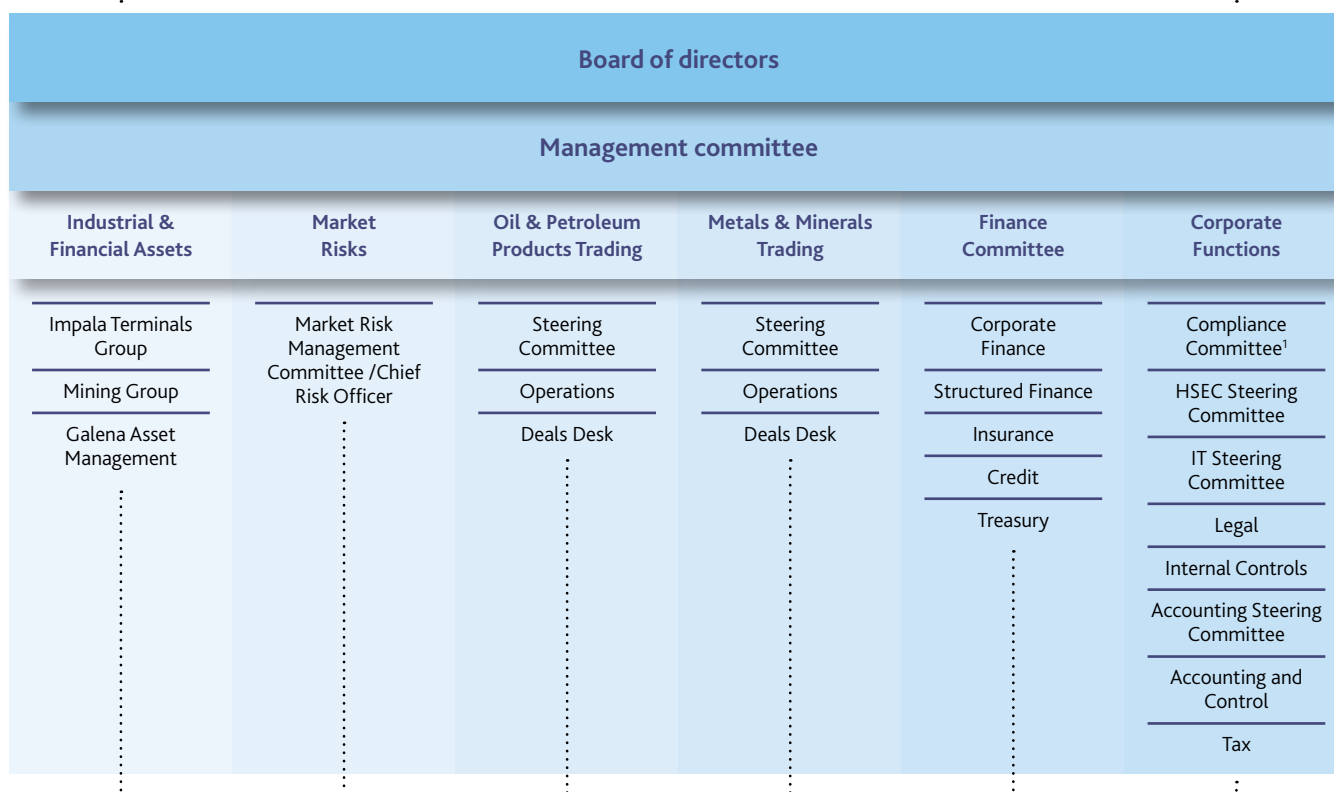
This committee is co-chaired by a member of the Board of Directors and the Head of Corporate Affairs and comprises senior representatives from across the Group. It is mandated by the Board to promote best practice, oversee the management of health, safety, environment and community (HSEC) risks and ensure 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



<sup>1</sup> 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 System

KEY RISK	 <b>Markets and prices</b> Volatility in commodity prices, spreads, interest and exchange rates. Fluctuations in the supply of, or demand for, commodities which we trade.	 <b>Finance and liquidity</b>	 <b>Compliance</b>	 <b>Economic and financial sanctions</b>
	<ul style="list-style-type: none"> <li>• 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.</li> <li>• As a matter of policy, 100 percent of stock is at all times either pre-sold or the index price is hedged.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Freight costs are hedged by our Shipping and Chartering Desk via Forward Freight Agreements (FFAs) and bunker costs.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• For longer-term capital needs we raise funds from time to time on public bond markets or through private placements with institutional investors. We follow a strict policy of matching the maturity of our assets and liabilities, with longer-term assets supported by longer-term borrowings.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The Department's activities include counterparty due diligence (KYC); anti-money-laundering; sanctions and trade restrictions; anti-bribery and corruption and, financial market conduct.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
MITIGATION AND ACTIONS				





### Counterparty, country and credit risk

- On counterparty and credit risk, Trafigura uses internal credit limits established by the Credit department.
- Trafigura reduces political risk in relation to countries below a certain risk rating as gauged by Dun & Bradstreet, by purchasing political risk insurance.
- 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 2019, we paid particular attention to screening our portfolio of prepayment agreements with producers for credit risk.
- Exposures in excess of a credit limit are covered through the insurance or bank markets.
- 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

Changes in taxation arrangements in various territories.  
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. 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.
- 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.
- We engage actively with leading industry forums, including the UN Global Compact and the EITI.

## KEY RISK

## MITIGATION AND ACTIONS

# 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.

## Continued 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 135 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.

## Trafigura funding model



**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 trade receivables 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.

## Trade financing example

to explain funding mechanism

	 Purchase and sale agreements	 Taking delivery from supplier	 Transportation	 Pricing and delivery to customer	 Customer payment
Transaction component	Day 1 Purchase & sale agreements	Day 5 Taking delivery	Days 6-19 Transportation	Day 20 Pricing & delivering	Day 50 Customer payment
Brent crude oil price	\$60	\$59	\$55	\$55	\$60
Dubai crude oil price	\$59	\$59	\$55	\$55	\$58
Physical trade	<ul style="list-style-type: none"> <li>Trafigura agrees to purchase 1 million barrels @ Brent minus \$1/barrel, based on Brent price at delivery date</li> <li>Trafigura asks a bank to issue a LC for \$59 million to the benefit of the supplier, against sight of an acceptable contract, in order to guarantee payment to the supplier, using <b>transactional credit facility</b></li> <li>Trafigura agrees to sell 1 million barrels @ Dubai plus \$2/barrel, based on Dubai price at delivery</li> <li>Transaction costs (interest cost, insurance, transport, storage, control, inspection, taxes, etc.) expected at \$0.5 million</li> </ul>	<ul style="list-style-type: none"> <li>Trafigura is invoiced \$58 million by the supplier <math>(\\$59 - \\$1) \times 1</math> million</li> <li>Trafigura asks bank to pay 95%* of cargo value <math>(95\% \times \\$58 = \\$55</math> million) to supplier (and cancel letter of credit) against security over title of an acceptable cargo, using <b>transactional credit facility</b></li> <li>Trafigura draws the difference <math>(\\$58 - \\$55 = \\$3</math> million) from the <b>RCF</b></li> </ul> <p>* percentage financed, depends on each transaction, usually 90-100%</p>		<ul style="list-style-type: none"> <li>Trafigura invoices \$57 million to customer <math>(\\$55 + \\$2) \times 1</math> million</li> <li>Trafigura sells receivable (if eligible) to its receivables <b>securitisation programme</b> at face value, receiving payment of \$57 million</li> <li>Trafigura repays \$55 million of the <b>transactional credit facility</b></li> <li>Trafigura uses remaining \$2 million <math>(\\$57 - \\$55)</math> to repay <b>RCF</b> and build up <b>cash</b></li> <li>Trafigura pays \$0.5 million transaction costs (interest cost, insurance, transport, storage, control, inspection, taxes, etc.) using <b>cash</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Securitisation programme</b> receives payment of \$57 million from customer and repays funding</li> </ul>
Hedging purchase leg	<ul style="list-style-type: none"> <li>Trafigura purchases 1 million barrels equiv. of Brent futures @ \$60/barrel</li> <li>Trafigura pays initial margin of \$1 million using <b>RCF</b></li> </ul>	<ul style="list-style-type: none"> <li>Trafigura sells 1 million barrels equiv. of Brent futures @ \$59/barrel, paying net amount of \$1 million using <b>RCF</b> <math>(\\$59 - \\$60) \times 1</math> million</li> <li>Trafigura recovers \$1 million initial margin and repays <b>RCF</b></li> </ul>			
Hedging sale leg	<ul style="list-style-type: none"> <li>Trafigura sells 1 million barrels equiv. of Dubai futures @ \$59/barrel</li> <li>Trafigura pays initial margin of \$1 million using <b>RCF</b></li> </ul>		<ul style="list-style-type: none"> <li>Trafigura receives payment of \$4 million (margin call) and repays <b>RCF</b> <math>(\\$59 - \\$55) \times 1</math> million</li> </ul>	<ul style="list-style-type: none"> <li>Trafigura purchases 1 million barrels equiv. of Dubai futures @ \$55/barrel</li> <li>No further margin call since price stable</li> <li>Trafigura recovers \$1 million initial margin going to cash</li> </ul>	
Transactional credit facility utilisation	59	55	55	–	–
Letter of credit utilisation	59	$59 - 59 = 0$	–	–	–
Drawn amount	–	55	55	$55 - 55 = 0$	–
RCF	2	5	1	–	–
Drawn amount	$1 + 1 = 2$	$2 + 3 + 1 - 1 = 5$	$5 - 4 = 1$	$1 - 1 = 0$	–
Securitisation utilisation	–	–	–	57	–
Drawn amount	–	–	–	57	$57 - 57 = 0$
Cash	–	–	–	1.5	1.5
Outstanding cash	–	–	–	$1 - 0.5 + 1 = 1.5$	1.5

## 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), which is incorporated in Singapore and 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

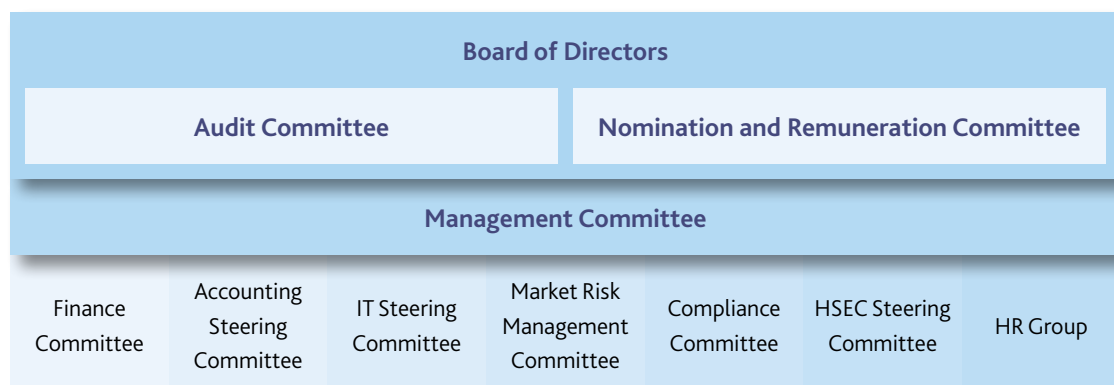
The nine-strong Management Committee sits below the Board of Directors and includes Trafigura's three Executive Directors. The Management Committee is responsible for the execution of Trafigura's business strategy, including management of the day-to-day trading, commercial and operational functions as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

[www.trafigura.com/about-us/leadership](http://www.trafigura.com/about-us/leadership)

## Corporate Governance Overview





## Leadership

### Board of Directors



**Pierre Lorinet**

Director

Pierre Lorinet is the former Group Chief Financial Officer and Managing Director of the Asia-Pacific region. In 2015, he became a Non-Executive Director on the Board.



**Sipko Schat**

Director

Sipko Schat joined the Board of Directors in January 2016 and chairs the Audit Committee. Prior to joining Trafigura, Sipko worked in the Rabobank Group for over 25 years.



**Mark Irwin**

Director

Mark Irwin, a UK Chartered Accountant, joined Trafigura as financial controller in 1994 and has been on the Board since 2004.



**Andrew Vickerman**

Director

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.



**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. Jeremy joined the Trafigura Group in 2001 as head of metals derivatives, structured products and risk management.



**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, including IT strategy and infrastructure. He also has direct responsibility for the Group's profit and loss.



**José Larocca**

Executive Director and  
Co-Head of Oil 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.



**Christophe Salmon**

Group Chief Financial Officer



**Ben Luckock**

Co-Head of Oil Trading



**Hadi Hallouche**

Co-Head of Oil Trading



**Jesus Fernandez**

Head of Mergers and Acquisitions



**Julien Rolland**

Head of Bulk Minerals, and  
Power and Renewables Trading



**Amin Zahir**

Head of Refined Metals and  
Concentrates Trading





# Financial statements

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## Report of the auditor to the Shareholders and the Board of Directors

### On the consolidated financial statements 2019

#### 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 income and consolidated statement of other comprehensive income for the year ended 30 September 2019, the consolidated statement of financial position as at 30 September 2019, the 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 46 to 94 give a true and fair view of the consolidated financial position of the Group as at 30 September 2019 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 (IASB).

#### 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

##### Overview



Overall Group materiality: USD 48'000'000

We performed full scope audit work at 7 components, audited specific balances at 33 components and performed specified procedures at 4 components. Our audit scope addressed approximately 79% of the Group's revenue and 69% 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 the equity accounted investment in Puma Energy Holdings Pte. Ltd.
- Impairment testing of the equity accounted investment in Porto Sudeste in Brazil and valuation of FPOR11 instruments
- Business combination – acquisition of Nyrstar



## Context of our audit

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 mining, logistics and smelting 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(x) *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.

## 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 on the basis of 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	<p>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.</p> <p>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.</p>

We agreed with the Audit Committee that we would report to them misstatements above USD 2'400'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

## 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 427 legal entities that are accounted for in 623 financial ledgers, which we have defined as “components” for audit scoping purposes.

We identified seven components that, in our view, required an audit of their financial information due to their size or risk characteristics. For these seven components, the audit work was performed either centrally by the Group audit team in Switzerland or the Netherlands or by another PwC network 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 37 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 37 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. Of these 4 components, we issued instructions for 2 components to a non-PwC network audit firm to report to us, and we reviewed the results of their work with them for our audit. We determined the level of our involvement in the audit work performed by the component auditors for these 4 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 regular 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).

## 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(x) and Note 30)

Key audit matter	How our audit addressed the key audit matter
<p>The Group discloses USD 436 million and USD 378 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 such estimates in the fair value of physical contracts may significantly impact the Group's future results.</p> <p>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.</p> <p>The Group has also entered into a number of derivatives to hedge a splitter refinery tolling arrangement, pipeline and other transportation contracts and long-term liquefied natural gas ("LNG") off-take agreements. A net fair value asset was recorded for these agreements totalling USD 101 million at 30 September 2019, hedged with derivative instruments with a fair value liability totalling USD 170 million, resulting in a cumulative loss of USD 69 million for ineffectiveness in the hedge relationship. The current year net gain in relation to these hedge relationships, as recorded in the consolidated statement of income, amounted to USD 79 million. In addition to these fair value hedges, the Group applied cash flow hedge accounting for forecasted LNG transactions as disclosed in Note 30(g).</p> <p>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. These cumulative factors are why this is considered a key audit matter.</p>	<p>We evaluated the Group's process and controls for capturing and reviewing the inputs into the fair value estimates, including the relevant IT systems.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Substantively tested the forward curve calculations for a sample of physical and paper contracts across main commodities traded by the Group, including the verification of the relevant inputs, such as observable benchmark prices for similar products or adjustments for risk position (quality, timing and location)</li> <li>• 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 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;</li> <li>• 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 of the accounting treatment of LNG contracts across the hedged population; and where manual calculations were involved, we tested the mathematical accuracy of the models and verified the input curves to external sources.</li> </ul> <p>Based on the work performed, we were able to conclude that the significant judgements used in the valuation models were reasonable and appropriate.</p>

**Impairment testing of equity accounted investment in Puma Energy Holdings Pte. Ltd.**  
(Refer to Note 13)

Key audit matter	How our audit addressed the key audit matter
<p>The Group holds a 49.3% interest in Puma Energy Holdings Pte. Ltd. ("Puma Energy"), which is valued at USD 1,745 million at 30 September 2019. Puma Energy's 2019 results continued to be negatively affected by currency devaluation in a number of countries, by pressure on prices in some of Puma Energy's key markets and an impairment recorded in relation to its Australian fuel business, which resulted in a decrease in the carrying value of the equity investment in Puma Energy by USD 208 million.</p>	<p>We obtained the valuation models and met with management to gain an overview of the market, operational factors and key assumptions supporting the Group's impairment assessment.</p> <p>We issued instructions to the non-PwC network audit firm to report to us on financial information supporting Trafigura's recording of its share of Puma Energy's losses and the forecasted cash flows used in the impairment valuation model. We performed a detailed review of the reporting by the non-PwC network audit firm.</p> <p>With the assistance of our internal valuation specialists, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Checked the appropriateness of the inputs and significant assumptions including the discount rate, terminal growth rate, terminal value calculations and market multiples;</li> <li>• Re-performed certain valuation calculations, benchmarked the valuation model with generally accepted valuation techniques, and compared current year budget estimates used by management to actual results;</li> <li>• Performed an independent sensitivity analysis calculation for the terminal growth rate and market multiples to assess their relationships and impact on the model;</li> <li>• Assessed the appropriateness of disclosures included in the financial statements.</li> </ul> <p>Based on the work performed, we were able to conclude that the significant judgments and estimates in the valuation model were reasonable and appropriate.</p>



**Impairment testing of equity accounted investment in Porto Sudeste in Brazil and valuation of FPOR11 instruments**  
(Refer to Notes 13 and 16)

