Annual report 2022

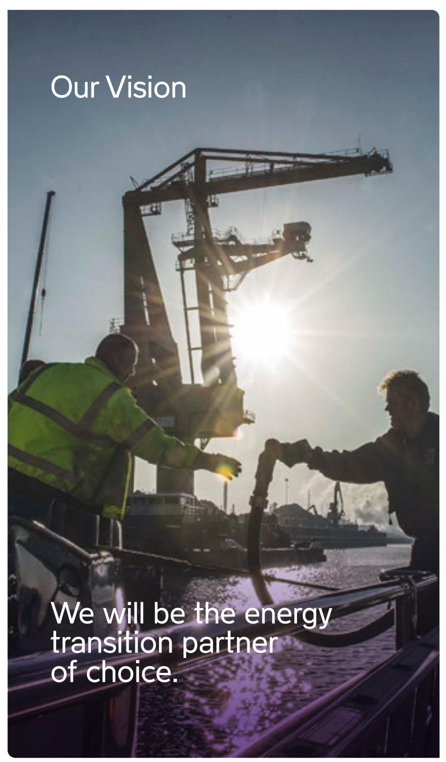
Accelerating the energy transition

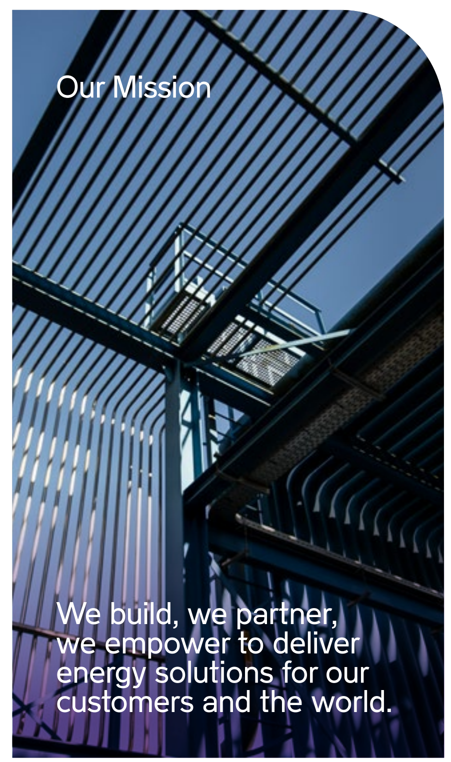
VARO

Contents

VARO at a glance

VARO is a leading, diversified energy company that provides solutions to customers through an integrated business model encompassing Conventional and Sustainable Energies.





"Energy provides access to a better life and can be a driving force for prosperity. The past year has demonstrated that we have more to do, but the exciting thing about our industry is that it is in the perfect convergence of innovation, technology and opportunity."

Dev Sanyal, CEO

Who we are

People

1,231 employees excluding JVs (vs. 1191 in 2021)

21% of women in senior positions in 2022 (vs. 14% in 2021)

50 nationalities

Operations

3 manufacturing hubs /**42** terminals

97% reliability of assets in 2022

~950M gigajoules of energy distributed to customers in 2022

Our Values

At VARO, we always aim high, we challenge the status quo and we solve together. This is how we act to make a difference for our world and drive the pace of change in our industry.

We share a sense of responsibility and respect for people & our planet

VARO

Embrace challenge

We are open to new ideas to challenge our thinking

We turn challenges into opportunities

We are eager to learn and grow

Drive pace

We have an agile, can-do mindset and deliver on our promises

We are restless with the status quo

We make rapid progress because of the foundations we have built

Aim high

We are entrepreneurial with a shared purpose

We push ourselves, our business, and our industry into unchartered territories

We strive for success and overcome adversity

Solve together

We take collective responsibility for the safety of all

We build diverse teams to unlock our full potential

We invest in strong partnership & know-how

Marcel van Poecke
Chairman

Chairman's statement

It has been a pivotal year for VARO and we are on an exciting journey: I am very proud of our achievements over the past 12 months. We have launched our ONE VARO Transformation strategy and introduced a new structure for VARO's management to accelerate VARO's transformation into an energy transition partner of choice and capitalise on the enormous opportunities ahead of us.

As we look back on 10 years of trading, we are also moving into the next chapter of our growth in a new era of market volatility. The drivers for this go back to years of under-investment in oil and gas infrastructure following the price crash of 2014, exacerbated by a further slump in investment due to COVID-19. Following a brief sector bounceback, the Ukraine war has led to soaring inflation, creating more disruption in the energy system. Subsequent shifts in global energy flows create challenging market dynamics, as Europe, North America and Asia respond differently. We have also seen countries and companies self-sanction for the first time as they turn away from buying Russian products.

The past 12 months have highlighted the need to accelerate the energy transition and provide energy security for the future. VARO is dedicated to making sustainable energy accessible and affordable to keep people, societies, and the world in motion. I'm a strong believer that energy security and the energy transition are intertwined, and our new ONE VARO Transformation strategy is based on a 'twin engine approach' that delivers the energy our customers need and ensures sustainable growth for the future. Engine 1 not only assures energy security for our society and economies, it also provides valuable cash generation to reinvest in the development of Engine 2 and our five strategic growth pillars: biofuels, biomethane & bio-LNG, hydrogen, e-Mobility and nature-based carbon removals.

We were delighted to welcome our new CEO, Dev Sanyal, at the start of the year. He brings to the company over three decades of global experience in BP, including over a decade on the group executive committee, where he ran, developed and built the global gas and low carbon energy businesses. He has made a significant impact on the business and our Executive Board has thrived under his leadership. The Executive Board has also been strengthened with new team members. Ernestina Benedetto was promoted into the role of Executive Vice President Strategy and Transformation. We also welcomed Jeremy Baines, who joined VARO in August 2022 as Executive Vice President – Customers, Trading and Commercial Optimisation, from Neste USA where he served as President. The members of our Executive Board bring extensive and diverse experience, complementary skillsets and new ideas, and I am delighted that the team is working so effectively together to drive VARO forward. On our Supervisory Board, we also welcomed Bendik Dahle, representing Carlyle International Energy Partners (CIEP).

To all of VARO's stakeholders, ESG plays an increasingly important role. Not only do ESG issues address the impact of businesses on the environment and societies, they also are directly linked to better economic performance. VARO has set ambitious ESG targets and we strongly believe that having a decarbonisation plan reinforces VARO's equity story and, together with strong financial performance, will drive long-term value creation for all our stakeholders.

VARO is committed to 'doing the right thing' and acting with the highest level of ethics and compliance. The core principles that guide our business practices centre on a shared sense of responsibility and respect for people and our planet. It is not only our employees who are expected to respect and adhere to these values, but also everyone acting on behalf of VARO and working with us.

We have designed VARO's corporate governance framework so we can develop effective and transparent governance mechanisms and internal control systems that allow us to manage our ongoing strategic transformation, while mitigating the risks linked to our operational, commercial and trading environments.

VARO's performance over 2022 has demonstrated how a company can pivot in line with customer needs. Undoubtedly this is an exciting time for the Group. It brings both opportunities but also challenges as we deploy significant human and financial resources to achieve our ambitions. We now have key foundations in place to ensure the Group is positioned at the very forefront of the energy transition in Europe, and I have every confidence in VARO's exciting future.

I would like to take this opportunity to thank all colleagues across the organisation for their hard work, as well as the long-standing collaboration and support from our shareholders, Carlyle and Vitol.

"The energy transition is one of the most ambitious endeavours of our time. Every passing day is a reminder of the need for energy reliability and security, and the need to transform to a low-carbon energy reality."

Marcel van Poecke, Chairman

CEO's statement

It has been an unprecedented year for the energy industry, with extraordinary macro and geopolitical challenges. Despite this volatility, our teams worked tirelessly to ensure that energy kept flowing to our customers. At the same time, we made rapid strides in leaning forward in the energy transition.

This year, we celebrated the 10th anniversary of our founding. It was a year in which we delivered significant operational milestones, evolved our organisational structure, brought in talented people with new capabilities to complement our outstanding colleagues, re-branded the company and announced the ONE VARO Transformation strategy through a live webcast from our manufacturing hub in Cressier. The Transformation Strategy is premised on the development of the 'twin engines' of Conventional and Sustainable Energies to enable our customers to access reliable, affordable and sustainable energy. In July, we also announced a sector-leading ESG strategy which articulates a pathway to Net Zero by 2040.

"Energy security has never been this important – the world needs secure, affordable and sustainable energy. Our priority has been to keep our customers supplied with energy, but also to develop and commercialise new, diverse forms of energy to meet their changing needs."

Dev Sanyal
Chief Executive Officer

The stage is now set for VARO to move forward with the next exciting new chapter in our evolution.

Innovate and diversify
Energy security has never been this important – the world needs secure, affordable and sustainable energy. We face a short-term challenge of stabilisation and a long-term one of transformation. Our priority has been to keep our customers supplied with energy, but also to develop and commercialise new, diverse forms of energy to meet their changing needs. Only by innovating and diversifying, will we find long-term energy solutions. This requires a different approach. We believe our proven track record of entrepreneurship, agility, innovation and operating discipline will be critical to these new business models. It requires a mindset, skill and approach that we are uniquely positioned to provide.

Supporting the energy transition
We will continue to act as a dynamic partner for our customers, helping them shift from a single source, multiple supplier-model to a tailored energy mix. These partnerships – what we call 'Customer Lighthouses' – are intended to position us as a partner of choice. Our business model is distinctive, with horizontal integration that enables us to bring solutions to our customers from our diverse integrated portfolio of energy solutions. We are building scale to leverage each part of our value chain depending on our customers' needs – from sourcing and production, to transport and storage, to distribution, trading and marketing, to services.

Building the energy system of the future
This has been VARO's year of transformation with momentum, pace and new ambition. In July, we launched our ONE VARO Transformation strategy that lays out our long-term ambition and our targets for the next five years.

We are building the energy system of the future with sustainability at its heart, and will establish our position as a leading energy transition company. Our new 'twin engine' strategy enables energy security for the present and also generates cash flow (Engine 1) for reinvestment in Sustainable Energies (Engine 2). To assure energy security, it is crucial to continue to invest in Engine 1 to ensure safety and reliability, while improving efficiency. We also continue to decarbonise our existing operations and over time, repurpose our asset base. At its heart, is the idea of both a 'Just Transition' and circularity of resources.

To scale at pace, we intend to invest $3.5 billion over 2022-26, with two-thirds committed to Sustainable Energies in five strategic growth pillars – biofuels, biomethane & bio-LNG, hydrogen, e-Mobility, and nature-based carbon removals – through strategic acquisitions and customer partnerships.

We intend to treble underlying earnings versus the 2021 baseline over the next five years.

Good performance in challenging markets
We ended 2022 with a strong balance sheet and financial performance. We have a robust financial framework, driven by high levels of cash generation and a disciplined approach to capital allocation, which provides a strong platform for growth.

The key enablers of our good performance are reliability, operational excellence and safety. We are focused on maintaining high standards in equipment integrity in all our infrastructure and logistics, ensuring a cycle of safety, reliability and efficiency.

I am very proud of the success of our commercial and logistics teams in finding ways of delivering energy to customers, despite our decision not to buy Russian crude on the first day of the tragic war in Ukraine. We found real-time solutions and new routes to deliver the energy that our customers required, demonstrating our agility and innovation. We focused on running our operations smoothly when it was most needed – with 97% reliability in our manufacturing – and as a result, we ensured our customers could rely on us for the energy they need for their progress.

Delivering our transformation
We will lead the energy transition through entrepreneurship, innovation, agility and fast decision-making – demonstrated by VARO throughout 2022. Our team has strengthened our foundations through our 'Fit for Growth' programme, and we have identified and progressed new business opportunities, formed partnerships, and signed significant deals.

We want to build low-carbon energy at scale. Our high-quality deal pipeline will allow us to achieve the scale we need to deliver and is a key part of accelerating the energy transition.

We have committed to ambitious targets for the reduction and elimination of our CO_2 emissions. VARO aims to be Net Zero for Scope 1, 2 and 3 emissions by 2040. Abating our Scope 1 and 2 emissions is a key step and we will deploy sustainable sources for the electricity, hydrogen and gas required for our operations. Our first ESG report has more detail on how we will get there. We are also actively transforming our asset base for a sustainable future by repurposing. By 2040, we plan to repurpose all our conventional energy infrastructure into sustainable energy production and distribution hubs.

Outlook for 2023
2023 will undoubtedly be another exciting year for VARO as we enter our second decade and accelerate our transformation strategy.

Safety and operational excellence remain our top priority for 2023. It is at the heart of who we are, and what we do.

We announced our new purpose to accelerate the transition to a world of reliable, accessible, sustainable energy.
I believe agile and entrepreneurial companies such as VARO will thrive in the energy transition, as we continue to capture opportunities, build partnerships, find innovative solutions and empower our employees.

A 'Just Energy Transition' can only be achieved as long as no one is left behind.

Conclusion
On a personal note, I am honoured to have been appointed as the CEO of a company with a proud history and a bright future. We have had a year like no other but this is just the start. I am convinced the best is yet to come.
From partnering with governments to finding solutions to the energy crisis, to engaging with our financial partners , the support of our different stakeholders is key in helping us develop VARO as a platform for the energy transition. We are extremely grateful for their ongoing support and collaborative approach.

I would like to take this opportunity to thank everyone in the VARO team for their extraordinary commitment and dedication in helping to evolve VARO over the past year. Their hard work is testament to our progress. I would also like to thank our Chairman and the Supervisory Board for their wise guidance and unwavering support. VARO's employees play a huge role in serving our customers reliably at a time of enormous dislocation and challenge. In 2022, they demonstrated a singular focus that I am very proud of.

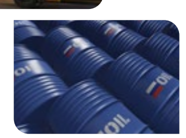
Our year in review

2022 marks a significant year for VARO, including the introduction of our new ONE VARO Transformation strategy to accelerate the energy transition and to support customers to reach Net Zero.

January
- **Dev Sanyal appointed as new CEO**
- Kicked off strategic review
- Announced Cressier Solar Facility
- Completed new railway line and ethanol storage tanks in partnership with GPS Group in Port of Amsterdam

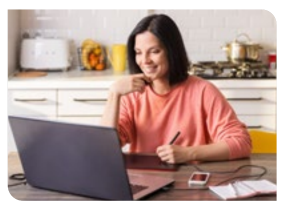


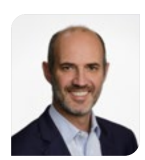
February



- Announced new management structure
- **Decision to stop buying Russian crude on 24th February 22**
- Biofuel collaboration between Unifeeder and VARO

March
- Introduced new Flexible Way of Working policy

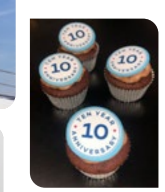
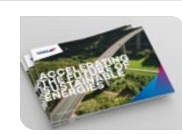


May



- Joined the World Economic Forum
- Appointed Jeremy Baines to EVP Customers, Trading & Commercial Optimisation, Management
- Manufacturing hub loading record – loaded/unloaded 207 trains/269,029 mt in Bayernoil

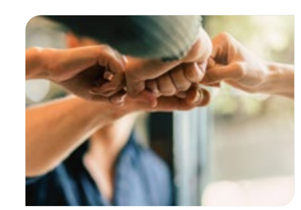
June
- Announced **strategic collaboration with Fintoil/Taaleri**
- Introduced new Equity, Inclusion and Diversity policy

July

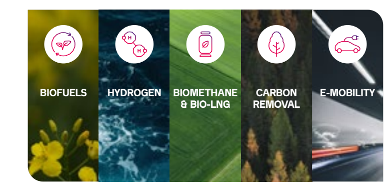
- **Introduction of our new ONE VARO Transformation strategy: new purpose, vision, mission, values, ambitious operational and Net Zero targets**
- **Published first ESG Report**
- Celebrated VARO's 10-year anniversary

September
- Cyber-security awareness campaign

October


- Updated Code of Conduct

November
- Finalised the appointment of 5 strategic growth pillars' VPs



December


- **Signed agreement to acquire 80% of Bio Energy Coevorden**

CEO's Q&A

Why did you join VARO?

The energy markets today are in an exciting phase. I believe that the energy transition presents agile, entrepreneurial companies such as VARO with enormous opportunities. According to the IEA, annual clean energy investment worldwide will need to more than treble by 2030 to be on the path to Net Zero. With the need to tackle climate change, enhance energy security and meet changing customer demands for cleaner and more efficient energy, we have a clear mission to help existing and new customers successfully manage the energy transition.

I was also attracted to VARO's culture and approach. I am in awe of our team's entrepreneurship, ability to spot new opportunities and to create new business models. This agility and ability are vital as we enter a new chapter of growth. I have seen first-hand the spirit of collaboration, dedication, ambition and diversity of thought throughout our team. This has stayed constant since VARO was created in 2012 and our culture is our unique advantage. We will ensure that we foster and encourage it. We take decisions rapidly, we set clear targets such as 50% women in senior leadership by 2030, we consider of equal importance attitude and aptitude in our hiring process. Culture is a living component of VARO.

What are VARO's key strengths or differentiators?

We are well positioned to lead in the future of energy and meet changing customer needs.

- Our integrated model means we offer customers a portfolio of conventional and sustainable energy solutions that can be tailored to their needs and will make the difference in the energy transition.
- Our strategic infrastructure can be deployed for energy security, but can also be repurposed to meet the energy transition.
- Our optimisation and exposure management supports value chain integration and benefits from VARO's position as a leading trader and marketer.
- Our culture and the pace at which we make decisions are key differentiators, which makes VARO's way of working unique and a partner of choice.
- And of course, our people who will take us there – our talented professionals ensure we achieve our ambitious goals and take the company forward.

What are the biggest lessons from 2022 for the industry?

It has been a year unlike any other: the war in Ukraine has had a profound impact on the world. We have faced the realities of soaring energy prices and a lack of reliability in supplies, driving an urgent need for reliable and affordable energy – largely via fossil fuels. It has also highlighted the need for sustainable energy in the future – largely via non-fossil fuels. Last year also showed how fast the industry can adjust. Europe has weaned itself off Russian oil and gas in a single year. In VARO's case, we decided on 24 February 22 to no longer buy Russian crude.

Carbon emissions continue to rise and fossil fuels still account for more than 80% of the energy mix. The energy transition is a response to this triple crisis: affordability, security and sustainability. Diversification of supply is key. This is why we have developed our twin engine strategy, with Engine 1 focused on Conventional Energies and generating cash to reinvest in Engine 2, focused on Sustainable Energies.

What crucial steps have you taken over the past year to accelerate the energy transition?

We have had an extremely busy and successful year, driving the pace to ensure VARO is fit to lead the transition. 2022 marked a turning point for VARO as it was our 10th anniversary, an important milestone in our company story, and the start of the next decade of transformative growth. Providing energy security and enabling the energy transition are the drivers for our ambitious new 'twin engine'-based ONE VARO Transformation strategy, which will accelerate our future in Sustainable Energies, while optimising and decarbonising our conventional energies business.

ESG is central to our strategy. We have set an industry-leading target to reach Net Zero and detailed our ambitions in our first ESG report published this year.

We've already taken major steps to advance our strategy execution this year, from the acquisition of Bio Energy Coevorden, where we intend to create the largest biogas manufacturing facility in Northern Europe, to the partnership with Fintoil/Taaleri underlying our pioneering positioning in biofuels.

As well as launching our new strategy with clear investment targets, we have made important organisational changes to create synergies between our teams and to move towards a more functional model. The integrated value chain is the core of our model and this means that everybody works together. We have brought in talented professionals throughout the company with new capabilities to complement our outstanding team, including highly experienced Vice Presidents to lead our Engine 2 strategic growth pillars. We are now in the execution phase – identifying and progressing new business opportunities, forming partnerships, and signing other significant deals.

How important is your culture to your success?

There are immense challenges facing the energy system – both in short-term stabilisation and in long-term transformation. Innovation is needed to face these challenges. This is often associated with technology, but it is more than just that: it involves new business models, policies, and approaches.

Our customers are our greatest advocates and they recognise 'the VARO-way-of-working': we challenge the status quo and we solve things together. Indeed, we live our values every day: embrace challenge, drive pace, aim high and solve together: these form the DNA of our company. This entrepreneurial and collaborative culture is well suited to developing the next generation of energy solutions, but we do not take it for granted and we continue to work hard to maintain it. Aptitude and attitude are equally important in our hiring, and we have a very diverse team – with over 50 nationalities – because we understand the value of having diversity of thought, with clear objectives such as 50% women in senior leadership by 2030.

What does VARO's purpose, vision and mission mean to you personally?

VARO is moving from being a challenger brand to a leader in the energy transition business. Repositioning the company has been our top priority this year and I am proud of our new purpose, vision and mission as it resonates with VARO's values and ambitions. This mapping out of the organisation supports our long-term growth – and innovation, entrepreneurship and operational excellence will get us there.

We are increasingly shaping public opinion, our industry and creating new opportunities. I believe our purpose of accelerating the transition to a world of reliable, accessible, sustainable energy has never been more important and is very relevant to the environment now and in the future. We are stepping up to today's industry challenge to lead the transformation of the world's energy supply.

Customers are at the heart of our transformation and our vision to be the energy transition partner of choice reflects this. Our purpose reflects our customers' need to have reliable supply and access to the energy they need to operate and to also access competitively priced sustainable energy to meet their emissions targets.

Strategic report

Why we exist

Macro drivers

In 2022, we entered a new age of volatility created by an unprecedented and intensifying series of global shocks. From the increasing need to address climate change to significant global economic development and geopolitical disruption, these have led to a soaring cost-of-living crisis in many countries.

The fallout from Russia's invasion of Ukraine has dominated the prospects for the global economy in 2022, with supply disruption leading to energy and food price records. These actions have raised ongoing recessionary fears and many European countries facing a cost-of-living crisis. With inflation rising to double-digit levels and soaring energy costs, governments and central banks have reacted to curtail inflation, raising interest rates to levels not seen since before the global financial crisis in 2008. With no peaceful resolution to the war in Ukraine in sight and an uncertain economic outlook, market volatility will continue to prevail into 2023.

Energy security

The war in Ukraine has highlighted the global supply/demand energy imbalance and the fragility of energy supply chains. After years of under-investment in conventional energies and lack of investment in sustainable energies proportionally – global primary energy capex fell 40% over the past decade from $1.3trn in 2014 to $0.8trn in 2021 – the Ukraine war has sparked further supply disruption.

Russia's invasion has impacted the supply of crude, oil products and natural gas in Europe, with initial self-sanctioning and subsequent mandated sanctioning of Russian-sourced energy. This has resulted in severe supply constraints, driving up natural gas and electricity prices to historical highs across Europe. Crude and oil products have followed a similar, more muted trend. This has led to shifts in global energy flows as Europe, North America and Asia have responded differently to the situation.

Energy supply and security are now top priorities in Europe, but the market environment has highlighted the need for diverse forms of energy and multiple suppliers to avoid demand and supply asymmetry. It is clear the energy transition will support both sustainability and energy security by bringing alternative energy sources and that an orderly transition will be required to limit the potential for shocks similar to what we have witnessed in 2022.

Climate change

Throughout 2022, the impact of global climate change has been evidenced, from flooding in Asia to droughts in Africa, and heatwaves and wild-fires in Europe and North America. Greenhouse gas emissions have risen again to record levels after COVID-19. Keeping the global temperature rise to 1.5°C now requires a fall in emissions each year of the same scale that the pandemic brought about. The need to accelerate the energy transition has never been greater.

Geopolitical competition over climate and energy policy is becoming a significant macro theme: the US Inflation Reduction Act is a welcome piece of climate legislation and clean energy innovation will drive down clean energy costs. Europe's approach is summarised through the Green Deal Industrial Plan.

Diversification

Energy suppliers need to build resilience – the ability to withstand shocks, wherever they come from. The energy market requires democratisation, moving away from the concentration in oil and gas where just a few nations control over 50% of resources, to invest in new energy sources, renewables and other options such as biofuels, biogas and hydrogen. We need to find credible, sustainable alternatives for both electricity and molecules.

Innovation

Ultimately, the way to drive adoption of cleaner energies is to make them cheaper through technological and business innovation, as well as through policies and incentives.

3 countries own more than 50% of oil and 3 countries 50% of gas

Fossil energies represent 80% of world energy mix

The aim of innovation in the energy industry is to build scale in the low-carbon energies of the future. New technology breakthroughs in hydrogen and batteries are expected to lower costs. Regulations and incentives also support sustainable energies to take-off. Biofuels and renewables benefited in the recent year of mechanisms such as mandates or contracts for difference and as a consequence, the industry brought down costs significantly. Moreover, new business models are also required to bring different ways of delivering energy, and the energy industry needs more people with relevant skills in both conventional and low-carbon energy.

Collaboration

Resilience also requires partnerships and energy companies need to partner more with governments, customers and suppliers to unlock value and make new energies and competitive solutions. Partnerships are a key concept behind our Transformation strategy. We will accelerate the energy transition by working together: empowering our teams and other companies, partnering with customers, governments, investors and banks that will help us fund our ambitious growth and together deliver the energy the world needs.

What this means for VARO

The next decade will be challenging for Europe, the energy sector and beyond as we face major geopolitical and sector challenges. We need to navigate this new age of volatility in the right way.

On 24 February 2022, the first day of the Russian's invasion of Ukraine, VARO took the decision to no longer buy Russian crude. Beyond standing for our values, we considered it was the right thing to do for our customers, partners and employees.

The challenge is to land the conventional energy industry and launch the sustainable future to transform the energy sector. We will invest in conventional energy supply chains to provide stability, security and affordability today. We also need to accelerate the energy transition to provide sustainability for tomorrow. This is strategically vital – an economic and geo-political imperative, as well as an environmental one – as well as a multi-trillion opportunity.

