TRAFIGURA

INTERIM REPORT

PERIOD ENDED 31 MARCH 2018

TRAFIGURA GROUP PTE. LTD.

ADVANCING TRADE

Financial and business highlights[1]

Group revenue

$86.9bn

2018	**86.9**
2017	67.3[2]

Gross profit

$979.0m

2018	**979.0**
2017	1,237.9[2]

Total assets

$52.8bn

2018	**52.8**
2017	48.8[3]

Oil and Petroleum Products revenue as a percentage of Group revenue

69%

2018	**69**
2017	68[2]

Profit for the period

$221.8m

2018	**221.8**
2017	470.5[2]

Total non-current assets

$8.3bn

2018	**8.3**
2017	8.2[3]

Metals and Minerals revenue as a percentage of Group revenue

31%

2018	**31**
2017	32[2]

EBITDA[4]

$657.9m

2018	**657.9**
2017	921.4[2]

Total group equity

$6.7bn

2018	**6.7**
2017	6.4[3]

1 Six-month period ended 31 March 2018.
2 Six-month period ended 31 March 2017.
3 As at 30 September 2017.
4 EBITDA (earnings before interest, tax, depreciation and amortisation) is operating profit excluding the share in results of equity-accounted investees, depreciation and amortisation, gains/losses on divestments of subsidiaries, equity-accounted investees and other investments, impairment losses and other operating income and expenses.

Cover image: First Suezmax tanker being loaded at Corpus Christi storage and export terminal, Texas, US

ADVANCING TRADE

Without trade, countries cannot develop, economies cannot grow and international business cannot function. We help make trade happen.

We move physical commodities from places where they are plentiful to where they are most needed reliably, efficiently and responsibly.

Trafigura has been connecting its customers to the global economy for more than two decades; we are growing prosperity by advancing trade.

Find out more
www.trafigura.com

Contents

Chief Financial Officer's statement

Profits fall in challenging oil market

Pressure on margins, resulting from a change in the structure of the oil market, caused a fall in Trafigura Group's profit for the first half of its 2018 financial year.

Christophe Salmon, Chief Financial Officer.

Performance Indicators

Group revenue
$86.9bn
2018 86.9
2017 67.3[2]

Total assets
$52.8bn
2018 52.8
2017 48.8[3]

Gross profit
$979.0m
2018 979.0
2017 1,237.9[2]

Total non-current assets
$8.3bn
2018 8.3
2017 8.2[3]

Gross profit margin
1.13%
2018 1.13
2017 1.84[1]

Total group equity
$6.7bn
2018 6.7
2017 6.4[3]

Profit for the period
$221.8m
2018 221.8
2017 470.5[2]

EBITDA
$657.9m
2018 657.9
2017 921.4[2]

[1] Six-month period ended 31 March 2017.
[2] Six-month period ended 31 March 2016.
[3] As at 30 September 2017.

In the six months ended 31 March 2018, the Group continued to grow revenues and volumes in both its trading divisions, Oil and Petroleum Products and Metals and Minerals. However, profits were lower than in the first half of the 2017 financial year as the effects of challenging conditions in the oil market were only partly offset by a strong performance in non-ferrous metals and bulk minerals.

Profit for the period was USD222 million, 53 percent lower than the figure of USD471 million registered a year earlier. Gross profit was USD979 million, a fall of 21 percent from the year-ago figure of USD1,238 million. Gross profit margin was 1.13 percent, compared with 1.84 percent in the first half of FY 2017. EBITDA was USD658 million, 29 percent less than the figure of USD921 million recorded a year earlier. The year-on-year fall in the net profit figure includes the additional one-off negative impact of a necessary remeasurement of deferred tax assets as a result of the US corporate tax reform.

Total volumes traded in oil and petroleum products grew by 16 percent from the same period a year ago to an average 5.8 million barrels per day, while metals and minerals total volumes increased by 48 percent - driven mostly by minerals.

The fall in profitability was the result of a major shift in the oil market during the period from a contango structure, where forward prices are higher than spot prices and act as an incentive to hold inventories, to the opposite condition of backwardation, where holding stocks is costly. The oil market became backwardated in October 2017 as a consequence of rising spot prices in response to production curbs led by OPEC.

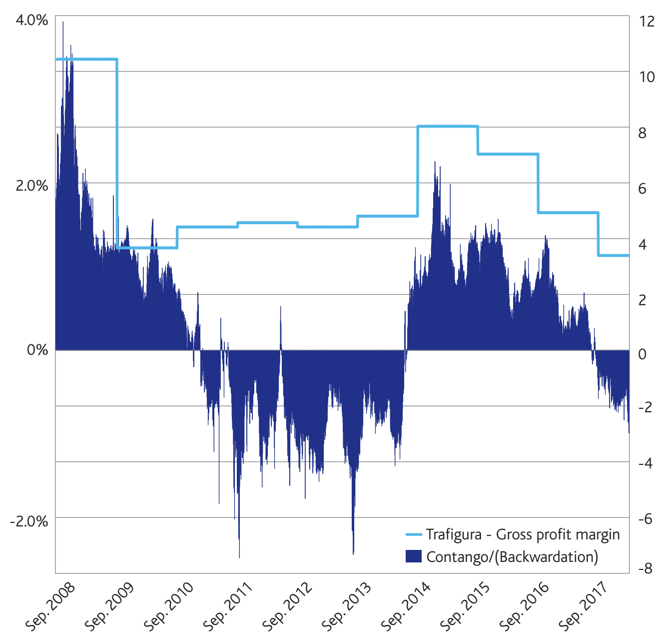
When it became apparent that backwardation was likely to continue for a prolonged period we undertook a substantial restructuring of our trading books, reducing costs by shrinking inventories and radically adjusting our storage commitments. Before this overhaul could take full effect, trading margins came under significant pressure. Gross profit in the Oil and Petroleum Products trading division fell to USD299 million in the period from USD652 million a year earlier.

The Metals and Minerals trading division, by contrast, turned in another strong performance, with gross profit rising 16 percent to USD680 million from USD586 million in the first half of FY 2017. This provides another demonstration of the benefits of diversification for Trafigura Group, focused on trading two broad categories of commodity whose market dynamics are uncorrelated.

Other highlights of the reporting period included our access to new sources of financial liquidity to support increased trading volumes and higher commodity prices, continued restraint in capital expenditure and investments, and rigorous cost control.

Overall, these interim results underlined the resilience of Trafigura's business model in generating profit by capturing global arbitrage opportunities throughout the commodities cycle. Backwardated markets typically generate lower trading profitability than those in a state of contango, as can be seen from the historical chart below.

The restructuring of the oil trading positions and current increased volatility across commodity markets should have a positive impact on the second half of the 2018 financial year.



Source: Company information and public market data. Contango/(Backwardation) graph is calculated by subtracting CO1 (Generic 1st 'CO' Brent Future) from CO6 (Generic 6th 'CO' Brent Future). Gross profit margin calculated as Gross Profit as percent of revenues.

Income, expenditure and balance-sheet

Revenue for the period was USD86,935 million, an increase of 29 percent on the first half of FY 2017 as a result of higher volumes and prices. Revenue in Oil and Petroleum Products trading was USD60,313 million, or 69 percent of the total, while revenue in Metals and Minerals trading was USD26,622 million, or 31 percent. Results from operating activities were USD575 million compared to USD776 million a year earlier. General and administrative expenses were slightly lower, despite the increased pace of activity at USD447 million compared to USD461 million. Net financing costs were 83 percent higher at USD247 million compared with USD135 million, as a result of the increased utilisation of credit facilities to finance larger working capital needs as well as increased USD Libor base rates, for example the USD Libor 1-week increased from an average of 0.6 percent over H1 2017 to an average of 1.4 percent over H1 2018.

Total assets as at 31 March 2018 stood at USD52,761 million, compared to USD48,770 million as at 30 September 2017. Fixed and non-current assets were USD8,344 compared to USD8,217 million, while the net book value of property, plant and equipment was barely changed at USD2,182 million compared to USD2,191 million as at 30 September 2017. Non-current liabilities stood at USD8,005 million, compared to USD7,948 million as at 30 September 2017.

Current assets were USD44,348 million, 10 percent higher than USD40,485 million at 30 September 2017. Inventories were USD14,628 million, compared to USD13,927 million at 30 September 2017, with a significant reduction in oil inventory volumes described above offset by the sharp rise in oil prices during the reporting period. Short-term prepayments and prepaid materials amounted to USD3,705 million in aggregate, up from USD3,130 million in September 2017.

Capital expenditures in the first half of FY 2018 were significantly lower than a year ago at USD124 million compared to USD244 million. Capital expenditures do not include all investments made by the Group, as such the investing activities are managed by management based on the net cash flow from/used in investing activities as included in the cash flow statement. We continue to look for opportunities to partner with third-party investors, both in selectively pursuing new asset investments that support access to trade flows and in realising capital from existing investments.

An increase in our working capital needs caused by higher trading volumes and prices meant that our operational leverage subsequently increased in the reporting period. We assess the Group's financial leverage by calculating a ratio of adjusted net debt to equity. Adjusted net 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 securitisation programme and the non-recourse portion of loans from third parties. As at 31 March 2018 our adjusted debt-to-equity ratio was 1.33x, up from 1.24x on 30 September 2017.

The increase in this ratio was mostly driven by an increase in our working capital related debt. We remain committed to managing this down over time in line with our prior commitments.

Liquidity and financing

Trafigura maintained a very strong liquidity position throughout the half-year, ensuring that we were optimally placed to handle increased trading volume and rising commodity prices. The Group continues to enjoy strong support from a network of around 125 financial institutions located around the world. The majority of our day-to-day trading activity is financed through uncommitted, self-liquidating trade finance facilities, while we use corporate credit facilities to finance other short-term liquidity requirements, such as margin calls. This gives us the necessary flexibility to cope with periods of enhanced price volatility by increasing or decreasing usage of trade finance facilities as required. Trafigura also maintains an active programme of capital markets debt to secure longer-term finance in support of our investments.

During the six months ended 31 March 2018, the Group completed a number of important transactions, both in established markets and in promising new ones.