Key audit matter	How our audit addressed the key audit matter
<p>The Group holds a 49.5% interest in a joint venture that owns and operates an iron ore port facility in Brazil (Porto Sudeste). Linked to this investment, the Group also holds listed debt securities (FPOR11) totalling USD 346 million which are accounted for at fair value through profit and loss. The performance and resulting value 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. Consistent with prior year, a further 10% discount to the net present value of the relevant cash flows is also applied due to lack of marketability.</p> <p>The Group recorded income of USD 71 million for its share of the Porto Sudeste profits, but also recorded a fair value loss of USD 121 million on the FPOR11 securities as disclosed in Notes 13 and 16.</p> <p>Management also re-assessed the impairment risk in 2019, performed an impairment assessment and determined no impairment of its investment in Porto Sudeste is required.</p> <p>The estimates and judgments used in determining the fair value of the debt securities and related impairment assessments are significant and are considered a key audit matter.</p>	<p>We obtained the valuation models (both at a port level and an equity investment level) and met with management to gain an overview of the market and operational factors and key assumptions supporting the Group's impairment assessment and FPOR11 valuation. With the assistance of our internal valuation specialists, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Gained an understanding of the process for collecting the inputs into the valuation models and checked the appropriateness of the inputs and significant assumptions, including the throughput volumes, discount rate, iron ore prices, port fees and marketability discount;</li> <li>• Re-performed the valuation calculations; benchmarked the valuation model with generally accepted valuation techniques; compared historical estimates used by management to actual results;</li> <li>• Re-performed certain calculations supporting the sensitivity analysis prepared by management for the forecasted assumptions over volumes, discount rate and marketability discount; we performed our own independent calculations where applicable;</li> <li>• Assessed the appropriateness of disclosures included in the financial statements, including key assumptions used and inherent sensitivities of the financial results to these assumptions.</li> </ul> <p>The above procedures performed over the port valuation were also used to conclude on the appropriateness of the fair value calculation of FPOR11 instruments.</p> <p>Based on the work performed, we were able to conclude that the significant judgements and estimates used in the valuation models were reasonable and appropriate.</p>

## Business combinations – acquisition of Nyrstar

(Refer to Note 5)

Key audit matter	How our audit addressed the key audit matter
<p>On 31 July 2019, the Group acquired the operating assets of Nyrstar as part of the restructuring with Nyrstar's creditors. The bondholders were assumed to control the operating assets of Nyrstar when determining total purchase consideration for the purpose of applying IFRS3 Business combinations.</p> <p>The Group engaged a management's expert to perform a Purchase Price Allocation (PPA) analysis. The majority of the purchase price was allocated to the property, plant and equipment of the production sites. The PPA is considered provisional as of the balance sheet date.</p> <p>Key estimates and judgements in the PPA analysis include the determination of purchase consideration and the estimated value of the property, plant and equipment derived from the cash flow projections, applicable internal rate of return (discount rate), replacement cost estimates and resulting deferred tax impacts.</p>	<p>We held discussions with management to gain an understanding of the transaction, operational factors and key judgments and assumptions used in the Purchase Price Allocation analysis. With the assistance of our internal valuation, treasury and accounting specialists, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Checked relevant agreements and other documentation supporting the transaction.</li> <li>• Completed detailed testing on the material balances acquired and valued in the Purchase Price Allocation analysis.</li> <li>• Obtained the current report issued by management's expert and performed a detailed review of the work performed, including checking the appropriateness of the inputs and significant assumptions.</li> <li>• Assessed the appropriateness of disclosures included in the consolidated financial statements, including judgements used in determining control over the operating assets of Nyrstar and the purchase consideration.</li> </ul> <p>Based on the work performed, we were able to conclude that the significant judgements and estimates were reasonable in preparing the provisional Purchase Price Allocation and that the related disclosures in the consolidated financial statements are appropriate.</p>

## 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 Board of Directors 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 on the basis of 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 Director's 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  
Travis Randolph

Geneva, Switzerland

9 December 2019

/s/ EWA ANSELM-JEDLINSKA  
Ewa Anselm-Jedlinska

## A. Consolidated statement of income

	Note	2019 USD'M	2018 USD'M
Revenue	7	171,474.1	180,744.1
Cost of sales		(168,496.1)	(178,360.0)
<b>Gross profit</b>	4	<b>2,978.0</b>	<b>2,384.1</b>
Other income/(expenses)	8	(172.2)	44.9
General and administrative expenses	9	(1,157.3)	(937.3)
<b>Results from operating activities</b>		<b>1,648.5</b>	<b>1,491.7</b>
Finance income		700.4	647.4
Finance expense		(1,404.5)	(1,189.6)
<b>Net financing costs</b>		<b>(704.1)</b>	<b>(542.2)</b>
Share of profit/(loss) from equity-accounted investees	13	47.7	17.4
<b>Profit before tax</b>		<b>992.1</b>	<b>966.9</b>
Income tax expense	10	(124.3)	(94.1)
<b>Profit for the period</b>		<b>867.8</b>	<b>872.8</b>
Profit attributable to Owners of the Company		871.7	849.2
Non-controlling interests	24	(3.9)	23.6
<b>Profit for the period</b>		<b>867.8</b>	<b>872.8</b>

See accompanying notes.

## B. Consolidated statement of other comprehensive income

	Note	2019 USD'M	2018 USD'M
<b>Profit for the period</b>		<b>867.8</b>	<b>872.8</b>
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss:</i>			
Gain/(loss) on cash flow hedges	23	(101.8)	9.8
Effect from hyperinflation adjustment	33	–	79.3
Tax on other comprehensive income	10	10.7	(18.3)
Exchange gain/(loss) on translation of foreign operations		(63.1)	(131.7)
Share of other comprehensive income/(loss) from associates		24.4	(108.5)
<i>Items that will not be reclassified to profit or loss:</i>			
Net change in fair value through other comprehensive income, net of tax	16	(6.9)	11.9
Defined benefit plan actuarial gains/(losses), net of tax		(1.5)	0.8
<b>Other comprehensive income for the period net of tax</b>		<b>(138.2)</b>	<b>(156.7)</b>
<b>Total comprehensive income for the period</b>		<b>729.6</b>	<b>716.1</b>
Total comprehensive income attributable to:			
Owners of the Company		733.5	692.5
Non-controlling interests		(3.9)	23.6
<b>Total comprehensive income for the period</b>		<b>729.6</b>	<b>716.1</b>

See accompanying notes.



## C. Consolidated statement of financial position

	Note	30 September 2019 USD'M	30 September 2018 USD'M
<b>Assets</b>			
Property, plant and equipment	11	3,948.2	1,900.1
Intangible assets	12	189.7	173.4
Equity-accounted investees	13	3,416.5	3,361.2
Prepayments	14	678.8	595.9
Loans receivable	15	521.4	485.5
Other investments	16	1,003.7	715.9
Derivatives	30	393.2	338.6
Deferred tax assets	10	277.2	171.2
Other non-current assets	17	348.4	1,094.6
<b>Total non-current assets</b>		<b>10,777.1</b>	<b>8,836.4</b>
Inventories	18	13,435.0	14,732.9
Trade and other receivables	19	18,516.5	19,951.7
Derivatives	30	962.8	569.0
Prepayments	14	3,454.4	3,063.7
Income tax receivable	10	43.3	40.0
Other current assets	21	318.7	849.5
Deposits	22	374.2	334.4
Cash and cash equivalents	22	6,267.2	5,355.8
<b>Total current assets</b>		<b>43,372.1</b>	<b>44,897.0</b>
Non-current assets classified as held for sale	11	2.2	67.6
<b>Total assets</b>		<b>54,151.4</b>	<b>53,801.0</b>
<b>Equity</b>			
Share capital	23	1,503.7	1,503.7
Capital securities	23	1,073.8	953.6
Reserves	23	(900.3)	(765.3)
Retained earnings	23	4,799.8	4,229.4
<b>Equity attributable to the owners of the company</b>		<b>6,477.0</b>	<b>5,921.4</b>
Non-controlling interests	24	327.7	328.7
<b>Total group equity</b>		<b>6,804.7</b>	<b>6,250.1</b>
<b>Liabilities</b>			
Loans and borrowings	25	8,492.1	8,462.1
Derivatives	30	373.6	275.9
Provisions	26	343.9	63.8
Other non-current liabilities	27	372.4	–
Deferred tax liabilities	10	386.2	173.3
<b>Total non-current liabilities</b>		<b>9,968.2</b>	<b>8,975.1</b>
Current tax liabilities	10	155.8	176.3
Loans and borrowings	25	22,455.5	23,741.6
Trade and other payables	28	13,935.2	13,809.2
Other current liabilities		86.0	–
Derivatives	30	746.0	848.7
<b>Total current liabilities</b>		<b>37,378.5</b>	<b>38,575.8</b>
<b>Total group equity and liabilities</b>		<b>54,151.4</b>	<b>53,801.0</b>

See accompanying notes.

## D. Consolidated statement of changes in equity

USD'000	Note	Equity attributable to the owners of the Company							Non-controlling interests	Total Group equity
		Share capital	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Capital Securities	Retained earnings	Profit for the year		
<b>Balance at 1 October 2018</b>		1,503,722	(694,794)	(22,432)	(48,080)	953,555	3,380,170	849,217	328,698	6,250,056
Profit for the year		–	–	–	–	–	–	871,731	(3,934)	867,797
Other comprehensive income		–	(75,929)	(6,890)	(52,486)	–	(2,936)	–	4	(138,237)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>(75,929)</b>	<b>(6,890)</b>	<b>(52,486)</b>	<b>–</b>	<b>(2,936)</b>	<b>871,731</b>	<b>(3,930)</b>	<b>729,560</b>
Profit appropriation		–	–	–	–	–	849,217	(849,217)	–	–
Dividend	23	–	–	–	–	–	(336,721)	–	(6,767)	(343,488)
Transfer revaluation reserve to retained earnings		–	–	–	–	–	–	–	–	–
FVOCI instruments	16	–	–	304	–	–	(304)	–	–	–
Share-based payments	31	–	–	–	–	–	108,252	–	–	108,252
Capital securities issued	23	–	–	–	–	270,363	–	–	–	270,363
Repayment of capital securities	23	–	–	–	–	(147,995)	–	–	–	(147,995)
Capital securities (currency translation)	23	–	–	–	–	(2,639)	2,639	–	–	–
Capital securities dividend	23	–	–	–	–	–	(63,301)	–	–	(63,301)
Divestment of subsidiary		–	–	–	–	–	1,198	–	34	1,232
Share of other changes in equity of associates		–	–	–	–	–	(10,148)	–	–	(10,148)
Capital contribution from the minority shareholders		–	–	–	–	–	–	–	9,649	9,649
Other		–	–	–	–	508	–	–	–	508
<b>Balance at 30 September 2019</b>		<b>1,503,722</b>	<b>(770,723)</b>	<b>(29,018)</b>	<b>(100,566)</b>	<b>1,073,792</b>	<b>3,928,066</b>	<b>871,731</b>	<b>327,684</b>	<b>6,804,688</b>

See accompanying notes.

USD'000	Note	Equity attributable to the owners of the Company							Non-controlling interests	Total Group equity
		Share capital	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Capital Securities	Retained earnings	Profit for the year		
<b>Balance at 1 October 2017</b>		1,503,722	(525,723)	(32,626)	(47,743)	1,247,318	3,052,784	847,710	339,367	6,384,809
Profit for the year		–	–	–	–	–	–	849,217	23,576	872,793
Other comprehensive income		–	(169,071)	11,876	(337)	–	801	–	(1)	(156,732)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>(169,071)</b>	<b>11,876</b>	<b>(337)</b>	<b>–</b>	<b>801</b>	<b>849,217</b>	<b>23,575</b>	<b>716,061</b>
Profit appropriation		–	–	–	–	–	847,710	(847,710)	–	–
Dividend	23	–	–	–	–	–	(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	31	–	–	–	–	–	84,489	–	–	84,489
Capital securities issued	23	–	–	–	–	207,250	(1,487)	–	–	205,763
Repayment of capital securities		–	–	–	–	(500,000)	–	–	–	(500,000)
Capital securities (currency translation)		–	–	–	–	(1,013)	1,013	–	–	–
Capital securities dividend		–	–	–	–	–	(85,380)	–	–	(85,380)
Divestment and deconsolidation of subsidiary		–	–	–	–	–	–	–	(5,165)	(5,165)
Share of other changes in equity of associates		–	–	–	–	–	6,345	–	–	6,345
Other		–	–	–	–	–	39	–	(705)	(666)
<b>Balance at 30 September 2018</b>		<b>1,503,722</b>	<b>(694,794)</b>	<b>(22,432)</b>	<b>(48,080)</b>	<b>953,555</b>	<b>3,380,170</b>	<b>849,217</b>	<b>328,698</b>	<b>6,250,056</b>

See accompanying notes.

## E. Consolidated statement of cash flows

	Note	2019 USD'M	2018 USD'M
<b>Cash flows from operating activities</b>			
Profit before tax		992.1	966.9
<b>Adjustments for:</b>			
Depreciation	11	149.6	135.5
Amortisation of intangible assets	12	51.2	56.1
Provisions	26	(22.6)	(31.0)
(Gain)/loss on financial assets measured at fair value through profit or loss	16	114.0	(4.2)
Impairment/(reversal of impairment) losses on financial assets	16	2.7	(13.4)
Impairment losses on non-financial assets	8	66.9	1.2
Impairment losses on equity-accounted investees	13	34.6	72.7
Net finance costs		704.1	542.2
Share of (profit)/loss of equity-accounted investees	13	(47.7)	(17.4)
(Gain)/loss on sale of non-financial fixed assets	8	4.2	(1.0)
(Gain)/loss on sale of equity-accounted investees	8	36.0	56.6
(Gain)/loss on sale of other investments	8	(1.8)	(0.1)
(Gain)/loss on divestments of subsidiaries	8	(198.5)	(92.9)
Revaluation gain on remeasurement of retained interest	6	(0.2)	(103.9)
Equity-settled share-based payment transactions	31	108.3	87.6
<b>Operating cashflow before working capital changes</b>		<b>1,992.9</b>	<b>1,654.9</b>
<b>Changes in:</b>			
Inventories		2,090.5	(732.2)
Trade and other receivables and derivatives		1,989.5	(4,516.7)
Prepayments		(958.2)	80.5
Trade and other payables and derivatives		31.0	4,466.7
<b>Cash generated from/(used in) operating activities</b>		<b>5,145.7</b>	<b>953.2</b>
Interest paid		(1,397.2)	(1,193.8)
Interest received		704.8	620.4
Dividends (paid)/received		–	50.4
Tax (paid)/received		(183.1)	(115.6)
<b>Net cash from/(used in) operating activities</b>		<b>4,270.2</b>	<b>314.6</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	11	(224.4)	(167.5)
Proceeds from sale of property, plant and equipment	11	14.7	28.6
Disposal of assets/liabilities held for sale		–	(0.2)
Acquisition of intangible assets	12	(44.2)	(35.6)
Acquisition of equity-accounted investees	13	(85.6)	(101.2)
Disposal of equity-accounted investees		1.1	216.6
Proceeds from loans receivable and advances	14/15	(250.9)	(86.9)
Repayment of loans receivable and advances	14/15	3.7	227.4
Acquisition of other investments	16	(168.9)	(56.1)
Disposal of other investments	16	39.1	53.7
Acquisition of subsidiaries, net of cash acquired	5	183.4	(190.1)
Disposal of subsidiaries, net of cash disposed of	6	246.9	16.0
<b>Net cash from/(used in) investing activities</b>		<b>(285.1)</b>	<b>(95.3)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of capital securities	23	–	205.8
Payment of capital securities dividend	23	(60.9)	(92.5)
Dividend and payment in relation to the share redemption by the direct parent company	23	(336.7)	(527.8)
Repayment of capital securities	23	(148.0)	(500.0)
Proceeds from capital contributions to subsidiaries by non-controlling interests	24	10.8	2.4
Dividend non-controlling interest		(5.4)	(7.3)
Net increase/(decrease) in long-term loans and borrowings	25	(597.2)	1,719.8
Payment of finance lease liabilities	25	(12.3)	(9.1)
Net increase/(decrease) in short-term bank financing	25	(1,924.0)	(643.5)
<b>Net cash from/(used in) financing activities</b>		<b>(3,073.7)</b>	<b>147.8</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>911.4</b>	<b>367.1</b>
Cash and cash equivalents at 1 October	22	5,355.8	4,988.7
<b>Cash and cash equivalents at 30 September (note 22)</b>		<b>6,267.2</b>	<b>5,355.8</b>

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 and investing 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 Company's immediate holding company is Trafigura Beheer B.V., a company incorporated in the Netherlands. Trafigura Beheer B.V. is ultimately controlled by Farringford Foundation which is established under the laws of Panama.

The consolidated financial statements for the year ended 30 September 2019 were authorised for issue by the Board of Directors on 9 December 2019.

### 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 accounting policies applied are consistent with those of the previous financial years except for the adoption of IFRS 15 'Revenue from Contracts with Customers' as from 1 October 2018.

#### a. 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.

#### b. 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 since acquisition date. Goodwill relating to the Associate 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, 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.

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 amount of the Associate is adjusted and the fair value of the consideration received being recognised directly in the statement of income.

#### c. 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.

#### d. 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 30j.

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.

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. Notes to consolidated financial statements

### e. 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 (refer to '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 statement of financial position 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 equity on adoption.

The only hyperinflationary economy applicable to the Group is Argentina. The financial statements of the 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 statement of income and then translated into USD. Refer to note 33.

### f. Financial instruments

Financial assets are classified in the following measurement categories:

- Fair value through other comprehensive income,
- Fair value through profit or loss, and
- 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 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.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The Group reclassifies debt investments only when its business model for managing those assets changes. Reclassification takes place on 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.

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.

#### (i) Financial assets at 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 (EIR) 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.

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

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

- Equity investments that are held for trading;
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income;
- 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 are carried in the statement of financial position at fair value with net changes in fair value presented as other income and expenses in the statement of income. Interests, dividends and gain or loss on foreign exchange on financial assets at fair value through profit or loss are included separately in finance income or expense, or other income and expense, respectively.

#### *(iii) 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 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 income in other income and expense.

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.

#### *Offsetting*

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. 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.

## F. Notes to consolidated financial statements

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 hedged item is accounted for at fair value through profit and loss and reflected in the statement of financial position as either a recognised 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 recognised through profit and loss and reflected on the statement of financial position as either a recognised 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.

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 are reclassified to the statement of income when the underlying hedged item is realised in the statement of income.

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 re-calibrated 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 re-calibration.

### *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).

### *g. 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 statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

### *h. 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 costs of major repairs and maintenance (dry-docking or turnarounds) are capitalised and depreciated over their useful life.

Gains or losses on disposal of an item of property, plant and equipment are recorded in the statement of income in other income and expense.

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

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

#### *(ii) Mineral properties and mine development costs*

The costs of acquiring mineral reserves and mineral resources are capitalised in the statement of financial position as incurred. Capitalised costs representing mine development costs include costs incurred to bring the mining assets to a condition of being capable of operating as intended by management. Mineral reserves and in some instances mineral resources and capitalised mine development costs are depreciated from the commencement of production using generally the unit of production basis. They are written off if the property is abandoned.

#### *(iii) Exploration and evaluation assets*

Exploration and evaluation expenditure relates to costs incurred in the exploration and evaluation of potential mineral reserves and resources and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is capitalised as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or are planned for the future.