Our new ONE VARO Transformation strategy is a 'twin-track' approach, focused on Conventional Energies, which maximise efficiency and generate high levels of cash flow to reinvest into Sustainable Energies, where we are building a diversified portfolio of products and services to provide the right solutions for our customers. Our strategy also shows our commitment to a Just Transition with ambitious emission reduction objectives as well as commitment to repurpose our current asset base.

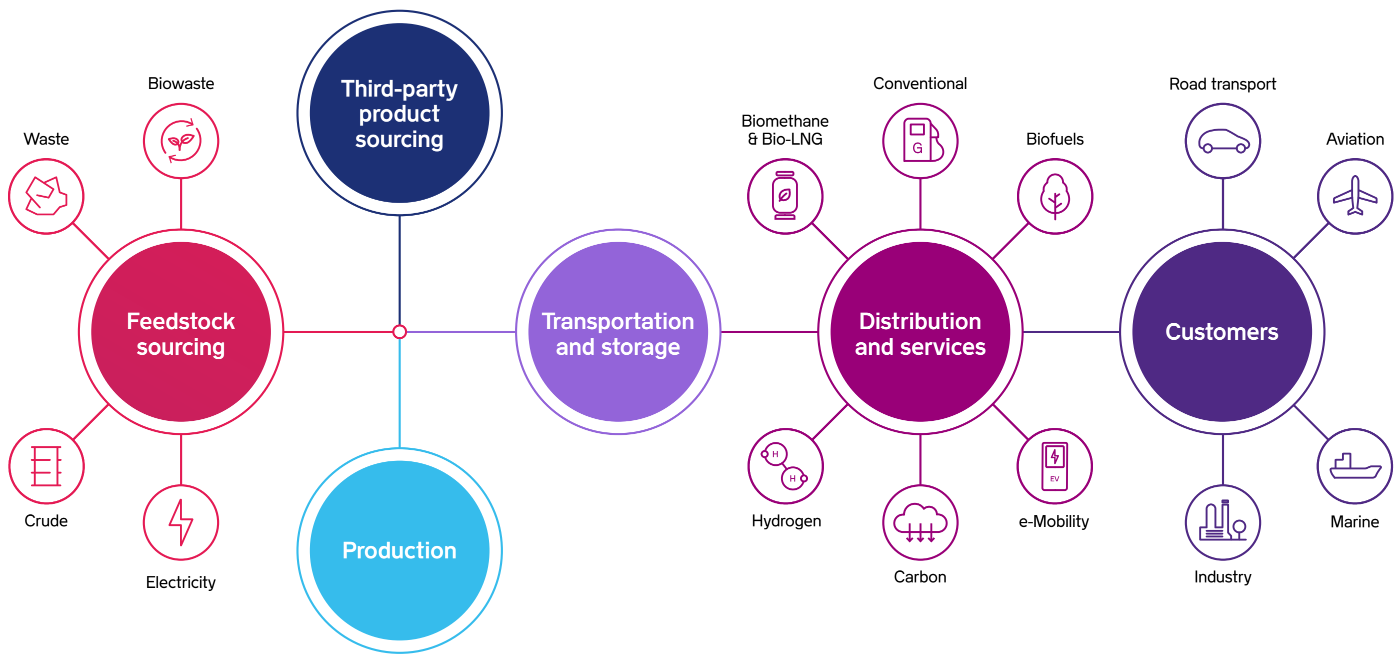
> "Transitioning and transforming energy systems is one of the biggest challenges facing mankind, and it also offers excellent opportunities for entrepreneurial, agile energy supply companies such as VARO. Managing through a massive amount of complexity and combining a full stack of energy solutions, from increasingly more decarbonised traditional 'Engine 1' energies to the rapid adoption of new 'Engine 2' energies, will position VARO as a leading energy transition company."

Theo Pannekeet, EVP New Energies & Innovation

What we do

Our business model

Our integrated business enables value creation, providing energy and decarbonisation solutions to our customers



What we do

Supplying energy is at the core of VARO's business. We produce, store and market a wide variety of energy solutions to our customers across Europe.

VARO operates an integrated end-to-end value chain from feedstock sourcing and raw materials, through to the end customer.

Our value proposition:

- We reliably supply energy for customers to operate;
- We build infrastructure that creates access to sustainable energies;
- We enable customers' decarbonisation and emission reduction targets.

Sourcing
We source high-quality feedstock processed either in our infrastructure or in third-party infrastructure, and distribute the energy our customers need. We have multiple feedstocks (such as crude oil, natural gas, bio-feedstock and waste streams) and we are constantly analysing new sustainable solutions to add to our portfolio.

Production
We manufacture different energies throughout Europe. VARO is established as an experienced, safe and reliable operator, well respected by local communities and regulators.

Our Cressier manufacturing hub is the only fuel manufacturing facility in Switzerland. We also own a 51.4% share in the Bayernoil manufacturing hub in Germany. Those two manufacturing hubs have a joint capacity of circa 176,000 barrels per day. Through our recent acquisition of Bio Energy Coevorden BV (BEC) in The Netherlands, we are developing the largest biogas manufacturing facility in Northern Europe: doubling the facility capacity from 300 GWh to 650 GWh by 2026. Our manufacturing asset base will grow and process new types of feedstock as we invest in Sustainable Energies.

Transportation and storage
A reliable and efficient logistics network is key to reliably delivering energy to our customers. Apart from pipeline transportation, VARO's major logistics channels are rail, fluvial and marine transportation and, to a lesser extent, heavy-duty vehicle transportation.

Distribution and services
VARO serves a large network of business-to-business customers, retail customers and consumers across Europe. In addition to our own production, we buy and sell energy products from third parties to meet customer demand. We also partner with existing and potential customers (such as aviation, industry, food retailers and wholesalers) to co-develop energy solutions that meet their intense decarbonisation needs.

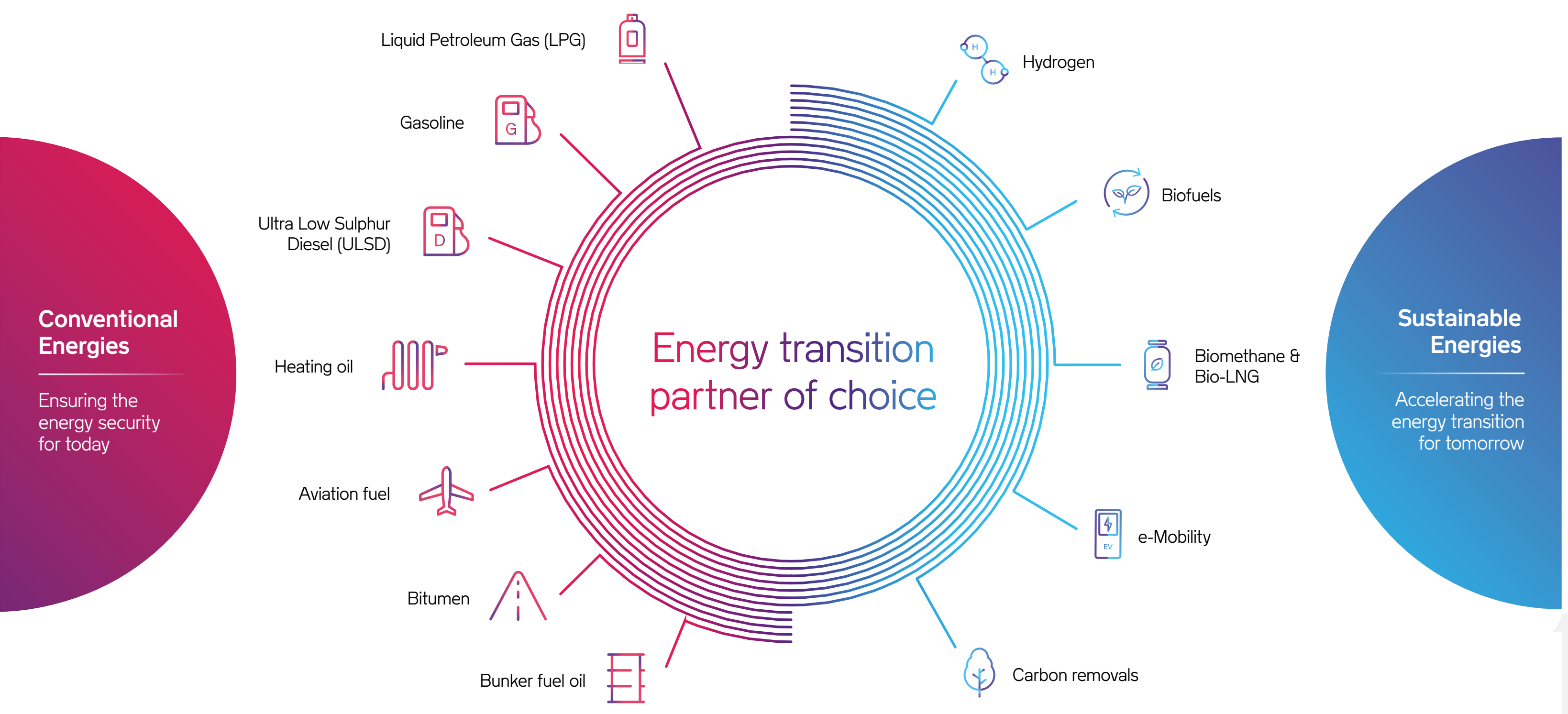
How we do it

Our ONE VARO Transformation strategy

An integrated portfolio of energy solutions to meet customers' needs

Our ONE VARO Transformation strategy lays out our path to becoming the energy transition partner of choice, by providing customers with the sustainable and reliable energy solutions they need to reach Net Zero.

VARO's twin engine strategy responds to customers' energy security and energy transition requirements, with Engine 1, our Conventional Energies business, and Engine 2, our Sustainable Energies business.



Conventional Energies

Engine 1 activities are manufacturing, storage and marketing and distribution of Conventional Energies. Engine 1's objectives are to maintain safe and reliable operations, ensuring energy security for our customers, while striving to decarbonise and reduce our own emissions. We are leveraging our existing conventional energy asset base and repurposing infrastructure assets to produce and distribute Sustainable Energies at scale.

Sustainable Energies

Engine 2 focuses on Sustainable Energies. We are reinforcing our distinctive asset portfolio by building up production and distribution infrastructure for our Sustainable Energies at scale in five strategic growth pillars. Our disciplined approach targets five low-carbon, high-growth markets in Europe: biofuels, biomethane and bio-LNG, hydrogen, e-Mobility and carbon removals.

Our ambition

We have ambitious and sector-leading financial and sustainable KPIs to measure our success:

By 2026

- Invest $3.5bn from 2022 to 2026, with two-thirds committed to Sustainable Energies.
- EBITDA to at least triple by 2026 (from 2021), with Sustainable Energies to account for over 50% of group EBITDA by 2026.
- In our five strategic growth pillars:
  - 250kt per annum of advanced biofuels manufacturing capacity;
  - 1TWh of biomethane capacity, including bio-LNG;
  - 125MW of installed electrolyser capacity;
  - 700k sockets;
  - 15Mt CO_2 equivalent carbon portfolio of high-quality removals.

By 2030

- Scopes 1 and 2: Achieve 40% absolute greenhouse gas (GHG) emissions reduction.
- Scope 3: Achieve a 15% reduction in our value chain emission intensity.

By 2040

- Net Zero in Scope 1, 2 and 3.

"Our ONE VARO Transformation strategy ensures reliable flows of conventional energy to provide security today, while investing to accelerate the energy transition - with both engines working in harmony."

Dev Sanyal, CEO


Providing solutions to our customers through
Happy Birthday 10
Working with customers to find solutions for their needs
VARO
Energy security
Energy transition
Opportunities for nimble and flexible companies
TEN YEAR ANNIVERSARY 10

Sustainability

Taking action with ambitious target to be Net Zero by 2040 and supporting our customers decarbonise

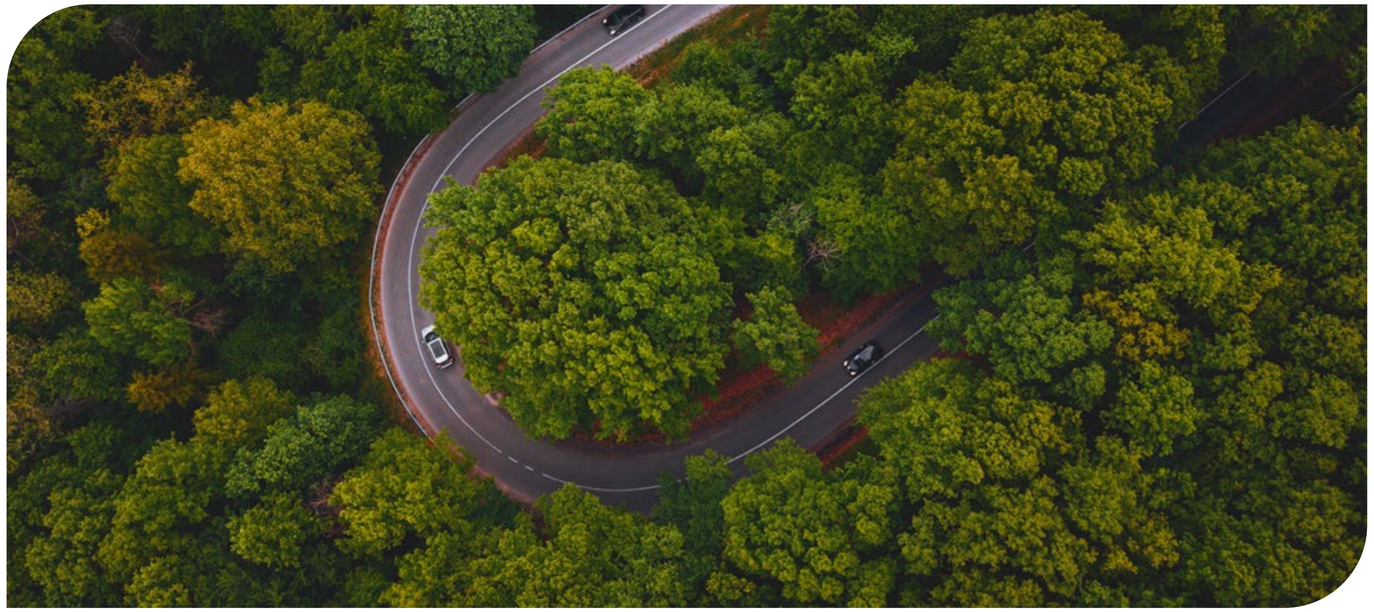
Our purpose is to accelerate the transition to a world of reliable, accessible, sustainable energy. We believe it is our responsibility to act fast and decisively and commit to providing supply security in the short term, while reducing our emissions and help our customers with their decarbonisation journey for the longer term.

Sustainability is woven throughout the way we do business. Our ‘twin engine’ ONE VARO Transformation strategy generates cash flow (Engine 1) for reinvestment in Sustainable Energies (Engine 2), investing in creating a diverse portfolio of safe, sustainable and reliable energy solutions, while leveraging long-term strategic partnerships to drive decarbonisation.

Underpinning this are clear and measurable ESG targets. Our approach to managing material sustainability topics is outlined in our dedicated ESG report, based on GRI Standards and with reference to SASB sustainability reporting standards and the UN Global Compact Ten Principles.

VARO’s path to Net Zero by 2040

The energy market is an integral part of society and strongly affected by policy and regulation. We therefore need to work with policymakers and our customers to create regulatory platforms that support the energy transition. Facilitating procedures such as permitting and providing effective incentives is crucial for VARO to proceed with the speed required to address the climate challenge.



We have set ambitious and sector-leading targets for the reduction and removal of CO_2 emissions:

Scope 1 & 2: interim target of 40% absolute reduction by 2030 (vs. 2022)

- Initiatives: implementing clearly defined decarbonisation initiatives in our manufacturing hubs, including energy conservation measures, purchasing green electricity, replacing grey H_2 with green and waste-based biogenic H_2.

Scope 3: targeting a 15% reduction in carbon intensity by 2030 (vs. 2022)

- Initiatives: ensuring security of supply in the short term and supporting customers during the transition towards sustainable energy solutions by growing our portfolio of biofuels, biomethane, bio-LNG, hydrogen, high-quality nature-based carbon removals and e-Mobility solutions.

2040 Net Zero in all scopes

- Initiatives: maximising our decarbonisation efforts by repurposing our manufacturing hubs, where we could create significant positive impact by producing green hydrogen, Sustainable Aviation Fuel, synthetic and advanced bio-fuels, as well as developing carbon capture and utilisation/storage projects. This provides the basis for growing future-proof green solutions in our Sustainable Energies portfolio to meet future customer needs.
- We are focused on providing absolute emission reductions, and will neutralise any residual emission through CO_2 removal projects.

> “Our ESG strategy is central to creating long-term value and is based on industry-leading, rigorous and transparent ESG targets. Critical to our plans is integrating an ESG-focused approach in our overall governance and internal controls, with the oversight of the Supervisory Board and Executive Board.”

Ernestina Benedetto
EVP Strategy and Transformation

Five strategic growth pillars

Creating access to sustainable energies by building new infrastructure and partnerships

Engine 2 is our Sustainable Energies business focused on low-carbon growth markets in Europe: biofuels, biomethane and bio-LNG, hydrogen, e-Mobility, and carbon removals.

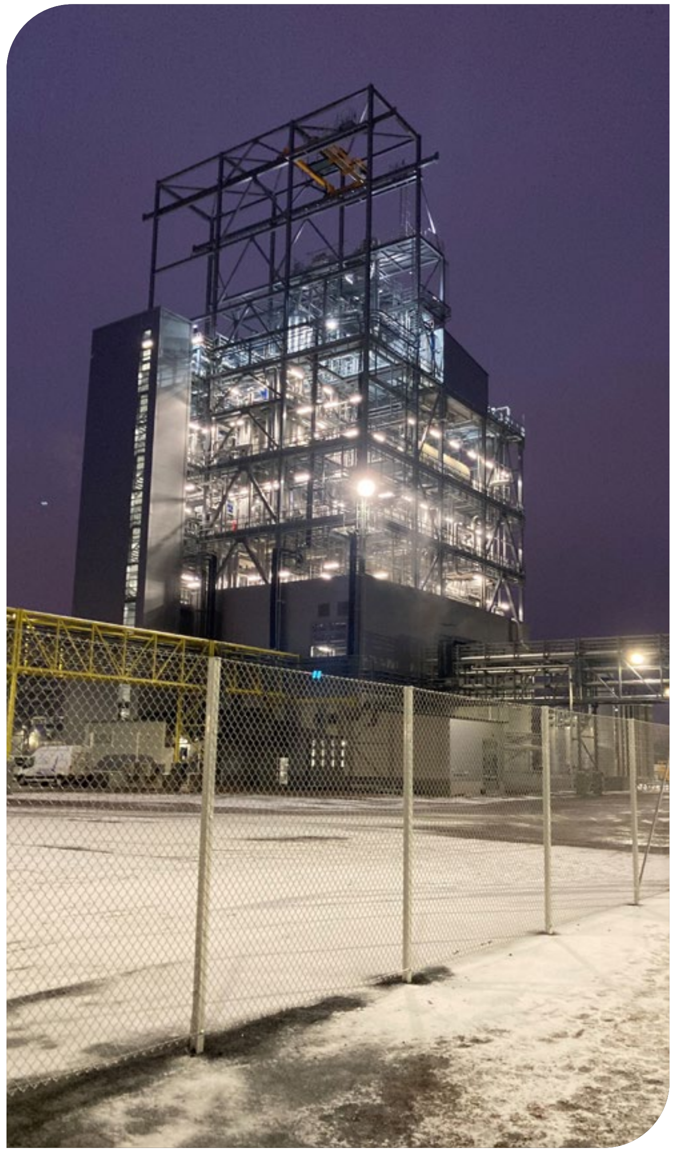
We are taking a phased and disciplined approach to investment, driven by customer needs, and will create the energy system of the future by building new infrastructure at scale and creating partnerships.

Biofuels

VARO is a leading biofuels marketing and distribution franchise in Europe, blending biofuels with conventional fuels. We have deep expertise with biofuels and bio feedstock sourcing, blending and marketing.

We have pioneered the introduction of biofuels in our markets: VARO was the first company to introduce material quantity of advanced bioethanol in Switzerland. In 2015, we invested in blending facilities to blend bio-ethanol (from waste) into gasoline and introduced the E5 grade. In 2016, we added biodiesel blending facilities to produce B7.

We aim to become an integrated producer of second generation (2G) advanced biofuels, including Sustainable Aviation Fuels (SAF), building new renewable manufacturing facilities as well as repurposing older assets.



Our scale up plan

- Minimise the use of first generation (1G) biofuels from food, feed and crop-based.
- Build manufacturing assets to produce advanced 2G biofuels from waste and advanced feedstocks (Annex IX A and B of the RED regulations), notably SAF and Hydrotreated Vegetable Oil (HVO).
- Build long-term partnerships to secure advanced feedstocks.

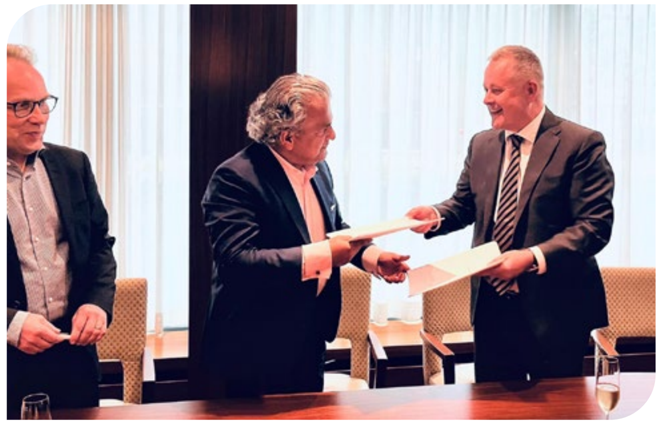
Our progress in biofuels

Building strategic partnerships to drive growth in advanced biofuels
As part of our strategy to transition and accelerate our Sustainable Energies businesses, VARO signed a significant offtake agreement with Fintoil, a Finnish biorefinery company, in June 2022.

VARO will buy crude fatty acids from Fintoil. Crude fatty acids are derived from a residue of softwood pulp, crude tall oil (CTO), qualifying as feedstock for advanced biofuels as defined by the European Commission's list, meaning it does not compete for the raw material with the food or feed chain and is therefore categorised as 2G.

Fintoil is partially owned by Taaleri, a Nordic investment and asset manager focused on renewable energy. Taaleri and VARO have also agreed a strategic, long-term partnership to sustainable development to drive the energy transition.

Fintoil has an annual refining capacity of 200,000 tonnes of CTO. When completed, the Hamina plant will be one of the largest CTO refineries in the world.



"We are already a leading player in the marketing of biofuels and want to be a frontrunner in the space, focusing on advanced biofuels. Through our partnership with Fintoil / Taaleri we have secured advanced feedstock which plays a critical role in minimising the use of food and feed. Biofuels will continue to play a key role in meeting the need of our customers to decarbonise as they progress in the Energy Transition while ensuring reliability of supply."

Marcel Andriessen, VP Biofuels

2nd generation Advanced feedstock	A key enabler to offering sustainable energy solutions to customers	Strategic long-term partnership beween VARO and Fintoil/Taaleri

Biomethane and bio-LNG

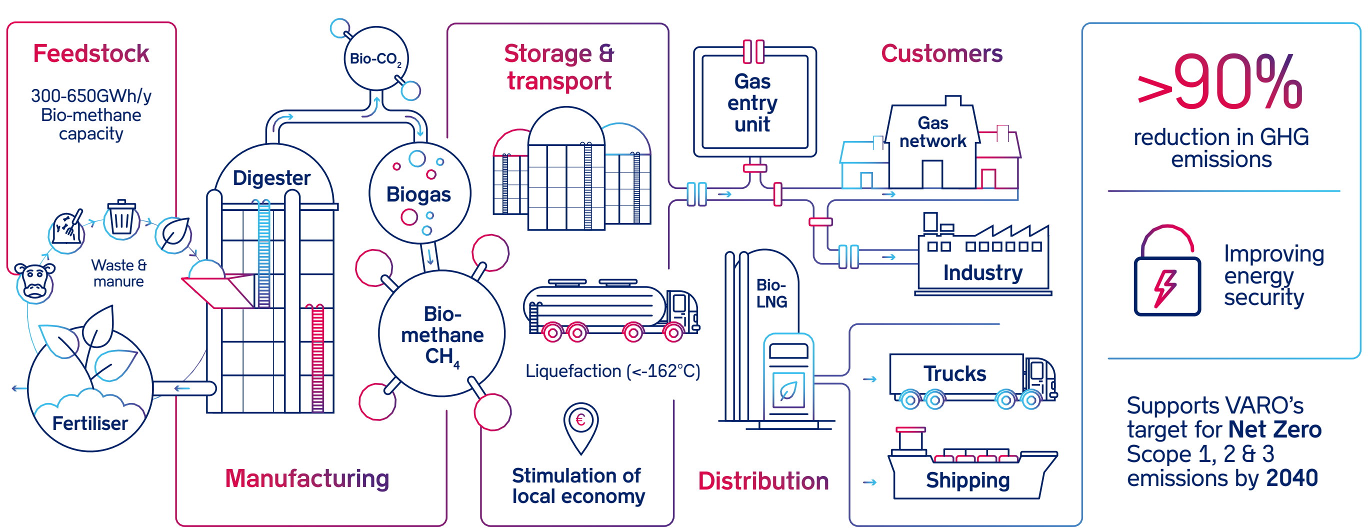
Our ambition is to be a leading producer and develop a portfolio via selected acquisitions and industrial scale greenfield projects, using existing customer relationships in our fuels business and expertise in bio-feedstock sourcing.

Our scale up plan

- Establish sourcing channels and strong biomethane production and construction expertise and capabilities, which can augment our capabilities and act as a strong platform for growth in biogas.
- Selective acquisitions while building industrial scale greenfield projects.
- Monetisation focused on injection into the gas grid and bio-LNG.