In October 2017, Trafigura refinanced its Asian Revolving Credit Facility (RCF) and Term Loan Facilities (TLF) at USD1,990 million-equivalent with the support of 27 banks. The transaction comprised three tranches: two US Dollar denominated tranches (a 365-day RCF and a three-year TLF) and a one-year CNH denominated TLF, which was included for the fifth consecutive year.

In November 2017, Trafigura launched a pioneering securitisation programme: Trafigura Commodities Funding Pte Ltd (TCF), a USD470 million non-recourse funding programme backed by inventories of crude oil and refined metals. TCF issued senior variable funding notes which were placed on a private basis with six financial institutions. The proceeds of the notes, as well as a subordinated loan from Trafigura, enable TCF to purchase inventories sold by Trafigura, on a true sale basis, across twelve jurisdictions in Europe, the Middle East and Asia-Pacific. This platform enables Trafigura to become a programmatic issuer of notes backed by commodity inventories and ultimately to seek committed term financing in the asset-backed securities markets.

In March 2018, Trafigura simultaneously refinanced two core credit facilities: its European RCF and Samurai Loan, achieving tighter pricing and securing additional liquidity with the support of a larger and more diverse bank group. The European RCF closed at USD5,725 million, split between a 365-day RCF (USD2,200 million) and a 3-year RCF (USD3,525 million), with both tranches including two 1-year extension options. A total of 52 banks committed to the facility. Separately, the company returned for the fourth time to the Japanese domestic syndicated bank loan market and raised JPY72.64 billion (USD682 million-equivalent) via a three-year TLF. Nineteen Japanese financial institutions supported the Samurai Loan, demonstrating the continued interest of domestic lenders in Trafigura's credit.

Since the beginning of its FY 2018, Trafigura has also been active in the global capital markets, mostly aiming at securing the refinancing of issues with forthcoming maturities.

In November 2017, the Company launched a tap of its recent USD600 million 6.875 percent perpetual bond issued in March 2017, and raised an additional USD200 million. The bond was consolidated and forms a single series with the initial perpetual securities, which is listed on the Singapore Stock Exchange.
On 12 March 2018, Trafigura issued its inaugural US Dollar senior bond for USD400 million, with a 5-year maturity, under its European Medium Term Notes (EMTN) programme. The issuance was priced at 5.25 percent, is listed on the Irish Stock Exchange and was very well received in Europe and Asia with an investor distribution of 44 percent from Asia and 56 percent from Europe.

After the end of the reporting period, a number of further transactions were undertaken to tap new sources of liquidity, including the successful placements of two tranches out of a 2.35 billion Renminbi-denominated programme (Panda Bond) approved by the National Association of Financial Market Institutional Investors (NAFMII) as well as a Swiss franc denominated senior bond. On 27 April 2018, a RMB500 million first tranche of the Panda Bond was placed in the Interbank Market under a private placement format for a 3-year maturity and was followed by a RMB500 million second tranche on 24 May 2018 with similar terms. With this pioneering transaction Trafigura became the first international commodity trader and one of the first non-Chinese corporates to successfully tap this nascent capital market for international issuers. This transaction enables the Group to access a deep and diversified pool of Chinese investors comprised of commercial banks, asset managers, insurance companies and securities firms. On 18 May 2018, Trafigura issued its inaugural Swiss franc senior bond for CHF165 million, with a 5-year maturity, under its European Medium Term Notes (EMTN) programme. The issuance was priced at 2.25 percent and is listed on the SIX Swiss Exchange.

We expect each of these channels to provide substantial new streams of funding in coming months and years, thus creating an even more solid and diversified financing base for Trafigura going forward.

Cash flow

After adjusting profit before tax for non-cash items, the operating cash flow before working capital changes for the half-year amounted to USD681 million (H1 2017: USD939 million). Trafigura believes its financial performance is best assessed on the basis of operating cash flow before working capital changes, as the level of working capital is primarily determined be prevailing commodity prices and price variations are financed through the Group's self-liquidating trade finance facilities. Net cash outflow from operating activities after working capital changes was USD2,438 million (H1 2017: USD5,915 million), with the fall principally reflecting the decrease in oil inventories. Investing activities show a net outflow of USD62 million (H1 2017: net inflow of USD78 million). Net cash from financing activities amounted to a net inflow of USD2,097 million (H1 2017: net inflow of USD6,962 million). The overall balance of cash and cash equivalents stood at USD4,585 million as of 31 March 2018.

Unaudited interim condensed consolidated financial statements

FOR THE PERIOD ENDED 31 MARCH 2018

A. INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the six-month period ended 31 March

	Note	2018 USD'M	2017 USD'M
Revenue	4	86,934.9	67,316.9
Cost of sales		(85,955.9)	(66,079.0)
Gross profit	4	**979.0**	**1,237.9**
Other income/(expenses)	7	43.6	(0.8)
General and administrative expenses		(447.4)	(461.0)
Results from operating activities		**575.2**	**776.1**
Finance income		315.2	247.2
Finance expense		(562.2)	(382.5)
Net financing costs		(247.0)	(135.3)
Share of profit/(loss) of equity-accounted investees	11	(26.0)	(90.8)
Profit before tax		302.2	550.0
Income tax expense	8	(80.4)	(79.5)
Profit for the period		**221.8**	**470.5**
Profit attributable to			
Owners of the Company		207.4	451.0
Non-controlling interests		14.4	19.5
Profit for the period		221.8	470.5

See accompanying notes

B. INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the six-month period ended 31 March

	Note	2018 USD'M	2017 USD'M
Profit for the period		**221.8**	**470.5**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Gain/(loss) on cash flow hedges	20	(18.4)	(17.0)
Tax on comprehensive income	20	1.9	7.2
Exchange gain/(loss) on translation of foreign operations		3.6	11.8
Share of comprehensive income/(loss) from associates		(33.6)	(13.2)
Items that will not be reclassified to profit or loss:			
Net change in fair value through other comprehensive income assets		5.5	2.1
Other comprehensive income for the period net of tax		**(41.0)**	**(9.1)**
Total comprehensive income for the period		**180.8**	**461.4**
Total comprehensive income attributable to:			
Owners of the Company		166.4	441.9
Non-controlling interests		14.4	19.5
Total comprehensive income for the period		**180.8**	**461.4**

See accompanying notes

C. INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2018 USD'M	30 September 2017 USD'M
Assets			
Property, plant and equipment	9	2,182.1	2,190.8
Intangible assets	10	189.1	203.7
Equity-accounted investees	11	3,474.8	3,487.9
Prepayments	12	549.6	608.8
Loans receivable	13	555.5	670.7
Other investments	14	704.5	635.0
Derivatives		266.6	147.5
Deferred tax assets	8	143.6	153.2
Other non-current assets	15	278.4	119.1
Total non-current assets		**8,344.2**	**8,216.7**
Inventories		14,627.5	13,926.7
Trade and other receivables	16	20,328.8	17,367.1
Derivatives	24	382.2	462.9
Prepayments	12	3,704.5	3,130.4
Income tax receivable	8	88.1	88.4
Other current assets	18	390.9	182.6
Deposits	19	240.6	338.3
Cash and cash equivalents	19	4,585.4	4,988.7
Total current assets		**44,348.0**	**40,485.1**
Non current assets classified as held for sale		68.4	68.3
Total assets		**52,760.6**	**48,770.1**
Equity			
Share capital	20	1,503.7	1,503.7
Capital securities	20	1,459.7	1,247.3
Reserves	20	(646.9)	(606.1)
Retained earnings	20	4,100.3	3,900.5
Equity attributable to the owners of the Company		**6,416.8**	**6,045.4**
Non-controlling interests		331.4	339.4
Total group equity		6,748.2	6,384.8
Liabilities			
Loans and borrowings	21	7,522.2	7,401.1
Derivatives	24	235.4	267.8
Provisions		79.7	90.9
Deferred tax liabilities	8	167.8	188.6
Total non-current liabilities		8,005.1	7,948.4
Current tax liabilities	8	223.1	207.6
Loans and borrowings	21	25,723.6	23,853.5
Trade and other payables	22	11,541.3	9,940.9
Derivatives	24	519.3	434.9
Total current liabilities		**38,007.3**	**34,436.9**
Total group equity and liabilities		**52,760.6**	**48,770.1**

See accompanying notes

D. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 31 March

		Equity attributable to the owners of the Company									
USD'000	Note	Share capital	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Capital Securities	Retained earnings	Profit for the year	Total	Non-controlling interest	Total Group equity
Balance at 1 October 2017		1,503,722	(525,723)	(32,626)	(47,743)	1,247,318	3,052,784	847,710	6,045,442	339,367	6,384,809
Profit for the period		–	–	–	–	–	–	207,413	207,413	14,358	221,771
Other comprehensive income		–	(36,587)	5,458	(9,839)	–	–	–	(40,968)	7	(40,961)
Total comprehensive income for the period		–	(36,587)	5,458	(9,839)	–	–	207,413	166,445	14,365	180,810
Profit appropriation		–	–	–	–	–	847,710	(847,710)	–	–	–
Dividend		–	–	–	–	–	–	–	–	(25,000)	(25,000)
Acquisition of non-controlling interest in subsidiary		–	–	–	–	–	–	–	–	2,694	2,694
Share based payments	25	–	–	–	–	–	47,592	–	47,592	–	47,592
Capital securities issued	20	–	–	–	–	207,250	(1,423)	–	205,827	–	205,827
Capital securities (currency translation)		–	–	–	–	5,178	(5,178)	–	–	–	–
Capital securities dividend		–	–	–	–	–	(50,369)	–	(50,369)	–	(50,369)
Share of other changes in equity of associates		–	–	–	–	–	1,787	–	1,787	–	1,787
Balance at 31 March 2018		1,503,722	(562,310)	(27,168)	(57,582)	1,459,746	3,892,903	207,413	6,416,724	331,426	6,748,150