Capitalised exploration and evaluation assets are transferred to mine development assets once the work completed to date supports the future development of the property and such development receives appropriate approvals.

Acquired mineral rights comprise identifiable exploration and evaluation assets including mineral reserves and mineral resources, which are acquired as part of a business combination and are recognised at fair value at the date of acquisition. The acquired mineral rights are reclassified as “mineral properties and mine development costs” from commencement of development and depreciated on a unit of production basis, when commercial production commences.

#### *(iv) 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.

#### *(v) Major cyclical maintenance expenditure*

Group entities recognise in the carrying amount of an item of plant and equipment, the incremental cost of replacing a component part of such an item when that cost is incurred. If it is probable that the future economic benefits embodied within the item will flow to the Group entity, the cost incurred is significant in relation to the asset and the cost of the item can be measured reliably. Accordingly, major overhaul expenditure is capitalised and depreciated over the period in which benefits are expected to arise (typically three to four years). Any remaining book value of a maintenance component of property, plant and equipment to which the major maintenance is applied, is derecognised at that point in time. All other repairs and maintenance are charged to the statement of income during the financial period in which the costs are incurred.

#### *(vi) Depreciation*

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of each component. They are depreciated from the date that they are installed and are ready for use. Land and 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               | 20-40 years |
| • Machinery and equipment | 3-28 years  |
| • Barges and vessels      | 10-20 years |
| • Other fixed assets      | 1-5 years   |

#### *Unit of production basis*

For mining properties and development assets and certain mining equipment, the economic benefits from the asset are consumed in a pattern which is linked to the production level. Such assets are depreciated on a unit of production basis. However, assets within mining operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight-line basis as noted above.

In applying the unit of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves and, for some mines, other mineral resources. Such non reserve material may be included in depreciation calculations in circumstances where there is a high degree of confidence in its economic extraction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Critical spare parts purchased for particular items of plant, are capitalised and depreciated on the same basis as the plant to which they relate.

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

#### *(vii) 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 EIR 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.

#### *i. 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 refer to 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 acquiree 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.



## F. Notes to consolidated financial statements

### (ii) Licences and other intangible assets

Licences and other intangible assets, 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 in other income and expense.

### j. 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 operating lease, which implies that substantially all the risks and rewards of ownership of the lease agreement have been transferred, the difference between the carrying amount and the consideration of the sold assets will be accounted for in the statement of income in other income and expense.

### k. 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, including work-in-progress, are measured at the lower of cost or net realisable value. Costs comprise all costs of purchases and other costs incurred.

### l. 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 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 (refer to the definition below).	Lifetime expected losses
Non-performing	The loan meets the definition of default (refer to the 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.

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 Trafigra group company and such failure is not expected to be cured shortly;
- A Trafigra group company declares a default due to the failure of the counterparty to comply with the conditions of an obligation or agreement.

The Group assesses the expected credit loss 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 amount 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 publically 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.

#### *m. 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.

#### *n. 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 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.

## F. Notes to consolidated financial statements

### *o. 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 no reliable estimate can be made, a disclosure will be made for claims, disputes or legal proceedings, for which the amount to be settled 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.

### *p. 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.

### *q. Revenue recognition*

Revenue is derived principally from the sale of goods and in some instances the goods are sold on Cost and Freight (CFR) or Cost, Insurance and Freight (CIF) Incoterms. When goods are sold on a CFR or CIF basis, the Group is responsible for providing these services (shipping and insurance) to the customer, sometimes after the date at which the Group has lost control of the goods. Revenue is recognised when the performance obligations have been satisfied, which is once control of the goods and/or services has transferred from the Group to the buyer.

Revenue is measured based on consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The same recognition and presentation principles apply to revenues arising from physical settlement of forward sale contracts that do not meet the own use exemption. Revenue related to the sale of goods is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises, and the buyer has gained control through their ability to direct the use of and obtain substantially all the benefits from the asset. Where the sale of goods is connected with an agreement to repurchase goods at a later date, revenue is recognised when the repurchase terms are at prevailing market prices, the goods repurchased are readily available in the market, and the buyer gained control of the goods originally sold to them. Should it be determined that control has not transferred or the buyer does not have the ability to benefit substantially from ownership of the asset, revenue is not recognised and any proceeds received are accounted for as a financing arrangement.

For certain commodities, the sales price is 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 (provisionally priced sales). Revenue on provisionally priced sales is recognised based on the estimated 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 adjustment 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.

Revenue related to the provision of shipping and insurance related activities is recognised over time as the service is rendered.

### *r. 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.

### *s. 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 from the trading activities, these costs are not attributed to cost of sales.

#### t. Finance income and finance expense

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

#### u. Corporate taxes

Income tax expense comprises current and deferred tax. Current 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.

##### (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.

#### v. 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.

#### w. 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.

#### x. 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 amount 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 its financial position as they require management to make complex and/or subjective judgements and estimates about matters that are inherently uncertain.



## F. Notes to consolidated financial statements

### *(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 30. 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, prepayments, property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable or at least annually for goodwill. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognised. Loans and receivables are evaluated based on collectability. 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. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management. Refer to notes 11, 12, 13 and 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 29.

### *(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'), the 50 percent investment in TM Mining Ventures S.L. ('MATSA'), and the 50 percent investment in Impala Terminals Holding S.à r.l. ('Simba').

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 Oil and Petroleum Products segment also includes related freight activities.
- 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, the Nyrstar and Impala activities. In addition to the trading activities, the activities performed in this segment include the blending of metal concentrates, iron ore, coal and alumina, smelting of zinc and lead concentrates, as well as warehousing and transportation. The Metals and Minerals segment also includes related freight activities.
- All other segments include holding companies, securitisation programmes, group financing facilities 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. The Group 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:

	Oil and Petroleum	Metals and Minerals	All other segments	Total
2019	USD'M	USD'M	USD'M	USD'M
Sales revenue from external customers	111,333.3	59,084.1	–	170,417.4
Service revenue from external customers	841.5	215.2	–	1,056.7
<b>Gross profit</b>	<b>1,681.4</b>	<b>1,296.6</b>	<b>–</b>	<b>2,978.0</b>
Other income/(expenses)	–	–	–	(172.2)
General and administrative expenses	–	–	–	(1,157.3)
Finance income	–	–	–	700.4
Finance expense	–	–	–	(1,404.5)
Share of profit/(loss) from equity-accounted investees	–	–	–	47.7
Income tax expense	–	–	–	(124.3)
<b>Profit for the year</b>				<b>867.8</b>

	Oil and Petroleum	Metals and Minerals	All other segments	Total
2019	USD'M	USD'M	USD'M	USD'M
<b>Segment assets and liabilities</b>				
Equity-accounted investees	2,196.4	1,188.6	31.5	3,416.5
Other non-current assets	1,792.4	4,157.1	1,411.1	7,360.6
Non-current assets classified as held for sale	–	2.2	–	2.2
Total assets	23,596.5	21,991.4	8,563.5	54,151.4
Total liabilities	18,020.0	15,802.2	13,524.5	47,346.7

	Oil and Petroleum	Metals and Minerals	All other segments	Total
<b>Other segment information</b>				
Capital expenditure	128.1	97.5	46.4	272.0
Depreciation and amortisation	31.9	101.5	67.4	200.8
Impairment of non-financial assets	4.8	62.1	–	66.9
Impairment of financial assets	1.0	1.7	–	2.7
Impairment of equity-accounted investees	0.3	34.3	–	34.6

	Oil and Petroleum	Metals and Minerals	All other segments	Total
2018	USD'M	USD'M	USD'M	USD'M
Sales revenue from external customers	124,202.7	55,774.5	–	179,977.2
Service revenue from external customers	360.3	406.6	–	766.9
<b>Gross profit</b>	<b>1,022.4</b>	<b>1,361.7</b>	<b>–</b>	<b>2,384.1</b>
Other income/(expenses)	–	–	–	44.9
General and administrative expenses	–	–	–	(937.3)
Finance income	–	–	–	647.4
Finance expense	–	–	–	(1,189.6)
Share of profit/(loss) from equity-accounted investees	–	–	–	17.4
Income tax expense	–	–	–	(94.1)

**Profit for the year 872.8**

	Oil and Petroleum	Metals and Minerals	All other segments	Total
2018	USD'M	USD'M	USD'M	USD'M
<b>Segment assets and liabilities</b>				
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

	Oil and Petroleum	Metals and Minerals	All other segments	Total
<b>Other segment information</b>				
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

## F. Notes to consolidated financial statements

### Geographical information

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

	Oil & Petroleum	Metals and Minerals	Total
	USD'M	USD'M	USD'M
<b>2019</b>			
Revenue from external customers			
Europe	35,258.4	7,543.0	42,801.4
Asia	30,893.7	33,814.1	64,707.8
North America	26,609.8	10,717.5	37,327.3
Latin America	10,566.0	1,080.5	11,646.5
Africa	4,533.1	1,541.9	6,075.0
Australia	837.0	141.2	978.2
Middle East	3,476.8	4,461.1	7,937.9
<b>Total revenue from external customers</b>	<b>112,174.8</b>	<b>59,299.3</b>	<b>171,474.1</b>
<b>2018</b>			
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
<b>Total revenue from external customers</b>	<b>124,563.0</b>	<b>56,181.1</b>	<b>180,744.1</b>

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

#### Financial year 2019

#### Acquisition of Nyrstar

On 31 July 2019, the Group acquired 98 percent of the voting shares of NN2 NewCo Limited ('NN2', together with its subsidiaries, 'Nyrstar'), a non-listed company incorporated in the United Kingdom. NN2 is the holding company of the operating business of Nyrstar, a global multi-metals business. The acquisition of the 98 percent shareholding agreed between Nyrstar's creditors was subsequently sanctioned by two English schemes of arrangement, and gave effect to:

- Reinstatement of financing facilities with Nyrstar's financial creditors;
- Completion of a new money facility;
- Issuance of bond instruments by Trafigura (refer to purchase consideration below); and
- An in-principle agreement with the State of South Australia on the key terms of the restructuring of the Port Pirie Perpetual Securities.

The Group acquired the operating assets of Nyrstar as part of the restructuring of Nyrstar with its creditors with a view to avoiding Nyrstar's insolvency and to protect its original investment, which was made on the grounds that its global industrial multi-metal business is complementary to the existing trading activities of the Group.

Simultaneously with the acquisition of the 98 percent stake, the Group granted the 2 percent minority shareholder, Nyrstar N.V. (of which the Group continues to hold 24.4%), with a put option through which the remaining 2 percent can be sold to Trafigura at a strike price of EUR20.0 million. The option is exercisable as from 6 months after the acquisition date until 3 years after the acquisition date. The transaction is accounted for on the basis that the underlying shares subject to the non-controlling interest ('NCI') put option have been acquired.

#### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Nyrstar as at the date of acquisition were:

	Fair value recognised on acquisition
	USD'M
<b>Assets</b>	
Property, plant and equipment	1,959.4
Intangible assets	4.7
Equity-accounted investees	0.2
Other investments	25.9
Derivatives	8.6
Deferred tax assets	14.2
Other non-current assets	121.8
<b>Total non-current assets</b>	<b>2,134.8</b>
Inventories	792.6
Trade and other receivables	131.7
Derivatives	32.3
Prepayments	27.1
Income tax receivable	1.9
Other current assets	4.9
Cash and cash equivalents	180.2
<b>Total current assets</b>	<b>1,170.7</b>
<b>Total assets</b>	<b>3,305.5</b>
<b>Liabilities</b>	
Loans and borrowings	(849.8)
Derivatives	(31.9)
Provisions	(308.5)
Deferred tax liabilities	(109.6)
Other non-current liabilities	(19.1)
<b>Total non-current liabilities</b>	<b>(1,318.9)</b>
Current tax liabilities	(63.2)
Loans and borrowings	(351.7)
Trade and other payables	(617.6)
Other current liabilities	(450.0)
<b>Total current liabilities</b>	<b>(1,482.5)</b>
<b>Total liabilities</b>	<b>(2,801.4)</b>
<b>Total identifiable net assets at fair value at acquisition</b>	<b>504.1</b>
Goodwill arising on acquisition	42.0
<b>Consideration transferred</b>	<b>546.1</b>

The fair value of trade and other receivables amounts to USD131.7 million and equals the gross amount. It is expected that the full contractual amounts can be collected.

The goodwill of USD42.0 million comprises the value of expected synergies arising from the acquisition, which is not separately recognised. None of the goodwill recognised is expected to be deductible for income tax purposes.

The net assets recognised in the 30 September 2019 financial statements were based on a provisional assessment of their fair values while the Group sought an independent valuation of certain land plots owned by Nyrstar and the Group continued to evaluate certain deferred tax positions. Note that any change to land plot valuation is not expected to materially impact the overall fair value of the net assets at acquisition. These procedures were not completed by the date that the 2019 financial statements were approved for issue by the Board of Directors.

From the date of acquisition, Nyrstar contributed USD298.0 million of revenue and USD69.9 million net loss. Given the distressed situation of Nyrstar before the acquisition date, management is unable to reliably estimate what the contribution to revenue and results would have been in the situation where Nyrstar would have been consolidated as from the start of the financial year.

### Purchase consideration

The Group has issued various instruments to the former Nyrstar noteholders and convertible bondholders, which are considered part of the consideration transferred.

Purchase consideration	USD'M
Fair value of issued perpetual securities	270.4
Fair value of issued senior notes	84.2
Fair value of issued commodity-linked zinc Instrument	154.4
Incentive payments made to former bondholders	14.9
<b>Purchase consideration</b>	<b>523.9</b>
Fair value non-controlling interest put option	22.2
<b>Consideration for 100% equity</b>	<b>546.1</b>

The USD14.9 million incentive payments relate to EUR13.5 million of fees paid to the former Nyrstar noteholders and convertible bondholders who signed up to the lock up agreement before the end of the early bird period. These fees are considered as part of the consideration. The early bird payments were open to all bondholders.

The Group has reported a financial liability related to the put option equal to the net present value of the redemption amount (i.e. the present value exercise price of EUR20.0 million, equivalent to the USD22.2 million included in the above table). By recognising a liability for the put option over the shares held by the minority shareholder of Nyrstar, no non-controlling interest is recognised by the Group.

### Analyses of cash flows on acquisition

The debt restructuring, including the issuance of new debt instruments by Trafigura, was executed without transfer of cash. The cash flows generated upon acquisition are detailed in the below table.

Cash flows on acquisition	USD'M
Transaction costs of the acquisition (included in cash flows from operating activities)	(21.1)
Net cash acquired with the Nyrstar Group (included in cash flows from investing activities)	180.2
Transaction costs attributable to the issuance of the debt instruments (included in cash flows from financing activities)	(2.0)
<b>Net cash flow on acquisition</b>	<b>157.1</b>

The Group's transaction costs related to the acquisition of USD21.1 million were expensed and are included in other expenses. Transaction costs related to the issuance of the debt instruments of USD2.0 million are capitalised as debt issuance costs and amortised over the maturity of the debt instruments.

### Financial year 2018

On 9 May 2018, the Group completed the acquisition of the majority of the downstream business of Pampa Energia S.A. 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
<b>Total assets</b>	<b>204.7</b>
Provision for decommissioning costs	12.8
Other liabilities	3.2
<b>Total liabilities</b>	<b>16.0</b>
<b>Total identifiable net assets at fair value on acquisition date</b>	<b>188.7</b>
Goodwill arising on acquisition	–
<b>Total consideration</b>	<b>188.7</b>
	<b>USD'M</b>
Total consideration	188.7
Of which to be received from sellers based on final price	3.2
<b>Total cash paid to previous owners</b>	<b>191.9</b>
Cash acquired with the subsidiary	1.8
<b>Acquisition related cash flow, net of cash acquired</b>	<b>190.1</b>

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

The results of the acquired business were 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 could not be reliably estimated and was therefore not disclosed. As a result of the integration in the Group, resulting in various positive synergy effects, it was impracticable to disclose the individual full year net result of the acquired business.

The USD3.2 million included in the table above was received in financial year 2019 and is presented in the cash flow statement as incoming cash flow from the acquisition of subsidiaries.

## F. Notes to consolidated financial statements

### 6. Deconsolidation of subsidiaries

#### Financial year 2019

##### *Sale of WfV27 to Frontline Ltd*

On 23 August 2019, Trafigra Maritime Logistics Pte. Ltd. ('TML'), a wholly owned subsidiary of the Group, entered into a Sale and Purchase Agreement ('SPA') to sell shares in its wholly owned subsidiary White Flag Ventures XXVII Pte. Ltd. ('WfV27') to Frontline Ltd. ('Frontline'). During 2019, and prior to 23 August 2019, WfV27 had taken delivery of ten Suezmax tankers under lease agreements in the form of long-term bareboat charter agreements ('BBC'), which were signed during calendar year 2017. All vessels are fitted with exhaust gas cleaning systems. WfV27 subsequently sub-chartered the vessels to TML under long-term time charter ('TC') agreements. The primary purpose of WfV27 is to act as charterer and disponent owner under the BBC, and to ensure all services are rendered to enable chartering the vessels out on a TC basis to the principal ('TML'). WfV27 does not perform any other relevant activities.

In the SPA it was agreed that Frontline acquires all the shares in WfV27 with the legal transfer taking place subsequently at the closing date. The consideration received by TML in exchange for these shares amounts to 16,035,856 ordinary shares in Frontline, listed on the New York Stock Exchange and the Oslo Stock Exchange. The fair value of these shares as per signing of the SPA amounted to USD125.7 million and these shares were delivered in escrow. In addition to the transfer of the shares, Frontline has committed to transfer a cash amount ranging from USD538 million to USD547 million, payable upon the closing of the transaction. This amount does not qualify as consideration for TML as the cash will be used by WfV27 to call the purchase options under the BBC. Upon instruction by Frontline, but no later than 45 days before the closing date of 20 March 2020, WfV27 will exercise the purchase options under the BBC and Frontline will transfer the required cash to WfV27, which in turn will pay the lessor and take legal ownership of the vessels. Subsequently, the shares of WfV27 will be legally transferred to Frontline.

Closing of the transaction is targeted as soon as practically possible, with the closing date being at the latest 20 March 2020. To obtain earlier control over the vessels, Frontline has agreed to charter all the ten vessels from WfV27 under an interim time charter agreement until closing of the transaction. Through these interim time charter agreements, Frontline has obtained operational control over and full exposure to the performance related to the vessels. All vessels have been delivered into the interim time charter agreements before 30 September 2019. In addition, the new governance structure of WfV27 became effective on 23 August 2019. As of 30 September 2019, the Group no longer has the power, directly or indirectly, to govern the financial and operational policies of WfV27, nor does it have exposure to variable returns. As a consequence, WfV27 has been deconsolidated from the Group's consolidated financial statements as per 30 September 2019.