The role of biogas in the energy transition

At VARO we want to accelerate the transition to a world of reliable, accessible and sustainable energy. Biogas is one solution we offer that will help our customers on their own journey to Net Zero.



BEC case study

Developing the largest biogas manufacturing facility in Northern Europe

At the end of 2022, VARO announced the acquisition of 80% of the shares in Bio Energy Coevorden BV (BEC), one of the largest biogas manufacturers in Europe, boosting Europe's security of supply and accelerating the energy transition.

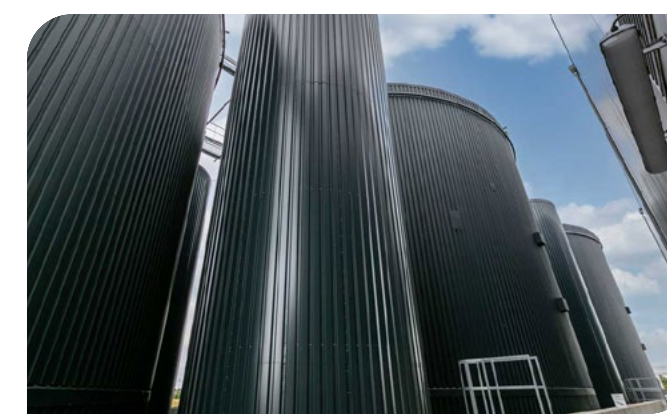
The acquisition is our largest since 2015, and creates a platform for VARO's growth in the biogas industry in Europe. We aim to leverage BEC's large-scale, world-class biogas manufacturing expertise, with our integrated business model of energy sourcing, production and exposure management.

BEC's industrial biogas plant is one of the largest biogas manufacturing facilities in Europe and includes state-of-the-art monitoring and control systems, heat optimisation and recovery systems. Feedstock is from waste streams and manure, achieving 220,000 tonnes per year of CO_2 reduction versus fossil natural gas. VARO will double the facility's capacity from 300 GWh to 650 GWh by 2026.

Demand for biomethane is expected to increase ten-fold across Europe by 2030, and bio-LNG is expected to grow ten-fold in Germany by the end of the decade. Located on the border between the Netherlands and Germany, and close to major industrial centres and large-scale agriculture with feedstock supply, BEC will meet growing European demand for biogas and will accelerate the energy transition in the region.

> "This deal is a significant step towards realising our target of 1 TWh/y of biogas production by 2026 and building a leading position in biogas in Europe. It creates one of the largest biogas manufacturing facilities in Northern Europe and a platform to address the high-demand growth of one of the most concentrated industrial centres in the world."

Christian Cuenot, VP Biomethane & Bio-LNG



This acquisition marks considerable progress in our new ONE VARO Transformation strategy launched in July 2022

Meets 65% of our 2026 target of 1 TWh of biomethane / bio-LNG

A significant contribution to our Engine 2 (Sustainable Energies) EBITDA by 2026

Hydrogen

We are leveraging our position as a significant hydrogen consumer with expertise in H_2-handling to develop hydrogen production hubs. We expect additional green and biogenic production to lead to offtake opportunities for industry, heavy transport and synthetic fuels.

Our scale up plan
- Phased approach with initial investment in 125MW electrolyser in Bayernoil (Germany).
- Serve industry, heavy transport customers and explore synthetic fuels path.

e-Mobility

VARO is already at the heart of the EV ecosystem. We aim to provide a turnkey charging solution for customers transitioning to e-Mobility, and are developing partnerships and acquisitions to create new businesses and enter new, less mature, markets. Our E-Flux investment provides expertise and presence in the e-Mobility ecosystem.

Our scale up plan
- Portfolio approach with investment into backend software, smart charging, project developer for fleets.
- Partnerships and acquisitions throughout the value chain.

Carbon removals

We want to be a fully integrated player with expertise in voluntary carbon removals through investing in forestry projects. VARO owns a 51% stake in SilviCarbon, a global leader in nature-based Carbon Dioxide Removals (CDRs). With an abundance of expertise in carbon, forestry and agro-forestry markets, SilviCarbon selects and participates in scalable afforestation, reforestation and regenerative farming projects that provide tangible long-term economic and social benefits. Leveraging VARO's trading and marketing capabilities, this provides carbon removal credits and an integrated energy offering to customers to meet their Net Zero climate targets.

Our scale up plan
- Develop a carbon portfolio of high-quality removals.
- Expand sourcing and trading activities.

"We are building on our deep expertise in complex market environments, bio-capabilities and logistics optimisation to support our customers' transition to Sustainable Energies."

Theo Pannekeet, EVP New Energies & Innovation

VARO's approach

Delivering excellence in operations for our customers through our people and our "Fit For Growth" approach

Customers

Our purpose reflects our customers' primary need: to accelerate the transition to a world of reliable, accessible, sustainable energy. Our customers' priorities are reliable energy supply, and access to the energy they need, including competitively priced, low-carbon energy.

We are guiding and supporting our customers as they navigate the energy transition and aim to become their 'partner of choice.' We aim to do what is right for them, as well as for the future of industry, society and the environment.

Different customers have different needs, and so we have built our strategy around a portfolio of solutions in Engine 1 and Engine 2's growth pillars. We deliver customer value propositions through the horizontal integration of our diverse range of products and services, working in partnership with customers.

Our 'Customer Lighthouse' approach anticipates our customer's evolving needs and is strengthening relationships as we support their decarbonisation journeys.

"Our customers' needs are changing, and a central element of our ONE VARO Transformation strategy is the development of an integrated portfolio of low-carbon energy solutions. Our customers are our greatest advocates, and they recognize VARO as a reliable and agile partner that is willing to go the extra mile and is capable of solving challenging situations."

Jeremy Baines
EVP Customers, Trading and Commercial Optimisation

Safety & Operational excellence

Doing business safely while maintaining operational excellence remains our top priority. Working in line with best practice means we undertake our operations in a way that protects our people and the environment, and respects our neighbours.

Despite COVID-19 and volatility in global energy markets due to Russia's invasion of Ukraine, we achieved over 97% operational reliability across our infrastructure assets and optimised our cost base through our 'Fit For Growth' programme. We are driving further efficiencies by ongoing investment in repurposing and optimising our existing conventional energy infrastructure into efficient, sustainable production and distribution hubs, ultimately transitioning decarbonised assets into Engine 2.

Process safety and integrity management remained a key focus in 2022. We had no severe injuries at VARO over the year, but noted an increase in high severity process safety events compared to the previous year. This is part of an industry-wide trend post-COVID-19, due to disruptions in operational routines and associated stress. We will continue to strengthen our processes to reduce all incidents.

In 2022, we created our Operational Risk Committee, which overlooks enterprise-level HSSE-risks and meets monthly. It has updated VARO's operational excellence roadmap and increased HSSE resources to drive the process. We also held our first ever Group safety standstill in July to increase Group-wide awareness of the importance of safety.

" I'm very proud that our team continued to safely deliver energy to our customers, and operate our units and logistics at record levels, despite a turbulent environment."

Julian Stoll, COO

People

At VARO, we take pride in our exceptional teams, and they are the enablers of our success. In 2022, we introduced a new functional organisation with clear accountabilities, while maintaining VARO's entrepreneurial and agile way of working.

We support career development across our business – investing in our people and enhancing our HR processes and expertise is key to VARO's progress. Over 2022, we recruited industry-leading people to complement our talented workforce.

VARO has always recognised that differences in skills, experience, education, background, nationality, age, race, gender, sexual orientation, religious beliefs, physical ability and other characteristics of people bring valuable diversity and enable the company to look at issues and to solve problems in a different way, to respond differently to challenges, and to take more robust decisions. VARO is committed to ensure that fair and equal treatment is applied to all employees and has announced the ambition to have 50% of females in senior management positions by 2030. In 2022, we have already made significant progress on the latter by improving women representation in senior positions from 14% in 2021 to 21%.

"I have felt welcomed, listened to and empowered since Day 1 at VARO. I was given the opportunity to go beyond a job description and strive for growth and, thanks to my colleagues, I know that I'm learning every day."

Aurore Caceres Blundi
Chief of Staff to the CEO

"VARO's success was built on the heritage of bringing together 20 companies with different stories, backgrounds, cultures and ways of thinking. There is no doubt that our diversity remains a key foundation of our success and entrepreneurship."

Gilles Vollin, EVP Integration and Capability

Fit For growth

Only "Fit For Growth" players will be able to deliver an ambitious transformation journey and growth plan. Building resilience is a key success factor of VARO's transformation journey, and it can be achieved by driving efficiency in our operations, lean cost structure and decarbonisation of our business. As a consequence, we have introduced the "Fit for Growth" platform this year which will primarily focus on bringing standardisation and streamlining our processes, systems and organisation.

Over 2022 we have made significant progress in digitisation and business transformation. Our digital roadmap is completely aligned to support our ONE VARO Transformation strategy. We are investing in enabling and digitising existing operations, and are also innovating to create opportunities as VARO evolves.

"Our world is becoming more digitised – you can't talk about the energy transition without including digitisation opportunities. A key part of this is equipping our teams with the digital capabilities they need to thrive in an increasingly digital environment."

Gabriel Cervera, CIO

Our finance and commercial teams are now equipped with advanced automation and analytics tools, so they can automate manual tasks. Using machine-learning algorithms, we have enhanced our market forecasting capabilities to create informed logistics and supply decisions, which have enabled us to ensure timely delivery to our customers – of paramount importance in a supply-constrained market. We have also established a robust digital pricing and sales platform for VARO's energy products, complete with customer portals and customised pricing tools, to ensure that each customer receives tailored pricing.

We are committed to expanding our online digital services and providing our customers with an enhanced online experience, as well as building bridges between Engine 1 and Engine 2 to create platforms which offer our customers a wider range of options for their energy needs. By actively collaborating with flagship universities and other partners, we aim to identify talent and foster joint partnerships to address complex digital projects resulting from the ongoing energy transition.

Financial and business performance

CFO Report

Rick Klop
CFO

Market drivers

The fallout from the conflict between Russia and Ukraine created significant disruptions to global economic development in 2022. In particular, the European energy markets were severely affected, as initial self-sanctioning and subsequent mandated sanctioning of Russian sourced energy came into effect. This resulted in severe supply constraints, driving up market prices of natural gas and electricity to historical highs across Europe, with crude and oil products following a similar, but somewhat more muted trend. Higher energy costs combined with low unemployment and ramping up of consumer spending as economies emerged from COVID-19 lockdown restrictions saw cost inflation rising to double digit levels, creating a cost of living crisis. Governments and central banks across the world reacted to curtail rampant inflation through raising of interest rates to levels not seen since before the global financial crisis in 2008. These actions in turn gave rise to potential recessionary fears, that persist into 2023. World economic growth figures indicate that the Euro-zone economies grew 3.5% in 2022, however forecast growth for 2023 remains weaker at 0.8%.

With no peaceful resolution to the war in Ukraine in sight and an uncertain economic outlook, it remains clear that market volatility will continue to prevail into 2023.

Oil prices

The Brent crude oil price continued to demonstrate elevated volatility during 2022 due to the uncertain short-term supply and demand outlook. The price started the year relatively strongly at a month average of $87/bbl in January on rising hopes of a post pandemic recovery, before rising sharply to peak above $140/bbl in early March on the back of Russia's invasion of Ukraine, that sparked concerns of creating a global oil supply shock. Prices stabilised over the spring and summer, although still above five year historic highs >$100/bbl. Low Chinese demand due to extended COVID-19 lock-downs and central banks raising interest rates in efforts to combat spiralling inflation, both weighed on oil prices towards the end of the year, with prices trending down in September to $90/bbl levels, ending the year at a December month average of $81/bbl. Apart from its minimum operating stock levels VARO hedges its exposure to the oil price.

The crack spread is the difference between the price for refined products and crude oil. Depending on the product, the difference can manifest as a premium over the crude oil price or as a discount from it.

Dated Brent (USD/bbl)

The gasoline crack spread displayed historically high volatility and traded at five year highs throughout the year. Price action was relatively flat in the first quarter, with an average at $17.66/bbl, before spiking to $48.95/bbl in the second quarter, on the back of increasing mobility combined with a number of European refining maintenance outages resulting in drawing down of stocks. Over the course of the second half of 2022, prices trended lower, as supply pressures eased. The annual average gasoline crack for 2022 of $31.70/bbl was up 106% on 2021.

The diesel crack spread displayed similar highly volatile and elevated performance during 2022, trading at five year highs throughout the year. The price rallied sharply in March, as the already tight European diesel balance contracted further due to some European countries halting purchases of Russian diesel for reputational concerns over sanctions. The regional diesel supply-demand imbalance was further exacerbated by a reduction in refinery output amid the onset of the refinery maintenance season during the second quarter. Prices traded between a low of $12/30/bbl in early February to a peak of $79.08/bbl in mid-October, with the 2022 annual average of $40.18/bbl being up >400% on 2021.

"2022 was dominated by the fallout from Russia's invasion of Ukraine, resulting in unprecedented volatility in the energy markets. Under these fast-changing conditions, VARO's integrated business model, operational reliability, and risk and exposure management expertise have yet again proven robust. Realising an underlying EBITDA of $995 million, strong cash flow and healthy equity growth provides a solid financial base that supports the execution of our ONE VARO Transformation strategy, and delivery of our ambitious ESG targets."

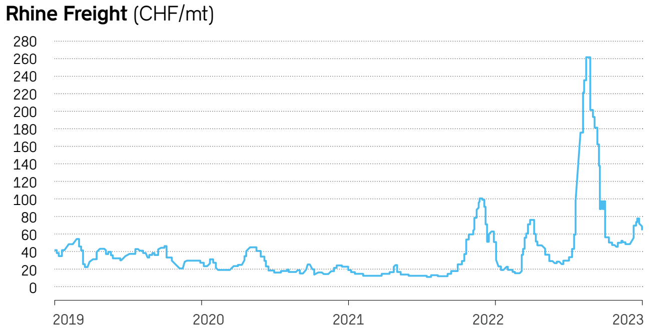
Rick Klop, Group CFO

Inland premiums

VARO earns inland premiums for its Swiss and southern German sales, reflecting the market price of delivering products into these regions.

During 2022, Swiss inland premiums reflected elevated and volatile Rhine freight rates from the ARA region. The rate increased sharply over March and April, due to increased pull on products into the region following the start of the war in Ukraine, combined with drier weather leading to lower water levels. Prices stabilised to historical norms during the second quarter, before spiking to all-time highs over the summer months, reaching CHF 260/mt in early August, benefiting from restricted barge traffic on the Rhine due to an extended period of low water levels and ongoing regional rail logistics constraints. The situation eased somewhat during the fourth quarter, however still remained well above historical averages. The 2022 annual average rate of CH F67/mt was up 160% on 2021.

Rhine Freight (CHF/mt)

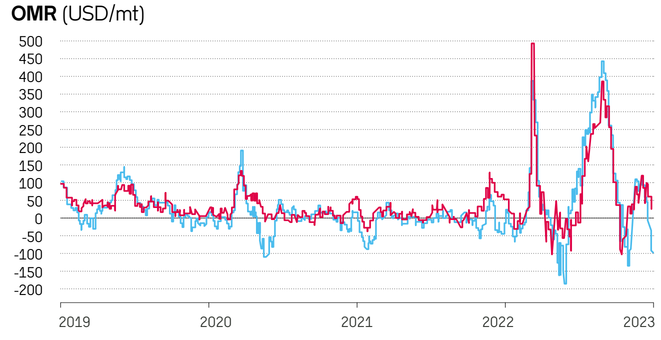


Inland premiums for southern Germany reflect the pricing difference between inland prices according to the German price reporting agency, Oil Market Report (“OMR”) benchmark, and those in the ARA (Amsterdam/Rotterdam/Antwerp) area, being the Western European oil products pricing centre.

OMR gasoline and diesel premiums both presented unprecedented price moves during 2022. Prices for gasoline OMR premia ranged between a low of negative $188/mt during May to a record high of +$441/mt in late August. Similarly prices for diesel OMR premia ranged between a low of negative $105/mt during April and again in October, to a record high of +$493/mt in March. 2022 annual averages for gasoline and diesel OMR premiums were up ca. +750% and 360% respectively versus 2021 levels.

These extraordinary price fluctuations resulted from a combination of the fallout from the war in Ukraine and its impacts on regional product supply, significant disruptions on rail logistics in Germany and over the summer months, very low water levels on the Rhine that severely restricted barge traffic.

OMR (USD/mt)

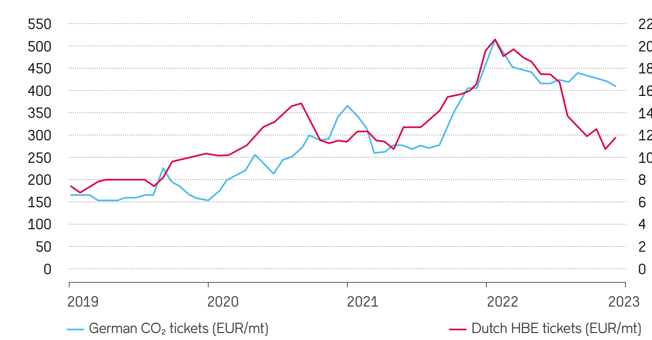


CO_2 emissions savings certificates

The year started strong, with nearly all certificate and biofuel markets trading at all-time highs. As the war in Ukraine broke loose, focus moved from renewables to the more urgent topic of energy food and feedstock supply security. This resulted in several countries reducing or delaying planned increases in blending obligations, creating downward price pressure on certificates and biofuels.

The European Carbon market was also impacted by the war in Ukraine, prices disconnected from other energy commodities and fell sharply by 40% in early March. Prices recovered over the remainder of the year, as the EU continued strengthening the EU ETS as part of the Fit for 55 programme.

VARO actively hedges its Carbon exposure forward. This will become more and more relevant as the number of Free Allowances will steadily reduce in the coming years and thereafter will fall to zero from 2034. Per end of 2022, VARO was more aggressively hedged on Carbon exposure than on refinery margins and other utilities.



Market demand

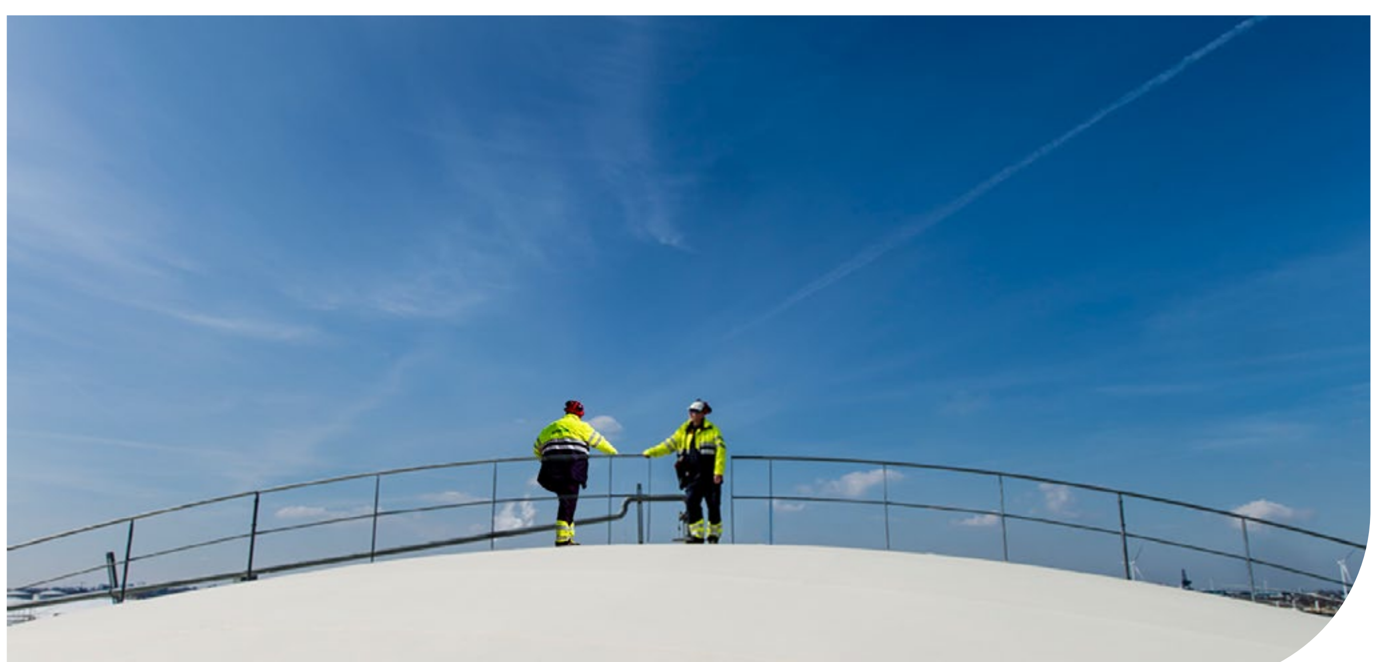
The table below summaries the year-on-year change in market demand in 2022 versus 2021 in the countries where VARO operates:

2022 vs. 2021	Diesel	Gasoline	Heating Oil
Switzerland	(1%)	(2%)	(12%)
France	(1%)	+11%	(19%)
Netherlands	(4%)	+13%	n/a
Belgium	(3%)	+3%	(7%)
Germany	(1%)	+5%	(4%)

We witnessed a strong improvement in gasoline demand throughout 2022, following increasing personal mobility and we outperformed market demand, by increasing our gasoline sales by 20% to 9.0 billion litres in 2022. Whilst market diesel demand fell marginally across all regions mainly driven by lower activity in the commercial sectors due to logistical constraints and industrial response to rising inflationary pressures, we were able to increase sales in 2022 by 4% to 10.2 billion litres. High consumer stock levels and relatively milder winter weather led to lower heating oil market demand across all regions in 2022, yet we maintained sales volume flat year on year at 4.3 billion litres.

Financial highlights

$995 million Underlying EBITDA 2021: $385 million	**40.0%** Underlying ROACE 2021: 8.7%	**$26.1 billion** Annual net sales 2021: $15.9 billion
$1,606 million Total equity 2021: $1,252 million	**27.7 billion litres** Annual fuel sales 2021: 25.0 billion litres	**2.3 million tonnes** CO_2 emissions saved by VARO customers 2021: 2.1 million tonnes



Performance

Market volatility resulting from rising geopolitical tensions on the back of Russia's invasion of Ukraine and subsequent impacts to European crude and oil products supply, combined with regional logistical constraints including low water levels on the Rhine and rail transport restrictions, presented significant challenges throughout 2022.

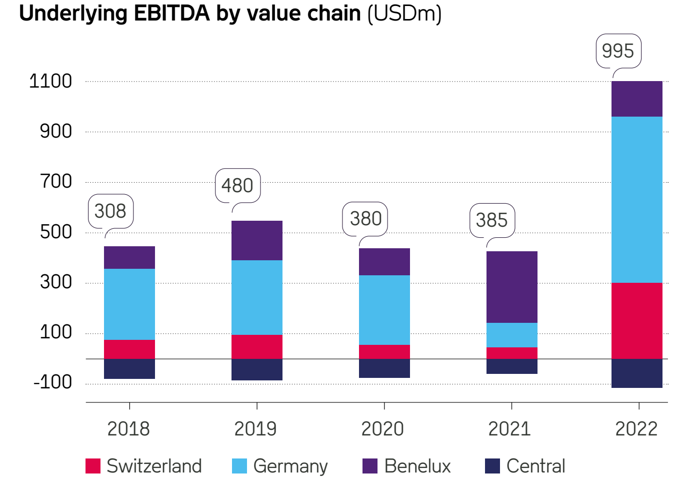
The underlying EBITDA of $995 million was underpinned by the robust refining margin environment, supported by the strength of our marketing channels ensuring security of supply to our customers. Refining margins benefitted from volatile, yet supportive market conditions. The uplift from refining gross margin more than compensated for significantly higher input energy costs on electricity and natural gas, and losses on refining margin hedges that remained out of the money in 2022. With approximately 47% of crude throughput hedged for 2022, we maintained a steady balance between risk management and market exposure.

Our biofuels performance for the year was negatively impacted from weaker bio feed-stock and CO_2 ticket prices throughout 2022, with some recovery at the end of the fourth quarter. The overall share of biofuels contribution to VARO's total underlying EBITDA in 2022 was lower compared to 2021, which was primarily driven by a relative high demand and strong price environment for conventional fuels as well as certain specific regulatory effects. The overall CO_2 emissions saved by VARO customers due to the replacement of conventional fuels by renewable alternatives increased to 2.3 million tonnes compared to 2.1 million tonnes in 2021 Growth in renewable fuels – Engine 2 – remains the primary focus of our ONE VARO Transformation strategy.

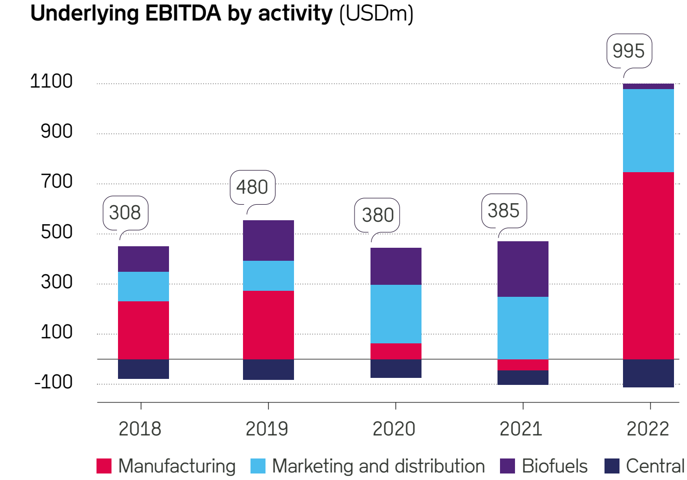
Profit after tax of $485 million was $424 million higher than in 2021, predominantly due to the stronger manufacturing contribution. Capital expenditure was $155 million, which includes $76 million compliance and safety spend, $35 million commercial and growth spend and $44m spent on the Bayernoil Vohburg rebuild.