See accompanying notes

		Equity attributable to the owners of the Company									
USD'000	Note	Share capital	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Capital Securities	Retained earnings	Profit for the year	Total	Non-controlling interest	Total Group equity
Balance at 1 October 2016		1,503,727	(549,763)	(23,023)	14,057	646,724	3,205,489	750,817	5,548,028	299,079	5,847,107
Profit for the period		–	–	–	–	–	–	451,003	451,003	19,504	470,507
Other comprehensive income		–	(1,349)	2,129	(9,845)	–	–	–	(9,065)	–	(9,065)
Total comprehensive income for the period		–	(1,349)	2,129	(9,845)	–	–	451,003	441,938	19,504	461,442
Profit appropriation		–	–	–	–	–	750,817	(750,817)	–	–	–
Transfer revaluation reserve to retained earnings FVOCI instruments		–	–	(18,259)	–	–	18,259	–	–	–	–
Share based payments	25	–	–	–	–	–	48,698	–	48,698	–	48,698
Capital securities issued	20	–	–	–	–	600,000	(4,943)	–	595,057	–	595,057
Capital securities (currency translation)		–	–	–	–	(3,571)	3,571	–	–	–	–
Capital securities dividend		–	–	–	–	–	(25,628)	–	(25,628)	–	(25,628)
Dilution gain from capital contribution in equity-accounted investees		–	–	–	–	–	4,377	–	4,377	–	4,377
Share of other changes in equity of associates		–	–	–	–	–	2,393	–	2,393	–	2,393
Other		–	–	–	–	–	13	–	13	–	13
Balance at 31 March 2017		1,503,727	(551,112)	(39,153)	4,212	1,243,153	4,003,046	451,003	6,614,876	318,583	6,933,459

See accompanying notes

E. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 31 March

	Note	2018 USD'M	2017 USD'M
Cash flows from operating activities			
Profit before tax		302.2	550.0
Adjustments for:			
Depreciation	9	67.3	67.8
Amortisation of intangible assets	10	28.5	30.9
Provisions		(10.4)	0.6
(Gain)/loss on fair value through profit and loss instruments	7	(25.5)	(14.8)
Impairment losses on financial fixed assets	7	(0.4)	2.4
Impairment losses on non-financial fixed assets	7	–	5.3
Impairment losses on equity-accounted investees	11	0.2	2.7
Net finance costs		247.0	135.2
Share of (profit)/loss of equity-accounted investees	11	26.0	90.8
(Gain)/loss on sale of non-financial fixed assets	7	0.4	0.1
(Gain)/loss on sale of equity-accounted investees	7	(0.3)	–
(Gain)/loss on sale of other investments	7	(0.1)	–
(Gain)/loss on divestments of subsidiaries	7	(2.9)	19.4
Equity-settled share-based payment transactions	25	49.1	48.7
Operating cash flow before working capital changes		**681.1**	**939.1**
Changes in:			
Inventories		(700.8)	(4,108.3)
Trade and other receivables and derivatives	16	(3,421.6)	(3,185.8)
Prepayments	12	(512.0)	(173.7)
Trade and other payables and derivatives	22	1,829.5	849.5
Cash generated from/(used in) operating activities		(2,123.8)	(5,679.2)
Interest paid		(567.8)	(397.0)
Interest received		306.7	235.4
Dividends (paid)/received	11	20.7	8.4
Tax (paid)/received		(73.9)	(82.3)
Net cash from/(used in) operating activities		**(2,438.1)**	**(5,914.9)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(90.9)	(207.7)
Proceeds from sale of property, plant and equipment	9	25.8	149.4
Acquisition of intangible assets	10	(16.7)	(27.1)
Proceeds from sale of intangible assets		–	0.3
Acquisition of equity accounted investees	11	(73.5)	(19.6)
Disposal of equity accounted investees		9.6	25.9
Acquisition of loans receivable and advances	13	(46.1)	(101.1)
Repayment of loans receivable and advances	13	140.6	180.4
Acquisition of other investments	14	(70.1)	(11.7)
Disposal of other investments	14	40.6	89.8
Disposal of subsidiaries, net of cash disposed of	6	18.5	(0.5)
Net cash from/(used in) investing activities		(62.2)	78.1
Cash flows from financing activities			
Proceeds from the issue of capital securities		205.8	595.1
Payment of capital securities dividend		(24.8)	(24.5)
Proceeds from capital contributions to subsidiaries by non-controlling interests		2.7	–
Proceeds from long-term loans and borrowings	21	734.7	(125.4)
Payment of finance lease liabilities	23	(5.2)	(2.0)
Increase of short-term bank financing	21	1,183.8	6,518.6
Net cash from/(used in) financing activities		2,097.0	6,961.8
Net increase/(decrease) in cash and cash equivalents		(403.3)	1,124.9
Cash and cash equivalents at 1 October	19	4,988.7	3,141.9
Cash and cash equivalents at 31 March	19	**4,585.4**	**4,266.8**

F. NOTES TO THE INTERIM CONDENSED 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 through investments in associates, which have strong synergies with its core trading activities. These include storage terminals, service stations, metal warehouses and mines.

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

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

The interim condensed consolidated financial statements for the six months period ended 31 March 2018 were authorised for issue by the Board of Directors on 13 June 2018.

2. Statement of compliance

The interim condensed consolidated financial statements for the six-month period ended 31 March 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 30 September 2017. The interim condensed consolidated financial statements have not been audited.

The interim condensed 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 interim condensed consolidated financial statements have been prepared on a going concern basis.

a. 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. Basis of preparation

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2017. Certain prior year balances have been reclassified to align with the current year presentation.

4. Operating segments

The following tables present revenue and profit information about the Group's reportable segments for the six-month period ended 31 March 2018 and 2017 respectively:

2018	Oil and Petroleum USD'M	Metals and Minerals USD'M	Corporate and Other USD'M	Total USD'M
Revenue from external customers	60,312.9	26,622.0	–	86,934.9
Gross profit	**298.9**	**680.1**	**–**	**979.0**
Profit for the period	**–**	**–**	**–**	**221.8**
Total segment assets	**–**	**–**	**–**	**52,760.6**
Total segment liabilities	**–**	**–**	**–**	**46,012.4**

2017	Oil and Petroleum USD'M	Metals and Minerals USD'M	Corporate and Other USD'M	Total USD'M
Revenue from external customers	46,053.5	21,263.4	–	67,316.9
Gross profit	**652.3**	**585.6**	**–**	**1,237.9**
Profit for the period	**–**	**–**	**–**	**470.5**
Total segment assets	**–**	**–**	**–**	**48,770.1**
Total segment liabilities	**–**	**–**	**–**	**42,385.3**

The basis of segmentation of the Company has not changed compared to the annual consolidated financial statements.

5. Acquisitions of subsidiaries and non-controlling interests

Half year 2018

There were no significant acquisitions of subsidiaries and non-controlling interest during the six-month period ended 31 March 2018.

Financial year 2017

There were no significant acquisitions of subsidiaries and non-controlling interest during the year.

6. Deconsolidation of subsidiaries

Half year 2018

There were no significant deconsolidation's of subsidiaries and non-controlling interest during the six-month period ended 31 March 2018.

Financial year 2017

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

7. Other income and expense

The items included in other income and expense for the six-month period ended 31 March 2018 and 2017 respectively can be broken down as follows:

	2018 USD'M	2017 USD'M
Release/(additions) to provisions	(0.2)	(0.6)
Gain/(loss) on disposal of tangible and intangible fixed assets	(0.4)	–
Gain/(loss) from disposal of other investments	0.1	–
Gain/(loss) on sale of equity-accounted investees	0.3	–
Gain on divestment of subsidiaries	2.9	(19.4)
Gain/(loss) on fair value through profit and loss instrument	25.5	14.8
Impairments of financial assets	0.4	(2.4)
Impairments of non-financial assets	–	(5.2)
Impairments of equity-accounted investees	(0.2)	(2.8)
Dividend income	0.5	0.6
Gain/(loss) on foreign exchange	5.5	15.3
Other	9.2	(1.0)
Total	**43.6**	**(0.8)**

The gain on fair value instruments through profit and loss includes a fair value movement of the debt securities related to the investment in Porto Sudeste de Brasil SA of USD25.9 million (2017 gain of USD12.2 million). Category 'Other' includes a gain of USD11.9 million related to the revaluation of an option on debt securities related to the investment in Porto Sudeste de Brasil SA.

In 2017 other income and expenses were impacted by a loss on divestments of subsidiaries of USD19.4 million. This loss comprised the effect of the deconsolidation of the Group's railway operations in Colombia in Impala. Due to a consequent lack of sustainable profit and safety and security concerns these operations have been sold to a third party, resulting in a loss of USD18.8 million. This loss mainly related to recycling of foreign currency translation losses recognised in equity until the disposal date.

8. Income tax

The major components of the income tax expense in the interim condensed consolidated statement of income for the six-month period ended 31 March 2018 and 2017 respectively, are:

	2018 USD'M	2017 USD'M
Current income tax expense	81.6	78.2
Current income tax from previous years	(3.4)	1.8
Deferred tax expense/(income)	(1.6)	(3.5)
Withholding tax in the current year	3.8	3.0
Total	**80.4**	**79.5**

The deferred tax expense/(income) includes a loss of USD26.0 million which relates to the remeasurement of deferred tax positions as a result of the tax rate adjustment in the United States.

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Property, plant and equipment

USD'M	Land and buildings	Machinery and equipment	Barges and vessels	Other fixed assets	Total
Cost					
Balance at 1 October 2017	1,077.4	785.8	724.9	513.1	3,101.2
Additions	9.5	15.2	2.6	80.0	107.3
Reclassifications	3.5	4.3	–	(11.0)	(3.2)
Effect of movements in exchange rates	(10.7)	(0.4)	–	(0.4)	(11.5)
Disposals	–	(6.1)	(23.4)	(2.8)	(32.3)
Divestment of subsidiaries	(13.3)	–	–	–	(13.3)
Balance at 31 March 2018	**1,066.4**	**798.8**	**704.1**	**578.9**	**3,148.2**
Depreciation and impairment losses					
Balance at 1 October 2017	261.6	295.2	121.5	232.0	910.3
Depreciation for the period	22.8	17.2	17.6	9.7	67.3
Reclassifications	0.2	–	–	(3.2)	(3.0)
Effect of movements in exchange rates	(0.6)	–	-	0.6	–
Disposals	–	(3.6)	–	(2.6)	(6.2)
Divestment of subsidiaries	(2.3)	–	–	–	(2.3)
Balance at 31 March 2018	**281.7**	**308.8**	**139.1**	**236.5**	**966.1**
Net book value at 31 March 2018	**784.7**	**490.0**	**565.0**	**342.4**	**2,182.1**

Acquisitions in the first half year of 2018 amounted to USD107.3 million, relating to investments in various individually smaller projects. Disposals amounted USD26.1 million and mainly relate to the sale of a vessel.