The USD97.3 million gain resulting from this divestment has been recorded in other income and expense (refer to note 8). The effect of the divestment and deconsolidation of WfV27 on the Group's consolidated financial statements is as follows:

	2019 USD'M
<b>Fair value of the consideration received</b>	<b>125.7</b>
Non-current assets	16.9
Net working capital	8.8
Transaction costs	2.7
<b>Gain resulting from divestment</b>	<b>97.3</b>

Subsequent to the transaction, the Group recognised a gain of USD20.2 million on the Frontline shares, which are valued at fair value through profit or loss.

##### *Sale of entities to Scorpio Tankers Inc.*

On 24 September 2019, Trafigra Maritime Logistics Pte. Ltd. (TML), a wholly owned subsidiary of the Group, entered into a Sale and Purchase Agreement ('SPA') to sell shares in its directly owned subsidiaries White Flag Ventures XXV Pte. Ltd., White Flag Ventures XXVI Pte. Ltd. and White Flag Ventures XXIX Pte. Ltd., which have leasehold interests (as lessee under long-term bareboat charter agreements) in 15 Medium Range (MR) product tankers and four Long Range coated Aframax (LR2) product tankers, to Scorpio Tankers Inc. ('Scorpio'). Closing of the transaction occurred on 26 September 2019.

The consideration received by TML in exchange for these shares in the above listed White Flag entities amount to 4,572,873 ordinary Scorpio shares, listed on the New York Stock Exchange. The fair value of these shares as per signing of the SPA amounted to USD128.4 million. Additionally, the Group purchased 1,206,896 shares of Scorpio for a total consideration of USD35.0 million resulting in a 9.9 percent stake in Scorpio.

The USD103.5 million gain resulting from this divestment has been recorded in other income and expense (refer to note 8). The effect of the divestment and deconsolidation of the entities on the Group's consolidated financial statements is as follows:

	2019 USD'M
<b>Fair value of the consideration received</b>	<b>128.4</b>
Non-current assets	21.8
Net working capital	(1.3)
Transaction costs	4.4
<b>Gain resulting from divestment</b>	<b>103.5</b>

Subsequent to the transaction, the Group recognised a gain of USD8.6 million on the Scorpio shares, which are valued at fair value through profit or loss.



### Financial year 2018

During the financial year 2018, the Group incorporated Impala Terminals Holding S.à r.l. ('Simba') in Luxembourg. 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 100 percent consolidated 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 was recorded as a receivable from related parties as of 30 September 2018. As per 30 September 2019, a receivable of USD10.0 million remains on the statement of financial position of the Group. The amount received during financial year 2019 (USD237.9 million) is included in the cash flow statement as incoming cash flow from the disposal of subsidiaries.

Per 27 September 2018, the new governance structure of Simba became effective. Given the above and the commercial agreements in place between Trafigura entities and Simba, the Group no longer had 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 were 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 and expense (refer to note 8). The Group's remaining stake in Simba was 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 (refer to note 8).

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

	2018	2017
	USD'M	USD'M
Revenue (including intercompany)	291.2	249.1
<b>Gross profit</b>	<b>137.6</b>	<b>122.6</b>
<b>EBITDA</b>	<b>96.3</b>	<b>77.5</b>
<b>Profit for the year</b>	<b>49.0</b>	<b>7.5</b>
	2018	2017
	USD'M	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
<b>Net cash flows for the year</b>	<b>4.7</b>	<b>6.3</b>

The effect of the divestment and deconsolidation of Simba on the Group's consolidated financial statements was as follows:

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

## 7. Revenue

	2019	2018
	USD'M	USD'M
Sales of goods	170,417.4	179,977.2
Rendering of services	1,056.7	766.9
<b>Total</b>	<b>171,474.1</b>	<b>180,744.1</b>

## 8. Other income/(expense)

	2019	2018
	USD'M	USD'M
Release/(additions) to provisions	13.7	19.1
Gain/(loss) on disposal of tangible and intangible fixed assets	(4.2)	1.0
Gain/(loss) from disposal of other investments	1.8	0.1
Gain/(loss) on disposal of equity-accounted investees	(36.0)	(56.6)
Gain on divestment of subsidiaries	198.5	92.9
Revaluation gain on remeasurement on retained interest	0.2	103.9
Gain/(loss) on financial assets measured at fair value through profit or loss	(114.0)	4.2
Impairments of financial assets	(2.7)	(1.5)
Reversal of impairments of financial assets	-	14.8
Impairments of non-financial assets	(66.9)	(1.2)
Impairments of equity-accounted investees	(34.6)	(72.7)
Dividend income	1.6	2.0
Gain/(loss) on foreign exchange	(54.1)	(47.7)
Other	(75.5)	(13.6)
<b>Total</b>	<b>(172.2)</b>	<b>44.9</b>

## F. Notes to consolidated financial statements

### Financial year 2019

In August 2019, the Group entered into a sale agreement with Frontline for the sale of 10 Suezmax tankers through one of its subsidiaries. In September 2019, the Group also sold through its subsidiaries 15 Medium Range tankers and 4 LR2 product tankers to Scorpio Shipping Inc. The gain on these transactions amounted USD200.8 million which is included in gain on divestment of subsidiaries. For further information on these transactions, refer to note 6.

The loss on sale of equity-accounted investees includes the recycling from other comprehensive income into the statement of income of a negative cash flow hedge reserve of USD15.3 million and a negative currency translation reserve of USD22.2 million on the Group's equity-accounted investee Nyrstar N.V. The financial restructuring and transfer of the Nyrstar operating business into NN2, combined with the dilution of Nyrstar N.V.'s share in NN2 to 2 percent, resulted in a USD34.3 million impairment of the carrying amount of the Group's continuing equity-accounted stake in Nyrstar N.V. to nil. The restructuring further resulted in a USD17.0 million impairment of non-financial assets related to prepayments given to the Nyrstar Group.

The loss on fair value instruments through profit and loss includes a negative fair value movement of the debt securities related to the investment in Porto Sudeste do Brasil SA of USD120.8 million, for further information refer to note 16.

Other includes the transaction costs related to the acquisition of NN2 (refer to note 5), and other components.

### 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 or 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 Impala Terminals Holding S.à r.l. ('Simba') of USD191.2 million (refer to note 6). The Group recorded an impairment on the carrying amount of the equity-accounted investee Nyrstar for an amount of USD72 million, refer to note 13.

### 9. General and administrative expenses

	2019	2018
	USD'M	USD'M
Depreciation and amortisation	200.8	191.7
Staff costs	690.2	497.2
General & other	266.3	248.4
<b>Total</b>	<b>1,157.3</b>	<b>937.3</b>

Refer to note 31 for a breakdown of the staff costs. The category 'General and other' mainly comprises of office, IT, and travelling costs. The expenses increased partially as a result of the consolidation of Nyrstar. As from the acquisition date, USD29.4 million depreciation and amortisation, USD80.6 million staff costs, and USD13.3 million general & other expenses were recognised related to Nyrstar.

### 10. Tax

#### a. Tax expense

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

	2019	2018
	USD'M	USD'M
Current income tax expense	110.1	139.6
Adjustments in relation to current income tax of previous year	(3.4)	(16.3)
Deferred tax expense/(income)	17.4	(38.8)
Withholding tax in the current year	0.2	9.6
<b>Total</b>	<b>124.3</b>	<b>94.1</b>

#### b. Tax recognised in other comprehensive income

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

	2019	2017
	USD'M	USD'M
Tax (expense)/income on cash flow hedges	10.7	(0.6)
Tax (expense)/income on hyperinflation adjustments	–	(17.7)
<b>Total</b>	<b>10.7</b>	<b>(18.3)</b>

### c. Reconciliation of effective tax rate

The Group'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 (2018: 17%).

The weighted average statutory income tax rate decreased in 2019 compared to 2018 by 3.9 percentage points as a consequence of a change in the mix of profits and losses generated in the various countries in which the Group operates.

The reconciliation between tax expense and the result of accounting profit multiplied by the Group's statutory income tax rate for the years ended 30 September 2019 and 2018 is as follows:

	2019		2018	
	USD'M	%	USD'M	%
Profit before tax	992.1	–	966.9	–
Income tax expense at statutory blended tax rate	193.8	19.5%	226.2	23.4%
<b>Tax effect of adjustments to arrive at the effective income tax rate:</b>				
Effect of unused tax losses, not recognised as deferred tax assets	39.7	–	20.7	–
Non-taxable income or subject to specific tax holidays	(160.2)	–	(240.5)	–
Non-deductible expenses	38.7	–	46.3	–
Foreign exchange	17.7	–	8.5	–
Adjustments in relation to income tax of previous year	(3.4)	–	(16.3)	–
Tax rate changes	(2.2)	–	39.6	–
Withholding tax	0.2	–	9.6	–
<b>Effective tax rate</b>	<b>124.3</b>	<b>12.5%</b>	<b>94.1</b>	<b>9.7%</b>

### 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 2018 and 30 September 2019 of these components is as follows:

USD'M	Opening Balance	Recognised in the income statement	Other comprehensive income	Acquired in business combination	Foreign exchange and other	Closing Balance	Deferred tax assets	Deferred tax (liabilities)
Property, plant and equipment	(12.3)	1.0	–	(127.2)	(9.9)	(148.4)	–	(148.4)
Investment in subsidiaries & associates	(5.5)	(13.4)	–	–	–	(18.9)	–	(18.9)
Other temporary differences	15.5	(70.5)	–	7.5	12.9	(34.6)	53.5	(88.1)
Provisions	(134.9)	(6.6)	(0.2)	15.1	(2.8)	(129.4)	–	(129.4)
Derivatives	(11.9)	(2.3)	10.9	–	(6.1)	(9.4)	–	(9.4)
Tax losses carried forward and tax attributes	147.0	74.4	–	9.1	1.2	231.7	231.7	–
<b>Total deferred tax position</b>	<b>(2.1)</b>	<b>(17.4)</b>	<b>10.7</b>	<b>(95.5)</b>	<b>(4.7)</b>	<b>(109.0)</b>	<b>285.2</b>	<b>(394.2)</b>
Set-off deferred tax positions							(8.0)	8.0
<b>Net deferred tax position</b>							<b>277.2</b>	<b>(386.2)</b>

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 the Group 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.

	2019	2018
Unrecognised tax losses carry forward and tax attributes	USD'M	USD'M
Losses expiring in 2020	17.3	–
Losses expiring in 2021	241.1	0.4
Losses expiring in 2022	796.7	4.2
Losses expiring in 2023	93.9	0.1
Losses expiring in 2024	188.1	53.7
Losses expiring in 2025	476.0	0.5
Losses expiring in 2026	983.7	5.6
Losses expiring after 2026	174.4	82.4
Losses which do not expire	166.9	5.0
<b>Total</b>	<b>3,138.0</b>	<b>151.9</b>

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. The increase can be ascribed to the acquisition of Nyrstar.

## F. Notes to consolidated financial statements

### e. Tax uncertainties

The Group 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 the Group's interpretation based on opinions provided by local tax counsel. The Group believes that it has sufficiently provided for financial consequences (if any).

In countries where the Group 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	Mine property and development	Other fixed assets	Total
<b>Cost</b>						
Balance at 1 October 2018	883.8	712.3	611.3	–	611.6	2,819.0
Additions	10.0	58.9	28.8	4.8	125.3	227.8
Acquired through business combination	192.3	1,506.5	–	102.7	157.9	1,959.4
Reclassifications	98.9	8.3	27.6	8.5	(33.5)	109.8
Effect of movements in exchange rates, including hyperinflation adjustment	10.0	(16.3)	–	(0.3)	(5.5)	(12.1)
Disposals	(19.3)	(12.4)	–	–	(18.5)	(50.2)
Divestment of subsidiaries	2.5	–	(38.0)	–	(1.1)	(36.6)
<b>Balance at 30 September 2019</b>	<b>1,178.2</b>	<b>2,257.3</b>	<b>629.7</b>	<b>115.7</b>	<b>836.2</b>	<b>5,017.1</b>
<b>Depreciation and impairment losses</b>						
Balance at 1 October 2018	256.5	279.3	141.9	–	241.2	918.9
Depreciation for the period	42.8	48.9	35.5	1.8	20.6	149.6
Impairment losses	6.6	12.5	–	–	9.5	28.6
Reclassifications	7.2	(0.7)	(4.4)	–	–	2.1
Effect of movements in exchange rates, including hyperinflation adjustment	(4.3)	(0.7)	–	–	0.1	(4.9)
Disposals	(7.6)	(4.6)	–	–	(13.3)	(25.5)
Divestment of subsidiaries	0.7	–	–	–	(0.6)	0.1
<b>Balance at 30 September 2019</b>	<b>301.9</b>	<b>334.7</b>	<b>173.0</b>	<b>1.8</b>	<b>257.5</b>	<b>1,068.9</b>
<b>Net book value at 30 September 2019</b>	<b>876.3</b>	<b>1,922.6</b>	<b>456.7</b>	<b>113.9</b>	<b>578.7</b>	<b>3,948.2</b>

USD'M	Land and buildings	Machinery and equipment	Barges and vessels	Mine property and development	Other fixed assets	Total
<b>Cost</b>						
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)
<b>Balance at 30 September 2018</b>	<b>883.8</b>	<b>712.3</b>	<b>611.3</b>	<b>–</b>	<b>611.6</b>	<b>2,819.0</b>
<b>Depreciation and impairment losses</b>						
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)
<b>Balance at 30 September 2018</b>	<b>256.5</b>	<b>279.3</b>	<b>141.9</b>	<b>–</b>	<b>241.2</b>	<b>918.9</b>
<b>Net book value at 30 September 2018</b>	<b>627.3</b>	<b>433.0</b>	<b>469.4</b>	<b>–</b>	<b>370.4</b>	<b>1,900.1</b>

### Financial year 2019

The total additions for the year amounted to USD227.8 million. The main investments during 2019 relate to ongoing investments in Nyrstar's smelters and equipment of USD46.4 million, the purchase of scrubbers and shipping equipment of USD28.0 million, construction in progress of a splitter unit in Mexico of USD31.5 million, construction in progress of a new storage facility in Mexico of USD18.1 million and construction in progress of a new terminal facility in North America of USD12.0 million. The remaining investments relate to various smaller projects.

The acquisitions through business combinations totalling USD1,959.4 million are related to the acquisition of NN2, as disclosed in note 5.

Reclassifications include an amount of USD65.5 million related to assets that were previously presented as non-current assets held for sale.

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 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 of Cartagena and Barranquilla via the Magdalena River. The total book value of the assets as per 30 September 2019 is USD940 million (2018: USD1,025 million), consisting of assets within all asset categories. 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 gradual commencement of dyking activities by the local authorities in the next two years, expected revenues and relevant costs. Based on the projections until 2044, which corresponds to the end of the port concession, and using a pre-tax discount rate of 6.71 percent (2018: 8.89%), the recoverable amount exceeded the tested carrying amount of the assets by USD757 million (2018: 240 million) and therefore no impairment was required. The pre-tax discount rate was calculated using the same methodology as in 2018. The sensitivity analyses on the valuations show that an increase/decrease in the discount rate of +/-1.0 percentage point has an impact on the recoverable amount of minus USD174 million/plus USD201 million. A change in the EBITDA of 10 percent causes a change of USD193 million to the recoverable amount. Based on the 2018 discount rate, the recoverable amount would still exceed the tested carrying amounts by USD394.0 million.

The net disposals for the year amounted to USD23.7 million and mainly relate to the sale of a mine in Peru (USD14.9 million). The USD36.6 million in divestments of subsidiaries is mainly related to the Frontline and Scorpio transactions as disclosed in note 6.

Majority of the balance in the 'Other fixed asset' category relates to assets under construction which are assets not yet in use. Assets under construction at 30 September 2019 amounted to USD340.6 million (2018: USD265.9 million). The main projects currently in progress relate to the construction of a power plant in Ghana (USD99.5 million) and construction of a splitter unit in Mexico (USD118.3 million). In addition, the 'Other fixed asset' category 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 2019 was USD13.2 million (2018: USD23.2 million).

Certain items of property, plant and equipment are pledged as collateral for an amount of USD342.8 million (2018: USD421.3 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 2019, the Group capitalised borrowing cost of a total amount of USD6.0 million under other fixed assets (2018: USD7.8 million).

### Financial year 2018

The total additions during financial year 2018 amounted to USD187.2 million. The main investments were related 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 and the Colombian port project of USD11.4 million. The remaining investments were related to various smaller projects.

The acquisitions through business combinations amounted to USD79.5 million, and was related to the acquired downstream business in Argentina, as disclosed in note 5.

The disposals for the year amounted to USD48.2 million and was mainly related to the sale of a vessel and of a storage terminal in Argentina. The impact recorded in divestment of subsidiaries is predominantly related to the deconsolidation of Simba as disclosed in note 6.



## F. Notes to consolidated financial statements

### 12. Intangible assets

USD'M	Goodwill	Licences	Other intangible assets	Total
<b>Cost</b>				
Balance at 1 October 2018	8.1	32.0	407.3	447.4
Additions	42.0	–	44.2	86.2
Acquired through business combination	–	–	4.7	4.7
Reclassifications	(2.2)	–	1.8	(0.4)
Effect of movements in exchange rates, including hyperinflation adjustment	–	(3.1)	0.8	(2.3)
Disposals	–	(1.2)	(3.1)	(4.3)
Divestment of subsidiaries	–	–	(5.5)	(5.5)
<b>Balance at 30 September 2019</b>	<b>47.9</b>	<b>27.7</b>	<b>450.2</b>	<b>525.8</b>
<b>Amortisation and impairment losses</b>				
Balance at 1 October 2018	2.2	2.0	269.8	274.0
Amortisation for the period	–	0.2	51.0	51.2
Impairment	–	19.4	1.0	20.4
Effect of movements in exchange rates, including hyperinflation adjustment	–	–	(0.4)	(0.4)
Reclassifications	(2.2)	–	1.9	(0.3)
Disposals	–	(1.2)	(3.1)	(4.3)
Divestment of subsidiaries	–	–	(4.5)	(4.5)
<b>Balance at 30 September 2019</b>	<b>–</b>	<b>20.4</b>	<b>315.7</b>	<b>336.1</b>
<b>Net book value at 30 September 2019</b>	<b>47.9</b>	<b>7.3</b>	<b>134.5</b>	<b>189.7</b>

USD'M	Goodwill	Licences	Other intangible assets	Total
<b>Cost</b>				
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)
Divestment of subsidiaries	–	(5.1)	(24.6)	(29.7)
<b>Balance at 30 September 2018</b>	<b>8.1</b>	<b>32.0</b>	<b>407.3</b>	<b>447.4</b>
<b>Amortisation and impairment losses</b>				
Balance at 1 October 2017	2.2	2.3	231.8	236.3
Amortisation for the period	–	0.2	55.9	56.1
Effect of movements in exchange rates, including hyperinflation adjustment	–	–	(0.3)	(0.3)
Reclassifications	–	0.1	(0.8)	(0.7)
Divestment of subsidiaries	–	(0.6)	(16.8)	(17.4)
<b>Balance at 30 September 2018</b>	<b>2.2</b>	<b>2.0</b>	<b>269.8</b>	<b>274.0</b>
<b>Net book value at 30 September 2018</b>	<b>5.9</b>	<b>30.0</b>	<b>137.5</b>	<b>173.4</b>

In 2019, the Group recognised goodwill of USD42.0 million related to the acquisition of NN2, as disclosed in note 5.