The Group's underlying ROACE for 2022 of 40.0% was boosted by the incremental manufacturing contributions, while the average level of capital employed in the business during 2022 increased by 9% to $2,360 million.

Underlying EBITDA by value chain (USDm)



Underlying EBITDA by activity (USDm)



Reconciliation between underlying and IFRS results ($m)

	Including IFRS 16 impact		Excluding IFRS 16 impact	
	2022	2021	2022	2021
Switzerland	308	54	302	44
Germany	652	93	648	85
Benelux	184	292	140	246
Corporate	(149)	(53)	(156)	(53)
Underlying EBITDA	**995**	**385**	**934**	**321**
Underlying to IFRS adjustments				
Impact of IFRS 16 and IAS 19		(1)	61	63
Recognition timing difference on margin swaps	(77)	(81)	(77)	(81)
Management Equity Plan	(55)	(6)	(55)	(6)
Property damage insurance compensation	(4)	(8)	(4)	(8)
Other non-recurring items	(49)	(1)	(49)	(1)
Pre-tax effect of adjustments	**(185)**	**(96)**	**(124)**	**(32)**
Underlying EBITDA	995	385	934	321
Adjustments	(185)	(96)	(124)	(32)
IFRS EBITDA	**810**	**289**	**810**	**289**

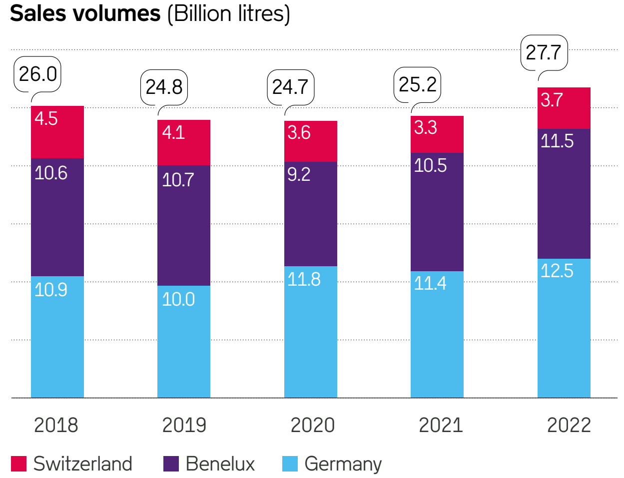
Group performance

			$ million
	2022	2021	2020
Underlying EBITDA	995	385	380
Net capital expenditure	155	134	160
IFRS EBITDA	810	289	683
Profit after taxation	485	61	331
Underlying ROACE	40.0%	8.7%	9.2%

Sales volumes

Total VARO sales volumes for 2022 of 27.7 billion litres were up 10% on 2021, resulting from a combination of improving market demand, particularly on gasoline as personal mobility ramped up and increasing market share on transport fuels.

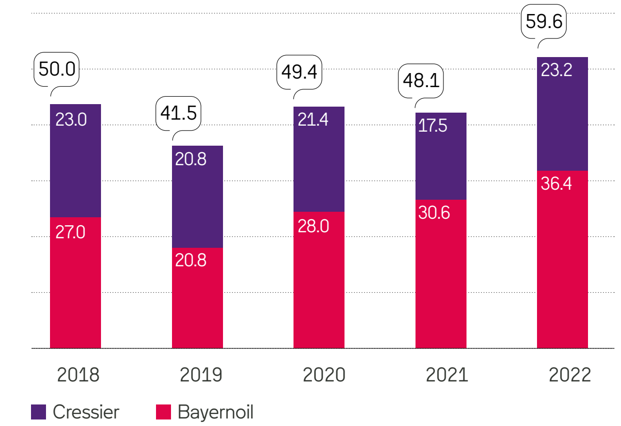
Sales volumes (Billion litres)



Manufacturing operational metrics

Cressier	2022	2021	2020
Operational availability	98.7%	83.9%	99.4%
Process utilisation	84.6%	65.1%	77.0%
Energy Intensity Index	84.3%	87.1%	89.2%
Bayernoil	2022	2021	2020
Operational availability	95.6%	94.3%	86.7%
Process utilisation	66.2%	60.8%	56.1%
Energy Intensity Index	86.9%	93.8%	93.0%

Manufacturing hubs Throughput (Million bbl)



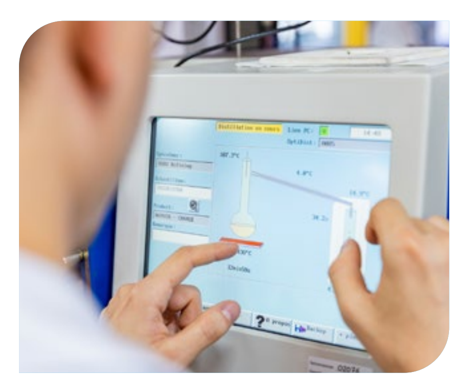
Cash flow and net debt

The Group generated net cash from operating activities of $562 million and used net cash in investing activities of $169 million. Operating cash flows were driven by strong EBITDA contribution, whilst changes in working capital required funding of $237 million on the back of higher crude and product prices. All surplus cash generated was utilised to reduce drawings on the Group's working capital borrowing base facility. During 2022, the Group executed a $150 million capital distribution to its shareholders.

The Group's net debt reduced significantly in 2022, mainly as a result of higher cash balances held at the end of the year compared to 2021. Gross debt reduced by $62 million in 2022, resulting from $36 million amortisation of the term loan and the balance from reduction in lease liabilities.

Cash flow and net debt ($ million)

	Including IFRS 16 impact		Excluding IFRS 16 impact	
	2022	2021	2022	2021
Cash flow from operations	562	180	562	180
Net debt	252	482	88	295
Gross Debt	489	551	324	361
Underlying EBITDA	995	385	934	321
Leverage	0.25	1.25	0.09	0.91



Business Performance Reviews

Germany

Marketing and distribution

Russia's invasion of Ukraine has had a profound impact on energy markets during 2022, leading to a complex interplay of factors affecting energy demand, supply and pricing. The world has learnt that energy security cannot be taken for granted and that energy security and energy transition exist in a symbiotic relationship, as the latter reduces our dependency on a limited number of suppliers.

Specifically, the German market was little prepared for the paradigm shift caused by the invasion. Self-regulation pre-empted legal embargoes as many market participants voluntarily avoided product flows of Russian origin, resulting in an energy supply 'crunch.' This led to an increased reliance on alternative energy sources. The conflict also created significant logistical and supply challenges, such as disrupted transportation routes and higher costs to maintain supply chains. These contributed to heightened energy security concerns and prompted panic buying among consumers, further straining supply chains to meet demand.

The Ukrainian war significantly affected the German energy market and trade channels, causing supply crunches, logistical challenges, and market volatility. Despite these challenges, VARO's German activities have been able to maintain energy flow and deliver a good financial performance. Our supply and trading channel, in particular, faced headwinds due to the invasion. The value of inventory increased following the immediate outbreak of the conflict, however, backwardation on international oil markets led to losses on our inventory hedging activities as the conflict progressed. Legacy agreements, particularly certain Platts-related contracts in the south of Germany, negatively impacted the supply results due to the disconnect with regional inland premia. However, we were able to reduce impacts by adjusting our trading strategies and optimising our operations.

The volatile market for renewables was affected by declining CO_2 prices, attributed to economic concerns related to the Ukrainian conflict and ongoing severe COVID-19 restrictions in China. However, performance on UERs and biofuels blending sectors remained strong, with our advanced biofuels business ramping up towards the end of 2022.

Through our wholesale channel, we were able to keep customers supplied despite the severe logistical challenges and supply dislocations, which supported healthy financial performance.

Demand for fuel oil rose as coal plants in Germany restarted and natural gas was substituted, prompted by the unprecedented escalation of natural gas prices when supplies from Russia were cut off. This development had a positive impact on the fuel oil book results.

Our LPG team also faced severe supply challenges but performed strongly and well above its business plan. Our bitumen business also contributed to our good financial performance.

Within the retail and B2C channels, end-consumers concern led to a concentration of demand during the start of the conflict and, together with the impact of rising inflation and government intervention measures, we saw volume losses in border areas. Cross border volume shifts between German and Dutch retail outlets following fuel duty adjustments have been experienced as a result. Despite these challenges, overall retail and B2C performance was in line with expectations.

Michael Liekens
President VARO Germany

While certain sectors have struggled due to the conflict, others adapted and performed well in these difficult conditions. As the conflict continues, ongoing analysis and adaptation will be crucial in navigating the energy market uncertainties. We must also acknowledge our employees, particularly those who run our supply chains. I am extremely grateful to them and to all our teams who have mastered many challenges and enabled VARO to keep running throughout 2022. Due to their tremendous effort, and thanks to the continued trust from our customers and partners, I can look back on a challenging year that concluded with a strong overall financial performance.

Bayernoil Manufacturing hub – Germany

VARO owns a 51.43% majority share of Bayernoil refinery, a manufacturing complex with two sites in Vohburg and Neustadt, Germany. Bayernoil's manufacturing hub remains a critical asset in VARO's German value chain, ensuring security and continuity of energy supply in the region.

In 2022, Bayernoil's performance was heavily influenced by the Ukrainian conflict and the subsequent effects on global and regional energy markets. Before official sanctions on Russian-sourced crude were imposed at the end of 2022, and on Russian-sourced oil products in early 2023, VARO self-regulated immediately after the war broke out and ceased to enter into any new contracts for the procurement of Russian crude and products. This supply constraint had limited impact on VARO, as Russian-sourced crude then made up a small portion of VARO's crude slate in Bayernoil.

Rosneft Deutschland GmbH, a 28.57% stakeholder in Bayernoil, had its ownership in the Bayernoil and its other German refining interests placed under state control through a trusteeship managed by the federal network regulator. Throughout this time, VARO maintained a constructive relationship with the trustee and ensured that refinery operations continued at optimal capacity to fulfil important national energy security requirements.

The strained supply situation led to periods of substantially higher inland premia and product cracks, which supported gross refining margins. However, this was counterbalanced by substantially higher freight costs and record high input energy costs due to severe restriction on European access to Russian-sourced natural gas supplies, resulting in both gas and electricity prices increasing to unprecedented levels. The impact was in part mitigated by our teams through optimising natural gas consumption.

The high product crack environment, while beneficial for physical refining margins, negatively impacted Bayernoil's margin hedge positions, which were significantly out of the money in 2022. Despite the challenging market environment and operational constraints, Bayernoil's overall performance was strong for the year, and significantly up on the previous two years.

As a demonstration of our commitment to Bayernoil, VARO is investing c.€100 million in 2023 to complete maintenance repairs and to add new processing capabilities that will enhance our ability to provide reliable supply in the future.

Benelux & France

Marketing and distribution

The Ukrainian conflict, steep backwardation, physical supply shortages, and extended waiting times for barge loading in the key ARA ports resulted in significant logistics and distribution stress for much of 2022. We paid substantial premiums to keep our distribution terminals network supplied, and customers faced quotas to ensure continuity of supply.

Despite these challenges, our wholesale, retail, and bunker businesses performed well, while the renewables segment faced a more difficult year. Our teams successfully navigated these challenges, keeping our network supplied and maintaining customer relationships.

Inorganic growth remained a focus as well, with opportunities pursued throughout the year.

Safety and operations saw improvements, and our workforce adapted to changing conditions, setting a strong foundation for the upcoming year.

Our wholesale and retail business performed exceptionally well in the Benelux, maintaining good discipline on sales. In addition to the global disruptions, we experienced further challenges in France as general strikes blocked refineries. Our French team, in collaboration with our group supply teams, skilfully navigated these volatile markets.

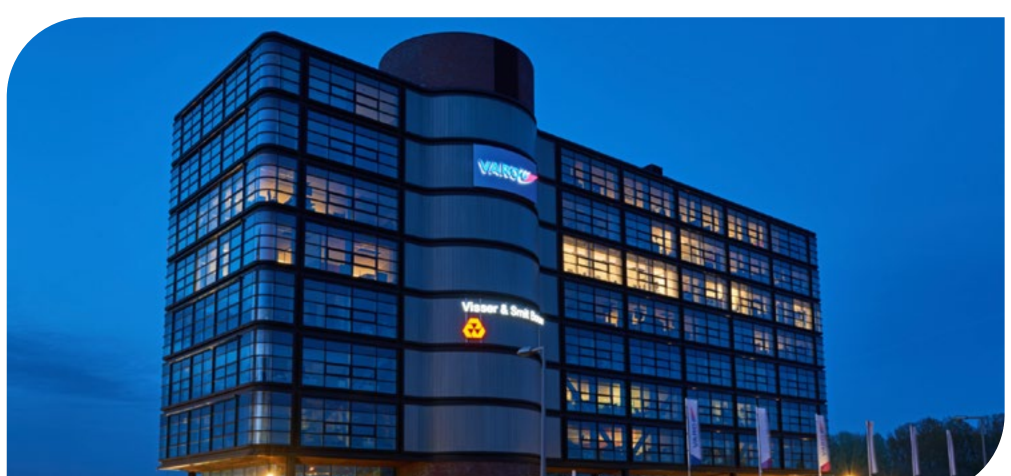
The inland barge bunkering business faced similar challenges and managed its supply chain through the volatility. Cruise ship demand rebounded after the loss of demand experienced during the peak of COVID-19. Our teams remained close to customers, reinforcing their trust in VARO, while a strong focus on credit risk kept our business financially secure.

Local renewables activities experienced a difficult year, with weakened premiums on biofuels and Dutch HBE values almost halving. A third of the 2022 Dutch bio-blending obligation fulfilment went into marine fuel (sea-going vessels), depressing the blend margin for road fuels. During the second half of 2022, we only blended biofuels into road fuels intermittently. Although local authorities considered reducing the multiplier for advanced fuels in marine, it only removed brown grease from the advanced feedstock list.

We continued to evaluate a large pipeline of investment opportunities throughout the year, and successfully closed the Bio Energy Coevorden acquisition in the Netherlands in early 2023.

In terms of safety and operations, we tightened controls at our terminals and closely engaged with truck drivers to further improve safety.

Regarding personnel, 2022 was a year of adaptation and hard work for many of our teams. We also welcomed several newcomers to strengthen VARO teams in both Engine 1 and Engine 2 of our ONE VARO Transformation strategy. We have built a strong foundation for 2023.



Sacha Konan
President VARO Benelux & France

Switzerland

Marketing and distribution

In Switzerland, the onset of the Ukrainian conflict coincided with the lifting of COVID-19 measures, leaving the country with no respite from global disruptions. While the conflict did not immediately spark panic buying, the Swiss Federal Council's warning of a potential gas shortage led to a surge in heating oil demand. The Swiss transportation infrastructure shifted toward using barges instead of rail, a direct result of self-sanctioning efforts.

Low water levels in the river Rhine, coupled with increased demand, contributed to record-high freight costs and the need to release compulsory stock obligations to ensure a continuity of supply for the Swiss market. Retail operators near the border struggled with losses of up to 70% as neighbouring countries reduced fuel duties without a reciprocal response from Switzerland.

Amid these challenges, the value of being close to customers became increasingly more important. Our strong network of assets and infrastructure established VARO as the most dependable supplier in the Swiss market. Our commitment to remaining close to our customers and our determination to pursue strategic goals allowed us to adapt and thrive in this tumultuous environment. We continued to pursue our strategic goals by expanding our bio-blended product offerings, despite obstacles in sourcing biodiesel and bio-ethanol.

Cressier Manufacturing hub – Switzerland

The Cressier manufacturing hub is a key facility in Switzerland's energy infrastructure, playing a vital role in meeting the nation's energy needs. Its strategic location, combined with a strong network of transportation infrastructure, ensures a secure and stable supply of energy for the country.

In 2022, Cressier's performance was also heavily influenced by the market disruptions created by the Ukrainian invasion. The elevated product crack environment, combined with record high inland premia, supported robust gross refining margins. The Cressier manufacturing hub showcased resilience in 2022, capitalising on favourable market conditions and achieving strong operational and financial performance. Though facing headwinds from crude market backwardation and high energy costs, the refinery ensured a secure and stable energy supply for Switzerland. We capitalised on the favourable market environment by maintaining strong operational availability and increased process utilisation, resulting in record high crude throughput of 23.2 million barrels for the year.

Despite strong overall gross margin performance, we faced significant headwinds due to backwardation in the crude market, leading to losses on our crude structure hedging activities. The high product crack environment resulted in our refining margin hedge positions remaining significantly out of the money throughout the year.

While inflationary pressures were largely absorbed by stronger Swiss franc foreign exchange rates, our cost performance was adversely affected by substantially higher electricity prices. This was a result of natural gas supply constraints following the curtailment of Russian-sourced natural gas imports into Europe. We successfully optimised natural gas consumption at Cressier, largely minimising the impact, but the consequential increase in electricity costs was unavoidable.

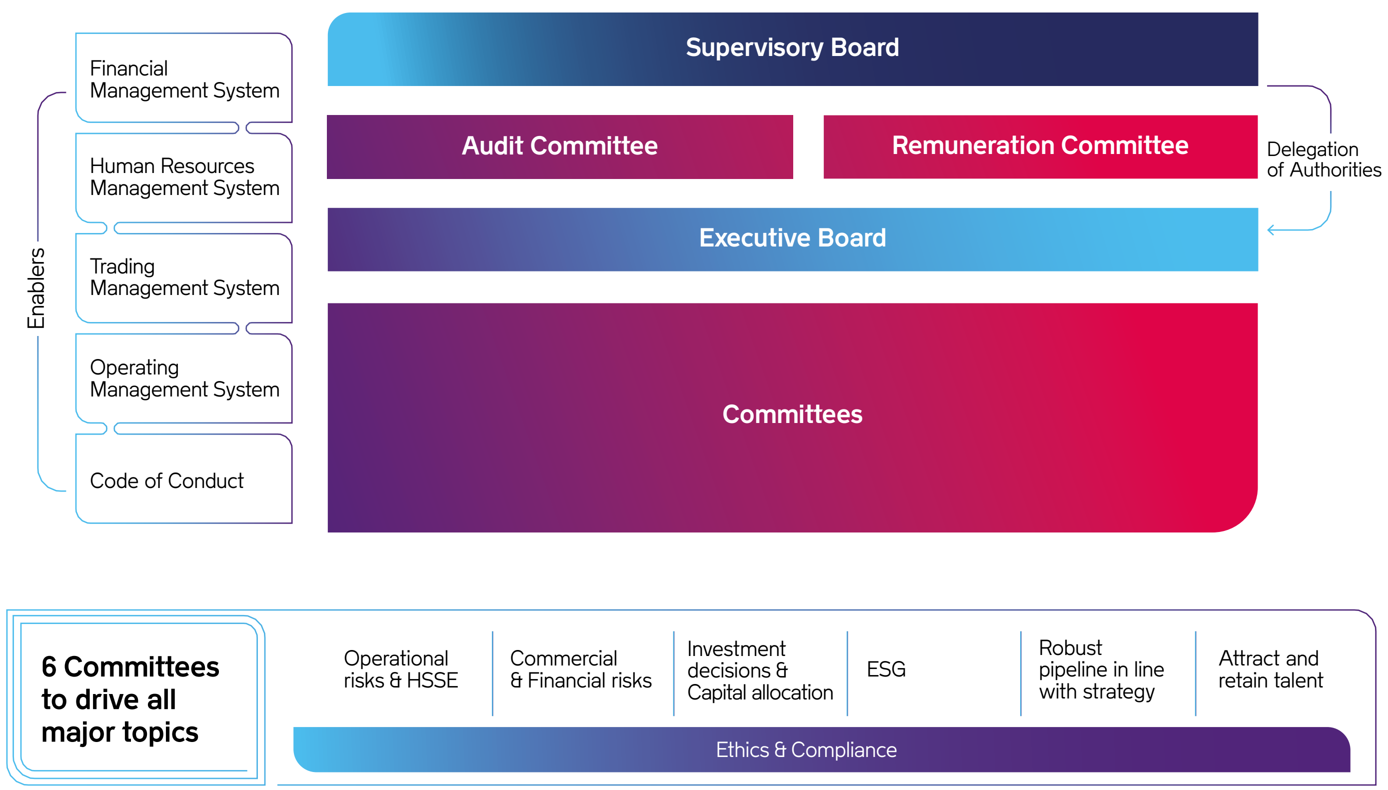
Cressier will continue to play a vital role in meeting Switzerland's energy needs and advancing to cleaner fuels, supporting both VARO's and the Swiss commitment to environmental sustainability and energy security.

Barbara Mühlemann
President VARO Switzerland

How we manage risks

Risk management framework

Our management systems and code of conduct, combined with our organisational structures, processes, controls, standards, compliance and ethics, together form our system of internal control (SIC), which governs how we conduct business and manage risk.



VARO System of Internal Controls (SIC)

Risk management system

VARO's enterprise risk management (ERM) system is a consistent and clear framework for managing and reporting risks in our business activities and operations to the Executive Board and ultimately to the Supervisory Board and its sub-committees.

Our ERM system enables VARO to:

- Understand VARO's risk environment, and consistently and comprehensively identify and assess risk exposures;
- Assess actions to mitigate risk exposures and manage overall potential exposure;
- Allocate roles and responsibilities in our risk management process;
- Monitor and seek assurance of the effectiveness of risk management and intervene to improve where necessary;
- Report regularly to the Group's management chain and to the Supervisory Board and its sub-committees on the management, monitoring and assurance of principal risks, and improvements made.

VARO's ERM is embedded into VARO's SIC, enabling business and strategic risk management, overall oversight and governance.

Risk management activities

During 2022, we undertook a risk review – originally undertaken with the support of external risk management specialists. We reviewed and discussed all risks included in the Group register, together with mitigating actions, in Executive Board meetings, and with the Supervisory Board and its sub-committees.

Our risk management activities encompass:

- Daily monitoring of market positions, exposures, value at risk, daily profit or loss, and adherence to limits;
- Monthly Group Risk Oversight Committee (ROC) meetings, including incident reviews, limit setting, and steering the overall development of the Risk function, treasury, trading and cyber risks, plus credit risk management to review the Group's credit risk exposures, decide on credit insurance and credit limits;
- Systematic real-time credit risk reporting;
- Systematic real-time market risk evaluation and reporting.

Significant risk factors

The Group is exposed to different financial risks arising from natural business exposures including energy transition, market risks relating to commodity prices, foreign currency exchange rates, financing and credit risk. Economically, our policy is to hedge all market risks within the agreed framework of authorities. We have summarised these risks, VARO's risk appetite, the controls aimed to mitigate those risks, and the potential impact should these risks materialise.

Prices, markets and financing

We are exposed to market price fluctuations for crude oil, oil products, renewable fuels, carbon, other commodity inputs such as natural gas, electricity, interest rates, and to foreign currency exchange rate fluctuations and the general macroeconomic outlook.

VARO's integrated business model is spread across the value chain. We diversify our activities and this offsets market effects in different parts of the business.

The Group manages oil price risk with financial instruments by hedging its physical crude oil, oil products, renewables and natural gas portfolios, and refining margins, depending on market structure and conditions.

All non-US dollar exposures are hedged. Larger non-US dollar transactions are hedged on a one-to-one basis, and smaller intra-day exposures are hedged in aggregate. We also hedge against currency risk on our forward operational and capital expenditure commitments.

The portfolio of our physical contracts and financial instruments leads to specific financing requirements and potential timing differences in cash settlement of related positions. These risks are managed through access to a flexible borrowing base facility which, combined with close monitoring and forecasting of liquidity needs, provides us with an effective short-term and long-term financing structure. We apply interest rate hedging related to our forecasted use of short and long-term financing facilities.

The oil market is subject to global supply-demand and geo political factors. Apart from managing associated price risk, we seek to ensure continuity of supply by operating flexible manufacturing models that are not dependent on the availability of certain grades of crude oil. Our relationship with our shareholder Vitol also helps in this regard.

Regulatory changes regarding product specifications may influence prices for the affected products, and other products may be affected by a knock-on impact on supply and demand.

In response to the changing size and structure of global and European oil markets, VARO invests in its manufacturing assets to lift performance to first or second quartile, ensuring the long-term commercial viability of these production facilities, even at bottom-of-cycle economics.

Credit risk

We grant credit terms to customers and therefore carry a degree of credit exposure. We mitigate this risk with our dedicated Credit Risk function and through credit insurance.

Interruption risk

Our manufacturing and distribution assets are intended to run continuously, but are subject to risk of interruption or closure due to operational incidents, supply shortages, inadequate funding, terror and cyber-attacks, quarantine and regulatory intervention. With our continuous focus on process safety and integrity management, excellent supply partnerships, long standing relationships with financial institutions and IT expertise we mitigate these risks. In addition, we have a business interruption insurance policy in place.

Pandemic risk

Our operations and financial performance may be negatively affected by a pandemic, such as COVID-19, the impact of quarantine measures and travel restrictions. Such measures, though typically temporary in nature, may return. Depending on developments in infection rates and vaccination programmes, this could disrupt our operations and have a temporary detrimental effect on product demand. The economic impacts of a potential escalation such as COVID-19 are uncertain, and VARO cannot reasonably estimate any adverse impact it may have on our long-term financial and business performance.

Process safety risk

VARO operates hazardous activities such as conventional products manufacturing, blending and transportation. These could result in health, safety, security and

environmental damages and cause harm to people, the environment and our assets, leading to regulatory action, legal liability, business interruption, increased costs, damage to our reputation and potentially denial of our license to operate.

Process safety and integrity of our assets is therefore a high priority. We control risks by:
- Developing and maintaining expertise across our employees and contractors;
- Ensuring high-quality processes (such as inspection and process safety reviews);
- Investing to maintain equipment to a high standard.