Included in the Other fixed assets category is assets under construction, which relates to assets not yet in use. Total balance at 31 March 2018 amounted to USD246.4 million (30 September 2017: USD194.2 million). Once the assets under construction come into operation they are reclassified to the appropriate asset category and its from that point that they are depreciated.

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

10. Intangible fixed assets

USD'M	Goodwill	Licences	Other intangible	Total
Cost				
Balance at 1 October 2017	8.1	38.5	393.4	440.0
Additions	–	0.4	16.3	16.7
Reclassifications	–	(1.5)	1.5	–
Effect of movements in exchange rates	–	1.3	–	1.3
Divestment of subsidiaries	–	(5.1)	–	(5.1)
Balance at 31 March 2018	**8.1**	**33.6**	**411.2**	**452.9**
Amortisation and impairment losses				
Balance at 1 October 2017	2.2	2.3	231.8	236.3
Amortisation for the period	–	0.1	28.4	28.5
Effect of movements in exchange rates	–	–	(0.2)	(0.2)
Reclassifications	–	–	(0.3)	(0.3)
Divestment of subsidiaries	–	(0.5)	–	(0.5)
Balance at 31 March 2018	**2.2**	**1.9**	**259.7**	**263.8**
Net book value at 31 March 2018	**5.9**	**31.7**	**151.5**	**189.1**

11. Equity accounted investees

	2018 USD'M	2017 USD'M
1 October	3,487.9	3,464.4
Additions	74.1	62.5
Disposals	(8.4)	(8.7)
Share of income from associates and joint ventures	(26.0)	(90.8)
Share of other comprehensive income from associates and joint ventures	(33.6)	(14.2)
Impairment	(0.2)	(2.8)
Dividends received	(20.7)	(8.4)
Other movement	1.7	(13.9)
31 March	**3,474.8**	**3,388.1**

Half year 2018

During the first half year of 2018, the additions to equity accounted investees amounted to USD74.1 million. In November 2017, the Group participated for its share in an equity placement of Nyrstar resulting in an additional investment of USD28.8 million. Other main additions relate to further investments in an iron ore mine in Brazil of USD10.5 million and an investment in Atalaya Mining of USD11.6 million.

The share of net income from investments amounts to a loss of USD26.0 million. This is predominantly the result of losses in Porto Sudeste and Nayara Energy Ltd. (formerly known as Essar Oil Ltd.) of USD100.4 million, partly offset by profits from Nyrstar, MATSA and Puma of USD64.1 million.

The share of OCI from investments amounts to a loss of USD33.6 million. This loss is mostly attributable to negative foreign currency translation and impact of cash flow hedges.

Half year 2017

During the first half year of 2017, the additions to equity accounted investees amounted to USD43.4 million. This predominantly related to investments in an Iron ore mine in Brazil of USD11.0 million, an additional investment of USD18.0 million in PT Servo Meda Sejahrtera and an additional investment of USD25.0 million in Porte Sudeste.

The negative share of income in our investments largely relates to losses in Porto Sudeste and Nyrstar of USD144.8 million, partly offset by the positive share in income coming from the investments in Puma and MATSA amounting to USD46.7 million.

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Prepayments

Under the prepayments category we account for the prepayments of commodity deliveries. Out of the total current prepayments balance of USD3.7 billion (30 September 2017: USD3.1 billion), an amount of USD1.1 billion (30 September 2017: USD0.7 billion) relates to prepayments which are made for specifically identified cargos. The contractually outstanding prepayments amount decreases in size with each cargo that is delivered, until maturity. Once the contractually agreed total cargo has been fully delivered, the prepayment agreement falls away leaving no remaining contractual obligations on Trafigura or the supplier. The Company monitors the commodity prices in relation to the prepayment contracts and manages the credit risk together with its financial assets as described in note 24. The prepayments are split in non-current prepayments (due > 1 year) and current prepayments (due < 1 year). A portion of the long-term prepayments, as well as short-term prepayments, is on a limited recourse basis. Interest on the prepayments is added to the prepayment balance.

13. Loans receivable

	31 March 2018 USD'M	30 September 2017 USD'M
Loans to associates and related parties	313.5	326.4
Other non-current loans receivable	242.0	344.3
Total	**555.5**	**670.7**

Loans to associates and related parties include a loan receivable from Empresa Minera del Caribe S.A. of USD294.0 million (30 September 2017: USD230.0 million). The increase predominantly relates to funding for the construction of a mine and related assets in Cuba, with repayments starting as from April 2018. Loans to associates and related parties further include a shareholder loan receivable from the equity-accounted investee Minas de Aguas Teñidas (MATSA) of USD8 million (30 September 2017: USD82.6 million). This loan is held to collect contractual cash flows and generates a fixed income for the Group. During the first half year of 2018, total repayments on loans to associates and related parties amounted to USD79.6 million.

Other non-current loans receivables include various loans which are granted to counterparties which the Group trades with. This line includes the long-term part of a debt agreement with the Angolan Ministry of Finance of USD169.5 million (30 September 2017: USD214.8 million), which relates to compensation for iron-ore investments made by the Group following the liquidation of a consolidated Angolan subsidiary in 2016. This line also includes a vendor loan with a balance of USD73.6 million (30 September 2017: USD70.1 million) provided to the buyer of our 46.5 percent share in PT Servo Meda Sejahtera (Servo), which was sold on 31 July 2017. As part of the sale agreement, the Group granted this vendor loan of USD68.9 million which bears interest at 10 percent. During the six-month period ended 31 March 2018 the Group received repayments on other non-current loans of USD61.0 million.

14. Other investments

Investments included in the balance sheets per 31 March 2018 and 30 September 2017 can be broken down as follows:

	31 March 2018 USD'M	30 September 2017 USD'M
Listed equity securities – Fair value through OCI	42.5	19.3
Listed debt securities – Fair value through profit or loss	473.4	447.6
Unlisted equity investments – Fair value through profit and loss	12.6	45.5
Unlisted equity investments – Fair value through OCI	176.0	122.6
Total	**704.5**	**635.0**

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

Equity and debt securities – at fair value through profit and loss includes financial debt instruments acquired related to the investment made in the Porte Sudeste do Brasil. During the six month period ended 31 March 2018 a gain of USD25.5 million (2017: USD14.8 million) has been recorded in other income related to the fair value through profit and loss instruments. Other increases in Other Investments mainly relate to net additional investments in Galena funds of USD11.0 million and listed equity securities of USD22.9 million.

15. Other non-current assets

As at 31 March 2018, the other non-current assets amounted to USD278.4 million (30 September 2017: USD119.1 million). This balance fully relates to the non-current part of the hedged firm commitments, refer to note 24h for further information.

16. Trade and other receivables

	31 March 2018 USD'M	30 September 2017 USD'M
Trade debtors	8,101.7	7,148.4
Provision for bad and doubtful debts	(48.7)	(55.1)
Accrued turnover	8,399.9	7,406.1
Broker balances	1,120.3	1,011.0
Other debtors	420.3	340.9
Loans to third parties	478.0	293.3
Loans to related parties	0.2	1.9
Other taxes	432.5	407.6
Related parties	1,424.6	813.1
Total	**20,328.8**	**17,367.1**

All financial instruments included in trade and other receivables are held to collect the contractual cash flows. Furthermore, the cash flows that the Group receives on these instruments are solely payments of principal and interest.

Of the USD8,101.7 million trade debtors, USD2,526.8 million had been sold on a non-recourse basis under the securitisation programme (30 September 2017: USD2,142.7 million). Of the USD1,424.6 million receivables on related parties, USD170.6 million had been sold on a non-recourse basis under the securitisation programme (30 September 2017: USD124.2 million).
Refer to note 17.

As at 31 March 2018, 18.1 percent (30 September 2017: 14.6 percent) of receivables were between 1-60 days overdue, and 8.7 percent (30 September 2017: 12.6 percent) were greater than 60 days overdue. Such receivables, although contractually past their due dates, are not considered impaired as there has not been a significant change in credit quality of the relevant counterparty, and the amounts are still considered recoverable taking into account customary payment patterns and in many cases, offsetting accounts payable balances. Trafigura applied the simplified method in assessing expected credit losses. The accounts receivables have been divided in aging buckets and based on a historical analysis on defaults and recovery rates a percentage for expected credit losses has been determined. Trafigura manages to limit credit losses by renegotiating contracts in the case of a default. From the above analysis, an expected credit loss as at 31 March 2018 of USD3.8 million has been taken into account (30 September 2017: USD4.7 million). The loss allowance provision at 31 March 2018 amounts to USD48.7 million (30 September 2017: USD55.1 million). The primary character of this provision is to resolve demurrage claims and commercial disputes with our clients. Accrued turnover represent 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 cash flow characteristics and are therefore considered to be a homogeneous group of financial assets.

17. Securitisation programme

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

Over time the external funding of TSF has increased significantly in size while incorporating a longer term committed funding element, principally through the issuance of Medium Term Notes (MTN), as well as retaining a significant proportion of variable funding purchased by bank sponsored conduits.

As at 31 March 2018, the maximum available amount of external funding of the programmes was USD3,453.8 million (30 September 2017: USD2,535.9 million). The utilised external funding of the programmes as at 31 March 2018 was USD3,007.1 million (30 September 2017: USD2,517.4 million). The available external funding of the securitisation programmes consists of:

2017	Interest rate	Maturity	31 March 2018 USD'M	30 September 2017 USD'M
TSF AAA MTN	Libor + 0.95%	2017 – October	–	279.0
TSF BBB MTN	Libor + 2.25%	2017 – October	–	21.0
TSF AAA MTN	Libor + 0.85%	2020 – June	235.0	235.0
TSF AAA MTN	2.49%	2020 – June	230.0	230.0
TSF BBB MTN	Libor + 1.70%	2020 – June	35.0	35.0
TSF AAA VFN	See note	Various throughout the year	2,167.1	1,525.4
TSF BBB VFN	See note	Various throughout the year	162.9	114.7
TCF VFN	See note	2018 – November	470.0	–
TCF MLF	See note	2018 – November	45.0	–
TSF senior subordinated debt	–	2020 – March	108.8	95.8
Total			**3,453.8**	**2,535.9**

a. Interest rate note

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

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

b. Maturity note

The maturity of the AAA and BBB Variable Funding Notes has been staggered so as 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.