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 USD120.5 million (2018: USD122.5 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

	2019	2018
	USD'M	USD'M
Opening balance	3,361.2	3,487.9
Acquisition through business combination	0.2	–
Effect of movements in exchange rates	(37.7)	(98.6)
Additions	85.6	101.2
Fair value adjustment of retained interest in deconsolidated subsidiaries	0.2	261.1
Disposals	(0.7)	(272.3)
Impairments	(34.6)	(72.7)
Share of net profit	47.7	17.4
Dividends received	(18.6)	(50.4)
Other	13.2	(12.4)
<b>Closing balance</b>	<b>3,416.5</b>	<b>3,361.2</b>

#### Financial year 2019

The additions to equity-accounted investees amounted to USD85.6 million, consisting mainly of additional investments in Tendril Ventures Pte. Ltd. ('Tendril Ventures'), which indirectly holds shares in Nayara Energy Limited, of USD41.5 million, and an additional capital contribution in Porto Sudeste do Brasil ('Porto Sudeste') of USD8.5 million.

The effect of movements in exchange rates of USD37.7 million includes a negative foreign currency translation impact from Puma of USD128.6 million, partly offset by a positive foreign currency translation impact of USD99.8 million from Tendril Ventures. This foreign exchange movement is included in the other comprehensive income line exchange gain/(loss) on translation of foreign operations.

The Group performs a periodic assessment of whether there is an indication of an asset impairment or whether a previously recorded impairment may no longer be required. The Group reviewed the carrying value of the investment in Puma Energy Holdings Pte. Ltd. ('Puma Energy'). Puma Energy's net result in 2019 was negatively impacted by pressure on prices in some of Puma Energy's key markets impacting unit margins, and by an impairment recorded in relation to its Australian fuel business. In addition, the appreciation of the US Dollar against local currencies in several countries in which Puma Energy operates has resulted in foreign currency translation losses recorded in Puma Energy's other comprehensive income. During 2019, the carrying amount of the equity investment in Puma Energy decreased by USD207.7 million to USD1,745.3 million as at 30 September 2019, having previously decreased by USD160.5 million in FY2018.

The investment in Puma Energy is regarded as a single cash-generating unit and therefore the investment as a whole is reviewed for impairment. The recoverable amount of Puma Energy was calculated based on value-in-use, using a discounted cash flow model taking into account future estimated cash flows from Puma Energy's operating businesses and using country specific discount rates. The value-in-use methodology inherently includes elements of judgement and estimations in relation to projected sales volumes and unit margins. Management concluded that as at 30 September 2019, no adjustment was required to the USD1,745.3 million carrying amount of the investment in Puma Energy.

As disclosed in note 6, the Group fully impaired the carrying amount of the continuing equity investment in Nyrstar N.V. This impairment amounted to USD34.3 million.

The Group's share of results in its equity-accounted investees for the year amounted to a gain of USD47.7 million. This result includes the positive share in the income of TM Mining Ventures, S.L. ('MATSA'), Porto Sudeste, Guangxi Jinchuan Non-ferrous Metals Co. Ltd. ('Guangxi Jinchuan'), Empresa Minera del Caribe S.A. ('Emincar') and Impala Terminals Holding S.à r.l. ('Simba') of USD143.9 million and losses in Puma and Tendril Ventures of USD97.9 million.

The Group's share of results of Porto Sudeste was a profit of USD71 million, which arose mainly from a reduction in value of Porto Sudeste's listed debt securities (which resulted in a gain in Porto Sudeste's statement of income) as a result of considering a longer ramp-up period for the port's throughput volume (refer to note 16) which is mainly the result of tight iron ore supply conditions in Brazil. The USD71 million was more than offset by a loss of USD120.8 million from the decrease in value of the listed port securities, which the Group holds as a further investment in Porto Sudeste.

Other predominately includes the positive movements on cash flow hedges of equity-accounted investees.

In 2019, the Group received dividends of USD18.6 million from its investments in equity-accounted investees (2018: USD50.4 million). The full amount relates to dividends from MATSA.

#### 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 related 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 related to the recognition of the fair value of the retained interest in Simba 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 disposals.

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 of USD84.4 million and losses in Porto Sudeste and Tendril Ventures of USD107.9 million.

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 the Group'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 incorporating a discount rate of 12 percent. The value-in-use calculation inherently includes elements of judgement 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).

## F. Notes to consolidated financial statements

The tables below depicts balances and participations related to equity-accounted investees:

Name	Place of incorporation/ registration	Activities	Percentage of equity attributable to the Group	
			2019	2018
Atalaya Mining PLC	Cyprus	Mining	22.4%	22.4%
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	40.3%	36.2%
Napoil Limited	Bermuda	Oil trading	49.0%	49.0%
Nyrstar N.V.	Belgium	Mining, Metal processing	24.4%	24.4%
Porto Sudeste do Brasil S.A. (Joint venture)	Brazil	Port services	49.5%	49.5%
Puma Energy Holdings Pte. Ltd.	Singapore	Mid- and downstream oil activities	49.3%	49.3%
Tendril Ventures Pte. Ltd.	Singapore	Oil refinery, terminal and retailing of fuel	49.8%	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%
Impala Terminals Holding S.à r.l. ('Simba') (Joint venture)	Luxembourg	Multimodal logistics and warehousing	50.0%	50.0%

Name	Segment	2019	2018
		USD'M	USD'M
Oil and Petroleum:			
Puma Energy Holdings Pte. Ltd.	Oil and Petroleum	1,745.3	1,953.0
Tendril Ventures Pte. Ltd.	Oil and Petroleum	426.4	291.8
Others	Oil and Petroleum	24.7	9.8
	Total	2,196.4	2,254.6

<b>Metals and Minerals:</b>			
TM Mining Ventures S.L. (MATSA)	Metals and Minerals	451.7	454.2
Porto Sudeste do Brasil S.A. (refer to note 16)	Metals and Minerals	121.6	41.9
Nyrstar N.V.*	Metals and Minerals	–	35.0
Guangxi Jinchuan Non-ferrous Metals Co. Ltd.	Metals and Minerals	170.6	151.8
Atalaya Mining PLC*	Metals and Minerals	84.0	81.9
Impala Terminals Holding S.à r.l. ('Simba')	Metals and Minerals	269.1	247.9
Empresa Minera del Caribe S.A.	Metals and Minerals	43.3	25.5
Mineração Morro do Ipê S.A.	Metals and Minerals	23.4	15.5
Others	Metals and Minerals	24.9	25.2
	<b>Total</b>	<b>1,188.6</b>	<b>1,078.9</b>

### All other segments:

Others	Corporate and Others	31.5	27.7
<b>Total</b>		<b>3,416.5</b>	<b>3,361.2</b>

\* Listed investments. Fair value as of 30 September 2019 (and 2018):

Nyrstar N.V.	6.2	64.2
Atalaya Mining PLC	75.1	104.2

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

	Puma Energy Holdings Pte. Ltd.		TM Mining Ventures, S.L		Impala Terminals Holding S.à r.l.	
	2019	2018	2019	2018	2019	2018
	USD'M	USD'M	USD'M	USD'M	USD'M	USD'M
Non-current assets	4,022.1	4,918.9	1,517.0	1,520.9	309.1	321.9
Current assets	2,856.0	2,982.4	171.2	174.8	134.9	75.9
Non-current liabilities	2,863.0	2,977.2	463.0	572.7	22.0	48.8
Current liabilities	3,023.9	3,188.6	321.8	214.7	98.5	55.4
Revenue	17,335.8	17,697.6	544.4	646.9	312.7	–
Profit/(loss) for the year	(499.1)	61.2	29.9	104.9	41.9	–
Dividends paid	–	7.3	(62.5)	24.8	–	–
Other comprehensive income/(loss)	(224.6)	(565.4)	2.2	61.9	(0.1)	–
Total comprehensive income/(loss), see text below	(723.7)	(504.2)	32.1	166.8	41.8	–
Net assets	991.3	1,735.6	903.4	908.4	323.6	293.5
Trafigura's ownership interest	49.3%	49.3%	50.0%	50.0%	50.0%	50.0%
Fair value adjustment at initial recognition and other adjustments	1,256.7	1,097.4	–	–	107.3	101.1
Carrying amount	1,745.3	1,953.0	451.7	454.2	269.1	247.9

The Group's share in other associates	2019	2018
	USD'M	USD'M
Assets	4,616.4	5,445.8
Liabilities	3,868.2	4,878.6
Revenue	2,557.8	2,273.0
Profit for the year (excluding 2019 Nyrstar results, see below)	76.8	61.0

The Group's share in profit for the year amounting to USD76.8 million, as disclosed in the table above, excludes the losses of Nyrstar N.V. The continuing investment in Nyrstar N.V. has been fully impaired, therefore the valuation of the equity-accounted investee is nil. Since the valuation of the equity-accounted investee can not be reduced below nil, the Group's share in the Nyrstar N.V. loss is not included in the share of profit/(loss) from equity-accounted investees in the statement of income.

Fair value adjustments at initial recognition and other adjustments in relation to the Group's equity-investment in Puma Energy, as disclosed

in the table above, increased mainly because the loss for the year of USD499.1 million reported by Puma Energy includes an impairment of goodwill which already existed at the date that the Group first reported Puma Energy as an equity-accounted investee. Consequently, this goodwill is not an identifiable asset of Puma Energy from the perspective of the Group. Therefore, in accordance with IFRS, this impairment loss has been reversed by the Group in the application of the equity method.

The amount of corporate guarantees in favour of associates and joint ventures as at 30 September 2019 was USD130.5 million (2018: USD121.7 million).

## 14. Prepayments

Prepayments relate to prepayments of commodity deliveries, and are split into non-current prepayments (due > 1 year) and current prepayments (due < 1 year). A significant portion of the non-current prepayments, as well as current prepayments, are either financed on a non-recourse basis or insured.

As of 30 September 2019, prepayments amounted to USD4.1 billion (2018: USD3.7 billion), of which USD3.5 billion is current (2018: USD3.1 billion), and USD0.6 billion is non-current (2018: USD0.6 billion). Out of the total current prepayments balance, an amount of USD0.7 billion (2018: USD0.9 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 the Group or the supplier. The Group monitors the commodity prices in relation to the prepayment contracts and manages the credit risk together with its financial assets as described in note 30. Interest on the prepayments is added to the prepayment balance.

## 15. Loans receivable

	2019	2018
	USD'M	USD'M
Loans to associates and related parties	287.1	305.9
Other non-current loans receivable	234.3	179.6
<b>Total</b>	<b>521.4</b>	<b>485.5</b>

Loans to associates and related parties decreased by USD18.8 million during the year. This decrease mainly results from the loan receivable to Emincar, which decreased by USD21.9 million as a result of repayments during the year, to a balance of USD275.6 million per 30 September 2019 (2018: USD297.5 million).

Other non-current loans receivables include various loans which are granted to counterparties that trade with the Group, and includes the long-term part of a debt agreement with the Angolan Ministry of Finance of USD183.4 million (2018: USD122.9 million), which relates to compensation for iron-ore investments made by the Group following the liquidation of a consolidated Angolan subsidiary in 2016. The increase for the year of USD54.7 million mainly relates to received repayments on prior year receivables totalling USD3.7 million and reclassifications from current loans due to the adjustment of the debt agreement with the Angolan Ministry of Finance.

Due to ongoing liquidity constraints within Angola for foreign currencies, the loan was in arrears in 2019. At the end of the financial year 2019 the debt agreement was renegotiated with the Angolan Ministry of Finance resulting in a catch up of repayments of USD48 million in the fourth calendar quarter of 2019, a decrease of subsequent monthly repayments and an extension of the maturity date until 30 November 2024 (previously December 2020). As a result of this adjustment of the loan agreement, the long-term part of the loan increased in 2019 by USD60.5 million. Management continues to expect that all amounts will be collected within the timeframe defined in the agreed payment plan.

Based upon the individual analysis of these loans, the recorded expected credit losses on these loans amounts to USD7.1 million (2018: USD4.6 million). The following table explains the movements of the expected credit loss between the beginning and the end of the year and the gross carrying amounts of the loan receivables by credit risk category.

	2019			2018		
	Performing	Under performing	Total	Performing	Under performing	Total
	12-months ECL	Life time ECL		12-months ECL	Life time ECL	
Loan Receivables	USD'M	USD'M	USD'M	USD'M	USD'M	USD'M
Expected credit loss (ECL) provision						
Opening balance – 1 October	2.0	2.6	4.6	3.3	–	3.3
Transfer to under-performing	–	–	–	(1.4)	1.4	–
New loans originated during the period	0.9	–	0.9	2.0	–	2.0
Loans derecognised during the period	–	–	–	(1.9)	–	(1.9)
Changes in PD/LGD/EAD	(0.3)	1.9	1.6	–	1.2	1.2
<b>Closing balance 30 September</b>	<b>2.6</b>	<b>4.5</b>	<b>7.1</b>	<b>2.0</b>	<b>2.6</b>	<b>4.6</b>
Carrying amount 30 September						
Current (note 19)	430.9	93.8	524.7	276.5	177.1	453.6
Non-current (note 15)	341.2	180.2	521.4	362.6	122.9	485.5
<b>Total</b>	<b>772.1</b>	<b>274.0</b>	<b>1,046.1</b>	<b>639.1</b>	<b>300.0</b>	<b>939.1</b>

## F. Notes to consolidated financial statements

### 16. Other investments

	2019	2018
	USD'M	USD'M
Listed equity securities		
– Fair value through OCI	28.8	10.2
Listed equity securities		
– Fair value through profit or loss	342.1	44.6
Listed debt securities		
– Fair value through profit or loss	345.5	466.3
Unlisted equity investments		
– Fair value through profit or loss	53.9	31.6
Unlisted equity investments		
– Fair value through OCI	233.4	163.2
<b>Total</b>	<b>1,003.7</b>	<b>715.9</b>

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 securities are based on quoted market prices while the fair value of the unlisted equity investments is determined based on a Level 3 valuation prepared by management.

The increase of USD316.1 million in listed equity securities is mainly due to the investment in Frontline shares of USD125.7 million, the investment in Scorpio shares of USD163.4 million, and the subsequent fair value revaluation of USD28.8 million. Both investments are a result of the sale transaction of certain vessels as described in note 6. These additional investments were offset by a decrease in the share value of the Nostrum Oil & Gas shares of USD24.6 million.

The listed debt securities consist of a financial instrument related to the investment in Porto Sudeste do Brasil SA, (Porto Sudeste) which is accounted for under equity-accounted investees in note 13. These instruments are held to collect cash flows and are designated as fair value through profit and loss, since the payments are dependent on the port's throughput. Since the free float of these listed debt instruments is extremely thin and no active market exists (the value of the average daily traded volume was less than USD5,500), the fair value is determined using a Level 3 valuation. The fair value of this instrument is based on the port's discounted cash flow model 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 2029 onwards. In this calculation, based on an external assessment, management used an annual discount rate of 12.5 percent (2018: 12.5%) per year to calculate a net present value. Due to the limited marketability of the listed securities, a further flat discount factor of 10 percent is applied on the net present value amount (2018: 10%).

During the year, the Level 3 valuation of the debt securities resulted in the recognition of a loss of USD120.8 million (2018: gain of USD18.7 million), reducing the valuation of the debt securities to USD345.5 million per 30 September 2019 (2018: USD466.3 million). The Level 3 valuation changed primarily as a result of using a longer ramp-up period for throughput volumes in the cash flow model. The longer ramp-up period is mainly the result of tight iron ore supply conditions in Brazil. The sensitivity analysis on this valuation shows that an increase/decrease of the port's throughput of 5 percent has an impact of USD15 million (2018: USD23 million) on the valuation, and an increase/decrease of the discount rate by 0.5 percentage points or 50 bps has an impact of USD25 million (2018: USD28 million) on the valuation. A change in the discount rate due to lack of marketability

by 5 percentage points or 500 bps has an effect of USD19 million (2018: USD26 million) on the valuation.

The additional investments in the unlisted equity investments of USD92.5 million mainly relates to investments in Galena Multi Strategy fund and Galena Private Equity Resources Investment fund for a total of USD101.0 million.

The net change in fair value of investments measured at fair value through other comprehensive income was negative USD6.9 million (2018: positive USD11.9 million). A cumulative loss of USD0.3 million (2018: USD1.7 million gain) was transferred within equity from other comprehensive income to retained earnings due to disposals of items valued at fair value through other comprehensive income.

Throughout the financial year, no dividend was recognised related to the equity securities held at 30 September 2019 (2018: nil).

### 17. Other non-current assets

	2019	2018
	USD'M	USD'M
Non-financial hedged items	216.5	1,073.9
Restricted cash	99.0	–
Others	32.9	20.7
<b>Total</b>	<b>348.4</b>	<b>1,094.6</b>

As at 30 September 2019, the other non-current assets amounted to USD348.4 million (2018: USD1,094.6 million). For further information on the non-financial hedged items, refer to note 30h. The restricted cash balance mainly represents amounts placed on deposit to cover certain reclamation costs for the Nyrstar mining operations.

### 18. Inventories

	2019	2018
	USD'M	USD'M
Carrying amount		
Storage inventories	8,344.3	9,038.9
Floating inventories	4,893.1	5,683.0
Work-in-progress inventories	185.0	–
Supplies	12.6	11.0
<b>Total</b>	<b>13,435.0</b>	<b>14,732.9</b>

As at 30 September 2019 (and 30 September 2018), the entire inventory has either been pre-sold or hedged.

Work-in-progress inventories fully relate to inventories being processed in the Nyrstar smelters.