We apply these principles in our daily operations, in due diligence processes and in the integration of new activities. Technical integrity failure, natural disasters, extreme weather or a change in its frequency or severity, human error and other adverse events or conditions could lead to loss of containment of products or other hazardous materials or constrained availability of resources used in our operating activities, as well as fires, explosions or other personal and process safety incidents, including when, operating facilities or those associated with transportation by road, water or pipeline.

Such events or conditions, including a marine incident, or inability to provide safe environments for our workforce and the public while at our facilities, premises or during transportation, could lead to injuries, loss of life or environmental damage. We could face regulatory action and legal liability, including penalties and remediation obligations, increased costs and potentially denial of our license to operate.

To prevent accidents, occupational illness and injuries, we have implemented safety management systems across VARO that prioritise safety policies, risk assessments, operational controls, incident investigation, training, communication, contractor management, emergency preparedness, audits, and continuous improvement to ensure a secure and risk-minimised working environment. We are committed to reviewing and improving our overall health and safety performance. Industry-leading external consultants have conducted audits. Some of these audits look at our general HSSE processes and help to progress our safety culture. Other audits are focused on process safety and equipment integrity, ensuring that the process safety and technical risks are well identified and properly managed in our Manufacturing hubs and terminals.

Competition risk

VARO operates in mature and established markets where competition is subject to an established legal system and business practices. VARO has strong market positions in Switzerland, the Benelux and in Germany.

We are committed to fully comply with all applicable competition laws in the countries where we operate. The Group has developed VARO Competition Rules and rolled out detailed training for all our employees who interface with other market participants such as customers, partners and suppliers. Employees working in commercial roles have additional detailed training every other year. Any possible concerns are reported to VARO's Group General Counsel.

Cyber-security risk

VARO's operations depend on reliable IT infrastructure, which could be subject to cyber-attack or equipment failure. We seek to manage this risk through a range of measures, including:
- Investing in modern systems supported by secure data centres;
- A dedicated IT security and infrastructure team;
- Cyber-security standards;
- Security protection tools;
- Awareness testing and training;
- 24/7 detection and network monitoring;
- Monitoring of threats and testing of cyber response recovery and business continuity procedures.

Climate change and energy transition risk

Government policy, legal, regulatory, technology and market change related to the issue of climate change could increase costs, reduce demand for certain products within our portfolio, impact revenue and limit certain growth opportunities.

Changes in laws, regulations, policies, obligations, social attitudes and customer preferences relating to the transition to a low-carbon economy could have a cost impact on our business, including increasing compliance and litigation costs, and influences our strategy. Ever-changing environmental regulations carry a risk of unintentional non-compliance as a result of VARO and our regulators applying different interpretations of relevant legislation and accompanying guidance.

Technological improvements or innovations that support the transition to a low-carbon economy, and customer preferences or regulatory incentives related to such changes that alter energy choices, such as towards sustainable energy sources, could impact demand for conventional products. Depending on the nature and speed of any such changes and our response, this could adversely affect the demand for certain products, investor sentiment, our financial performance and our competitiveness.

The regulatory environment to support decarbonisation is evolving. We are investing in Sustainable Energies (Engine 2) to maintain and grow our market positions, and we expect to profit from legislative changes. We monitor research and global market data to determine future investments, such as electric and gasoline hybrid vehicles sales, the move away from conventional fuels and the increased emphasis on alternative sustainable energy solutions.

Ethical misconduct and non-compliance risk

The Group's Legal Policy and Code of Conduct prescribe that all our employees must comply with applicable laws, regulations and company policies that govern their work, including - without limitation – the antitrust and competition, anti-bribery, and environmental laws of any other country that apply to VARO's business. Our employees are obliged to report in good faith to VARO's General Counsel any actual or potential violations of laws, regulations, policies, procedures or the Code of Conduct, including and especially concerns as to accounting or non-compliance or fraud and corruption. Employees who raise concerns or who help to resolve reported matters are protected against retaliation.

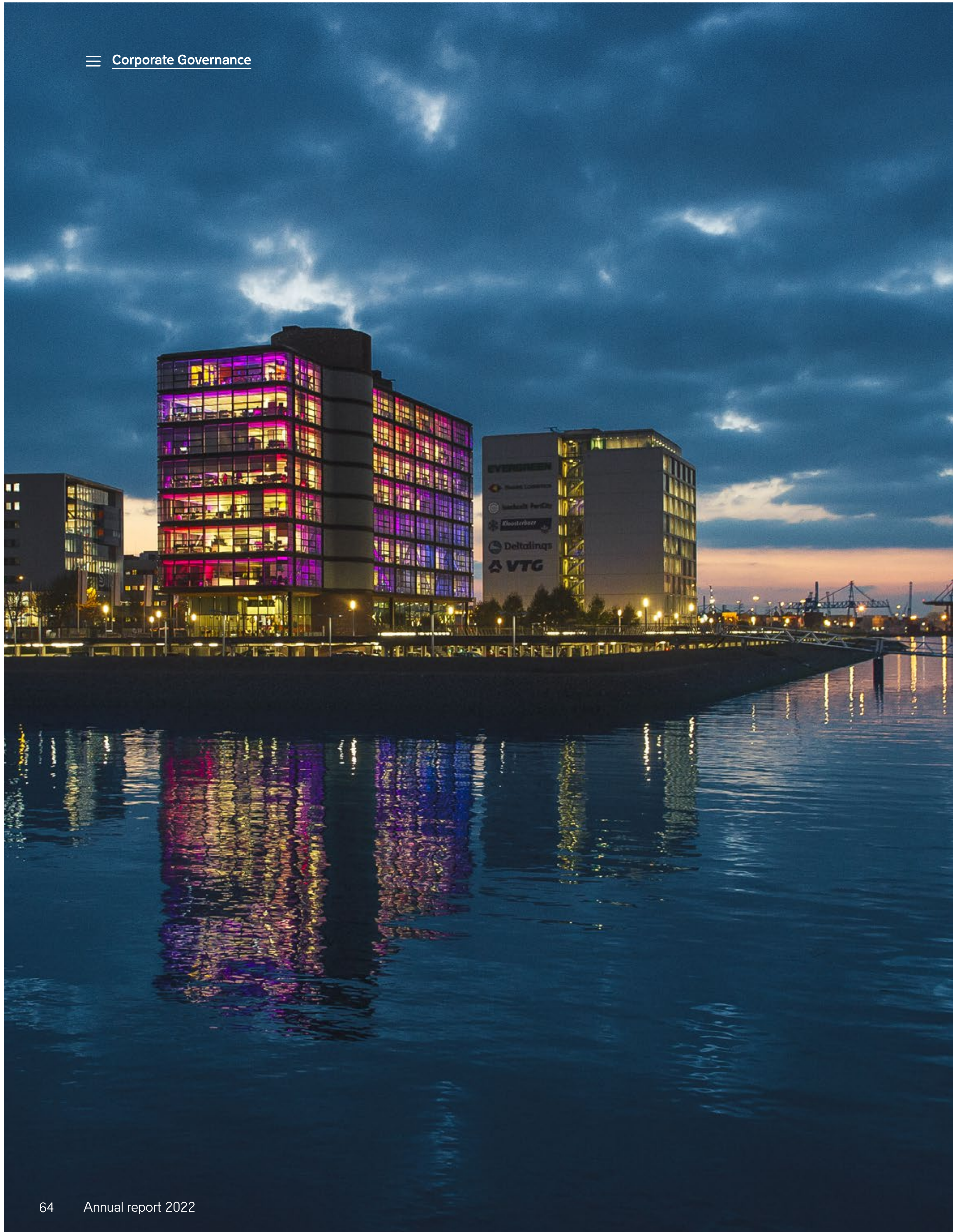
Geopolitical events Russian invasion of Ukraine

Significant uncertainty remains regarding possible outcomes of the war in Ukraine, and associated impacts on the European and global energy markets. During 2022, VARO's manufacturing activities operated at planned capacity and we maintained continuity of crude sourcing and supply of our products to our customers.

VARO has acted proactively by substituting Russian crude oil with other crudes as from the start of the conflict on 24 February 2022 and fully applies all relevant sanction regimes.

We have established a cross-functional internal team to closely monitor developments and to ensure compliance with sanctions across our business. The team continuously assesses risk implications and mitigating actions to manage continuity of crude procurement and supply of products to our customers, optimisation of our market positions and inventory levels to ensure effective risk management, assessing funding implications in order to maintain sufficient liquidity, and increased focus on credit and performance risk exposures.

Corporate Governance



Corporate Governance

The following pages summarise the constitution and operations of VARO's corporate governance. This is based on the provisions of Dutch law, VARO's Articles of Association and the applicable Shareholders' Agreement.

Management structure

The Group has a two-tier board structure consisting of the Executive Board (EB) and the Supervisory Board (SB). The EB is responsible for operational management of the Group's activities and comprises of seven members. Four EB members together form the legal Management Board of the Company. The management board is the executive body (bestuur) and is responsible for the day-to-day management of the Company. The SB (raad van commissarissen) supervises and advises the EB (and therefore the Management Board).

The Company is not subject to a mandatory Dutch law 'large company regime' (structuurregime) and does not apply the large company regime on a voluntary basis.

Supervisory Board

Powers, responsibilities and functioning

Pursuant to the Articles of Association, the SB may adopt rules and regulations, allocating duties to one or more Supervisory Directors and regulating any subjects it deems necessary or appropriate.

The Shareholders' Agreement states that the SB must consist of five individuals who are Non-Executive Directors ('the Supervisory Directors').

The General Meeting appoints the Supervisory Director, pursuant to and in accordance with the Articles of Association and the Shareholders' Agreement.

Audit Committee

The Audit Committee consists of SB Directors or their representatives, with at least three members. The members of the Audit Committee, its Chair, Vice-Chair and Secretary are appointed by the SB.

The Audit Committee meets at least four times a year and when a member requests a meeting. In addition, the Audit Committee must meet before the annual results are published.

Meetings are called in writing by the Audit Committee Secretary in consultation with the Audit Committee Chair. The External Auditors may, under special circumstances, request a special meeting with the Audit Committee. Subject to applicable law and regulations, the Audit Committee may occasionally decide at its sole discretion not to comply with the charter of the Audit Committee.

The Audit Committee's responsibilities include:

- Monitoring the performance of the Executive Board with respect to:
  - Relationship with, and compliance with recommendations of the Internal and External Auditors;
  - Group funding;Application of information and communication technology by the Group, including risks relating to cyber-security;
  - The Group's tax policy;
  - Legal and Compliance policies;
  - ESG reporting activities;
- Informing the SB of the statutory audit outcome, including an explanation of how the statutory audit has contributed to the integrity of financial reporting and the role of the Audit Committee in that process;
- Monitoring the Group financial reporting process and making proposals to ensure its integrity, quality and improvement;
- Monitoring the effectiveness of the internal audit, controls and risk management systems in relation to Group financial reporting;
- Monitoring the statutory audit of the annual accounts and the consolidated accounts, especially the effectiveness of the performance of the audit;
- Reviewing and monitoring the External Auditors, especially with respect to providing additional services;
- Determining the procedure for selecting External Auditors and nominating performed statutory audits;
- Recommendations regarding the appointment and dismissal of the senior Internal Audit function to the SB, and reporting annually to the EB on the performance of the Internal Audit function.

Remuneration Committee

The Remuneration Committee consists of SB Directors or their representatives, with at least three members. The members of the Remuneration Committee, its Chair, Vice-Chair and Secretary are appointed by the SB.

The Remuneration Committee's responsibilities include:

- Determining, agreeing, and developing VARO's Executive and Senior Management Remuneration policy;
- Determining specific remuneration packages for VARO's Executive Directors, including (but not limited to) basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentives, pension and other benefits;
- Determining criteria to measure Executive Directors and senior management's performance in discharging functions and responsibilities;
- Succession planning, particularly for Executive Directors and Senior Management;
- Preparing nominations and approvals of Executive Board members;
- Supervising policies for Senior Management selection criteria and appointments by the Executive Board;
- Reviewing and agreeing significant changes to remuneration packages and periodical amendments of key employment terms across VARO.

Supervisory Board

Marcel van Poecke
Chairman

Marcel van Poecke has more than 30 years of experience in the energy sector.
He is the Chairman of AtlasInvest, a private holding company he founded in 2007.
AtlasInvest is engaged in investments across the broad energy spectrum.
He is Chairman of Carlyle International Energy Partners (CIEP). Previously he was Head of CIEP from 2014 – 2022.
CIEP focuses on the energy sector outside North America with a particular focus on oil and gas: upstream, midstream, downstream and oil field services.

Marcel van Poecke is also the Chairman of ONE-DYAS, Chairman of VARO, Vice Chairman of CEPSA, Co-chairman of TES, Vice Chairman of Energy Intelligence Group and non-executive Director of Discover Exploration, Assala, Neptune, SierraCol and Black Sea Oil & Gas.

He also serves on the Board of Trustees of WCS in New York, The Wildlife Conservation Society.

Marcel van Poecke has a degree in Agricultural Business Administration from the University of Wageningen and a Master in Business Administration from the William E. Simon School of Management of the University of Rochester, USA.

Russell Hardy

Russell Hardy is CEO of Vitol, a global energy company with revenues of over $140 billion and an asset portfolio spanning power, oil, gas production, energy retail and renewables.

Russell has over 30 years' experience within the energy industry, joining Vitol in 1993 from BP.

He has held a number of trading and management roles in Singapore and London and holds a MEng in Chemical Engineering from Imperial College, London.

Joost Dröge

Joost Dröge is a Managing Director for Carlyle International Energy Partners (CIEP). Joost Dröge is based in Brussels.

Prior to CIEP, he was a partner of AtlasInvest, a private investment company majority-owned by Marcel van Poecke. Between 1999-2007, Joost was Director of Corporate Strategy at the refining company, Petroplus, where he had both M&A as well as operational responsibilities. His career in the energy sector started in 1993 as an oil trader.

He has a degree in chemistry from the University of Utrecht (NL).

Besides being an SB member, Joost is also a member of the VARO Remuneration Committee.

Bendik Dahle

Bendik Dahle is a Director for Carlyle International Energy Partners (CIEP). He is based in London.

Bendik brings significant M&A experience in the energy industry, including CIEP's investments in Assala Energy, Nouryon and CEPSA. He also holds expertise in commodity price risk management and financing, having successfully financed and refinanced a number of CIEP portfolio companies.

Prior to joining Carlyle in 2016, Bendik worked in the Investment Banking Division at Goldman Sachs in London where he worked on a range of M&A transactions and capital raisings in the energy sector.

Bendik received a BSc in Economics from the University of Warwick.

Besides being an SB member, Bendik is also a Chairman of the VARO Audit Committee.

Jay Gleacher

Jay joined Vitol in 2009 and is focused on investment opportunities in Europe, Africa and Latin America. Prior to joining Vitol, Jay worked in Morgan Stanley's Investment Banking Global Energy Group. Jay holds a B.A. in International Relations from the University of Pennsylvania.

He is currently Investment Director and Partner at Vitol, based in London.

Besides being an SB member, Jay is also a member of the VARO Audit Committee and Remuneration Committee.

Executive Board

Management board meetings and decision-making

The Executive Board (EB) is entrusted with the operational management of the Group and is responsible for the continuity of the Group under the supervision of the SB. The EB meets on a weekly basis.

The EB's responsibilities include:

- Setting VARO's management agenda;
- Developing a vision on how VARO creates long-term value;
- Developing VARO's strategy and presenting written information to the SB at least once a year, on VARO's strategy, general and financial risks, its management and control systems;
- Enhancing VARO's performance;
- Identifying, analysing and managing risks associated with VARO's strategy and activities;
- Establishing and implementing internal procedures, so all relevant information is known to the EB and the SB in a timely manner;
- Providing the SB with timely information necessary to perform its duties.

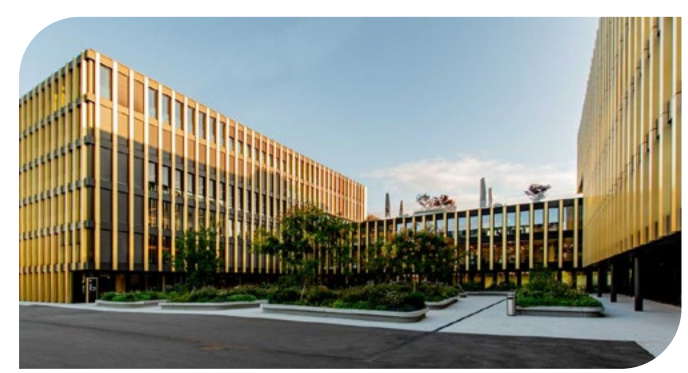
The EB may perform all acts necessary or useful for achieving VARO's purpose, except for those expressly attributed to the General Meeting or the SB as a matter of Dutch law or pursuant to the Articles of Association. In fulfilling their responsibilities, EB members must act in VARO's interests, and pay specific attention to the interests of VARO's employees, shareholders, lenders, customers, suppliers and other stakeholders

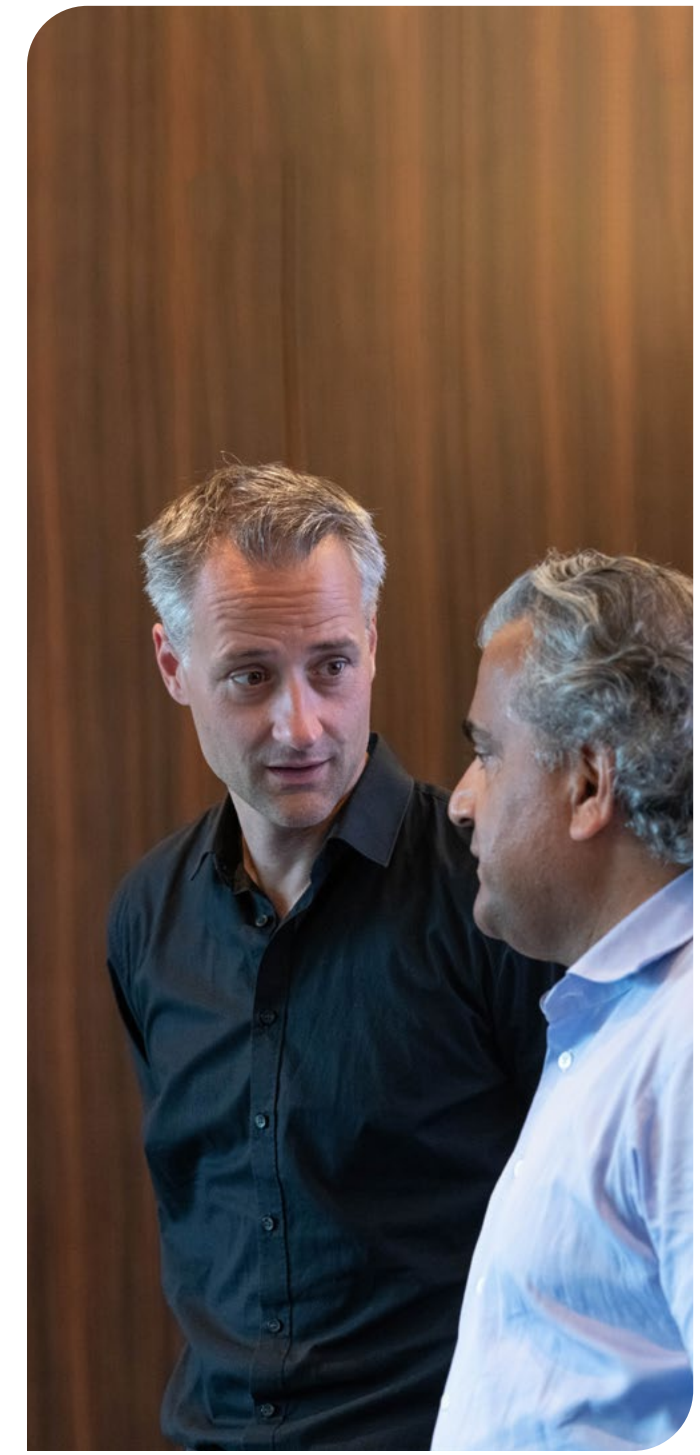
The Management Board (MB) comes together during Executive Board meetings and its members are in frequent contact as required to fulfil their duties. The MB must meet whenever one of its members calls for a meeting.

MB resolutions are adopted by a majority vote of the managing directors present or represented.

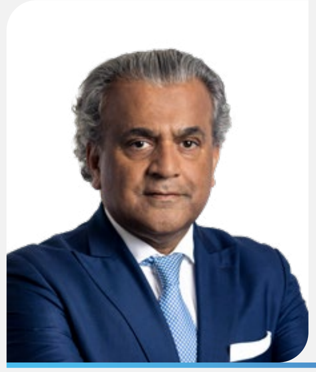
Resolutions of the MB identified in the Articles of Association, the Shareholders' Agreement or identified pursuant to a SB resolution from time to time based on the relevant provisions in the Articles of Association, require the prior approval of the SB or at the General Meeting.

In each of the above-mentioned situations, the absence of approval (whether from the General Meeting or from the SB) does not affect the MB's authority or the Managing Directors to represent VARO. Subject to certain statutory exceptions, the MB is authorised to represent VARO. Additionally, two MB members are jointly authorised to represent VARO.





Executive Board



Dev Sanyal
CEO

Dev Sanyal is Chief Executive Officer of VARO Energy, based in Zug, Switzerland. He was appointed to this role effective 1 January 2022.

Until 31 December 2021, Dev had a 32-year career with bp plc including over a decade as a member of the group executive committee and headed gas and low carbon energy globally. Prior to this, he was chief executive, alternative energy and also accountable for bp's Europe and Asia regions.

Dev joined bp in 1989 and held a variety of international roles in London, Athens, Istanbul, Vienna and Dubai. Prior to joining the Group Executive Committee, he held the roles of group treasurer and chairman of bp Investment Management and Arco Aluminium, chief executive, Air bp International and chief executive, bp Eastern Mediterranean.

Dev is an independent non-executive director on the board of M&G plc; a member of the energy advisory board of the Government of India; the advisory board of the Centre for European Reform; and the board of overseers of The Fletcher School of Law and Diplomacy, Tufts University, where he obtained a master's degree in economics and politics. He is a Fellow of the Energy Institute.

He was an independent non-executive director of Man Group plc (2013-2022); Accenture Global Energy Board (2012-2019); Vice Chairman, Centre for China in the World Economy, Tsinghua University (2014-2019); The Duke of Edinburgh's International Award Foundation Business Leaders Group (2012-2015); and Trustee of the Career Academy Foundation (2007-2013).

Rick Klop
EVP CFO

Rick Klop joined VARO in 2015 as part of the merger with Argos, where he had been on the Board of Directors since 2009. Rick brings 17 years of experience in the mid- and downstream oil business, where he has held different leading and directing roles in Supply Trading & Bunkering, Strategy & Investments and Finance (CFO).

His main areas of expertise are within oil, trading, commodities, oil logistics, oil marketing, retail, M&A, finance, risk management, general management. In his previous role as Country Manager, Rick led VARO's activities in Benelux and France, as well as looking after the Retail Strategy for the Group of VARO Energy. In June 2020 Rick took over the role as VARO's Chief Financial Officer.

Rick holds a Master of Science degree in Business Administration (2001) and an executive master of financial management degree (2006), both from the Erasmus University in Rotterdam.

Julian Stoll
EVP COO

Julian Stoll joined VARO in March 2020 as the company's first Chief Operating Officer. Before this appointment, Julian served a number of Vice President roles within Phillips 66, including Vice President Business Transformation and Vice President Refining Operations. He has over 30 years of experience in multiple senior management positions with Conoco, ConocoPhillips, and Phillips 66, based equally between the UK and North America.

During the past three decades, he gained profound experience in operational excellence, refinery and downstream commercial operations, and business transformation.

He earned a Bachelor of Engineering degree in Chemical and Bio Process Engineering with firstclass honours from the University of Bath, UK.

Ernestina Benedetto
EVP Strategy and Transformation

Ernestina Benedetto joined VARO's M&A and Strategy team in 2018. She brings more than 10 years of experience in M&A, strategy and corporate development across different industries and geographies (Europe, Asia and Latin America).

She started her career in M&A advisory in Argentina, and then moved to corporate development and strategy roles in Singapore and Switzerland.

She holds a degree in Economics and an MBA from INSEAD.

Gilles Vollin
EVP Integration and Capability

Gilles Vollin has more than 30 years of experience in the energy industry. During his career, he has developed extensive knowledge in refinery operations, safety and reliability management, economics optimisation and asset strategy development.

After leading the Berre Refinery (France) he became Director of the Cressier refinery (Switzerland). In 2012, he acted as Chairman of the Board of Directors of the Petroplus Cressier Refinery and Pipeline companies in composition proceedings until the successful sale of the assets. In 2015, he became VARO's HR & HSEQ Director and since 2022 he assumes the role of EVP Integration and Capability, responsible for organisation and people development, new capabilities, and the positioning of the company.

Gilles holds a degree from the École Polytechnique, France and a Master in Energy Management and Policy from the University of Pennsylvania.

Theo Pannekeet
EVP New Energies and Innovation

Since the merger of VARO Energy and Argos in 2015 Theo Pannekeet has been Product Trading director and in 2018 switched over to lead the Renewables activities of the group. He started working in the oil business in 1998, initially at Petroplus Tankstorage and later on for physical oil broker company Starsupply. In the role of Product trader Theo joined Van der Sluijs, a precursor company of VARO, in 2008, which after several mergers (North Sea Group and Argos) became VARO Energy.

As from 2014 he changed his role as Product trader for a position in the Management Team to lead the Wholesale, Product Trading, Biofuels and Logistic activities/teams of Argos in the Benelux, Germany and France. His background of exposure management, (international) oil market expertise and renewables, linked to his extensive knowledge of several other key business areas/assets make him a major contributor to the success of VARO Energy.

Theo holds a Bachelor of Commerce from InHolland Hogeschool in Rotterdam.

Jeremy Baines
EVP Customers, Trading and Commercial Optimisation

Jeremy Baines joined VARO in August 2022 in the position of Executive Vice President – Customers, Trading and Commercial Optimisation and is based in Zug.