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Other current assets

	31 March 2018 USD'M	30 September 2017 USD'M
Firm commitments	198.9	43.4
Prepaid expenses	192.0	139.2
Total	**390.9**	**182.6**

The firm commitment balance of USD198.9 million (30 September 2017: USD43.4 million) fully relates to the current part of the hedged firm commitments, refer to note 24h for further information. Prepaid expenses relate to prepayments other than those made for physical commodities.

19. Cash and cash equivalents

	31 March 2018 USD'M	30 September 2017 USD'M
Cash at bank and in hand	4,257.2	4,753.2
Short-term deposits	328.2	235.5
Total	**4,585.4**	**4,988.7**

As at 31 March 2018, the Group had USD9.4 billion (30 September 2017: USD8.7 billion) of committed unsecured syndicated loans of which USD3.2 billion (30 September 2017: USD2.2 billion) remained unutilised. The Group had USD1.5 billion (30 September 2017: USD2.8 billion) of immediately (same day) available cash in liquidity funds. The Group had immediate access to available liquidity balances from liquidity funds and corporate facilities in excess of USD4.7 billion (30 September 2017: USD5.0 billion).

Short term deposits made for periods longer than three months are separately shown in the statement of financial position and earn interest at the respective short-term deposit rates.

20. Capital and reserves

a. Share capital

As at 31 March 2018 the company has 25,000,000 ordinary shares outstanding and a capital of USD1,504 million. During the six-month period ended 31 March 2018 no changes took place in the outstanding share capital.

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

b. Capital securities

As part of the financing of the Company and its subsidiaries, the Company has three capital securities instruments as at 31 March 2018 at a total carrying value of USD1,459.7 million with a par value of SGD200 million, USD500 million and USD800 million (30 September 2017: USD1,247.3 million).

The SGD200 million capital security was originally issued in February 2014. The distribution on the security is 7.5 percent and is listed on the Singapore Stock Exchange. The capital security may be redeemed at the Company's option in whole, but not in part, on the distribution payment date in February 2019 or any distribution date thereafter on not less than 30 and not more than 60 days' notice to the holders.

The USD500 million capital security was originally issued on 19 April 2013. The distribution on the capital security is 7.625 percent per annum and it is listed on the Singapore Stock Exchange. In April 2018 the Company repaid this capital security, refer to note 27 on subsequent events.

The USD600 million capital security was originally issued on 14 March 2017, with an additional tap of USD200 million in November 2017. The distribution on the capital security is 6.875 percent per annum and it is listed on the Singapore Stock Exchange. 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 on not less than 30 and not more than 60 days' notice to the holders.

The securities are perpetual in respect of which there is no fixed redemption date. The distribution on the capital securities is per annum, 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.

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.

According to the trust deed, the obligations of the securities and the coupons shall be unconditionally and irrevocably guaranteed by Trafigura Beheer B.V.

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.

d. Revaluation reserve
The revaluation reserve comprises the fair value measurements movements of the equity investments which are accounted for at fair value through other comprehensive income. On realisation of these gains or losses, for example the sale of an equity instrument, the cumulative amounts of this reserve are transferred to retained earnings. The revaluation reserve relates to a loss of USD27.2 million (30 September 2017: USD32.6 million loss) related to the mark-to-market valuation of equity investments.

e. Cash flow hedge reserve
Included in the cash flow hedge reserve is a loss of USD57.6 million (30 September 2017: USD47.7 million loss) related to the effective portion of the changes in fair value of cash flow hedges, net of tax. These cash flow hedges relate to hedging of interest and currency exposure on corporate loans and hedging of price exposure on future purchases and sales.

21. 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 24.

Carrying value of loans and borrowings	31 March 2018 **USD'M**	30 September 2017 **USD'M**
Non-current		
Revolving credit facilities	4,195.0	3,905.0
Private placements	207.0	207.0
Listed bonds	1,079.0	1,368.3
Other loans	2,019.1	1,907.4
Finance leases	22.1	13.4
Total non-current	**7,522.2**	**7,401.1**
Current		
Revolving credit facilities	1,113.7	1,915.0
Private placements	88.0	124.0
Listed bonds	747.7	–
Other loans	549.2	637.1
Finance leases	11.1	7.2
Short-term bank borrowings	23,213.9	21,170.2
Total current	**25,723.6**	**23,853.5**
Total	**33,245.8**	**31,254.6**

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Terms and conditions of outstanding loans as at 31 March 2018 were as follows:

	Principal	Interest rate	Maturity	Floating/fixed rate debt	Note	< 1 year USD'M	1-5 years USD'M	> 5 years USD'M	Total USD'M
Revolving credit facilities									
USD	3,525.0	Libor + 0.80%	2021 – March	Floating		–	3,470.0	–	3,470.0
CNH	2,502.6	Hibor + 1.00%	2018 – October	Floating		398.7	–	–	398.7
USD	435.0	Libor + 1.10%	2020 – October	Floating		–	435.0	–	435.0
USD	625.0	Libor + 1.10%	2018 – October	Floating		625.0	–	–	625.0
USD	290.0	Libor + 1.10%	2019 – October	Floating		–	290.0	–	290.0
USD	90.0	Libor + 2.35%	2018 – October	Floating		90.0	–	–	90.0
						1,113.7	**4,195.0**	**–**	**5,308.7**
Private placements									
USD	88.0	6.50%	2018 – April	Fixed		88.0	–	–	88.0
USD	98.0	7.11%	2021 – April	Fixed		–	98.0	–	98.0
USD	51.5	4.89%	2020 – March	Fixed		–	51.5	–	51.5
USD	57.5	5.53%	2023 – March	Fixed		–	57.5	–	57.5
						88.0	**207.0**	**–**	**295.0**
Listed Bonds									
EUR	606.7	5.25%	2018 – November	Fixed		747.7	–	–	747.7
EUR	550.0	5.00%	2020 – April	Fixed		–	679.0	–	679.0
USD	400.0	5.25%	2023 – March	Fixed		–	400.0	–	400.0
						747.7	**1,079.0**	**–**	**1,826.7**
Other loans									
USD	235.0	Libor +0.85%	2020 – June	Floating		–	235.0	–	235.0
USD	230.0	2.49%	2020 – June	Fixed		–	230.0	–	230.0
USD	35.0	Libor + 1.70%	2020 – June	Floating		–	35.0	–	35.0
USD	129.4	Libor + 2.65%	2020 – September	Floating		34.6	57.2	–	91.8
USD	172.5	Libor + 3.15%	2022 – March	Floating		27.1	120.6	–	147.7
USD	108.8	–	2020 – March	Floating		–	108.8	–	108.8
JPY	72,640.0	Libor + 0.95%	2021 – March	Floating		–	683.5	–	683.5
USD	200.0	6.33%	2036 – July	Fixed		5.6	33.7	155.5	194.8
EUR	165.0	Euribor + 1.00%	2018 – July	Floating		203.7	–	–	203.7
EUR	200.0	5.50%	2020 – July	Fixed		–	246.5	–	246.5
USD	30.0	Libor + 0.65%	2018 – September	Floating		30.0	–	–	30.0
USD	25.0	Libor + 1.00%	2018 – October	Floating		25.0	–	–	25.0
USD	25.0	Libor + 1.40%	2018 – December	Floating		25.0	–	–	25.0
USD	80.0	Libor + 1.75%	2018 – June	Floating		80.0	–	–	80.0
USD	124.0	Libor + 0.60%	2018 – May	Floating		36.0	–	–	36.0
USD	120.0	Libor + 4.00%	2021 – August	Floating		20.0	55.0	–	75.0
MXN	415.7	Libor + 5.70%	2023 – June	Floating		3.1	14.2	0.9	18.2
USD	30.0	Libor + 2.43%	2022 – March	Floating		3.5	25.5	–	29.0
USD	39.6	Libor + 2.95%	2019 – October	Floating		3.5	16.1	–	19.6
Various loans with balances outstanding <USD'M15						52.1	1.6	–	53.7
						549.2	**1,862.7**	**156.4**	**2,568.3**
Finance leases						**11.1**	**22.1**	**–**	**33.2**
Total						**2,509.7**	**7,365.8**	**156.4**	**10,031.9**

During the six-month period ended 31 March 2018, a number of important transactions for the Group were completed.

In October 2017 the Group closed a new Syndicated Revolving Credit Facility and Term Loan Facilities (the "Facilities") totalling USD1,990 million. The new facilities comprise a 365-day USD-denominated revolving credit facility (USD1,175 million), a three year USD term loan facility (USD435 million), as well as a Renminbi (CNH) denominated one year tranche (USD380 million). These new facilities financed the maturing three year tranche from 2014 and the maturing one year RCF and one year CNH tranches from 2016.

In March 2018 the Group placed a US Dollar senior bond for USD400 million with a 5-year maturity. The transaction was issued by Trafigura Funding S.A. under its European Medium Term Notes (EMTN) programme and is listed on the Irish Stock Exchange.

In March 2018, the Group refinanced its European multi-currency syndicated revolving credit facility (the "ERCF") totalling USD5.725 billion. The ERCF comprises an USD2.2 billion 365-day revolving credit facility with two 365-day extension options and an USD3.525 billion 3-year revolving credit facility with two 1-year extension options.

In a separate transaction, also in March 2018, Trafigura returned for the fourth time to the Japanese domestic syndicated bank loan market and raised JPY72.64 billion (USD682 million equivalent) via a three-year term loan ("Samurai Loan"), which saw a 23 percent increase compared to the size of the company's previous Samurai Loan which raised JPY58.86 billion in 2016.

The Group was in compliance with all its corporate and financial covenants as at 31 March 2018.