## 19. Trade and other receivables

	2019	2018
	USD'M	USD'M
Trade debtors	7,946.9	8,722.8
Provision for bad and doubtful debts	(50.6)	(56.1)
Accrued turnover	6,702.2	7,472.3
Broker balances	1,147.5	789.9
Other debtors	390.3	388.8
Loans to third parties	523.6	447.3
Loans to related parties	1.1	6.3
Other taxes	406.3	570.8
Related parties	1,449.2	1,609.6

**Total** 18,516.5 19,951.7

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 2019, the Group 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 2019, an amount of USD2,083.1 million (2018: USD3,263.3 million) of trade debtors has been discounted. The decrease year-on-year is mostly explained by the reduction in oil price. Of this amount, USD1,733.0 million (2018: USD2,903.3 million) has been derecognised as the Group 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 USD350.1 million at 30 September 2019, (2018: USD360.0 million) remains in the balance of trade debtors. For the received amount of cash of these items the Group has recognised a liability under current loans and borrowings.

Of the USD7,946.9 million trade debtors (2018: USD8,722.8 million), USD3,588.3 million (2018: USD3,693.8 million) had been sold on a non-recourse basis under the securitisation programme. Of the USD1,449.7 million receivables from related parties, USD940.3 million (2018: USD719.6 million) had been sold on a non-recourse basis under the securitisation programme, refer to note 20.

As at 30 September 2019, 6.4 percent (2018: 10.6%) of receivables were between 1-60 days overdue, and 8.9 percent (2018: 9.2%) were greater than 60 days overdue. The Group applied the simplified method in assessing expected credit losses. The accounts receivable have been divided into aging buckets and based on a historical analysis of defaults and recovery rates, a percentage for expected credit losses has been determined. The Group 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 2019 of USD3.9 million has been taken into account (2018: USD4.9 million). The loss allowance provision at 30 September 2019 amounts to USD50.6 million (2018: USD56.1 million). The provision mostly relates to demurrage claims and commercial disputes with the Group's 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 the Group to sell and repurchase eligible inventories. These 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, mostly through variable funding notes ('VFN') purchased by bank sponsored conduits, while incorporating a longer term committed funding element, in the form of medium term notes ('MTN').

The available external funding of the securitisation programmes consist of:

### Receivable securitisation

			2019	2018
	Interest rate	Maturity	USD'M	USD'M
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	185.0
TSF AAA MTN	3.73%	2021 – September	280.0	280.0
TSF BBB MTN	4.33%	2021 – September	35.0	35.0
TSF AAA VFN	See note	Various throughout the year	3,097.2	2,973.1
TSF BBB VFN	See note	Various throughout the year	232.9	223.6
TSF senior subordinated debt	Libor + 4.25%	2020 – March	103.5	108.3
<b>Total</b>			<b>4,433.6</b>	<b>4,305.0</b>

As at 30 September 2019, the maximum available amount of external funding was USD4,433.6 million (2018: USD4,305.0 million) for the receivable securitisation programme.

### Inventory securitisation

			2019	2018
	Interest rate	Maturity	USD'M	USD'M
TCF VFN	See note	2018 – November	–	470.0
TCF MLF	See note	2018 – November	–	45.0
TCF VFN	See note	2019 – November	410.0	–
TCF MLF	See note	2019 – November	40.0	–
<b>Total</b>			<b>450.0</b>	<b>515.0</b>

As at 30 September 2019, the maximum available amount of external funding was USD450.0 million (2018: USD515.0 million) for the inventory securitisation programme.

#### a. Interest rate

The rate of interest applied to the AAA VFN 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 VFN, 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.

## F. Notes to consolidated financial statements

### b. Maturity

The maturity of the AAA and BBB VFNs have 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

	2019	2018
	USD'M	USD'M
Non-financial hedged items	120.1	675.6
Prepaid expenses	197.0	173.9
Other	1.6	—
<b>Total</b>	<b>318.7</b>	<b>849.5</b>

For further information on the non-financial hedges items, refer to note 30h. Prepaid expenses relate to prepayments other than those made for physical commodities.

### 22. Cash and cash equivalents and deposits

#### a. 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 of 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 amount. An amount of USD40.9 million (2018: USD81.0 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.

	2019	2018
	USD'M	USD'M
Cash at bank and in hand	5,476.3	4,924.5
Short-term deposits	790.9	431.3
<b>Total</b>	<b>6,267.2</b>	<b>5,355.8</b>

As at 30 September 2019, the Group had USD9.2 billion (2018: USD9.5 billion) of committed unsecured syndicated loans of which USD2.3 billion (2018: USD2.7 billion) remained unutilised. The Group had USD3.2 billion (2018: USD3.0 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 USD5.5 billion (2018: USD5.7 billion).

#### b. Deposits

Deposits made for periods longer than three months, with a carrying amount of USD374.2 million (2018: USD334.4 million) 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 2019, the Company has 25,000,000 ordinary shares outstanding and a capital of USD1,504 million. During 2019, 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 with a total carrying value of USD1,073.8 million at 30 September 2019. These two capital securities have a par value of USD800 million and EUR262.5 million, respectively.

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 5 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.

As at 30 September 2018, the Company had two instruments with a par value of SGD200 million and USD800 million respectively, and a total carrying value of USD953.6 million. The capital security of SGD200 million has been repaid at its first call date, February 2019, and the Company issued a EUR262.5 million capital security as at 31 July 2019.

The USD800 million capital security was originally issued on 21 March 2017 for USD600 million, and the issuance was re-opened for an additional amount of USD200 million on 21 November 2017. The USD800 million capital security is listed on the Singapore Stock Exchange. The distribution on the capital security is 6.87 percent per annum until the distribution payment date in 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 of, 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.

The EUR262.5 million capital security was issued on 31 July 2019 and is listed on the Singapore Stock Exchange. The distribution on the capital security is 7.5 percent per annum until the distribution payment date in July 2024. 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 of, the distribution payment date in July 2024 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. The currency translation reserve as per 30 September 2019 includes a negative reserve of USD642.8 million related to the equity investment in Puma Energy Holdings Pte. Ltd.

For the impact of hyperinflation accounting, refer to note 33.

#### d. Revaluation reserve

The revaluation reserve comprises the fair value measurement 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 USD29.0 million (2018: USD22.4 million loss) related to the mark-to-market valuation of equity investments.

#### e. Cash flow hedge reserve

The Group has elected not to apply the cost of hedging option. 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 period during which the hedged transaction affects the statement of income. Included in the cash flow hedge reserve is a loss of USD100.6 million (30 September 2018: USD48.1 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 USD336.7 million (2018: USD527.8 million), representing USD13.5 per share (2018: USD21.1 per share). Dividend payments are mostly made in relation to the share redemption by the direct parent company.

## 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 Pte. Ltd. with a 50 percent equity interest (2018: 50%). DTS Holdings 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:

	2019	2018
	USD'M	USD'M
Revenue	103.2	768.3
Cost of sales	(80.9)	(737.1)
General and administrative expenses	(10.6)	(9.0)
Other income/(expense)	(2.5)	(1.7)
Net financing income	(12.9)	26.0
<b>Profit before tax</b>	<b>(3.7)</b>	<b>46.5</b>
Tax (expense)/income	0.2	(0.2)
<b>Profit for the period</b>	<b>(3.5)</b>	<b>46.3</b>
Attributable to non-controlling interest	(1.8)	23.2

During 2019, DTS Holdings Pte. Ltd. paid a dividend of USD6.8 million (2018: USD28.6 million).

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

	2019	2018
	USD'M	USD'M
Total non-current assets	294.0	240.6
Total current assets	458.9	756.0
Total current liabilities	(116.7)	(346.1)
<b>Total equity</b>	<b>636.2</b>	<b>650.5</b>
<b>Attributable to</b>		
Non-controlling interests	318.0	325.1
Owners of the Company	318.2	325.4

## F. Notes to consolidated financial statements

### 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, refer to note 30.

	2019	2018
Carrying value of loans and borrowings	USD'M	USD'M
<b>Non-current</b>		
Committed unsecured syndicated loans	5,167.1	4,893.9
Private placements	785.7	826.6
Listed bonds	835.4	1,207.0
Securitisation programmes	500.0	1,108.3
Other loans	467.6	412.6
Finance leases	5.3	13.7
Non-current bank borrowings	731.0	–
<b>Total non-current</b>	<b>8,492.1</b>	<b>8,462.1</b>
<b>Current</b>		
Committed unsecured syndicated loans	1,496.1	1,743.8
Private placements	275.8	–
Listed bonds	599.8	704.0
Securitisation programmes	4,206.3	3,424.8
Other loans	293.1	371.5
Finance leases	14.5	10.4
Current bank borrowings	15,569.9	17,487.1
<b>Total current</b>	<b>22,455.5</b>	<b>23,741.6</b>
<b>Total</b>	<b>30,947.6</b>	<b>32,203.7</b>

Net debt reconciliation	Non-current debt	Current debt	Cash and cash equivalent	Net Debt
<b>At 1 October 2018</b>	<b>(8,462.1)</b>	<b>(23,741.6)</b>	<b>5,355.8</b>	<b>(26,847.9)</b>
Acquired through business combinations	(830.0)	(89.8)	180.2	(739.6)
Issuance of debt as consideration for acquisition of Nyrstar	(238.6)	–	–	(238.6)
Cashflow movements	(886.5)	3,420.0	731.2	3,264.7
Finance lease additions	(4.2)	–	–	(4.2)
Currency translation gains/(losses)	(18.1)	66.1	–	48.0
Reclassifications from long-term to short-term	1,948.3	(1,948.3)	–	–
Other movements	(0.9)	(161.9)	–	(162.8)
<b>At 30 September 2019</b>	<b>(8,492.1)</b>	<b>(22,455.5)</b>	<b>6,267.2</b>	<b>(24,680.4)</b>
<b>At 1 October 2017</b>	<b>(7,401.1)</b>	<b>(23,853.5)</b>	<b>4,988.7</b>	<b>(26,265.9)</b>
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
<b>At 30 September 2018</b>	<b>(8,462.1)</b>	<b>(23,741.6)</b>	<b>5,355.8</b>	<b>(26,847.9)</b>

The total of the presented cash outflow movements for non-current and current debt amount to USD2,533.5 million (2018: inflow of USD1,067.2 million). These movements are reflected in the statement of cash flows lines net increase/(decrease) in long-term loans and borrowings, net increase/(decrease) in short-term bank financing, and payment of finance lease liabilities.

### a. Terms and debt repayment schedule

The terms and conditions of the outstanding debt (excluding short-term bank borrowings) per 30 September 2019 are as follows:

	Principal	Interest rate	Maturity	Floating/fixed rate debt	< 1 year	1-5 years	> 5 years	Total
					USD'M	USD'M	USD'M	USD'M
Committed unsecured syndicated loans								
CNH	2,865.0	Hibor + 1.00%	2019 – October	Floating	401.1	–	–	401.1
USD	290.0	Libor + 1.10%	2019 – October	Floating	290.0	–	–	290.0
USD	1,100.0	Libor + 0.65%	2019 – October	Floating	205.0	–	–	205.0
USD	2,180.0	Libor + 0.55%	2020 – March	Floating	600.0	–	–	600.0
USD	435.0	Libor + 1.10%	2020 – October	Floating	–	435.0	–	435.0
USD	300.0	Libor + 0.80%	2021 – March	Floating	–	300.0	–	300.0
JPY	72,640.0	Libor + 0.95%	2021 – March	Floating	–	672.1	–	672.1
USD	520.0	Libor + 1.10%	2021 – October	Floating	–	520.0	–	520.0
USD	3,250.0	Libor + 0.80%	2022 – March	Floating	–	3,240.0	–	3,240.0
					1,496.1	5,167.1	–	6,663.2
Private placement								
EUR	200.0	5.50%	2020 – July	Fixed	218.0	–	–	218.0
USD	51.5	4.89%	2020 – March	Fixed	51.5	–	–	51.5
USD	98.0	7.11%	2021 – April	Fixed	–	98.0	–	98.0
CNY	500.0	6.50%	2021 – April	Fixed	–	69.9	–	69.9
CNY	500.0	6.50%	2021 – May	Fixed	–	69.9	–	69.9
CNY	700.0	6.20%	2021 – September	Fixed	–	98.0	–	98.0
CNY	540.0	5.49%	2022 – May	Fixed	–	75.5	–	75.5
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
USD	200.0	6.33%	2036 – July	Fixed	6.3	21.4	155.5	183.2
					275.8	543.2	242.5	1,061.5
Listed bonds								
EUR	550.0	5.00%	2020 – April	Fixed	599.8	–	–	599.8
USD	463.1	5.25%	2023 – March	Fixed	–	459.3	–	459.3
CHF	165.0	2.25%	2023 – May	Fixed	–	165.5	–	165.5
CHF	55.0	3.25%	2024 – September	Fixed	–	55.5	–	55.5
USD	250.7	–	2026 – July	Fixed	–	–	155.1	155.1
					599.8	680.3	155.1	1,435.2
Securitisation programmes								
USD	410.0	Libor + 1.0%	2019 – November	Floating	279.2	–	–	279.2
USD	40.0	Libor + 0.5%	2019 – November	Floating	5.0	–	–	5.0
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	103.5	Libor + 4.25%	2020 – March	Floating	103.5	–	–	103.5
USD	280.0	3.73%	2021 – September	Fixed	–	280.0	–	280.0
USD	185.0	Libor +0.73%	2021 – September	Floating	–	185.0	–	185.0
USD	35.0	4.33%	2021 – September	Fixed	–	35.0	–	35.0
USD	3,330.1	Various	Various	Floating	3,318.6	–	–	3,318.6
					4,206.3	500.0	–	4,706.3
Other Loans					293.1	467.6	–	760.7
Finance leases					14.5	5.3	–	19.8
Total					6,885.6	7,363.5	397.6	14,646.7

For non-current assets pledged under loans and borrowings agreements, refer to note 11.

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 2019, existing finance lease commitments are recorded at the remaining present value using the interest rate applied at commencement of the lease.



## F. Notes to consolidated financial statements

### 26. Provisions

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

	Decommissioning, rehabilitation and restoration	Employee benefits provision	Other provisions	Total
	USD'M	USD'M	USD'M	USD'M
Opening balance 1 October	22.8	4.3	36.7	<b>63.8</b>
Additions	9.3	4.3	1.6	<b>15.2</b>
Reversals	(0.3)	–	(15.4)	<b>(15.7)</b>
Additions through business combinations	189.2	87.6	31.7	<b>308.5</b>
Amounts charged against provisions	(2.1)	(8.6)	(12.7)	<b>(23.4)</b>
Unwind of discount	0.8	–	–	<b>0.8</b>
Remeasurements and other movements	(2.8)	3.4	(5.9)	<b>(5.3)</b>
<b>Closing balance 30 September</b>	<b>216.9</b>	<b>91.0</b>	<b>36.0</b>	<b>343.9</b>
Non-current portion	201.1	91.0	11.2	<b>303.4</b>
Current portion	15.8	–	24.8	<b>40.5</b>
<b>Closing balance 30 September</b>	<b>216.9</b>	<b>91.0</b>	<b>36.0</b>	<b>343.9</b>

Additions through business combinations relates solely to the Nyrstar acquisition, refer to note 5.

Provisions consist of decommissioning, rehabilitation and restoration provisions amounting to USD216.9 million (2018: USD22.8 million), employee benefits provisions of USD91.0 million (2018: USD4.3 million) and other provisions amounting to USD36.0 million (2018: USD36.7 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.

### 27. Other non-current liabilities

	2019	2018
	USD'M	USD'M
Non-financial hedged items	<b>171.6</b>	–
Other	<b>200.8</b>	–
<b>Total</b>	<b>372.4</b>	–

For further information on the non-financial hedged items, refer to note 30h. Other includes an amount of USD180.9 million regarding two specific repo transactions with commercial counterparties.

### 28. Trade and other payables

	2019	2018
	USD'M	USD'M
Trade creditors	<b>3,114.2</b>	3,248.8
Accrued costs of sales and expenses	<b>10,775.8</b>	10,410.9
Broker balances	–	29.7
Related parties	<b>45.2</b>	119.8
<b>Total</b>	<b>13,935.2</b>	<b>13,809.2</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

### 29. Contingencies and commitments

The total contingent liabilities related to trade finance instruments, such as letters of credit and guarantees, as at 30 September 2019 amount to USD8,632.9 million (2018: USD9,032.3 million). In addition to the trade finance liabilities, the Group has various other outstanding commitments. As per 30 September 2019, and 30 September 2018, these are as follows:

	2019	2018
	USD'M	USD'M
Storage rentals	<b>703.5</b>	593.0
Freight	<b>1,944.1</b>	4,126.5
Office rent	<b>76.3</b>	99.5
Other	<b>1,648.9</b>	1,427.3
	<b>4,372.8</b>	<b>6,246.3</b>
Assets under construction	<b>79.1</b>	2.8
<b>Total</b>	<b>4,451.9</b>	<b>6,249.1</b>

The significant decrease in freight commitments is predominantly the result of the Frontline and Scorpio transactions. For further information refer to note 6.

Non-cancellable operating lease rentals are payable as follows:

	2019	2018
	USD'M	USD'M
Less than one year	<b>1,461.7</b>	1,290.5
Later than one year and less than five years	<b>2,560.9</b>	3,552.5
Later than five years	<b>350.2</b>	1,403.3
<b>Total</b>	<b>4,372.8</b>	<b>6,246.3</b>

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, 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 locations in 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. Looking at hypothetical yet realistic scenarios, it is still 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.

## 30. 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, interest rates and equity prices; credit risk; and liquidity risk.

Prudently managing these risks is an integral element of the Group'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, the Group actively manages and lays off where possible a large majority of the risks inherent to its activity. The Group'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 the Group's risk management process are the Chief Risk Officer (CRO), the Market Risk Management Committee and the trading teams.

The CRO 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 the Group'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 the Group's risk management capabilities incorporate ongoing advances in technology and risk management modelling capabilities.

The Market Risk Management Committee, which is comprised of members of the Management Committee and the CRO, is responsible for applying the Group's risk management capabilities towards improving the overall performance of the Group. In 2019, the Market Risk Management Committee met weekly to discuss and set risk and concentration limits, review changing market conditions, and analyse new market risks and opportunities.

The Group'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, the Group's 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 Market Risk Management Committee.

### b. Market risk

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

The Group 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, the Group remains exposed to a residual price risk referred to as basis risk. Dynamically managing the basis risk that arises from the Group's activities requires specialist skills and is a core focus of the Group's trading and risk management teams.

#### Value at Risk

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

As of 30 September 2019, the Group's one day market risk VaR was USD24.1 million (2018: USD8.0 million). Average market risk VaR (1 day 95%) during the fiscal year was USD11.6 million compared to USD7.8 million in the previous fiscal year. The Group's Management Committee has set a target of maintaining VaR (1 day 95%) below 1 percent of Group equity.