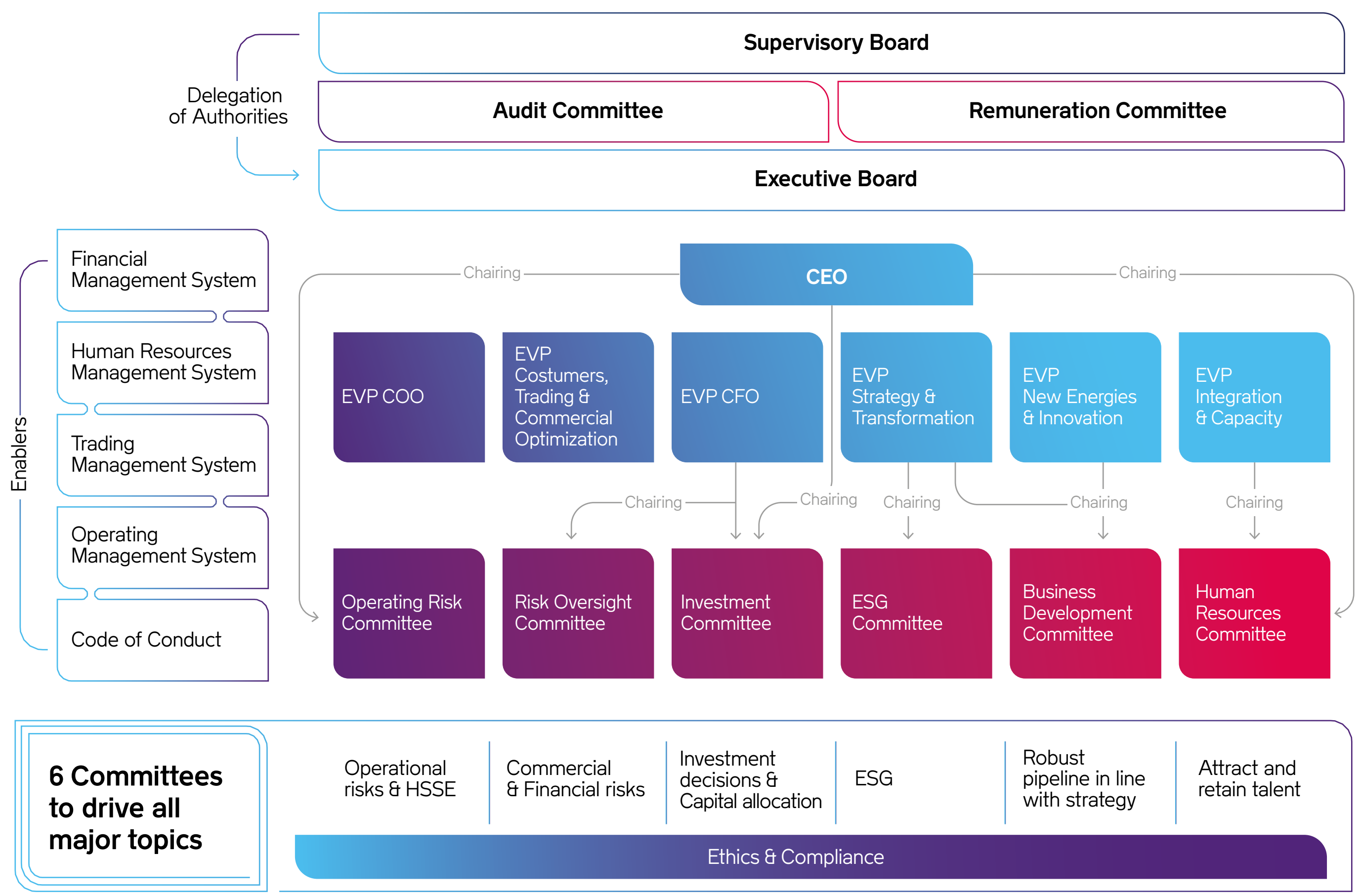
In this role, he oversees trading, sales, marketing and commercial teams and is responsible for driving the customer value proposition which is at the heart of the ONE VARO Transformation strategy.

Prior to this, Jeremy served Neste for nearly two decades, in senior commercial and leadership positions in Geneva, London, Brussels and Houston. Most recently, he held the position of President of Neste, US, Inc.

His knowledge of the renewable fuels sector, experience in developing first-class customer solutions and exceptional track record in growing businesses will be invaluable as VARO accelerates its journey to be a European energy transition leader.

Jeremy began his career as an LPG trader in both London and Brussels and holds a BS in Economics from City University, London, UK.

Internal Governance Structure



To facilitate VARO's strategy, business development and to implement effective decision making, we have established the following committees:

Operating Risk Committee (ORC): oversees the operational risks affecting VARO's activities related to health and safety, the environment, integrity and the process safety aspects of operating manufacturing, tank storage and logistics activities. The ORC sets regulations, procedures, and runs a control network to mitigate exposure to risk. VARO's CEO chairs the ORC.

Risk Oversight Committee (ROC): oversees and manages market risks (i.e., commodity and fixed price fluctuations, foreign exchange risk), commercial risks (i.e., commercial credit risk, insurance policy), liquidity risks (i.e., short, mid- and long-term) and compliance risks (i.e., from sanction restrictions, money laundering). VARO's CFO chairs the ROC.

Investment Committee (IC): approves relevant capital investments and assesses their alignment with VARO's mission, values, strategic goals (including ESG strategic goals), and performance expectations. The CEO and CFO jointly chair the IC.

ESG Committee (EC): oversees the implementation and effectiveness of VARO's ESG programmes, including overall target setting and achievements. The ESG Committee follows up on the achievement of climate change-related targets (such as emissions), and monitors risk exposures based on ESG reporting activities. The EVP Strategy & Transformation chairs the EC.

Business Development Committee (BDC): assesses potential business initiatives that align with VARO's strategic goals, including the ESG strategy. The EVP Strategy & Transformation and the EVP New Energies and Innovation jointly chair the BDC.

Human Resources Committee (HRC): oversees VARO's capability to attract and retain employees and manages corporate social responsibility. The CEO and EVP Integration & Capability jointly chair the HRC.

These Committees meet on a monthly basis, with additional ad-hoc meetings as required. We have designed support systems for corporate governance to function smoothly and effectively, including IT systems dedicated to respective functions supervised by the Committees, and our Code of Conduct. The Code is an overarching set of principles that guide VARO's stakeholder interactions, ensuring the protection of our reputation for honesty, integrity and reliability.

VARO's governance system is designed to cover topics of material importance to VARO and our stakeholders. For example, the ORC oversees issues related to health and safety, and issues related to our environmental material topics located in the Environmental pillar of our ESG strategy.

The ORC also investigates risks and opportunities linked to decarbonisation as it pertains to the operation of VARO's production assets. The BDC directs the selection of business opportunities (approved by the IC) that support the achievement of targets and ambitions set forward in the ONE VARO Transformation strategy.

The ROC investigates approaches to mitigate commodity-related risks for fossil fuels, biofuels, and feedstock linked to regulations and policies aiming to tackle climate change. The HRC acts to fulfil objectives to improve performance in topics detailed in the Social section of our ESG strategy, including employee satisfaction and development, diversity and inclusion, human rights, non-retaliation and grievance mechanisms, and local community engagement.

VARO has an established internal control system with entity level controls. This primary set of corporate governance controls define our corporate values, and are periodically assessed by our Audit Committee. For example, our CFO is responsible for ensuring that all key decisions and approvals are documented in line with the scheduled delegation of authorities; the Audit Committee is responsible for validating that an appropriate annual business risk assessment has been performed; and the EB is responsible for ensuring that VARO and our employees work in line with relevant compliance and regulatory policies.

Integrated business model

VARO conducts its business through Group companies acting as one entity. The Group's holding company is VARO Energy BV, based in the Netherlands. The Group operational headquarters company is VARO Energy Marketing AG (VEMAG), in Switzerland. VEMAG manages the Group's main financial risks, holds inventory, finances working capital and recognised associated rewards. All other companies perform well-defined services for the Group following OECD guidance for correct transfer pricing of intra-group services. This is VARO's integrated business model.

As part of the risk management for the projects and activities that VARO undertakes, VARO has a delegation of authority framework, which outlines the execution authority level of Executive Board members and their team. For each of the following 19 categories of business activities, VARO has determined authorisation levels within certain value and time limits. This framework restricts contract execution, operation and risk mitigation to individuals with an appropriate level of experience.

VARO's 19 categories of business activities

01 Annual budget and plan
02 Operational expenditures
03 Capital expenditures
04 Inventory price risk
05 Refinery margin risk
06 Foreign exchange risk
07 Changes to compulsory stocks
08 Hydrocarbon contracts
09 Storage contracts
10 Non-hydrocarbon contracts
11 New counterparty approval
12 Credit and collections
13 Insurances
14 Financing
15 Operations
16 Legal
17 Communications
18 Employees
19 Retail specific contracts

VARO's policies

VARO is committed to conduct its business with a goal of Zero Harm to people, to protect the environment and to respect its neighbours.

VARO ensures all employees and contractors working on its projects are constantly aware of safety risks and the need to always work safely. To maintain awareness at a high level, we circulate safety rules in leaflets and posters in all workplaces using clear and consistent warning icons. We constantly monitor close compliance with these rules, and the Safety Manager provides regular reports on safety to the Boards of the Company.

For most of our operations, VARO's management system is based on the International Standards Organisation's (ISO) 9001 for Quality Management Standards and ISO 14001 for Environmental Management Systems.

Reporting incidents

VARO's culture supports registering and reporting all HSSE incidents. The trends and statistics derived from these registrations are reported back to our senior management. Based on this information, a VARO's HSSE director issues a monthly HSSE summary to the EB. This summary describes HSSE trends and statistics for VARO in specific areas. The SB is updated on HSSE trends and statistics on a quarterly basis and, where necessary, on individual incidents.

VARO seeks to secure appropriate protection from environmental liabilities through contractual liability limitations in its agreements with its customers and by maintaining insurance coverage. Such insurance and contractual limitations on liability may not, however, adequately protect VARO against all environmental liabilities to which we may be exposed.

Appendix

Definitions

Underlying EBITDA – means the total consolidated profit of the Group for the period before taking into account:
- Interest expense, with the exception of interest expenses incurred on the working capital borrowing base facility;
- Tax;
- Any share of the profit of any associated company or undertaking, except for dividends received in cash by any member of the Group;
- Unrealised gains or losses in open refining margin oil derivative transactions;
- Exceptional items (any one-off, non-recurring or extraordinary items including impairments);
- Gains or losses on foreign currency transactions and translations;
- Depreciation and amortisation,

and taking into account:
- Without double counting the expenses arising from lease agreements which would be treated in accordance with IFRS prior to IFRS 16 effective date as operating leases;
- Unrealised gains or losses on flat price oil derivative transactions.

ROACE – means the ratio of underlying EBIT to average capital employed adjusted for goodwill from acquisitions and fair value gains on fix asset bargain acquisitions in amount of $188 million.

Net Debt – means the aggregate amount of all obligations in respect of borrowings including capitalised value of leases but excluding:
- iIntercompany borrowings within the Group;
- Obligations with respect to new equity injections (to the extent they are borrowings);
- Amounts attributable to third parties with a minority interest in a subsidiary;
- Cash and cash equivalents;
- Borrowings under the Carbura loan facilities;
- Borrowings under the Borrowing Base Facility.

Leverage – means the ratio of total net debt to EBITDA.

Financial statements

Consolidated financial statements of the VARO Group

Group income statement

For the year ended 31 December

	Note	2022	$ million 2021
Revenue from contracts with customers	4	**26,035**	**15,860**
Purchases		(23,859)	(14,691)
Production and manufacturing expenses		(293)	(278)
Transportation and other costs		(323)	(221)
Oil derivative transactions		(415)	(209)
Gross margin		**1,145**	**461**
Other income	5	9	16
Selling, general and administrative expenses		(262)	(175)
Working capital financing costs(1)		(25)	(9)
Management Equity Plan (expense) benefit	25	(57)	(4)
EBITDA[1]		**810**	**289**
Depreciation and amortisation	8, 9, 20	(254)	(230)
Operating income		556	59
Interest and finance charges		(9)	(20)
Foreign currency translation losses		19	31
Share in the result of associates		(1)	1
Profit before taxation		**565**	**71**
Taxation	6	(80)	(10)
Profit for the year after taxation		**485**	**61**
Attributable to:			
Equity holders of the parent		485	61
Non-controlling interests		-	-
		485	**61**

Group statement of comprehensive income

For the year ended 31 December

	Note	2022	$ million 2021
Profit for the year after taxation		**485**	**61**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange gains (losses) on translation of foreign operations		(28)	(12)
Income tax relating to items that may be reclassified		-	(2)
		(28)	(14)
Items that will not be reclassified to profit or loss			
Remeasurements of the net pension and other post-retirement benefit liabilities or assets		64	48
Income tax relating to items that will not be reclassified	6	(17)	(9)
		47	39
Other comprehensive income (expense)		19	25
Total comprehensive income		**504**	**86**
Attributable to			
Equity holders of the parent		504	86
Non-controlling interests		-	-
		504	**86**

[1] see Note 29.5 – Significant accounting policies

Group balance sheet

At 31 December

	Note	2022	$ million 2021
Non-current assets			
Property, plant and equipment	8	1,337	1,378
Right-of-use assets	20	157	181
Goodwill	9	264	268
Other intangible assets	9	63	64
Investments in associates		9	9
Compulsory long-term inventories	10	25	35
Derivative financial instruments	18	7	1
Other non-current assets	10	4	3
Long-term receivables from related parties	22	2	22
Deferred tax assets	6	21	26
		1,889	1,987
Current assets			
Inventories	11	1,949	1,481
Trade and other receivables	12	1,705	1,494
Receivables from related parties	12	22	34
Derivative financial instruments	18	22	51
Prepayments	12	37	43
Income tax receivables	12	11	-
Cash and cash equivalents	13	237	69
		3,983	3,172
Total assets		**5,872**	**5,159**
Equity			
Shareholders' equity	26	1,606	1,252
Non-controlling interests		-	-
Total equity		1,606	1,252
Non-current liabilities			
Finance debt	14	300	366
Lease liabilities	20	116	139
Deferred tax liabilities	6	97	93
Employee benefit liabilities	16	199	259
Other provisions	15	48	47
Derivative financial instruments	18	3	7
Other payables		-	-
		763	911
Current liabilities			
Trade and other payables	17	683	435
Payables to related parties	17	182	319
Derivative financial instruments	18	81	70
Other provisions	15	-	-
Accrued liabilities	17	1,783	1,493
Finance debt	14	632	586
Lease liabilities	20	46	51
Income tax payables	17	96	42
		3,503	2,996
Total equity and liabilities		**5,872**	**5,159**

Group statement of changes in equity

$ million

	Paid-up share capital	Share premium	Retained earnings	Other reserves	Foreign currency translation reserve	VARO Energy share-holders' equity	Non-controlling interests	Total equity
At 1 January 2022	**-**	**780**	**510**	**(41)**	**3**	**1,252**	**-**	**1,252**
Profit for the year	-	-	485	-	-	485	-	485
Creation of Legal reserve fund	-	-	-	-	-	-	-	-
Other comprehensive expense	-	-	-	47	(28)	19	-	19
Total comprehensive income	-	-	485	47	(28)	504	-	504
Capital distribution	-	(150)	-	-	-	(150)	-	(150)
At 31 December 2022	**-**	**630**	**995**	**6**	**(25)**	**1,606**	**-**	**1,606**
At 1 January 2021	**-**	**780**	**451**	**(80)**	**15**	**1,166**	**-**	**1,166**
Profit for the year	-	-	61	-	-	61	-	61
Creation of Legal reserve fund	-	-	(2)	2	-	-	-	-
Other comprehensive expense	-	-	-	37	(12)	25	-	25
Total comprehensive income	-	-	59	39	(12)	86	-	86
Capital distribution	-	-	-	-	-	-	-	-
At 31 December 2021	**-**	**780**	**510**	**(41)**	**3**	**1,252**	**-**	**1,252**

For further details see Note 7 and 22 in the Company financial statements.

Group cash flow statement

For the year ended 31 December

	Note	2022	$ million 2021
Operating activities			
Profit before taxation		**565**	**71**
Adjustments to reconcile profit before taxation to net cash provided by operating activities			
Depreciation and amortisation	8, 9, 20	254	230
Gain on disposals		(1)	(4)
Earnings from associates		-	(1)
Negative goodwill recognised during the year	5	-	-
Exchange adjustments		(19)	(31)
Finance costs		9	20
Interest paid including interest related to leases		(21)	(16)
Proceeds from insurance compensation for property damage		-	(36)
Deferred proceeds		-	-
Net charge (credit) for MEP liabilities	25	57	4
Net charge (credit) for provisions less payments	15	1	(3)
(Increase) decrease in inventories	10, 11	(458)	(524)
Decrease (increase) in current & non-current assets and liabilities		225	519
Income taxes received (paid)		(45)	(48)
Net cash provided by operating activities		**567**	**180**
Investing activities			
Capital expenditure	3, 8, 9	(155)	(170)
Proceeds from insurance compensation for property damage		-	36
Acquisitions, net of cash acquired	8, 9	(16)	(17)
Proceeds from disposals of business and fixed assets		2	2
Net cash used in investing activities		**(169)**	**(149)**
Financing activities			
Increase (decrease) of borrowing base facility	14	34	(74)
Capital distribution to shareholders	7, 22	(150)	-
Repayments of term loan bank financing	14	(36)	(60)
Increase (repayments) of loan to finance Swiss compulsory stocks	14	(16)	2
Increase in long-term debt	14	(12)	-
Increase in short-term debt	14	12	-
Loan refinancing fees paid		-	-
Repayments of lease liabilities for the principal amount	20	(62)	(55)
Net cash used in financing activities		**(230)**	**(187)**
(Decrease) increase in cash and cash equivalents		168	(155)
Cash and cash equivalents at the beginning of the year		69	224
Cash and cash equivalents at the end of the year	13	237	69

Notes to the consolidated financial statements

1. Basis of preparation

1.1. Corporate information

VARO Energy B.V. (the Company) is a limited liability company incorporated on 25 November 2013 and domiciled in the Netherlands with its registered office in Waalhaven Z.Z. 11, 3089 JH Rotterdam. (Chamber of Commerce number 59297247).

The Company is an integrated fuel supplier operating in Northwest Europe.

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were authorised for issue and signed on 19 April 2023 by the VARO Supervisory Board and the VARO Energy B.V. Management Board.

1.2. Information about the Group

The consolidated financial statements comprise of the financial statements of VARO Energy B.V. and its major subsidiaries including joint operations (VARO or the Group). VARO is equally owned by Vitol Refining Group B.V. (a wholly-owned subsidiary of the Vitol Group), CIEP II S.à.r.l., Luxembourg and CIEP Energy Transition B.V. (funds managed by the Carlyle Group).

Subsidiaries	% share 2022	% share 2021	Country of incorporation	Principal activities
VARO Energy Netherlands BV	100	100	The Netherlands	Marketing of oil products
VARO Energy Retail BV	100	100	The Netherlands	Marketing of oil products
VARO Energy Inland Bunkerservice BV	100	100	The Netherlands	Marketing of oil products
VARO Energy Tankstorage BV	100	100	The Netherlands	Logistics of oil products
VARO Energy Marketing AG	100	100	Switzerland	Crude oil supply and products marketing
VARO Refining (Cressier) SA	100	100	Switzerland	Refinery operations
VARO Energy Tankstorage AG	100	100	Switzerland	Logistics of oil products
VARO Energy Germany GmbH	100	100	Germany	Marketing of oil products
VARO Energy Refining GmbH	100	100	Germany	Refinery investment
VARO Energy Tankstorage GmbH	100	100	Germany	Logistics of oil products
VARO Energy Belgium NV	100	100	Belgium	Marketing of oil products
VARO Energy Tankstorage NV	100	100	Belgium	Logistics of oil products
Joint operations				
Bayernoil Raffineriegesellschaft mbH	51.43	51.43	Germany	Refinery operations

1.3. Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS as adopted by the European Union (EU) and in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The Company's income statement has been prepared in accordance with Section 2:402 of the Dutch Civil Code. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. The differences have no impact on the Group's consolidated financial statements for the years presented.

The consolidated financial statements have been prepared under the historical cost convention except for certain items measured at fair value. Those accounting policies have been applied consistently in all periods. Prior year comparatives have been reclassified when necessary. Reclassifications are an adjustment to presentation only and do not impact the net assets or net result of the Company. Management continually seeks to provide the reader with better, more useful, information and will reclassify comparatives when necessary.

The consolidated financial statements were prepared using the going concern assumption that the Group will continue in operation for the foreseeable future.

1.4. Functional and presentation currency

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest million dollars ($ million), except where otherwise indicated. US dollar is the Group functional currency.

Negative balances are presented in brackets.

1.5. Basis of consolidation

i. Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power over the investee and has the exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of these returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which effective control commences until the date at which control ceases.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to equity holders of the parent entity.

The financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses.

The purchase method of accounting is used to account for acquisitions of subsidiaries. The subsidiary acquisition cost is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Excess cost of the acquisition over the fair value of the Group's share of the identifiable net assets is recognised as goodwill.

ii. Joint arrangements
Arrangements under which VARO has contractually agreed to share control with another party or parties are joint ventures when the parties have rights to the net assets of the arrangement, or joint operations when the parties have rights to the assets and obligations for the liabilities relating to the arrangement.

The results, assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting. The Group's activities in Bayernoil refinery are conducted through joint operations. Each partner in the joint operation has access to assets in proportion to their respective shareholding. Each partner is responsible for procurement of their own crude oil for processing by the refining assets, and they take ownership of the resultant oil products. Governance of the refining assets, for example capital expenditure approval, is determined by the Shareholders' Agreement. All financial outcomes are shared in direct proportion to shareholdings, unless there are specific items relating only to particular partners. For this processing each partner pays a defined tolling fee. VARO recognises, on a line-by-line basis in the consolidated financial statements, its share of the assets, liabilities and expenses of these joint operations incurred jointly with the other partners along with the Group's income from the sale of its share of the output and any liabilities and expenses that the Group has incurred in relation to the joint operation.

iii. Associates
Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies. This is generally when the Group directly or indirectly holds between 20% and 50% of the voting

rights. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity-accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of its investment, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations in respect of the associate.

Under the equity method, the investment in the associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

1.6. Changes in significant accounting policies

Several amendments to IFRS standards and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. For more details please refer to note 29.20.

2. Use of judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures at the reporting date.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the recognition of financial items that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the significant accounting policies note and the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the significant accounting policies note and individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Russian invasion of Ukraine
VARO has established a cross-functional internal team to closely monitor developments and to ensure compliance with sanctions across our business. The team is also assessing the risk implications and mitigating actions to manage continuity of crude procurement and supply of products to our customers; optimisation of our market positions and inventory levels to ensure effective risk management; assessing funding implications in order to maintain sufficient liquidity; and increased focus on credit risk exposures.

Due to the nature and scale of the conflict, significant uncertainty remains on possible outcomes and associated impacts on European and Global economy, commodity prices, FX rates and inflation.

3. Significant transactions and events

Acquisition of 100% share in the Netherlands based Amsterdam Tank Terminal (provisional)
On 24 March 2022, VARO completed the acquisition of 100% shareholding in the Netherlands-based Amsterdam Tank Terminal. Through this acquisition VARO has strengthened the Company's position as an integrated logistics service provider to the downstream business across North West Europe, as well as further enhancing its existing distribution network and service capabilities within the Dutch market.

IFRS 3 allows entities to include a provisional purchase price allocation in its accounts provided that the Company performs a final allocation within 12 months after the acquisition date. As at the date of finalisation of the financial statements, not all necessary fair value valuations and other calculations had been finalised and hence the initial accounting for the acquisition has only been provisionally determined as at 31 December 2022.

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

	$ million
Non-current assets	
Property, plant and equipment	18
Intangible assets	-
Right of use assets	4
	22
Total assets	**22**
Non-current liabilities	
Asset retirement obligation	2
Lease liabilities	4
	6
Total liabilities	**6**
Total identifiable net assets acquired at fair value (provisional)	**16**
Goodwill arising on acquisition	6
Purchase consideration transferred	(22)
Transaction costs of the acquisition (included in cash flows from operating activities)	(2)

Goodwill of $6 million arises from expected synergies from the acquisition since this acquisition significantly strengthens VARO's distribution network. The goodwill is not tax-deductible.

The acquired business contributed revenues of $1 million to the Group for the period from 31 March 2022 to 31 December 2022. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $1 million.

"VARO has strengthened the Company's position as an integrated logistics service provider to the downstream business across North West Europe."

Jeremy Baines
EVP Customers, Trading & Commercial Optimisation, Management

4. Revenue

	2022	$ million 2021
Switzerland	3,523	2,265
Germany	11,409	6,300
Netherlands	4,286	2,895
Belgium	3,258	2,093
Rest of Europe	3,494	2,287
Rest of the world	65	20
Revenue from external customers	**26,035**	**15,860**

The geographical split above is based on the location of the customer. The Group has no customer exceeding 10% of total revenue. All of the Group's revenue is recognised at the time of title transfer.