22. Trade and other payables

	31 March 2018 USD'M	30 September 2017 USD'M
Trade creditors	3,089.8	2,463.7
Accrued costs of sales and expenses	8,350.0	7,395.6
Broker balances	5.4	15.6
Related parties	96.1	66.0
Total	**11,541.3**	**9,940.9**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

23. Commitments and contingencies

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

The total contingent liabilities related to trade finance instruments as at 31 March 2018 amount to USD7,874.6 million (H1 2017: USD6,707 million).

In addition to the trade finance liabilities, the Group has various other outstanding commitments. As per 31 March 2018, and 30 September 2017, these are as follows:

	31 March 2018 USD'M	30 September 2017 USD'M
Storage rental	2,259.3	2,572.2
Time charters	3,733.3	2,735.9
Office rent	149.6	111.8
	6,142.2	**5,419.9**
Assets under construction	48.4	41.0
Total	**6,190.6**	**5,460.9**

In 2017 and 2018 Trafigura entered into lease transactions with an Asian financial counterparty for up to 32 new build crude oil and product tankers. As at 31 March 2018 32 leases have been entered into (30 September 2017: 30 leases). The leases with a total lease consideration over the non-cancellable lease period of 10 years amount to USD1.6 billion. Vessels will be delivered from the end of calendar year 2018 (financial year 2019), with the majority of the vessels being delivered in the first quarter of 2019.

Non-cancellable operating lease rentals are payable as follows:

	31 March 2018 USD'M	30 September 2017 USD'M
Less than one year	2,420.6	1,199.4
Later than one year and less than five years	3,160.3	2,880.2
Later than five years	561,3	1,340.3
Total	**6,142.2**	**5,419.9**

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Financial instruments

a. Financial risk management

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

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

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

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

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

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

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

b. Market risk

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

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

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

Value at Risk

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

As of 31 March 2018, Trafigura's one day market risk VaR was USD4.7 million (30 September 2017: USD6.1 million). Average market risk VaR (1 day 95 percent) during the first six-months of this fiscal year was USD6.5 million compared to USD6.8 million in the previous fiscal year. Trafigura's Management Committee has set a target of maintaining VaR (1 day 95 percent) below 1 percent of Group equity.

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

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

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

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

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

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

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

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

c. Credit risk

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

The Company has a formalised credit process with credit officers in the key locations around the world. Strict credit limits are set up for each counterparty on the basis of detailed financial and business analysis. These limits are constantly monitored and revised in light of counterparty or market developments and the amount of exposure relative to the size of the Group's balance sheet. The Company makes extensive use of the banking and insurance markets to cover any counterparty or country risks that are in excess of its credit limits.

The risk management monitoring and decision-making functions are centralised and make extensive use of the Company's integrated bespoke IT system. The Company conducts transactions with the following major types of counterparties:

- Physical commodity counterparties spread across the vertical chains 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 Company obtains payment guarantees.
- Hedge counterparties comprising a number of prime financial institutions and physical participants in the relevant markets. There is no significant concentration of risk with any single counterparty or group of counterparties. Collateral is obtained from counterparties when the Company's exposure to them exceeds approved credit limits. It is the Company's policy to have ISDA Master Agreements or ISDA-based Long-Form Confirmation Agreements in place with all hedging counterparties.

The Company trades in all major geographic regions. Where appropriate, guarantees, insurance and letters of credit are used to reduce payment or performance risk. The Company has gross credit exposure in locations across the world with a concentration in emerging markets. Most of this exposure is laid off with third parties while the Company retains between 10 percent to 20 percent on average of the individual exposures.

The Company's maximum exposure to credit risk, without considering netting agreements or without taking into account of any collateral held or other credit enhancements, is equal to the carrying amount of Trafigura's financial assets as indicated in the balance sheet plus the guarantees to third parties and associates. The Company's objective is to seek continued revenue growth while minimising losses incurred due to increased credit risk exposure.

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

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(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 Company. 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 16 (Trade and other receivables).

(iv) Guarantees
The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries and trading partners in the normal course of business. As part of the Group's ordinary physical commodity trading activities, Trafigura Group Pte. Ltd. may act as guarantor by way of issuing guarantees accepting responsibility for subsidiaries' contractual obligations.

d. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an on-going basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and cash equivalents and ready sources of committed funding available to meet anticipated and unanticipated funding needs. Sound financial management with a focus on liquidity has been instrumental to the Group's success. The Company has demonstrated the ability to raise the appropriate types of financing to match the needs of the business and to tap various investor bases (e.g. syndicated loan markets, trade finance markets, bond markets, USPP, securitisation etc.), maturities and geographies.

The Company manages its treasury and liquidity risks maintaining a strong liquidity position through the following:

- Targeting immediately-available cash on hand of minimum USD500 million under normal conditions (higher in the case of extreme volatility);
- Maintaining bilateral 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 bilateral trade finance lines and committed revolving credit facilities; and
- Limited distribution of profit (significant retained earnings) and subordination of repurchased equity.

The maturity analysis of the Groups financial liabilities based on the contractual terms is as follows:

31 March 2018	Total USD'M	0–1 years USD'M	1–5 years USD'M	> 5 years USD'M
Financial liabilities				
Current and non-current loans and borrowings	33,245.8	25,723.6	7,365.8	156.4
Trade and other payables	11,541.3	11,541.3	–	–
Derivative financial liabilities	754.7	519.3	235.4	–
Total financial liabilities	**45,541.8**	**37,784.3**	**7,601.2**	**156.4**

30 September 2017	Total USD'M	0–1 years USD'M	1–5 years USD'M	> 5 years USD'M
Financial liabilities				
Current and non-current loans and borrowings	31,254.6	23,853.5	7,173.9	227.2
Trade and other payables	9,940.9	9,940.9	–	–
Derivative financial liabilities	702.6	434.9	266.8	0.9
Total financial liabilities	**41,898.1**	**34,229.3**	**7,440.7**	**228.1**

e. Interest rate risk

Trafigura is not exposed to significant interest rate risk. Interest rate risk of the Group is mainly applicable on the long-term funding of the Group, although a majority of debt, whether long-term or short-term, is floating rate.

From time to time the Group enters into interest rate derivatives transactions to lock-in current interest rate levels, for instance, interest rate swaps provide a method of reducing the Group's exposure to floating interest rates arising from its corporate funding programmes. To realise the desired matching of derivative results with the hedged interest rate payments, cash flow hedge accounting is applied and the derivatives are designated as hedging instruments. The derivatives are carried on balance and their effectiveness is tested on a quarterly basis.

f. Currency risk

Trafigura has few exposures to foreign currency risk on its trading activities and those that do exist are hedged out. The Group does not use financial instruments to hedge the translation risk related to equity and earnings of foreign subsidiaries and non-consolidated companies.

The Group uses cross-currency swaps to hedge currency risk on the principal and related payments of foreign currency denominated loans and bonds for which cash-flow hedge accounting is applied. The hedge relationship is expected to be highly effective due to the matching of critical terms between the underlying hedged item and the associated hedge instrument.

The periods when the cash flows are expected to occur are similar to the periods when the cash flows on the foreign currency denominated loans and bonds occur as indicated in note 21 and 24d. Ineffectiveness may arise if the underlying interest reference rate is divergent to the underlying reference rate in the Company's debt agreements, to the extent that the hedging instrument is already in the money or out of the money at the point of designation (compared to the hypothetical derivative that must be created on market), when the timing of the hedging instrument goes beyond the hedged item and it is not considered highly probable that the hedged item will be refinanced beyond its current maturity date or if the hedging instrument is for an amount greater than the hedged item.

g. Price risk

During the six-month period ended 31 March 2018, the Group continued to apply cash flow hedge accounting to hedge certain non-financial hedged items. These are the future purchases and sales of Zinc production and LNG.

The designated hedge derivatives are accounted for at fair value, with the fair value movements being deferred through other comprehensive income where they are deemed to be entered in an effective hedge relationship with cash flows that are yet to be reflected in the statement of income. Any fair value movements that are not considered to be an effective hedge are recognised directly through the statement of income. Ineffectiveness will occur due to differences in maturity of the hedged item and the hedging instrument as well as due to the non-price elements of the cash flows arising from the hedged item. The effectiveness of the economic relationship between the hedging instruments and the hedged item has been assessed at the inception of the hedge accounting designation and is reassessed prospectively and retrospectively at least quarterly. 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.

h. Fair value hedge accounting

In some instances, the Group elects to apply fair value hedge accounting to hedge certain risk components of non-financial hedged items. These non-financial hedged items relate to tolling agreements and a transportation agreement.

The Group's tolling agreements represent non-financial hedged items which Trafigura has entered into for the processing of crude oil into petroleum by-products. The Group's transportation agreement represents a non-financial hedged item which Trafigura has entered into for the transportation of crude oil from West Texas to the Gulf Coast.

Ultimately, the derivative hedging instruments (hedges consisting of futures and swaps) are aimed to hedge the spread between a) purchasing crude oil and selling refined product for the tolling agreements, and b) between purchasing inland West Texas crude oil barrels and selling those barrels on the Gulf Coast for the transportation agreement. When applicable, the Group designates derivative hedging instruments as fair value hedges in relationship to the hedged item. The maturity profile of the hedging instruments varies from one to five years (instruments used to hedge the tolling agreements) and one to three years (instruments used to hedge the transportation agreement). The hedged item may be individual risk components which are separately identifiable and reliably measurable. The designated hedge derivatives are accounted for at fair value through profit and loss and reflected on the balance sheet as either a 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 balance sheet as either a recognised asset or liability or an unrecognised firm commitment. Ineffectiveness will occur as a result of basis differences between the valuation of designated hedge instruments used and valuation of the designated risk component benchmarks considered to best represent the risk component.

Overall hedge positions will fluctuate relative to the time period the hedges were entered into, coupled with the movement of physical crack spreads for the tolling agreements and the movement on the spread between West Texas priced barrels and Gulf Coast priced barrels for the transportation agreement, which represent the risk component of the underlying hedged item.