The Group 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 the Group 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.

## F. Notes to consolidated financial statements

The Group'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. The Group'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 the Group's estimates of potential losses.

The Group's VaR model utilises advanced statistical techniques that incorporate the non-normal price dynamics that are an important feature of commodity markets. The Group's 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, the Group's VaR model is regularly updated to ensure it reflects the current observed dynamics of the markets the Group is active in.

The Group 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, the Group'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 the Group'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 Group 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 statement of financial position. The Group 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 Group's integrated bespoke IT system. The Group conducts transactions with the following major types of counterparties:

- Physical commodity counterparties spread across the vertical chains for both oil and bulk, 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 Group 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 Group's exposure to them exceeds approved credit limits. It is the Group's policy to have ISDA Master Agreements or ISDA-based Long-Form Confirmation Agreements in place with all hedging counterparties.

The Group trades in all major geographic regions. Where appropriate, guarantees, insurance and letters of credit are used to reduce payment or performance risk. The Group 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 Group retains between 10 percent to 20 percent on average of the individual exposures.

The Group's maximum exposure to credit risk, without considering netting agreements or without taking into account of any collateral held or other credit enhancements, is equal to the carrying value of its financial assets as indicated in the statement of financial position plus the guarantees to third parties and associates.

The Group has amounts and guarantees outstanding related to countries that are impacted by sanctions currently imposed by the United States and European Union. The Group analysed the sanctions and exposures and concluded that these do not materially impact the Group's positions.

### (i) Concentration of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the Group's counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The carrying amount of financial assets represents the maximum credit exposure. The Group determines concentrations of credit risk by monitoring the country profile of its third party trade receivables on an on-going basis.

The Group has a diverse customer base, with no customer representing more than 4.5 percent of its revenues over the year ended 30 September 2019 (2018: 5.1%).

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 creditworthy debtors with good payment record with the Group. 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 has monitored 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.

*(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 Group 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 Group 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 Group 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 (in order to generate retained earnings) and subordination of repurchased equity.

The maturity analysis of the Group's financial liabilities based on the contractual terms is as follows:

	Total	0-1 years	1-5 years	> 5 years
	USD'M	USD'M	USD'M	USD'M
<b>30 September 2019</b>				
<i>Financial liabilities</i>				
Current and non-current loans and borrowings	<b>30,947.6</b>	22,455.5	8,094.5	397.6
Trade and other payables	<b>13,935.2</b>	13,935.2	–	–
Expected future interest payments on committed lines	<b>953.4</b>	367.0	441.9	144.5
Derivative financial liabilities	<b>1,119.6</b>	746.0	346.6	27.0
<b>Total financial liabilities</b>	<b>46,955.8</b>	<b>37,503.7</b>	<b>8,883.0</b>	<b>569.1</b>

	Total	0-1 years	1-5 years	> 5 years
	USD'M	USD'M	USD'M	USD'M
<b>30 September 2018</b>				
<i>Financial liabilities</i>				
Current and non-current loans and borrowings	<b>32,203.7</b>	23,741.6	8,219.6	242.5
Trade and other payables	<b>13,809.2</b>	13,809.2	–	–
Expected future interest payments on committed lines	<b>923.7</b>	309.3	448.1	166.3
Derivative financial liabilities	<b>1,124.6</b>	848.7	273.9	2.0
<b>Total financial liabilities</b>	<b>48,061.2</b>	<b>38,708.8</b>	<b>8,941.6</b>	<b>410.8</b>

## F. Notes to consolidated financial statements

### e. Interest rate risk

The Group is not exposed to significant interest rate risk since the maturity of its short-term funding ranges from a few weeks to a few months and each commercial transaction considers current interest rate levels. 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 at floating rate.

At 30 September 2019, assuming the amount of floating rate liabilities (excluding working capital financing) were outstanding for the whole year, interest rates were 50 bps higher/lower and all other variables held constant, the Group's profit, other comprehensive income and Group equity for the year ended 30 September 2019 would decrease/increase by USD28.9 million (2018: USD27.5 million).

From time to time the Group enters into interest rate derivative 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

The Group 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 30d. Ineffectiveness may arise (i) if the underlying interest reference rate is divergent to the underlying reference rate in the Group's debt agreements; (ii) 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); (iii) 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 (iv) if the hedging instrument is for an amount greater than the hedged item.

### g. Cash flow hedge accounting

In some instances the Group has elected to apply cash flow hedge accounting to certain highly probable cash flows. These cash flows relate to the following hedged items: forecasted purchases and sales of LNG, sales of mining production, purchases of electricity which is needed for the refinery process, operating expenditure, and interest payments.

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 at least on an annual basis. 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:

	Maturity	Equivalent	2019	2018	2019	2018
			Notionals		Fair values	
Cross-currency/interest swaps hedging interest payments	0-4 years	USD	2,453.8	2,596.8	(80.4)	(91.7)
Gas and fx futures/swaps hedging future purchases and sales of LNG	0-4 years	various	937.9	1,502.5	(94.6)	(125.3)
Fx swaps hedging future non-USD opex payments	0-1 year	USD	1,245.7	–	(31.2)	–
LME futures hedging future sales of mining production	0-1 year	DMT	15,225.0	69,050.0	(1.2)	28.2
Electricity swaps hedging future purchase of electricity	0-10 years	AUD	594.0	–	(11.4)	–
<b>Total</b>					<b>(218.8)</b>	<b>(188.8)</b>

	Ineffectiveness recognised through statement of income	Hedge result deferred through other comprehensive income
<b>2019</b>		
Cross-currency/interest swaps hedging interest payments	0.1	(43.5)
Gas and fx futures/swaps hedging future purchases and sales of LNG	(0.3)	(70.4)
Fx swaps hedging non-USD payments	(0.3)	(30.9)
LME futures hedging future sales of mining production	(0.2)	(20.6)
Electricity swaps hedging future purchase of electricity	0.2	(11.6)

Other comprehensive movements in the equity movement schedule include USD38.6 million positive movement of cash flow hedge reserves from equity-accounted investees (2018: USD9.5 million negative).



#### h. Fair value hedge accounting

In some instances, the Group elects to apply fair value hedge accounting to certain physical forward contracts described in the table below (the hedged items) and the corresponding paper hedge positions (the hedging instruments). Under the strict rules of hedge accounting, the Group is required to match each paper hedge position with the corresponding physical contract position. The intention is that a movement in fair value of a physical contract is booked against the corresponding (and opposite) movement in fair value of the related paper hedges: both movements (increase and decrease) are booked in the statement of income (specifically to the line cost of sales), leading to a neutral result. It is important to note that the fair value of the physical contracts does not include any trading margin, premium or any form of potential profit of the physical contracts; the fair value of the physical contracts consider only the risk components being hedged.

The Group has elected 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 amongst others described below.

	Tolling agreements	Transportation agreements	Offtake agreements
<b>Nature of forward contract (=hedged item)</b>	Convert crude to refined products	Transport crude from Permian Basin to Gulf Coast	Offtake LNG in the US
<b>Main counterparties of forward contracts</b>	Buckeye Texas Processing LLC and Magellan Processing LP	Cactus II Pipeline LLC	Cheniere Marketing LLC and Freeport LNG Marketing LLC
<b>Maturity of forward contract</b>	Ranging from 2020 to 2023	Ranging from 2019 to 2024	Ranging from 2019 to 2033
<b>Trading strategy</b>	Process crude into refined products	Transport crude from Permian Basin to Gulf Coast	Purchase LNG in the US, transport, transform back into natural gas, and sell natural gas in Europe
<b>Nature of paper hedge (=hedging instrument)</b>	Hedging spread exposure (crude vs refined products) with futures and swaps	Hedging spread exposure (Permian Basin crude vs Gulf Coast crude) with futures and swaps	Hedging spread exposure (LNG in the US vs natural gas in Europe) with futures and swaps

#### Hedged items

The Group's tolling agreements represent non-financial hedged items which the Group 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 to as the hedged risk, between the purchase of crude feedstock and the sale of crude refined products.

The Group's transportation agreement represents a non-financial hedged item which the Group has entered into for the transportation of 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 to 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 the Group has entered into for the purchase of liquefied natural gas (LNG) from the United States with a number of counterparties. The derivative hedging instruments (hedges consisting of futures and swaps) are entered into to hedge the spread exposures, referred to as the hedged risk, between purchasing LNG from the US and selling LNG to its expected destination markets.

#### 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 instrument used for hedging the designated risk components associated with the tolling agreements varies from one month to four years.
- The maturity profile of the hedging instruments used for hedging the designated risk components associated with the transportation agreement varies from one month to five years.
- The maturity profile of the hedging instruments used for the hedging of the offtake agreement varies from one month to five years.
- The maturity profile of the hedging instruments used for hedging the other hedged items varies from one month to three years.

The designated hedge derivatives are accounted for at fair value through profit and loss. The identified hedged items are accounted for at fair value and recognised in cost of sales within the statement of income, the fair value is reflected in the statement of financial position as either a recognised asset or liability, refer to 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 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 and therefore meeting the risk management objective of the hedge relationship.

## F. Notes to consolidated financial statements

### 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 (for example: 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 designated includes foreign currency exposure, however, the foreign currency hedges have not been designated into the hedge relationship, giving rise to additional, unintentional ineffectiveness. The fair value of the foreign exchange hedges, that have not been designated, can be seen in the table below. The ineffectiveness year-to-date amounted to a loss of USD51.9 million (2018: loss of USD254.4 million).

The fair value adjustment on the non-financial hedged items is presented in the statement of financial position under the following categories:

	30 September 2019		30 September 2018	
	USD'M	USD'M	USD'M	USD'M
	Other non-current assets (note 17)	Other current assets (note 21)	Other current assets (note 17)	Other current assets (note 21)
Non-financial hedged items – tolling agreements	145.6	102.0	283.2	85.6
Non-financial hedged items – transportation agreement	–	–	269.2	465.1
Non-financial hedged items – LNG contracts	68.5	–	521.5	124.9
Others	2.4	18.1	–	–
<b>Closing balance of the hedged item</b>	<b>216.5</b>	<b>120.1</b>	<b>1,073.9</b>	<b>675.6</b>

	30 September 2019		30 September 2018	
	USD'M	USD'M	USD'M	USD'M
	Other non-current liabilities (note 27)	Other current liabilities	Other non-current liabilities (note 27)	Other current liabilities
Non-financial hedged items – transportation agreement	148.8	37.6	–	–
Non-financial hedged items – LNG contracts	22.8	26.5	–	–
<b>Closing balance of the hedged item</b>	<b>171.6</b>	<b>64.1</b>	<b>–</b>	<b>–</b>

The following table summarises the movements in the non-financial hedged items and the related derivatives recognised in the statement of income.

	30 September 2019	30 September 2018
Fair value hedge accounting	USD'M	USD'M
<b>Opening balances of the derivatives designated as hedges</b>	<b>(1,897.9)</b>	<b>(179.4)</b>
Fair value movement included in the hedge relationship	1,281.4	(1,881.4)
Hedges for which hedge relationship matured	330.3	64.6
Hedges not designated in hedge relationship	116.2	98.3
<b>Closing balance of the derivatives marked as hedges</b>	<b>(170.0)</b>	<b>(1,897.9)</b>
<b>Opening balance of the hedged item</b>	<b>1,749.5</b>	<b>162.6</b>
Fair value movement included in the hedge relationship	(1,333.3)	1,627.0
Release of fair value adjustment due to matured hedge relationship	(315.3)	(40.1)
<b>Closing balance of the hedged item</b>	<b>100.9</b>	<b>1,749.5</b>
Lifetime to date net gain/(loss)	(69.1)	(148.4)
Year to date net gain/(loss)	79.3	(131.5)

### i. Capital management

The Group'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 Group 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 Group's overall performance and to protect its capital.

The Group'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 loans and borrowing in the current period.

The Group monitors capital using an adjusted debt to equity ratio, which is adjusted total debt divided by the Group's equity. For this purpose, the adjusted debt metric represents the Group'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 Group's securitisation programme and the non-recourse portion of loans to 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:

	Carrying value	Fair value
30 September 2019	USD'M	USD'M
<b>Assets</b>		
Listed equity securities		
– Fair value through OCI	28.8	28.8
Listed equity securities		
– Fair value through profit or loss	342.1	342.1
Listed debt securities		
– Fair value through profit or loss	345.5	345.5
Unlisted equity investments		
– Fair value through profit or loss	53.9	53.9
Unlisted equity investments		
– Fair value through OCI	233.4	233.4
Loans receivable	521.4	552.8
Inventories	13,435.0	13,435.0
Trade and other receivables	18,516.5	18,527.5
Non-financial hedged items	336.6	336.6
Derivatives	1,356.0	1,356.0
Deposits (*)	374.2	374.2
Cash and cash equivalents (*)	6,267.2	6,267.2
<b>Total financial assets and inventories</b>	<b>41,810.6</b>	<b>41,853.0</b>

**Liabilities****Loans and borrowings**

Floating rate borrowings (*)	27,886.1	27,886.1
Fixed rate borrowings	3,041.7	3,110.9
Finance lease and purchase contract (*)	19.8	19.8
Trade and other payables (*)	13,935.2	13,935.2
Non-financial hedged items	235.7	235.7
Derivatives	1,119.6	1,119.6
<b>Total financial liabilities</b>	<b>46,238.1</b>	<b>46,307.3</b>

	Carrying value	Fair value
30 September 2018	USD'M	USD'M
<b>Assets</b>		
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 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
<b>Total financial assets and inventories</b>	<b>44,233.3</b>	<b>44,233.3</b>

**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
<b>Total financial liabilities</b>	<b>47,137.5</b>	<b>47,147.1</b>

*Offsetting of financial assets and liabilities*

In accordance with IAS 32, the Group reports financial assets and liabilities on a net basis in the 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 2019 and 2018 were as follows:

	Amounts eligible for set off under netting agreements			Amounts not subject to netting agreements	Net amounts presented in the statement of financial position
	Gross amount	Amounts offset	Net amount		
2019	USD'M	USD'M	USD'M	USD'M	USD'M
Related parties	1,526.7	(77.5)	1,449.2	–	1,449.2
Derivative assets	1,836.7	(1,156.7)	680.0	676.0	1,356.0
Related parties	(122.7)	77.5	(45.2)	–	(45.2)
Derivative liabilities	(1,617.8)	1,156.7	(461.1)	(658.5)	(1,119.6)

	Amounts eligible for set off under netting agreements			Amounts not subject to netting agreements	Net amounts presented in the statement of financial position
	Gross amount	Amounts offset	Net amount		
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)	805.6	(581.9)	(542.7)	(1,124.6)

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.

(\*) Management has determined that these carrying amounts reasonably approximate their fair values because these are mostly short-term in nature and are re-priced regularly.

## 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 (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.

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. In circumstances where the Group 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 the Group's policy to hedge significant market risk, therefore sensitivity to fair value movements is limited. The Group manages its market risk using the Value at Risk (VaR) as disclosed in note 30b.

	Level 1	Level 2	Level 3	Total
Other financial assets and inventories	USD'M	USD'M	USD'M	USD'M
<b>30 September 2019</b>				
Listed equity securities				
– Fair value through OCI	28.8	–	–	<b>28.8</b>
Listed equity securities				
– Fair value through profit or loss	342.1	–	–	<b>342.1</b>
Listed debt securities				
– Fair value through profit or loss	–	–	345.5	<b>345.5</b>
Unlisted equity investments				
– Fair value through profit or loss	–	–	53.9	<b>53.9</b>
Unlisted equity investments				
– Fair value through OCI	–	–	233.4	<b>233.4</b>
Futures	11.3	–	–	<b>11.3</b>
OTC derivatives	–	154.4	41.6	<b>196.0</b>
Physical forwards	–	18.3	435.9	<b>454.2</b>
Cross-currency swaps	–	5.7	–	<b>5.7</b>
Interest rate swaps	–	62.5	–	<b>62.5</b>
Non-financial hedged items	–	268.1	68.5	<b>336.6</b>
Other financial derivatives	–	626.3	–	<b>626.3</b>
Inventories		13,435.0	–	<b>13,435.0</b>
<b>Total</b>	<b>382.2</b>	<b>14,570.3</b>	<b>1,178.8</b>	<b>16,131.3</b>

	Level 1	Level 2	Level 3	Total
Other financial liabilities	USD'M	USD'M	USD'M	USD'M
<b>30 September 2019</b>				
Futures	1.5	–	–	<b>1.5</b>
OTC derivatives	–	235.7	49.7	<b>285.4</b>
Physical forwards	–	11.5	378.1	<b>389.6</b>
Cross-currency swaps	–	80.0	–	<b>80.0</b>
Interest rate swaps	–	7.9	–	<b>7.9</b>
Non-financial hedged items	–	186.4	49.3	<b>235.7</b>
Other financial derivatives	–	355.1	–	<b>355.1</b>
Fixed rate borrowings	–	3,041.7	–	<b>3,041.7</b>
<b>Total</b>	<b>1.5</b>	<b>3,918.3</b>	<b>477.1</b>	<b>4,396.9</b>

	Level 1	Level 2	Level 3	Total
Other financial assets and inventories	USD'M	USD'M	USD'M	USD'M
<b>30 September 2018</b>				
Listed equity securities				
– Fair value through OCI	10.2	–	–	<b>10.2</b>
Listed equity securities				
– Fair value through profit or loss	44.6	–	–	<b>44.6</b>
Listed debt securities				
– Fair value through profit or loss	–	–	466.3	<b>466.3</b>
Unlisted equity investments				
– Fair value through profit or loss	–	–	31.6	<b>31.6</b>
Unlisted equity investments				
– Fair value through OCI	–	–	163.2	<b>163.2</b>
Futures	7.8	–	–	<b>7.8</b>
OTC derivatives	–	93.1	44.7	<b>137.8</b>
Physical forwards	–	1.4	329.0	<b>330.4</b>
Cross-currency swaps	–	63.4	–	<b>63.4</b>
Interest rate swaps	–	21.6	–	<b>21.6</b>
Non-financial hedged items	–	1,103.0	646.5	<b>1,749.5</b>
Other financial derivatives	–	346.5	–	<b>346.5</b>
Inventories	–	14,732.9	–	<b>14,732.9</b>
<b>Total</b>	<b>62.6</b>	<b>16,362.0</b>	<b>1,681.3</b>	<b>18,105.8</b>