5. Other income

	2022	$ million 2021
Property damage insurance compensation	-	-
Gain on bargain purchase	-	-
Gain on disposal of HCH	-	4
Other	9	12
	9	16

6. Taxation

Tax on profit	2022	$ million 2021
Current tax	80	41
Deferred tax	-	(31)
Tax charge on profit	**80**	**10**

Reconciliation of the effective tax rate	2022	$ million 2021
Profit before taxation	565	71
Less: gain arising on acquisition from a bargain purchase	-	-
	565	**71**
Applicable tax charge at Dutch statutory tax rate of 25.8%	146	18
Effect of taxes in foreign jurisdictions	(52)	(5)
Tax effect associated with differences in functional currency	3	7
Push down of management equity plan: difference in tax rate	(11)	-
Use of previously unrecognised losses	(9)	-
Recognition deferred tax assets	(2)	(26)
Non-recognised deferred tax assets	-	11
Differences due to final tax return prior years	(10)	3
Windfall taxes Belgium	20	-
Other permanent differences	(5)	1
Tax charge	**80**	**9**
Effective tax rate	14.16%	14.08%

The Group has refineries in Germany (Bayernoil) and Switzerland (Cressier) with significant non-monetary assets. Since these assets are respectively denominated in euros and Swiss francs for the tax calculation but in US dollars for IFRS, changes in the exchange rates gave rise to temporary differences that resulted in an increase of the deferred tax liability and a deferred tax income of $3 million in 2022 (2021 increase in liability and income $7 million). Without this effect, the Group's effective tax rate would have been 13.62% (2021 4.23%).

Deferred tax

Significant components of deferred tax assets and liabilities were as follows.

	Property, plant and equipment	Pension benefits	Losses carried forward	Derivative financial instruments	Other	Netting	$ million Total
At 1 January 2022							
Deferred tax asset	6	36	-	-	49	(65)	26
Deferred tax liability	(118)	-	-	-	(40)	65	(93)
Recognised in the year							
Acquisitions and disposals	-	-	-	-	-	-	-
Recognised in income	10	(1)	4	-	(13)	-	-
Recognised in other comprehensive income	-	(14)	-	-	-	-	(14)
Currency translation differences	(1)	(2)	-	-	8	-	5
	9	(17)	4	-	(5)	-	(9)
At 31 December 2022							
Deferred tax asset	11	19	4	-	37	(50)	21
Deferred tax liability	(114)	-	-	-	(33)	50	(97)
At 1 January 2021							
Deferred tax asset	3	45	-	-	17	(48)	17
Deferred tax liability	(129)	-	-	-	(31)	48	(112)
Recognised in the year							
Acquisitions and disposals	-	-	-	-	-	-	-
Recognised in income	6	(1)	-	-	26	-	31
Recognised in other comprehensive income	-	(7)	-	-	-	-	(7)
Currency translation differences	8	(1)	-	-	(3)	-	4
	14	(9)	-	-	23	-	28
At 31 December 2021							
Deferred tax asset	6	36	-	-	49	(65)	26
Deferred tax liability	(118)	-	-	-	(40)	65	(93)

7. Dividends

	2022	$ million 2021
Cash dividends on ordinary shares declared and paid	-	-
US dollars per share	-	-

8. Property, plant and equipment

	Land	Buildings	Refinery facilities	Storage and retail facilities	Fixtures, fittings and office equipment	Assets under construction	$ million Total
Cost							
At 1 January 2022	109	167	1,388	666	27	30	2,387
Acquisitions	5	1	-	14	-	-	20
Additions	-	4	28	24	7	80	143
Transfers	-	-	6	9	-	(15)	-
Disposals	-	(6)	(53)	(30)	(2)	(18)	(109)
Exchange adjustments	(5)	(7)	(39)	(33)	(5)	11	(78)
At 31 December 2022	109	159	1,330	650	27	88	2,363
Depreciation							
At 1 January 2022	-	88	618	297	6	-	1,009
Acquisitions	-	-	-	-	-	-	-
Charge for the year	-	11	104	47	7	-	169
Transfers	-	-	-	-	-	-	-
Disposals	-	(3)	(53)	(30)	(2)	-	(88)
Exchange adjustments	-	(5)	(38)	(17)	(4)	-	(64)
At 31 December 2022	-	91	631	297	7	-	1,026
Net book value at 31 December 2022	109	68	699	353	20	88	1,337

	Land	Buildings	Refinery facilities	Storage and retail facilities	Fixtures, fittings and office equipment	Assets under construction	$ million Total
Cost							
At 1 January 2021	115	159	1,316	671	25	40	2,326
Acquisitions	-	-	-	-	-	-	-
Additions	-	7	37	25	9	82	160
Transfers	-	1	83	10	(2)	(92)	-
Disposals	-	(1)	-	-	-	(1)	(2)
Exchange adjustments	(6)	1	(48)	(40)	(5)	1	(97)
At 31 December 2021	109	167	1,388	666	27	30	2,387
Depreciation							
At 1 January 2021	-	78	577	272	3	-	930
Acquisitions	-	-	-	-	-	-	-
Charge for the year	-	16	86	46	8	-	156
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Exchange adjustments	-	(6)	(45)	(21)	(5)	-	(77)
At 31 December 2021	-	88	618	297	6	-	1,009
Net book value at 31 December 2021	109	79	770	369	21	30	1,378

The proportion of electric vehicles is increasing, however, the relative share of electric vehicles compared to all vehicles remains insignificant. VARO is monitoring the developments and we currently conclude that electric vehicles currently do not impact its estimates regarding the useful lives of non-current assets.

For any pledges on property, plant and equipment or other assets, refer to Note 14.

Additions include $0 million (2021 $2 million) of additional decommissioning provisions.

9. Goodwill and intangible assets

Cost	Goodwill	Customer contracts	Other intangibles including software	Intangibles under development	$ million Total
At 1 January 2022	268	9	108	7	392
Acquisitions	3	-	3	-	6
Additions	-	-	1	11	12
Transfers	-	-	4	(4)	-
Disposals	(2)	-	(3)	-	(5)
Exchange adjustments	(5)	-	(4)	-	(9)
At 31 December 2022	264	9	109	14	396
Amortisation					
At 1 January 2022	-	8	52	-	60
Acquisitions	-	-	-	-	-
Charge for the year	-	1	14	-	15
Transfers	-	-	-	-	-
Disposals	-	-	(2)	-	(2)
Exchange adjustments	-	(1)	(3)	-	(4)
At 31 December 2022	-	8	61	-	69
Net book value at 31 December 2022	264	1	48	14	327

Cost	Goodwill	Customer contracts	Other intangibles including software	Intangibles under development	$ million Total
At 1 January 2021	264	9	98	8	379
Acquisitions	-	-	-	-	-
Additions	9	-	1	9	19
Transfers	-	-	10	(10)	-
Disposals	-	-	-	-	-
Exchange adjustments	(5)	-	(1)	-	(6)
At 31 December 2021	268	9	108	7	392
Amortisation					
At 1 January 2021	-	5	41	-	46
Acquisitions	-	-	-	-	-
Charge for the year	-	3	14	-	17
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Exchange adjustments	-	-	(3)	-	(3)
At 31 December 2021	-	8	52	-	60
Net book value at 31 December 2021	268	1	56	7	332

Goodwill is monitored by management at the level of the three operating segments. A segment-level summary of the goodwill allocation is as follows:

$ million	2022	2021
Germany	10	10
Switzerland	29	30
Benelux	225	228
	264	268

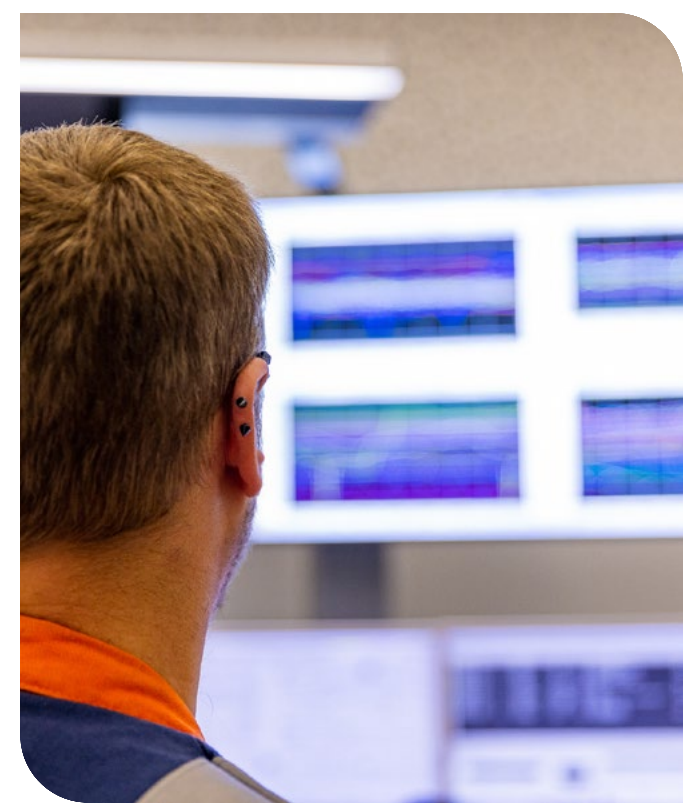
Impairment tests are performed based on forward looking assumptions, using the most recent available information. By their nature, these assumptions involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from the plans, goals and expectations set forth in these assumptions. Three key factors likely to have an impact, either positive or negative, are developments in fuel demand, legislation and the current energy transition.

While testing its goodwill for impairment the Group used the following key assumptions:

Cash generating unit	Pre-tax discount rate 2022	Pre-tax discount rate 2021	Long-term growth rate 2022	Long-term growth rate 2021
Switzerland	10.48%	8.91%	3.96%	1.90%
Benelux	10.90%	9.69%	3.96%	1.90%
Germany	11.86%	10.71%	3.96%	1.90%

Refining margin assumptions are based on forward crude oil and oil product prices and commercial optimisation benefits of the refineries. The refining margin in the value in use calculation is dependent on an expected increase in the refining margin following primarily improved middle distillate cracks, as result of returning jet fuel demand.

The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The calculations use cash flow projections based on financial budgets approved by Management and the Supervisory Board covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated above. These rates are consistent with forecasts included in industry reports. Pre-tax discount rates reflect specific risks relating to the relevant segments and the countries in which they operate.



Switzerland
Based on assumptions above, impairment testing led to a positive difference of $510 million (2021 $317 million) between the recoverable value and the carrying amount. Management has considered and assessed reasonably possible changes for key assumptions and has not identified any changes that would cause the carrying amount of the Swiss CGU to exceed its recoverable amount.

Benelux
Based on assumptions above, impairment testing led to a positive difference of $617 million (2021 $775 million) between the recoverable value and the carrying amount. Management has considered and assessed reasonably possible changes for key assumptions and has not identified any changes that would cause the carrying amount of the Benelux CGU to exceed its recoverable amount.

Germany
Based on assumptions above, impairment testing led to a positive difference of $1,995 million (2021 $585 million) between the recoverable value and the carrying amount. Management has considered and assessed reasonably possible changes for key assumptions and has not identified any changes that would cause the carrying amount of the CGU to exceed its recoverable amount.

10. Other non-current assets

	2022	$ million 2021
Swiss compulsory inventories	25	35
Other non-current financial assets	4	3
	29	**38**

Legal inventories held in Switzerland for compulsory stock obligation purposes are kept at historic, mandated prices as the price risk is borne by the Swiss state and these are considered de-facto as a non-current asset.

The Group is obliged in Switzerland to hold compulsory inventories to help safeguard the national energy supply. These inventories cannot be liquidated without government permission and are accordingly funded by a long-term loan from the government.

11. Inventories

	2022	$ million 2021
Crude oil	409	247
Refined petroleum products	971	637
CO_2 levy tickets (BEHG Germany)	410	338
Bio tickets other	131	233
Refinery spares	28	26
	1,949	**1,481**

In total $708 million of refining stock (2021 $462 million) is accounted for at fair value based on hedge accounting. An amount of $409 million (2021 $247 million) is related to crude oil and the remainder represents intermediate and refined product. As such they are categorised within level 2 of the fair value hierarchy.

Inventories at 31 December 2022 include no write-downs to net realisable value (2021 $0 million). In accordance with IAS 2, inventories in the Benelux and Germany value chains not related to our refineries are valued as trading inventories using quoted benchmark bid prices adjusted as appropriate for location and quality differentials. At year-end the value of these trading inventories was $1,133 million (2021 $915 million) and includes Bio tickets and CO_2 levy tickets. As such they are categorised within level 2 of the fair value hierarchy.

Where possible, the Group applies hedge accounting and accordingly inventories are stated at fair value.

Other than certain base levels of inventory that VARO maintains to operate its business efficiently, most of the Company's oil products inventories are readily marketable. For any pledges on working capital assets refer to Note 14.

12. Trade and other receivables

Receivables from related parties are explained in Note 22.

Other receivables principally comprise of prepaid expenses and indirect taxes. Provisions for impairments deducted from trade receivables amounted to $5 million (2021 $4 million).

As at 31 December 2022, the analysis of trade receivables that were past due but not impaired was as follows:

	2022	$ million 2021
Trade receivables	1,355	1,260
Contract assets	156	59
Other receivables	194	175
	1,705	1,494
Receivables from related parties	22	34
Income tax receivables	11	-
Prepayments	37	43
	1,775	**1,571**

Overdue trade receivables	2022	$ million 2021
Neither impaired nor past due	1,296	1,246
Allowance for doubtful debt	(3)	(4)
Not impaired and past due in the following periods		
Within 30 days	67	40
31-90 days	5	2
Over 90 days	12	10
Total, including receivables from related parties	**1,377**	**1,294**

Movement in allowances	2022	2021
At 1 January	4	7
Additions	5	1
Utilised	(6)	(4)
Released	-	-
At 31 December	**3**	**4**

13. Cash and cash equivalents

Cash includes $25 million (2021 $6 million) which is restricted for interest payments and repayment instalments of the term loan. Cash equivalents comprise restricted cash required to cover initial margin with banks that act as VARO's brokers on trading exchanges.

	2022	$ million 2021
Cash	27	10
Cash equivalents	210	59
	237	**69**

14.Finance debt

	2022	$ million 2021
Non-current		
Term loan	276	324
Loan to finance Swiss compulsory stock obligations	24	39
Other	-	3
	300	366
Current		
Borrowing Base Facility (BBF) liability	583	549
Term loan	48	36
Other	1	1
	632	586
Total debt	**932**	**952**
Less cash and cash-equivalents	(237)	(69)
Less loan to finance, and secured against, Swiss compulsory stocks	(24)	(39)
Less Borrowing Base Facility liability	(583)	(549)
Net debt	**88**	**295**

The term loan has a five year duration, maturing in October 2024. The repayment schedule is for 50% of the loan to be amortised on a straight-line basis over five years with a final bullet payment of the remaining 50% in October 2024. This loan has been agreed with a group of 11 lenders, with 1 new bank joining the facility. It carries interest at 3 month USD LIBOR plus 2.75%. The facility is secured against the shares of the Group's major subsidiaries (see Note 1.2). Refinancing of the term loan has been treated as an extinguishment of the previous loan facility and fees incurred in relation to the extinguishment have been recognised in the income statement under interest and finance charges.

On 22 August 2022 the Group increased its borrowing base facility nominal limit from $1.915 billion to $2.476 billion. The borrowing base facility has initial maturity in December 2023 and two extension options by one year. Interest is charged at USD SOFR plus 1.3%. The facility is used for working capital financing. The movements in the level of debt correlate directly with the level of working capital and hence the financing is presented as short-term debt. This facility is secured against working capital assets.

On 3 May 2022 the Group increased the $660 million guarantee facility to $710 million with a consortium of banks. This provides the Group with an efficient funding instrument to provide tax authorities, suppliers and other creditors with long-term guarantees. This facility is 40% secured in first rank and 60% secured in second rank against working capital assets. The maturity of the guarantee facility is December 2023.

In order for the Group to maintain Swiss compulsory stocks, the Swiss government has granted a facility of CHF22 million carrying interest at CHF SARON.

As at 31 December 2022, VARO had a credit line with Vitol for crude oil and oil products purchases up to $50 million.

At 31 December 2022 and 31 December 2021 the Group was in full compliance with all financing covenants (see Note 21).

	1 January 2022	Cash inflows	Cash outflows	Foreign exchange	LT/ST movement	$ million 31 December 2022
Non-current						
Term loan	324	-	-	-	(48)	276
Loan for Swiss compulsory stocks	39	-	(15)	-	-	24
Other	3	-	(3)	-	-	-
Obligations under finance leases	-	-	-	-	-	-
	366	-	(18)	-	(48)	300
Current						
BBF	549	34	-	-	-	583
Term loan	36	-	(36)		48	48
Obligations under finance leases	-	-	-	-	-	-
Short-term bank loans	1	-	-	-	-	1
	586	34	(36)	-	48	632
Total debt	952					932
Less cash and cash equivalents	(69)					(237)
Less loan for Swiss compulsory stocks	(39)					(24)
Less BBF	(549)					(583)
Net debt	**295**					**88**

	1 January 2022	Cash inflows	Cash outflows	Foreign exchange	LT/ST movement	$ million 31 December 2022
Non-current						
Term loan	372	-	-	-	(48)	324
Loan for Swiss compulsory stocks	37	2	-	-	-	39
Other	1	2	-	-	-	3
Obligations under finance leases	-	-	-	-	-	-
	410	4	-	-	(48)	366
Current						
BBF	624	-	(75)	-	-	549
Term loan	48	-	(60)		48	36
Obligations under finance leases	-	-	-	-	-	-
Short-term bank loans	-	1	-	-	-	1
	672	1	(135)	-	48	586
Total debt	1,082					952
Less cash and cash equivalents	(224)					(69)
Less loan for Swiss compulsory stocks	(37)					(39)
Less BBF	(624)					(549)
Net debt	**197**					**295**

Repayments of interest-bearing loans	2022	$ million 2021
2022	-	586
2023	632	90
2024	300	276
2025	-	-
2026 and thereafter	-	-
	932	**952**

The BBF finances current working capital and therefore its repayment is presented above as short-term.

15.Other provisions

	Decommissioning	Remediation	Other	$ million Total
At 1 January 2022	**34**	**10**	**3**	**47**
Addition	1	3	-	4
Release of unused provisions	-	-	(1)	(1)
Utilisation	-	-	-	-
Exchange adjustments	(2)	-	-	(2)
At 31 December 2022	**33**	**13**	**2**	**48**

	Decommissioning	Remediation	Other	$ million Total
At 1 January 2021	**36**	**11**	**3**	**50**
Addition	-	-	1	1
Release of unused provisions	-	-	(1)	(1)
Utilisation	-	-	-	-
Exchange adjustments	(2)	(1)	-	(3)
At 31 December 2021	**34**	**10**	**3**	**47**

Estimates of provisions are not sensitive to reasonable changes in any of their assumptions. The average maturity for the decommissioning provisions is estimated at 6 years (2021: 7 years). The provisions have been discounted with a rate of 2.9% (2021 2.9%).

16.Pensions and other post-retirement benefits

Employee benefit obligations

	2022	$ million 2021
Pensions	94	166
Management Equity Plan*	152	113
	246	**279**

* The Management Equity Plan for 2022 includes $47 million (2021: $20 million) which is reported on the Group balance sheet within the line item Accrued liabilities (current).

The Group has defined benefit pension plans in Switzerland and Germany and defined contribution plans in Netherlands, France and Belgium. The plans are governed by employment laws in each country.

In Switzerland pension plans are financed by contributions from employees and employer. Contributions are defined by the plan regulation and cannot be decreased without amending the plan regulations. The main pension plan of VARO Energy Group, and the pension plans for the management of VARO Energy Marketing AG and VARO Refining Cressier SA, are contribution-based. The plans contain a cash balance benefit formula. Under Swiss law, the pension fund guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the board of trustees.

At retirement date, members have the right to take their retirement benefit as an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the rules of the pension fund. The management of VARO Energy Marketing AG and VARO Refining Cressier SA are affiliated to the collective foundation AXA Fondation LPP Suisse Romande (collective foundation). According to IAS 19, the plan is classified as a defined benefit plan. The main plan is funded through a legally separate trustee administered pension fund (Pensionskasse VARO).

The Board of Trustees is responsible for the investment of the assets. Each year, the Board of Trustees reviews the level of funding in the Pensionskasse VARO pension plan as required by Swiss employment legislation. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. Since the pension liability is adjusted to the consumer price index, the pension plan is exposed to the country's inflation, interest rate risks and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares of entities in manufacturing and consumer products sector, the Group is also exposed to equity market risk arising in the manufacturing and consumer products sector.

In Germany, there are eleven different pension plans at Bayernoil. For employees who started working at Bayernoil after 2001, there is one single pension plan. Pension plans are completely financed by Bayernoil Raffineriegesellschaft GmbH. Retirement benefits are based on the employee's pensionable salary, length of service and other factors, depending on the pension plan. In most pension plans, no lump sum is intended. Retired German employees take pension benefits typically in the form of a monthly payment, calculated by an actuary based on the pension plan. Annually, accruals are calculated for pension plans considering German inflation. VARO's commitments to the Bayernoil pension plans are settled entirely via the refinery's processing fee. Since the pension liability is adjusted to the consumer price index, the pension plan is exposed to the country's inflation and changes in the life expectancy for pensioners. In case of insolvency, the "Pensions-Sicherungs-Verein (PSVaG)", a German society to insure pension plans, takes over.

Pension arrangements in the Netherlands are defined contribution. The Group pays a certain percentage of the salary as a pension contribution. The employee can choose how these contributions are invested and has all risks regarding the returns.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the balance sheet for the respective plans:

	2022	$ million 2021
Present value of obligations	(314)	(435)
Fair value of plan assets	240	269
Net defined benefit obligation	**(74)**	**(166)**

The German defined benefit plans are unfunded because in Germany no legal requirement exists to fund pension liabilities.

The movement in the defined benefit obligation for pension defined benefits is as follows:

	2022	$ million 2021
At 1 January	435	474
Liabilities acquired in a business combination	-	-
Current service cost	9	12
Interest cost	3	2
Benefits paid	(15)	(12)
Contributions by the plan participants	5	5
Actuarial (gain) loss:		
Experience adjustment	8	(13)
Change in actuarial assumptions	(115)	(13)
Exchange adjustments	(16)	(20)
At 31 December	**314**	**435**

The movement in the fair value of plan assets is as follows.

	2022	$ million 2021
At 1 January	**269**	**250**
Interest income	1	-
Benefits paid	(11)	(8)
Contributions by the plan participants	5	5
Contributions by the employer	6	6
Return on plan assets	(25)	23
Exchange adjustments	(5)	(7)
	240	**269**

For 2022 the fair value of the Swiss plan assets exceeds the defined benefit obligation with a surplus of $20 million. The overfunding does not give an entitlement for the employer to pay less contributions in the future. In accordance with IFRIC 14 the surplus that can be recognised in the balance sheet is limited to $0 million.

The weighted average duration of the defined benefit obligation for the various plans ranges between 12 and 20 years. Expected contributions to post-employment benefit plans for the year ending 31 December 2023 are $10 million.

The principal actuarial and other assumptions with respect to the defined benefit obligations were as follows:

	2022 VARO Switzerland	2022 Germany	2021 VARO Switzerland	2021 Germany
Discount rate 1 January	0.25%	1.20%	0.20%	0.80%
Discount rate 31 December	2.25%	3.70%	0.25%	1.20%
Inflation rate	1.00%	2.00%	1.00%	1.90%
Future salary increases	1.00%	3.00%	1.00%	3.00%
Future pension increases	0.00%	2.00%	0.00%	1.90%
Mortality rates table	BVG 2020 GT	Heubeck Richttafeln 2018 G	BVG 2020 GT	Heubeck Richttafeln 2018 G

The overall expected rate of return on assets is the same as the discount rate, applicable to the period over which the obligation is expected to be settled.

Split of plan assets

The major categories of plan assets for VARO Switzerland as a percentage of the fair value of total plan assets were as follows:

	2022	2021
Equities	29.00%	37.00%
Bonds	11.00%	15.00%
Cash and cash equivalents	6.00%	4.00%
Others (including real estate)	54.00%	44.00%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 is shown below for the main pension plans in Switzerland and Germany:

Sensitivity for Swiss pension plans

$ million	2022	2021
Future pension cost increase		
Service costs of next year with discount rate 0.25% increase	4	7
Service costs of next year with interest rate 0.25% increase	4	8
Discount rate		
Defined benefit obligation at 31 December with discount rate 0.25% decrease	227	294
Defined benefit obligation at 31 December with discount rate 0.25% increase	213	272
Interest rate for projecting savings capital		
Defined benefit obligation at 31 December with interest rate 0.25% decrease	218	280
Defined benefit obligation at 31 December with interest rate 0.25% increase	222	286
Future salary increases		
Defined benefit obligation at 31 December with salary change 0.25% decrease	219	282
Defined benefit obligation at 31 December with salary change 0.25% increase	221	284
Life expectancy		
Defined benefit obligation at 31 December with life expectancy increase 1 year	225	291
Defined benefit obligation at 31 December with life expectancy decrease 1 year	215	275

Sensitivity for German pension plans

$ million	2022	2021
Future pension cost increase		
Service costs of next year with discount rate 0.50% increase	1	5
Service costs of next year with interest rate 0.50% increase	1	3
Discount rate		
Defined benefit obligation at 31 December with discount rate 0.50% decrease	54	71
Defined benefit obligation at 31 December with discount rate 0.50% increase	50	64
Interest rate for projecting savings capital		
Defined benefit obligation at 31 December with interest rate 0.25% decrease	n/a	n/a
Defined benefit obligation at 31 December with interest rate 0.25% increase	n/a	n/a
Future salary increases		
Defined benefit obligation at 31 December with salary change 0.50% decrease	48	61
Defined benefit obligation at 31 December with salary change 0.50% increase	48	61
Life expectancy		
Defined benefit obligation at 31 December with life expectancy increase 1 year	51	66
Defined benefit obligation at 31 December with life expectancy decrease 1 year	n/a	n/a

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. It has been determined by changing the discount rate, the interest rate for projecting savings capital and the rate of salary increase by +/- 0.25% (+/- 0.50% for German plans) making an adjustment to the mortality rates so that the longevity increased/decreased by one year. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that only one assumption will change in reality.

17. Trade and other payables

$ million	2022	2021
Trade payables to third parties	683	435
Trade payables to related parties	182	319
Taxes other than corporation tax	646	729
Corporation tax payable	96	42
CO_2 levy	447	360
Other accrued liabilities	690	404
	2,744	**2,289**

Related parties Trade payables are explained in Note 22.