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The fair value adjustment on the firm commitments are presented in the balance sheet under the following categories:

	31 March 2018 USD'M		30 September 2017 USD'M	
	Other non-current assets (note 15)	Other current assets (note 18)	Other non-current assets (note 15)	Other current assets (note 18)
Firm commitments – tolling agreements	162.6	83.3	119.1	43.4
Firm commitments – transportation agreement	115.8	115.6	–	–
Closing balance of the hedged item	**278.4**	**198.9**	**119.1**	**43.4**

The following table summarises the movements in the tolling agreement related derivatives and hedge item and hedge ineffectiveness recognised in the statement of income.

Fair value hedge accounting	31 March 2018 USD'M	30 September 2017 USD'M
Opening balances of the derivatives marked as hedges	(179.4)	127.1
FV movement included in the hedge relationship	(340.3)	(226.3)
Hedges for which hedge relationship matured	15.3	(99.4)
Hedges not designated in hedge relationship	(1.5)	19.2
Closing balance of the derivatives marked as hedges	(506.0)	(179.4)
Opening balance of the hedged item	**162.5**	**(151.8)**
FV movement included in the hedge relationship	321.3	218.1
Adjustment reversed as hedge relationship matured	(6.5)	96.2
Closing balance of the hedged item	477.3	162.5
LTD net gain/(loss)	(28.7)	(16.9)
YTD net gain/(loss)	(11.7)	7.9
YTD hedge ineffectiveness	(19.0)	(8.3)

(i). Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company's immediate parent, Trafigura Beheer B.V., is exclusively owned by its employees. This shareholding arrangement leads to an alignment of the long term interests of the Company and its management team. By virtue of having its own capital at risk, senior management is incentivised to take a long-term view of the Company's overall performance and to protect its capital.

The Company's capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Company monitors capital using an adjusted debt to equity ratio, which is adjusted total debt divided by the Company's equity. For this purpose, the adjusted debt metric represents the Company's total long and short-term debt less cash, deposits, readily marketable inventories (including purchased and pre-paid inventories which are being released), debt related to the Company's securitisation programme and the non-recourse portion of loans to third-parties.

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

	31 March 2018 USD'M	30 September 2017 USD'M
Non-current loans and borrowings	7,522.2	7,401.1
Current loans and borrowings	25,723.6	23,853.5
Total debt	**33,245.8**	**31,254.6**
Adjustments		
Cash and cash equivalents	4,585.4	4,988.7
Deposits	240.6	338.3
Inventories (including purchased and pre-paid inventories)	15,724.1	14,661.2
Securitisation debt	3,007.1	2,517.4
Non-recourse debt	701.7	840.3
Adjusted total debt	**8,987.1**	**7,908.7**
Group equity	**6,748.2**	**6,384.8**
Adjusted debt to Group equity ratio at the end of the period	**1.33**	**1.24**

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:

31 March 2018	Carrying value USD'M	Fair value USD'M
Assets		
Listed equity securities – Fair value through OCI	42.5	42.5
Listed debt securities – Fair value through profit or loss	473.4	473.4
Unlisted equity investments – Fair value through profit and loss	12.6	12.6
Unlisted equity investments – Fair value through OCI	176.0	176.0
Loans receivable (*)	555.5	555.5
Inventories	14,627.5	14,627.5
Trade and other receivables (*)	20,328.8	20.328.8
Firm commitments	477.3	477.3
Derivatives	648.8	648.8
Deposits (*)	240.6	240.6
Cash and cash equivalents (*)	4,585.4	4,585.4
Total financial assets and inventories	**42,168.4**	**42,168.4**
Liabilities		
Loans and borrowings		
Floating rate borrowings (*)	30,419.7	30,419.7
Fixed rate borrowings	2,793.0	2,874.7
Finance lease and purchase contract (*)	33.2	33.2
Trade and other payables (*)	11,541.3	11,541.3
Derivatives	754.7	754.7
Total financial liabilities	**45,541.9**	**45,623.6**

30 September 2017	Carrying value USD'M	Fair value USD'M
Assets		
Listed equity securities – Fair value through OCI	19.3	19.3
Listed debt securities – Fair value through profit or loss	447.6	447.6
Unlisted equity investments – Fair value through profit and loss	45.5	45.5
Unlisted equity investments – Fair value through OCI	122.6	122.6
Loans receivable (*)	670.7	670.7
Inventories	13,926.7	13,926.7
Trade and other receivables (*)	17,367.1	17,367.1
Firm commitments	162.5	162.5
Derivatives	610.4	610.4
Deposits (*)	338.3	338.3
Cash and cash equivalents (*)	4,988.7	4,988.7
Total financial assets and inventories	**38,699.4**	**38,699.4**
Liabilities		
Loans and borrowings		
Floating rate borrowings (*)	28,873.7	28,873.7
Fixed rate borrowings	2,360.3	2,453.2
Finance lease and purchase contract (*)	20.6	20.6
Trade and other payables (*)	9,940.9	9,940.9
Derivatives	702.6	702.6
Total financial liabilities	**41,898.1**	**41,991.0**

(*)Management has determined that the carrying amounts of trade and other receivables, cash and cash equivalents, deposits and trade and other payables reasonably approximate their fair values because these are mostly short-term in nature and are re-priced regularly.

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Offsetting of financial assets and liabilities

In accordance with IAS 32 the Group reports financial assets and liabilities on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The financial assets and liabilities subject to offsetting, enforceable master netting and similar agreements as at 31 March 2018 and 30 September 2017 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		
31 March 2018	USD'M	USD'M	USD'M	USD'M	USD'M
Related parties	1,499.1	(74.5)	1,424.6	–	1,424.6
Derivative assets	554.5	(349.7)	204.8	444.0	648.8
Related parties	(170.6)	74.5	(96.1)	–	(96.1)
Derivative liabilities	(624.8)	349.7	(275.1)	(479.6)	(754.7)

	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		
30 September 2017	USD'M	USD'M	USD'M	USD'M	USD'M
Related parties	822.2	(9.1)	813.1	–	813.1
Derivative assets	674.2	(458.0)	216.2	394.2	610.4
Related parties	(75.1)	9.1	(66.0)	–	(66.0)
Derivative liabilities	(735.6)	458.0	(277.6)	(425.0)	(702.6)

For the financial assets and liabilities subject to enforceable master netting or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities may be settled on a gross basis, however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in het event of default of the other party.

(ii) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 1 classifications primarily include futures with a maturity of less than one year. Level 2 classifications primarily include swaps and physical forward transactions which derive their fair value primarily from exchange quotes and readily observable broker quotes. Level 3 classifications primarily include physical forward transactions which derive their fair value predominately from calculations that use broker quotes and applicable market based estimates surrounding location, quality and credit differentials. In circumstances where Trafigura cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value. It is Trafigura's policy to hedge significant market risk, therefore sensitivity to fair value movements is limited. Trafigura manages its market risk using the Value at Risk (VaR) as disclosed in note 24b.

Other financial assets and inventories	Level 1 USD'M	Level 2 USD'M	Level 3 USD'M	Total USD'M
31 March 2018				
Listed equity securities – Fair value through OCI	42.5	–	–	42.5
Listed debt securities – Fair value through profit or loss	–	–	473.4	473.4
Unlisted equity investments – Fair value through profit and loss	–	–	12.6	12.6
Unlisted equity investments – Fair value through OCI	–	–	176.0	176.0
Futures	12.6	–	–	12.6
OTC derivatives	–	50.1	53.8	103.9
Physical forwards	–	1.2	208.0	209.2
Cross-currency swaps	–	106.4	–	106.4
Interest rate swaps	–	8.7	–	8.7
Firm commitments	–	477.3	–	477.3
Other financial derivatives	–	208.0	–	208.0
Inventories	–	14,627.5	–	14,627.5
Total	**55.1**	**15,479.2**	**923.8**	**16,458.1**

Other financial liabilities	Level 1 USD'M	Level 2 USD'M	Level 3 USD'M	Total USD'M
31 March 2018				
Futures	20.6	–	–	20.6
OTC derivatives	–	51.1	–	51.1
Physical forwards	–	1.2	321.8	323.0
Cross-currency swaps	–	62.5	–	62.5
Interest rate swaps	–	1.0	–	1.0
Other financial derivatives	–	296.7	–	296.7
Fixed rate borrowings	–	2,874.7	–	2,874.7
Total	**20.6**	**3,287.2**	**321.8**	**3,629.6**

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other financial assets and inventories	Level 1 USD'M	Level 2 USD'M	Level 3 USD'M	Total USD'M
30 September 2017				
Listed equity securities – Fair value through OCI	19.3	–	–	19.3
Listed debt securities – Fair value through profit or loss	–	–	447.6	447.6
Unlisted equity investments – Fair value through profit and loss	–	–	45.5	45.5
Unlisted equity investments – Fair value through OCI	–	–	122.6	122.6
Futures	24.4	–	–	24.4
OTC derivatives	–	64.7	41.9	106.6
Physical forwards	–	1.8	231.4	233.2
Cross-currency swaps	–	68.8	–	68.8
Interest rate swaps	–	5.7	–	5.7
Firm commitments	–	162.5	–	162.5
Other financial derivatives	–	171.7	–	171.7
Inventories	–	13,926.7	–	13,926.7
Total	**43.7**	**14,401.9**	**889.0**	**15,334.6**

Other financial liabilities	Level 1 USD'M	Level 2 USD'M	Level 3 USD'M	Total USD'M
30 September 2017				
Futures	21.8	–	–	21.8
OTC derivatives	–	27.8	0.2	28.0
Physical forwards	–	3.8	326.9	330.7
Cross-currency swaps	–	151.0	–	151.0
Interest rate swaps	–	2.5	–	2.5
Other financial derivatives	–	168.6	–	168.6
Fixed rate borrowings	–	2,453.2	–	2,453.2
Total	**21.8**	**2,806.9**	**327.1**	**3,155.8**