	Level 1	Level 2	Level 3	Total
Other financial liabilities	USD'M	USD'M	USD'M	USD'M
<b>30 September 2018</b>				
Futures	5.3	–	–	<b>5.3</b>
OTC derivatives	–	356.1	–	<b>356.1</b>
Physical forwards	–	0.7	307.9	<b>308.6</b>
Cross-currency swaps	–	155.1	–	<b>155.1</b>
Interest rate swaps	–	1.4	–	<b>1.4</b>
Other financial derivatives	–	298.1	–	<b>298.1</b>
Fixed rate borrowings	–	3,479.6	–	<b>3,479.6</b>
<b>Total</b>	<b>5.3</b>	<b>4,291.0</b>	<b>307.9</b>	<b>4,604.2</b>

The overview of the fair value hierarchy and applied valuation methods can be specified as follows:

		2019	2018
		USD'M	USD'M
<b>Listed equity securities – Fair value through OCI</b>			
– Level 1	Assets	<b>28.8</b>	10.2
	Liabilities	–	–
Valuation techniques and key inputs:	Quoted prices in an active market.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Listed equity securities – Fair value through profit or loss</b>			
– Level 1	Assets	<b>342.1</b>	44.6
	Liabilities	–	–
Valuation techniques and key inputs:	Quoted prices in an active market.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Futures</b>			
– Level 1	Assets	<b>11.3</b>	7.8
	Liabilities	<b>1.5</b>	5.3
Valuation techniques and key inputs:	Quoted prices in an active market.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>OTC derivatives</b>			
– Level 2	Assets	<b>154.4</b>	93.1
	Liabilities	<b>235.7</b>	356.1
Valuation techniques and key inputs:	Reference prices. Inputs include observable quoted prices sourced from traded reference prices or recent traded price indices in an active market for identical assets or liabilities.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Physical forwards</b>			
– Level 2	Assets	<b>18.3</b>	1.4
	Liabilities	<b>11.5</b>	0.7
Valuation techniques and key inputs:	Reference prices. Inputs include observable quoted prices sourced from traded reference prices or recent traded price indices in an active market for identical assets or liabilities.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Cross-currency swaps</b>			
– Level 2	Assets	<b>5.7</b>	63.4
	Liabilities	<b>80.0</b>	155.1
Valuation techniques and key inputs:	Discounted cash flow model. Inputs include observable quoted prices sourced from exchanges or recent traded price indices in an active market for identical assets or liabilities. Price are adjusted by a discount rate which captures the time value of money and counterparty credit considerations.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Interest rate swaps</b>			
– Level 2	Assets	<b>62.5</b>	21.6
	Liabilities	<b>7.9</b>	1.4
Valuation techniques and key inputs:	Discounted cash flow model. Inputs include observable quoted prices sourced from exchanges or recent traded price indices in an active market for identical assets or liabilities. Price are adjusted by a discount rate which captures the time value of money and counterparty credit considerations.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Non-financial hedged items</b>			
– Level 2	Assets	<b>268.1</b>	1,103.0
	Liabilities	<b>186.4</b>	–
Valuation techniques and key inputs:	Reference prices. Inputs include observable quoted prices sourced from traded reference prices or recent traded price indices in an active market for identical assets or liabilities.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Other financial derivatives</b>			
– Level 2	Assets	<b>626.3</b>	346.5
	Liabilities	<b>355.1</b>	298.1
Valuation techniques and key inputs:	Discounted cash flow model. 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.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Inventories</b>			
– Level 2	Assets	<b>13,435.0</b>	14,732.9
	Liabilities	–	–
Valuation techniques and key inputs:	Reference prices. Quoted prices in an active market, adjusted with a premium/ discount for quality and/or location.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Fixed rate borrowings</b>			
– Level 2	Assets	–	–
	Liabilities	<b>3,041.7</b>	3,479.6
Valuation techniques and key inputs:	Discounted cash flow model. Cash flows discounted at current borrowing rates for similar instruments.		
Significant unobservable inputs:	None.		

		2019	2018
		USD'M	USD'M
<b>Listed debt securities – Fair value through profit or loss</b>			
– Level 3	Assets	<b>345.5</b>	466.3
	Liabilities	–	–
Valuation techniques and key inputs:	Discounted cash flow model. The resultant asset is a discounted cash flow of the underlying throughput.		
Significant unobservable inputs:	– Forecast throughput – Discount rates using weighted average cost of capital – Market illiquidity – Operating cost and capital expenditures		



## F. Notes to consolidated financial statements

		2019	2018
Unlisted equity investments – Fair value through profit or loss		USD'M	USD'M
– Level 3	Assets	53.9	31.6
	Liabilities	–	–
Valuation techniques and key inputs:	Quoted prices obtained from the asset managers of the funds.		
Significant unobservable inputs:	– Market illiquidity		

		2019	2018
Unlisted equity investments – Fair value through OCI		USD'M	USD'M
– Level 3	Assets	233.4	163.2
	Liabilities	–	–
Valuation techniques and key inputs:	Quoted prices obtained from the asset managers of the funds.		
Significant unobservable inputs:	– Market illiquidity		

		2019	2018
OTC derivatives (2018)		USD'M	USD'M
– Level 3	Assets	–	44.7
	Liabilities	–	–
Valuation techniques and key inputs:	Discounted valuation of cashflows generated by mean-reverting price simulations.		
Significant unobservable inputs:	– Mean reversion – Volatility		

		2019	2018
OTC derivatives (2019)		USD'M	USD'M
– Level 3	Assets	41.6	–
	Liabilities	49.7	–
Valuation techniques and key inputs:	Discounted valuation of cashflows generated based on unobservable inputs.		
Significant unobservable inputs:	Total load consumption forecast, scaling factor.		

		2019	2018
Physical forwards		USD'M	USD'M
– Level 3	Assets	435.9	329.0
	Liabilities	378.1	307.9
Valuation techniques and key inputs:	Internal valuation model Key input is the definition of the observable risk position which forms the basis for the valuation of these physical forwards.		
Significant unobservable inputs:	The definition of the observable risk position.		

		2019	2018
Non-financial hedged items		USD'M	USD'M
– Level 3	Assets	68.5	646.5
	Liabilities	49.3	–
Valuation techniques and key inputs:	Internal valuation model. Key input is the market liquefaction fee curve that is defined using observable quoted prices sourced from traded reference prices or recent traded price indices in an active market for identical assets or liabilities.		
Significant unobservable inputs:	Market liquefaction fee curve Liquefaction ratio		

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
<b>1 October 2018</b>				
Total gain/(loss) recognised in statement of income	15.8	(130.0)	(679.6)	(793.8)
Total gain/(loss) recognised in OCI	–	(2.4)	–	(2.4)
Invested	–	112.0	–	112.0
Disposals	–	(7.9)	–	(7.9)
Total realised	(32.0)	–	52.3	20.3
<b>30 September 2019</b>	<b>49.7</b>	<b>632.8</b>	<b>19.2</b>	<b>701.7</b>

USD'M	Physical forwards/ Derivatives	Equity/Debt securities	Non-financial hedged items	Total
<b>1 October 2017</b>				
Total gain/(loss) recognised in income statement	67.3	20.0	646.5	733.8
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
<b>30 September 2018</b>	<b>65.9</b>	<b>661.1</b>	<b>646.5</b>	<b>1,373.5</b>

There have been no transfers between fair value hierarchy levels in 2019. Materially all Level 3 physical forwards are settled in the next year. Refer to note 16 for equity and debt securities.

### 31. 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 and 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 2019, 14,647 immediately vesting shares were granted to employees representing a value of USD30.8 million (2018: 6,344 shares representing a value of USD11.6 million) and 70,639 shares were granted with a vesting period of one to five years representing a value of USD148.8 million (2018: 35,488 shares representing a value of USD64.9 million).

Compensation in respect of share-based payments recognised in staff costs amounted to USD108.3 million (2018: USD87.6 million).

Unrecognised staff costs in respect of rateably vesting shares expected to be recognised from 2020 to 2023 amount to USD150.8 million at 30 September 2019 (2018: USD82.3 million for the period from 2019 to 2021).

#### b. Staff costs

	2019	2018
	USD'M	USD'M
Salaries and bonuses	530.6	379.4
Social security costs	38.6	26.7
Pension costs	12.7	3.5
Share-based payments	108.3	87.6
<b>Total</b>	<b>690.2</b>	<b>497.2</b>

The expenses increased partially as a result of the consolidation of Nyrstar. As from the acquisition date, USD80.6 million staff costs were recognised related to Nyrstar.

The average number of employees split geographically is depicted below:

	Oil & Petroleum	Non-Ferrous & Bulk	Corporate and other	Total
2019	FTE	FTE	FTE	FTE
North, Central and South America	965	1,490	286	2,741
Europe and Africa	204	664	254	1,122
Asia, Middle East and Australia	269	550	424	1,243
<b>Total</b>	<b>1,438</b>	<b>2,704</b>	<b>964</b>	<b>5,106</b>

	Oil & Petroleum	Non-Ferrous & Bulk	Corporate and other	Total
2018	FTE	FTE	FTE	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
<b>Total</b>	<b>972</b>	<b>2,455</b>	<b>889</b>	<b>4,316</b>

## 32. Related parties

In the normal course of business, the Group enters into various transactions with related parties including fixed price 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. There have been no guarantees provided or received for any related-party receivables or payables.

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 (refer to note 31). Compensation of key management personnel, including all members of the Board of Directors and the Management Committee, comprised of the following:

	2019	2018
	USD'M	USD'M
Short-term employee benefits	5.0	7.0
Post-employment benefits	0.5	0.5
Share-based payments	27.8	32.3
<b>Total</b>	<b>33.3</b>	<b>39.8</b>

#### (ii) Key management personnel and director transactions

As at 30 September 2019, loans receivable from the members of the Board of Directors and the Management Committee total USD19.0 million (2018: USD7.6 million). Interest is charged on the loans at approximately LIBOR + 1.5 percent and the loans are repayable within the one to three year bracket.

## F. Notes to consolidated financial statements

### b. Other related party transactions

	2019	2018
Related-party receivables/(payables)	USD'M	USD'M
Trafigura Beheer B.V.	(8.3)	(17.7)
Puma Energy	1,369.0	1,173.2
Farringford N.V.	78.4	83.1
Beheer Malta Ltd.	(9.2)	(9.0)
Ecore B.V.	1.1	1.3
Emincar	258.1	295.1
JINCHUAN Group Co. Ltd.	187.3	58.5
Minas de Aguas Teñidas, S.A.U ("MATSA")	(28.4)	(7.2)
Impala Terminals Holding S.à r.l. (previously known as Simba Holding S.à r.l.)	3.4	242.9
Nayara Energy Limited	276.5	132.7
Nyrstar Sales & Marketing Ag	–	118.7
Other	121.3	(4.5)
<b>Total</b>	<b>2,249.2</b>	<b>2,067.2</b>

	2019	2018
	USD'M	USD'M
Sales (mainly Puma Energy)	10,097.8	11,865.1
Purchases	3,417.7	3,826.3
Terminaling & dockage fees	–	127.5
Interest income	93.4	29.8
Interest expense	–	3.7
Cost recharges	38.5	57.7

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 preference shares
Trafigura Control Holding SARL	Parent company	Buy back of preference shares
Trafigura Control Holdings Pte. Ltd.	Parent company	Buy back of preference shares
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 Sales & Marketing Ag	Equity-accounted investee	Financing and trading agreement
Impala Terminals Holding S.à r.l. (previously known as Simba Holding S.à r.l.)	Equity-accounted investee	Multimodal logistic 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 36.

### 33. 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	413.0
30 September 2015	205.6	365.6
30 September 2016	288.6	260.4
30 September 2017	347.8	216.1
30 September 2018	488.7	153.8
30 September 2019	751.6	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 2019. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit as at 30 September 2019) are restated by applying the above index.

The impact of the initial application has been recorded in other comprehensive income. The pre-tax gain for the year of USD84.7 million is included in finance income (2018: USD19.1 million).

### 34. New and amended standards or interpretations

#### a. New and amended standards or interpretations adopted by the Group

In the current year, the Group adopted IFRS 15, which was effective as of 1 January 2018 (refer below).

#### IFRS 15 – Revenue from Contracts with Customers (adopted 1 October 2018)

IFRS 15 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 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.

The Group applied the modified retrospective approach, where any transitional adjustment (if any) would be recognised in retained earnings at 1 October 2018 without adjustment to comparatives. The new standard was only applied to contracts that were in force at that date. As the majority of the Group's revenue is derived from commodity sales, for which the point of recognition is dependent upon contract sales terms (Incoterms), the transfer of risks and rewards as defined by IAS 18 and the transfer of control as defined by IFRS 15 generally coincides with the fulfilment of performance obligations under the Incoterms at a point in time. As such, the adoption of IFRS 15 has had no material impact in respect of timing and amount of revenue recognised by the Group and comparative amounts were not restated.

### Other standards

All other standards which were effective as of 1 January 2018 did not have a significant impact on the financial statements or performance of the Group.

### 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 2018 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 16 – Leases

IFRS 16, Leases provides a comprehensive model for identification of lease arrangements and their treatment (on-balance sheet) in the financial statements of both lessees and lessors. It supersedes IAS 17, Leases; IFRIC 4, Determining whether an Arrangement contains a Lease; SIC-15, Operating Leases – Incentives; and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019.

For lessees, IFRS 16 requires the recognition of a right-of-use asset, which represents the right to use the underlying asset and a lease liability, which represents the obligation to make lease payments. The lessor accounting model under IFRS 16 remains similar to IAS 17, however, subleases under IFRS 16 are required to be classified with reference to the right-of-use asset, and not with reference to the underlying asset. IFRS 16 changes the nature of expenses recognised in the statement of income, as the operating lease expense will be replaced by a depreciation charge for the right-of-use asset, and a finance expense related to the lease liabilities.

The Group has elected to apply the modified retrospective approach, and therefore the cumulative effect of initially applying IFRS 16 is recognised at the date of initial application, with no restatement of comparative information.

The Group has elected not to apply the practical expedient to grandfather the assessment of which transactions are considered to be leases and therefore will assess whether existing contracts are/ or contain a lease in accordance with IFRS 16, at the date of initial application (1 October 2019) provided these contracts are ending after 12 months of the date of initial application. The Group has completed the data collection and enrichment process of its lease contracts and has implemented a lease accounting tool to determine the impact on a lease-by-lease basis as of the date of initial application.

Upon transition, the Group has elected to utilize a number of practical expedients available under the modified retrospective approach. As such, the Group has elected not to apply IFRS 16 to short-term leases (i.e. with contract terms of less than 12 months), and to contracts for which the underlying asset has a low value (on acquisition) that has been defined by the Company to be below USD10,000. The payments related to all such contracts will be recognised in the statement of income on a straight-line basis over the lease term and disclosed. Lastly, the Group has elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

Based on the adoption of IFRS 16, the Group's recognised assets and liabilities will increase and this will affect the presentation and timing of related depreciation and finance expense in the statement of income.

The estimated impact of IFRS 16 as of 1 October 2019 is as follows:

- Increase in total assets and total liabilities by approximately USD2.8 billion. Further, the Group will recognise a lease receivable of approximately USD286 million related to chartering relet arrangements, with a corresponding reduction of the right-of-use assets.
- Preliminary estimates of the impact for financial year 2020 is as follows:
  - Cost of sales will decrease by approximately USD771.6 million
  - General and administrative expenses will increase by approximately USD719.2 million
  - Net financing costs will increase by approximately USD89.3 million
  - Operating cash flow will increase by approximately USD703.2 million cash flow from financing activities will decrease by approximately USD703.2 million
  - EBITDA will increase by approximately USD792.6 million as the operating lease cost is charged against EBITDA under IAS 17, while under IFRS 16 the charge will be included in depreciation and interest (as noted above) which are excluded from EBITDA.

### 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.

## 35. Subsequent events

There are no significant subsequent events which require disclosure.

## F. Notes to consolidated financial statements

### 36. 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	
		2019	2018
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 Resíduos 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 SA	Switzerland	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 LLC.	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 S.A.S	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%
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%
TCPU LLC (Formerly 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%
Cortes Holding B.V. (Formerly 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%
C.I. Trafigura Coal Colombia S.A.S. (Formerly Trafigura Coal Colombia S.A.S.)	Colombia	100.0%	100.0%
Trafigura Derivatives Limited	United Kingdom	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%

Principal consolidated operating subsidiaries	Location	% Owned	
		2019	2018
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	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%
TPTE Holding B.V. (Formerly 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%	100.0%
Trafigura US Inc.	United States	100.0%	100.0%
Trafigura Ventures IX B.V.	Netherlands	100.0%	100.0%
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%	100.0%
Urion Holdings (Malta) Limited	Malta	100.0%	100.0%
Urion Mining International B.V.	Netherlands	100.0%	100.0%
Cloudbreak Investments S.à r.l.	Luxembourg	100.0%	–
Cortes Investments S.à r.l.	Luxembourg	100.0%	–
Nyrstar Holdings PLC	Malta	100.0%	–
Pash Kita Limited	United Kingdom	100.0%	–
Shipstern Holdings S.à r.l.	Luxembourg	100.0%	–
Trafigura Asia Trading Pte. Ltd.	Singapore	100.0%	100.0%
Trafigura Holdings S.à r.l.	Luxembourg	100.0%	–
Trafigura Smelting Investments Limited	Malta	100.0%	–
Impala Terminals Group 2 S.à r.l.	Luxembourg	50.0%	–
Impala Terminals Group S.à r.l.	Luxembourg	50.0%	–
Nyrstar Hobart Pty Ltd.	Australia	98.5%	–
Nyrstar Port Pirie Pty Ltd.	Australia	98.5%	–
Nyrstar Belgium NV	Belgium	98.5%	–
Nyrstar Myra Falls Ltd	Canada	98.5%	–
Nyrstar France SAS	France	98.5%	–
Nyrstar Hoyanger AS	Norway	98.5%	–
Nyrstar Budel BV	The Netherlands	98.5%	–
Nyrstar Netherlands (Holdings) BV	The Netherlands	98.5%	–
Nyrstar Finance International AG	Switzerland	98.5%	–
Nyrstar Sales & Marketing AG	Switzerland	98.5%	–
Nyrstar Clarksville Inc	United States	98.5%	–
Nyrstar Tennessee Mines – Gordonsville LLC	United States	98.5%	–
Nyrstar Tennessee Mines – Strawberry Plains LLC	United States	98.5%	–

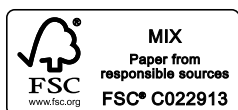
### 37. Board of Directors

The Board of Directors	
Mark Irwin	José Larocca
Pierre Lorinet	Sipko Schat
Andrew Vickerman	Mike Wainwright
Jeremy Weir	

Singapore, 9 December 2019.







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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.





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