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

			31 March 2018 USD'M	30 September 2017 USD'M
Listed equity securities – Fair value through OCI	**Level 1**	Assets	**42.5**	19.3
		Liabilities	–	–
Valuation techniques and key inputs:	Quoted prices in an active market.			
Significant unobservable inputs:	None.			
Futures	**Level 1**	Assets	**12.6**	24.4
		Liabilities	**20.6**	21.8
Valuation techniques and key inputs:	Quoted prices in an active market.			
Significant unobservable inputs:	None.			
OTC derivatives	**Level 2**	Assets	50.1	64.7
		Liabilities	51.1	27.8
Valuation techniques and key inputs:	Reference prices.			
Significant unobservable inputs:	Inputs include observable quoted prices sourced from traded reference prices or recent traded prices indices in an active market for identical assets or liabilities.			
Physical forwards	**Level 2**	Assets	1.2	1.8
		Liabilities	1.2	3.8
Valuation techniques and key inputs:	Reference prices.			
Significant unobservable inputs:	Inputs include observable quoted prices sourced from traded reference prices or recent traded prices indices in an active market for identical assets or liabilities.			
Cross-currency swaps	**Level 2**	Assets	106.4	68.8
		Liabilities	62.5	151.0
Valuation techniques and key inputs:	Reference price.			
Significant unobservable inputs:	Inputs include observable quoted prices sourced from exchanges or recent traded prices indices in an active market for identical assets or liabilities.			
Interest rate swaps	**Level 2**	Assets	8.7	5.7
		Liabilities	1.0	2.5
Valuation techniques and key inputs:	Discounted cash flow model			
Significant unobservable inputs:	Inputs include observable quoted prices sourced from exchanges or traded reference indices in an active market for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations.			
Firm commitments	**Level 2**	Assets	477.3	162.5
		Liabilities	–	–
Valuation techniques and key inputs:	Reference prices.			
Significant unobservable inputs:	Inputs include observable quoted prices sourced from traded reference prices or recent traded prices indices in an active market for identical assets or liabilities.			
Other financial derivatives	**Level 2**	Assets	208.0	171.7
		Liabilities	296.7	168.6
Valuation techniques and key inputs:	Discounted cash flow model.			
Significant unobservable inputs:	Inputs include observable quoted prices sourced from exchanges or traded reference indices in an active market for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations.			

			31 March 2018 USD'M	30 September 2017 USD'M
Inventories	**Level 2**	Assets	14,627.5	13,926.7
		Liabilities	–	–
Valuation techniques and key inputs:	Quoted prices in an active market.			
Significant unobservable inputs:	Premium discount on quality and location.			
Fixed rate borrowings	**Level 2**	Assets	–	–
		Liabilities	2,874.7	2,453.2
Valuation techniques and key inputs:	Discounted cash flow model.			
Significant unobservable inputs:	Cash flows discounted at current borrowing rates for similar instruments.			
Listed debt securities – Fair value through profit or loss	**Level 3**	Assets	473.4	447.6
		Liabilities	–	–
Valuation techniques and key inputs:	Discounted cash flow model.			
Significant unobservable inputs:	• Forecast throughput • Discount rates using weighted average cost of capital • Market illiquidity • Operating cost and capital expenditures The resultant asset is a discounted cash flow of the underlying throughput. Increase/decrease of the forecasted throughput will result in an increase/decrease of the value of the asset.			
Unlisted equity investments – Fair value through profit and loss	**Level 3**	Assets	12.6	45.5
		Liabilities	–	–
Valuation techniques and key inputs:	Quoted prices obtained from the asset managers of the funds.			
Significant unobservable inputs:	• Market illiquidity • Price of commodities			
Unlisted equity investments – Fair value through OCI	**Level 3**	Assets	176.0	122.6
		Liabilities	–	–
Valuation techniques and key inputs:	Quoted prices obtained from the asset managers of the funds.			
Significant unobservable inputs:	• Market illiquidity • Price of commodities			
OTC derivatives	**Level 3**	Assets	53.8	41.9
		Liabilities	–	0.2
Valuation techniques and key inputs:	Discounted valuation of cash flows generated by mean-reverting price simulations.			
Significant unobservable inputs:	• Mean reversion • Volatility			
Physical forwards	**Level 3**	Assets	208.0	231.4
		Liabilities	321.8	326.9
Valuation techniques and key inputs:	Discounted cash flow model.			
Significant unobservable inputs:	Prices are adjusted by differentials including: • Quality • Location An increase/decrease in one input resulting in an opposite movement in another input, resulting in no material change in the underlying value.			

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The movements in the Level 3 hierarchy can be summarised as follows:

USD'M	Physical forwards/ derivatives	Equity/Debt securities	Total
1 October 2017	(53.8)	614.1	560.3
Total gain/(loss) recognised in income statement	32.8	24.5	57.3
Total gain/(loss) recognised in OCI	(42.2)	4.3	(37.9)
Invested	–	58.2	58.2
Disposals	–	(39.1)	(39.1)
Total realised	3.2	–	3.2
31 March 2018	**(60.0)**	**662.0**	**602.0**
1 October 2016	(30.5)	427.5	397.0
Total gain/(loss) recognised in income statement	(25.5)	14.1	(11.4)
Total gain/(loss) recognised in OCI	–	2.3	2.3
Invested	–	11.8	11.8
Disposals	–	(0.1)	(0.1)
Total realised	19.0	–	19.0
31 March 2017	**(37.0)**	**455.6**	**418.6**

There have been no transfers between fair value hierarchy Levels in the six-month period ended 31 March 2018. Materially all level 3 physical forwards are settled in the next year. See note 14 for equity/debt securities.

25. Equity participation plan

The immediate parent of the Company, Trafigura Beheer B.V., has an equity participation plan (EPP) which is open to employees of the Group. Shares issued to employees, are preference shares of Trafigura Beheer B.V. which give rights to economic benefits with limited voting rights. The founders and controlling shareholders of the Group, represented by the Board of Directors of Trafigura Control Holdings Pte. Ltd., a parent company of Trafigura Beheer B.V., in consultation with the Board of Directors of the Company, decide on the share awards to be issued to employees. Annual remuneration (which includes the equity participation awards) is subject to review by the remuneration committee of the Group.

The value of the shares is based on the net asset value of an ordinary share as set out in the Articles of Association of Trafigura Beheer B.V., which management believe is a fair approximation of the fair value. Shares awarded under the EPP may vest immediately or over a period of several years.

Employees do not have the right to freely sell shares that have vested unless Trafigura Control Holdings Pte. Ltd. has granted approval and has refrained from its right to nominate a prospective purchaser and make a purchase offer. Upon termination of employment, employees must transfer all of their shares at the direction of Trafigura Control Holdings Pte. Ltd. or hold the shares subject to further directions of Trafigura Control Holdings Pte.Ltd.

Neither Trafigura Beheer B.V. nor the Group have a legal or constructive obligation to settle the shares held by employees in cash. If employment is ceased prior to the end of the vesting period the shares will be forfeited unless otherwise determined by Trafigura Control Holdings Pte. Ltd.

The Group's EPP is classified as an equity-settled plan in the Group's financial statements; the fair value of the shares granted, determined at the grant date, is recorded in the statement of income rateably over the vesting period of the shares.

Compensation in respect of share based payments recognised in staff costs for the six-month period ended 31 March 2018 amounted to USD50.7 million (HY 2017: USD48.7 million).

Unrecognised staff costs in respect of rateably vesting shares expected to be recognised from 2018 to 2021 amount to USD126.4 million at 31 March 2018 (31 March 2017: USD135.7 million).

26. Related parties transactions

In the normal course of business, the Company 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.

Related party receivables/(payables)	31 March 2018 USD'M	30 September 2017 USD'M
Trafigura Beheer B.V.	(15.1)	(47.4)
Puma Energy	780.2	642.1
Farringford N.V.	127.5	29.6
Beheer Malta Ltd.	447.9	(8.1)
Ecore B.V.	3.5	4.3
Emincar	304.9	263.3
JINCHUAN Group Co. Ltd.	1.7	16.5
Minas de Aguas Teñidas, S.A.U ("MATSA")	(1.2)	72.6
Nayara Energy Limited	146.3	374.4
Other	56.4	103.0
Total	**1,852.1**	**1,450.4**

	31 March 2018 USD'M	30 September 2017 USD'M
Sales (mainly Puma Energy)	4,592.0	3,770.1
Purchases	1,783.1	922.0
Terminaling and dockage fees	86.2	79.1
Interest income	15.0	39.9
Interest expense	8.3	–

Below table summarises the nature of relationship and nature of transactions entered with the related party:

Party	Nature of relationship	Nature of transaction
Beheer Malta Ltd.	Parent company	Buy back of treasury shares
Buckeye Partners LLC	Equity-accounted investee	Lease agreements
Ecore B.V.	Cousin group	Cost recharges, trading and hedging
Empresa Minera del Caribe SA	Equity-accounted investee	Financing and trading agreement
Nayara Energy Limited	Equity-accounted investee	Financing and trading agreement
Farringford N.V.	Ultimate parent	Loans and cost recharges
JINCHUAN Group Co. Ltd.	Equity-accounted investee	Trading agreement
Minas de Aguas Teñidas, S.A.U ("MATSA")	Equity-accounted investee	Financing and trading agreement
Porto Sudeste do Brasil S.A.	Equity-accounted investee	Loans and cost recharges
Puma Energy Holding	Equity-accounted investee	Financing and trading agreement
Trafigura Beheer B.V.	Parent company	Loans and cost recharges

27. Subsequent events

In April 2018, the Group repaid the USD500m capital security (see note 20), resulting in a decrease of capital securities within equity. This capital security was listed on the Singapore Stock Exchange and distribution amounted to 7.625 percent per annum.

In April and May 2018, the Group raised two tranches of RMB500 million, with a 3-year maturity, issued in China's mainland debt market as part of a RMB2,350 million Panda Bond Programme for which Trafigura recently obtained National Association of Financial Market Institutional Investors' registration approval.

In April 2018, the Group sold its 20 percent interest in Buckeye Texas Partners LLC to Buckeye Texas Partners Holdings LLC for an agreed price of USD210 million.

In May 2018, the Group issued a Swiss franc senior bond for CHF165 million and 5-year maturity. The bond, priced at 2.25 percent, was issued by Trafigura Funding S.A. under its European Medium Term Notes (EMTN) programme and will be listed on the SIX Swiss Exchange.

On 9 May 2018, the Group completed the acquisition of the majority of the downstream business of Pampa Energia SA for an agreed purchase price of USD90 million, excluding working capital corrections. This transaction includes more than 250 service stations and the Ricardo Elicabe refinery (BBR) located in Bahia Blanca.

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