18.Derivative financial instruments

The following table shows the fair value of derivative assets and derivative liabilities, analysed by maturity period. This information is presented on a gross basis, that is, before netting by counterparty. The Group uses futures and swaps to mitigate commodity price and interest rate risks to cover inventory on hand and to safeguard refinery margins.

	2023	2024	2025	2026 and thereafter	$ million 2022 Total
Fair value of derivative assets gross					
Commodity / refinery margin swaps	-	-	-	-	-
Forward physical contracts	8	-	-	-	8
Interest rate swaps	7	-	-	7	14
Foreign exchange swap/forward contracts	7	-	-	-	7
Total	22	-	-	7	29
Less: netting by counterparty (where VARO has the right and intent to net)	-	-	-	-	-
Net assets	22	-	-	7	29
Fair value of derivative liabilities gross					
Commodity / refinery margin swaps	(46)	(3)	-	-	(49)
Forward physical contracts	(20)	-	-	-	(20)
Interest rate swaps	-	-	-	-	-
Foreign exchange forward contracts	(10)	-	-	-	(10)
Options	(5)	-	-	-	(5)
Total	(81)	(3)	-	-	(84)
Less: netting by counterparty (where VARO has the right and intent to net)	-	-	-	-	-
Net liabilities	(81)	(3)	-	-	(84)
Net fair value	**(59)**	**(3)**	**-**	**7**	**(55)**

	2022	2023	2024	2025 and thereafter	$ million 2021 Total
Fair value of derivative assets gross					
Commodity / refinery margin swaps	26	-	-	-	26
Forward physical contracts	24	-	-	-	24
Interest rate swaps	-	-	-	-	-
Foreign exchange forward contracts	1	1	-	-	2
Total	51	1	-	-	52
Less: netting by counterparty (where VARO has the right and intent to net)	-	-	-	-	-
Net assets	51	1	-	-	52
Fair value of derivative liabilities gross					
Commodity / refinery margin swaps	(4)	(3)	-	-	(7)
Forward physical contracts	(56)	-	-	-	(56)
Interest rate swaps	(1)	(4)	-	-	(5)
Foreign exchange forward contracts	(5)	-	-	-	(5)
Options	(3)	(1)	-	-	(4)
Total	(69)	(8)	-	-	(77)
Less: netting by counterparty (where VARO has the right and intent to net)	-	-	-	-	-
Net liabilities	(69)	(8)	-	-	(77)
Net fair value	**(18)**	**(7)**			**(25)**

19.Financial instruments and financial risk factors

The accounting classifications of each category of financial instruments, and their carrying amounts, are as follows.

	Financial assets at amortised cost	Derivative hedging instruments	$ million Liabilities at amortised cost
At 31 December 2022			
Financial assets			
Receivables	1,740	-	-
Prepayments	37	-	-
Derivative financial instruments	-	29	-
Cash and cash equivalents	237		-
Financial liabilities			
Trade and other payables	-	-	(2,648)
Derivative financial instruments	-	(84)	-
Finance debt	-	-	(932)
Lease liabilities	-	-	(162)
	2,014	**(55)**	**(3,742)**
At 31 December 2021			
Financial assets			
Receivables	1,550	-	-
Prepayments	43	-	-
Derivative financial instruments	-	52	-
Cash and cash equivalents	69		-
Financial liabilities			
Trade and other payables	-	-	(2,247)
Derivative financial instruments	-	(77)	-
Finance debt	-	-	(952)
Lease liabilities	-	-	(190)
	1,662	**(25)**	**(3,389)**

Financial risk factors

The Group is exposed to a number of different financial risks arising from natural business exposures including market risks relating to commodity prices, foreign currency exchange rates and interest rates, and credit risk. Economically all positions are managed as part of the Group's hedging programme.

Commodity price risk

VARO is exposed to movements in the price of oil while inventories are held for processing, blending or future resale. Movements in the oil price could significantly affect the anticipated margin of the business and therefore VARO hedges this risk with derivative contracts. The daily market risk exposure is actively hedged real-time by the dedicated trading team, and the resultant net exposure is monitored by the Risk function to ensure it is within limits.

VARO hedges all commercial inventories. Minimum Operating Stock is not hedged on the basis that exposure to the price risk will only be realised if core business activities structurally change (e.g. the refineries cease to operate). Inventory held for the Swiss strategic oil reserve is not hedged because that price risk is borne by the Swiss state. As such VARO does not have a material exposure to commodity price risk.

VARO is exposed to the margin on crude oil processed in its refineries. This exposure is viewed as a requirement to buy crude oil and sell oil products. A combination of ICE futures and refinery margin swaps is used to mitigate the full exposure or constituent parts, in line with the trading mandate and hedging strategy. Positions in excess of this may be undertaken only in agreement with VARO shareholders.

Foreign currency exchange risk

The Group's exposure to changes in foreign currency exchange rates relates primarily to the Group's sales which are predominantly denominated in euros and Swiss francs. The Group manages its foreign currency risk by hedging sales transactions. Other costs associated with the sales, operational expenditure and capital expenditure are hedged using forward contracts. As at 31 December 2022 the Group had hedged most of its foreign currency transactions for which highly probable forecast transactions were expected at the reporting date. The Group does not hedge the foreign currency translation risk relating to equity and earnings of foreign subsidiaries.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Group's profit before taxation. The impact on equity is the same as the impact on profit before taxation. The sensitivity analysis represents the foreign exchange risk at the year-end date only. It is calculated by revaluing the Group's financial assets and liabilities, existing at 31 December, denominated in euros or Swiss francs, by 5%. It does not represent the effect of a 5% change in exchange rates sustained over the whole of the financial period, only the effect of a different rate occurring on the last day of the year.

			$ million
	Change in euro rate	2022	2021
Effect on profit before taxation	+5%	8	4
	-5%	(8)	(4)

			$ million
	Change in Swiss franc rate	2022	2021
Effect on profit before taxation	+5%	6	9
	-5%	(6)	(9)

The Group's exposure to foreign currency changes for all other currencies is not material.

Interest rate risk

The Group borrows long term and short term from various banks and at market rates. To reduce its exposure to interest rate fluctuations on the borrowing base facility and the term loan the Group entered into interest rate swaps with financial institutions. The swaps mature at different dates until January 2027. At 31 December 2022 the Group had interest rate swaps with a notional contract amount of $380 million (2021 $450 million). Interest rate swaps are stated at fair value. Realised and unrealised results are recorded in the income statement.

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Group's profit before taxation. The impact on equity is the same as the impact on profit before taxation. It is calculated assuming an increase or decrease by 1% in LIBOR and excludes the effect of the interest rate swaps.

			$ million
	Change in LIBOR	2022	2021
Effect on profit before taxation	+1%	(9)	(6)
	-1%	9	6

Credit risk

The Group has a credit policy to monitor its exposure to credit risk. Credit evaluations are performed on all counterparties requiring credit over a certain amount and a maximum credit exposure limit is established for each counterparty.

Transactions involving derivative financial instruments are with counterparties with part of whom the Group has a signed International Swap Dealers Association ("ISDA") master agreement or a netting agreement via contract confirmation. Counterparties have sound credit ratings. Given these measures, management does not expect any counterparty to fail to meet its obligations.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, on the balance sheet.

Concerning trade receivables and other receivables, as well as receivables included in financial fixed assets that are neither impaired nor past due, there were no indications as at the reporting date, that material defaults in payment obligations will occur. VARO insures all non-investment grade single counterparty credit exposures greater than $2 million. For the ageing of trade receivables see Note 12.

Liquidity risk

Liquidity risk could arise from the Group's potential inability to meet its financial liabilities. The Group regularly assesses liquidity risk that is associated with the settlement of its financial debt, paying its suppliers and settling derivative financial instruments. Beyond effective working capital and cash management, the Group mitigates liquidity risk by arranged borrowing facilities with highly rated financial institutions.

The Group constantly monitors funding options, as well as trends in the availability and cost of such funding, with a view to maintaining financial flexibility and limiting repayment risks.

The overall liquidity for the Group is managed by the Treasury function. Treasury carefully manages investments of cash and cash equivalents subject to strict credit requirements and counterparty limits. During 2022 the amount of available liquidity in the borrowing base facility (being the headroom between VARO's utilisation and the maximum available for borrowing) averaged approximately $1,110 million (2021 $930 million). At 31 December 2022 the total utilisation was $964 million versus a facility size of $2,476 million (2021 $1,016 million versus a facility size of $1,915 million). The utilisation comprised $590 million in loans and $374 million in payment instruments such as guarantees with banks and long-term guarantees. (2021 $549 million in loans and $467 million in payment instruments).

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities, including derivative financial instruments with a negative fair value as at the reporting date. For derivative financial instruments the fair value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented.

				$ million
At 31 December 2022	**2023**	**2024**	**2025**	**2026 and thereafter**
Long-term debt	71	293	-	-
Borrowing under the borrowing base facility	583	-	-	-
Lease liabilities	50	33	28	60
Trade and other payables	865	-	-	-
Derivative financial instruments	81	3	-	-
	1,650	**329**	**28**	**60**

				$ million
At 31 December 2021	**2022**	**2023**	**2024**	**2025 and thereafter**
Long-term debt	47	57	283	-
Borrowing under the borrowing base facility	549	-	-	-
Lease liabilities	59	41	29	91
Trade and other payables	754	-	-	-
Derivative financial instruments	69	8	-	-
	1,478	**106**	**312**	**91**

The table above reflects only cash outflows and does not consider existing refinancing commitments. Trade payables and other financial liabilities mainly originate from the financing of similar-termed assets used in the Group's ongoing operations such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk monitoring. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its business units.

At 31 December 2022 the Group was in full compliance with all financing covenants (see Note 21).

The Group is using standard letters of credit (LCs) as well as discountable LCs to pay some invoices with Vitol which have payment terms between 45 to 60 days. Discountable LCs grant Vitol an option to receive an advance of funds from the Bank on which VARO will pay the interest. The advance payments to Vitol on the discountable LCs do not lead to an extinguishment of the trade payable to Vitol. The interest paid on the LCs mirrors the increase in the price for crude oil VARO would face if they had negotiated the same payment terms with another supplier. The Group concluded the amount due under discountable LCs, as well as regular LCs, should therefore be classified as trade payables.

At 31 December 2022, no amounts were covered by discountable LCs (2021 $0 million).

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, satisfy its bank covenants and maximise shareholders' value. The Group's policy is to satisfy all the covenants agreed with the banks for the Term Loan and the Borrowing Base Facility, and VARO has done so in 2022 and 2021 (see Note 21). As at 31 December 2022 the Group had ample headroom in all its covenant tests. In the unforeseeable event that VARO will breach the covenants, the loans may be due immediately.

Management is committed to maintaining a healthy balance sheet, while executing the Group's growth strategy. Through the acquisition process, management carefully evaluates the acquisition price and financing options available for every asset acquired. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 14, cash and equity, comprising issued capital, reserves and retained earnings. Management reviews the capital structure on a regular basis.

Fair values
At 31 December 2022 the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, short and long-term debt based on floating interest rates, approximated their fair values.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments and inventory by valuation technique:

Level 1: quoted, unadjusted prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 December the Group held the following financial instruments measured at fair value.

	2022		2021 ($ million)	
	Asset	Liability	Asset	Liability
Level 1	-	-	-	-
Level 2	29	(84)	52	(77)
Level 3	-	-	-	-
	29	**(84)**	**52**	**(77)**

At 31 December 2022 the Group held $709 million (2021 $462 million) of inventory measured at fair value other than trading inventories. Total inventories held for trading are valued using quoted benchmark bid prices adjusted as appropriate for location and quality differentials and fall within Level 2 of the fair value hierarchy.

Fair values of derivative financial instruments
Commodity swaps and options are marked to market using listed market prices, by discounting the contractual forward price and deducting the current spot rate, or by using broker quotes. For interest rate swaps broker quotes are used.

Those quotes are back-tested using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market-related data at the reporting date.

Fair values of inventory
Inventories and forward contracts for broker-trader activities were measured at fair value less costs to sell as at 31 December 2022 and 2021.

20.Leases

The Group leases several assets including buildings, storage and retail facilities and other equipment which includes vehicles, transportation equipment and office equipment.

Right-of-use-assets

	Storage and retail facilities	Land and buildings	Other equipment	Total
Net carrying amount				
31 December 2022	96	23	38	157
31 December 2021	114	30	37	181
Depreciation expense for the year ended				
31 December 2022	22	4	31	57
31 December 2021	23	4	30	57

Additions to right-of-use assets were $37 million in 2022 (2021 $61 million).

Amounts recognised in profit and loss

	2022	2021
Depreciation expense on right-of-use assets	57	57
Interest expense on lease liabilities	6	8
Expense relating to short term leases	2	1
Expense relating to leases of low value assets	-	-
Expense relating to variable lease payments not included in measurement of lease liabilities	3	3
Total	**68**	**69**

At 31 December 2022, the Group committed to $33 million of leases which did not yet commence (2021 $2 million).

Lease liabilities
The Group does not face a significant liquidity risk with regard to its lease liabilities. For maturity analysis of lease liabilities please refer to Note 19, liquidity risk part.

$ million

	1 January 2022	Cash outflows	Foreign exchange movement	New leases	Accretion of interest	Other	31 December 2022
Current lease liabilities	51	(62)	(2)	21	6	32	46
Non-current lease liabilities	139	-	(7)	16	-	(32)	116
Total	**190**	**(62)**	**(9)**	**37**	**6**	**-**	**162**

The lease liabilities presented above do not include future cash outflows to which the Group is potentially exposed. As a result of the lease liabilities the Group is potentially exposed to extension options and increases due to changes in CPI and comparable indexes.

21. Commitments and contingencies

At 31 December 2022, the Group had commitments of $104 million (2021 $38 million) for capital expenditure, mainly to perform 2023 refinery turnarounds and improvement projects.

In the normal course of business the Group is bound by certain arrangements with banks and suppliers. These include:

- Corporate guarantees, jointly with other VARO companies, to secure lines of credit granted to the Group by banks, the broker to cover margin calls on futures, and suppliers;
- A portion of the Group's purchases is against letters of credit, bank guarantees or surety guarantees in favour of suppliers or other creditors.

In the ordinary course of business the Group is involved in legal and regulatory proceedings. VARO has taken care to assess a range of possible outcomes and has reflected these assessments in these financial statements. There remains a risk that the outcome of these matters may differ from the assessment made in these financial statements.

At 31 December corporate guarantees in favour of banks, sureties and suppliers for credit and letter of credit lines extended to the Group were as follows:

	2022	$ million 2021
Banks and lenders under various credit facilities	873	542
Tax authorities and suppliers	1083	827
	1,956	**1,369**

Letters of credit outstanding at 31 December 2022 were $143 million (2021 $357 million).

Key lenders' covenant tests at 31 December 2022 calculated on a pre-IFRS 16 basis were:

	Threshold	$ million Actual
Borrowing base facility		
Tangible net worth (Group)	≥400	1,343
Tangible net worth (VARO Energy Marketing AG)	≥25	873
Tangible net worth (all other borrowers on individual basis)	≥0	≥0
Total net debt	≤650	87
Interest cover (EBITDA / net finance charges)	≥1.5 : 1	42.99 : 1
Current ratio (current assets / current liabilities)	≥1.0 : 1	1.26 : 1
Term loan		
Debt service cover ratio	≥1.25 : 1	15.36 : 1
Leverage (total net debt / EBITDA)	≤2.50 : 1	0.09 : 1
Debt service cover ratio – Lock-up test	≥1.60 : 1	15.36 : 1
Leverage (total net debt / EBITDA) – Lock-up test	≤2.00 : 1	0.09 : 1

There were no breaches of the financial covenants in the year.

22. Related party transactions

Transactions with entities included in the scope of consolidation

Transactions with Bayernoil (joint operation) only related to the tolling agreement.

Transactions with shareholders

The Group in its normal business activities sells to and purchases goods from Vitol. VARO evaluates the optimum crude oils to purchase and they are then purchased exclusively from Vitol pursuant to an arm's length priced supply agreement, whereby purchases predominantly take place on a spot price basis. Goods sold to Vitol amounted to $179 million (2021 $182 million) and goods purchased amounted to $7,546 million (2021 $4,612 million) including derivative financial instruments, freight and demurrage.

VARO has entered into several agreements with Vitol which are long-term in nature:

- Middle distillate supply agreement: In 2018 VARO and Vitol entered into several agreements for VARO to purchase middle distillate products. Under these agreements VARO can purchase a base quantity of 140,000 tonnes monthly;
- ISDA agreement: VARO and Vitol entered into an ISDA master agreement. Pursuant to the ISDA arrangement, parties have to post cash collateral for certain transactions, with a minimum collateral amount of $250,000.

Vitol also provides to VARO certain operational and administrative services, predominantly the license and support of Vitol's oil trading and risk management system.

Accounts receivable due from and accounts payable due to related parties resulting from these transactions are disclosed in Notes 12 and 17 and relate primarily to the purchases and sales of crude and oil products.

During 2022 the Group issued new shares to its shareholders in total amount of $150 million from share premium and bought them back afterwards. The buyback of the shares was settled against cash of $128 million and long term receivable from shareholders of a total amount of $22 million.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2022 and 2021 the Group did not record any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the balance sheet of the related party and the market in which the related party operates.

Transactions with key management personnel of the Group

There were no transactions with the Management Board and the Supervisory Board who held office in 2022. The compensation of key management is described in Note 23.

23. Remuneration of key management

Key management is the Group's senior management team. Total compensation paid or accrued including the change in the fair value of the Management Equity Plan in the year was as follows.

	2022	$ million 2021
Short-term employee benefits	12	9
Share-based payments	2	-
	14	**9**

24. Employee benefits expense

	2022	$ million 2021
Included in cost of sales		
Wages and salaries	80	85
Social security costs	10	12
Pensions and other post-retirement benefits	7	11
Other personnel expenses	2	2
	99	**110**
Included in selling, general and administrative expenses		
Wages and salaries	71	73
Social security costs	12	12
Share-based payments	57	4
Pensions and other post-retirement benefits	5	5
Other personnel expenses	54	33
	199	**127**
	298	**237**

Number of full-time equivalent employees:

	2022	2021
Switzerland	489	469
Germany	377	369
Netherlands	291	279
Belgium	42	40
United Kingdom	1	2
France	31	32
	1,231	**1,191**

25. Share-based payments

Employees, including senior executives, of the Group are granted share appreciation rights during the years 2015, 2016 and 2017, which are cash-settled.

Management Equity Plan (MEP)
Eligible employees are awarded phantom options over ordinary shares in VARO. The awards result in cash payments based on the market value of VARO and are accounted for as cash-settled share-based payments. The awards are conditional on the employees completing certain service requirements. They are fully vested rateably at 20% per year over 5 years of service.

Exercise of the awards can only occur upon an exit event defined as follows:

- A sale of VARO or of substantially all of the assets of the VARO;
- A change of control in which none of the original equity holders of the parent (either individually or jointly) control the Group;
- A listing of VARO resulting in a minimum float of 10% of the Company's shares;
- Any other event unanimously approved by VARO's Supervisory Board as an exit event;
- If no exit event occurs before the seventh anniversary of the grant then a notional exit event will be deemed (options granted in 2015 are exercisable in 2022).

The awards have an annual compound hurdle return of 8% (2021 8%). Of the outstanding awards as of 31 December 2022, 10,047 (2021: 0) were exercisable. However 82,948 (2021: 131,612) awards would be exercisable at 31 December 2022 in event of an exit.

The fair value of the awards has been determined using a Monte Carlo option valuation model. The significant inputs into the model were share price, exercise price, volatility of 40% (2021 30%), dividend yield of 0% (2021 0%), annual compounded hurdle of 8% (2021 8%), an expected remaining option life range from 1 to 4 years (2021 1 to 5 years) assuming up to a 2 year period between the notional exit event and exercise date, and an annual risk-free interest rate between 0% and 4.7% (2021 between 0.1% and 1.7%). The dividend yield is set at 0%, as the expectation is that the impact of any future dividend payments will be offset by a further reduction in the strike price. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices for a basket of listed comparable companies over the last 5 years.

An increase/decrease in the VARO share price of $10 would lead to an increase/decrease in the liability of circa $4 million. A relative increase/decrease in the VARO share price of 10% would lead to an increase/decrease in the liability of circa $13 million.

The net charge to the income statement was as follows.

	2022	$ million 2021
Expense arising from cash-settled share-based payments	42	4
Accrued income (credit) from shareholders' indemnities relating to the plan	-	-
Net charge (credit) to the Group	**42**	**4**

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, phantom options during the year:

	2022 Number	$ 2022 WAEP	2021 Number	$ 2021 WAEP
Outstanding at 1 January	546,873	21	547,926	21
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-1,053	81
Exercised during the year	-75,043	-38	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	**471,830**	**5**	**546,873**	**21**

Employees, including senior executives, of the Group are granted share appreciation rights during the year 2022, which are cash-settled.

Value Growth Plan (VGP)
Eligible employees are awarded phantom options over ordinary shares in VARO. The awards result in cash payments based on the market value of VARO and are accounted for as cash-settled share-based payments. The awards are conditional on the employees completing certain service requirements. They are fully vested rateably at 20% per year over 5 years of service, subject to approval by the grantor.

Exercise of the awards can only occur upon an exit event defined as follows:

- A Trade Sale of more than 50% of the VARO shares;
- A Trade Sale of substantially all of the assets of the VARO Group;
- A change of control in which none of the original equity holders of the parent (either individually or jointly) control the Group;
- A listing of VARO or a post-listing sell down resulting in a minimum float of 25% of the Company's shares;
- Any other event unanimously approved by VARO's Supervisory Board as an exit event; and
- If no exit event occurs before the sixth anniversary of the grant then a notional exit event will be deemed (options granted in 2022 are exercisable in 2029-2031).

The Awards have an annual compound hurdle return of 8%. Of the outstanding awards, none were exercisable during 2022.

The fair value of the awards has been determined using a Monte Carlo option valuation model. The significant inputs into the model were share price, exercise price, volatility of 35%, dividend yield of 0%, annual compounded hurdle of 8%, an expected remaining option life range from 6 to 9 years assuming up to a 2 year period between the notional exit event and exercise date, and an annual risk-free interest rate between 3.9% and 4.4%. The dividend yield is set at 0%, as the expectation is that the impact of any future dividend payments will be offset by a further reduction in the strike price. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices for a basket of listed comparable companies over the last 5 years.

An increase/decrease in the VARO share price of $10 would lead to an increase/decrease in the liability of circa $4 million. A relative increase/decrease in the VARO share price of 10% would lead to an increase/decrease in the liability of circa $10 million.

The net charge to the income statement was as follows.

	2022	$ million 2021
Expense arising from cash-settled share-based payments	15	-
Net charge (credit) to the Group	**15**	**-**

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, phantom options during the year:

	2022 Number	$ 2022 WAEP	2021 Number	$ 2021 WAEP
Outstanding at 1 January	-	-	-	-
Granted during the year	355,892	260	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	**355,892**	**238**	**-**	**-**

26. Called-up share capital

The allotted, called-up and fully paid share capital at 31 December was as follows.

	2022 Number	$'000 2022 Value	2021 Number	$'000 2021 Value
Ordinary shares of €0.01 each	**6,900,000**	**89**	**6,900,000**	**89**

The paid-up share capital consists of €69,000 divided into 6,900,000 ordinary shares at par value of €0.01 per share. The paid-up share capital amounting to $89,216 at 31 December 2022 was translated into US dollars at the historical exchange rate of €1.293 and will not be re-evaluated at future exchange rates.

27. Legal and other reserves

In accordance with the Dutch Civil Code and statutory requirements in other countries, the foreign currency translation reserve of $25 million (2021 $3 million) qualifies as a legal reserve and is not distributable. The other reserves are related to the comprehensive income over the defined benefit obligations.

28. Subsequent events

Acquisition of Bio Energy Coevorden B.V. and DE Mars C.V.
On 9 February 2023, VARO completed the acquisition of 80% shareholding, obtaining control in Bio Energy Coevorden B.V. (BEC) and DE Mars C.V in the Netherlands. Growing our biogas manufacturing capabilities in Europe fits VARO's strategy to grow its investments in Sustainable Energies (Engine 2). Depending on future performance the purchase price will range between €148 million ($159 million) and €368 million ($396 million), of which part is settled in cash at the transaction date. The deferred part of the purchase price includes two earn-out arrangements of which one is subject to various permits being obtained and the second is dependent on BEC's average realised EBITDA from 2023 to 2030.

As at the date of finalisation of the financial statements, not all necessary fair value valuations and other calculations had been finalised and hence no further information is provided.

Capital distribution and dividend to shareholders
In February 2023 the Group issued new shares to its shareholders in total amount of $200 million from share premium and bought them back afterwards. In addition, a dividend from retained earnings in amount of $100 million has been proposed. Both distributions were approved by shareholders and paid in March 2023 and are not recognised as a liability in 2022.

29. Significant accounting policies

29.1. Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in US dollars, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from settlement of predominantly sales transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within "Revenue". The impact to ''Revenue'' is offset by the results on financial instruments used to manage the foreign currency risk which are presented in the same financial statement line item.

The results and balance sheet positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each balance sheet are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates if reflective of exchange rates at the dates of the transactions;
- All resulting exchange differences are recognised in Other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in Other comprehensive income.

29.2. Current versus non-current classification

The Group presents assets and liabilities in its balance sheet as current or non-current. An asset is classified as current when it is:
- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period;
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classified all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

29.3. Group income statement presentation

Purchases reflect all costs related to the acquisition of inventories and the effects of the changes therein, including associated costs incurred in conversion into finished or intermediate products but excluding transportation costs that are presented on a separate line. Production and manufacturing expenses are the costs of operating, maintaining and managing production and manufacturing assets. Selling, distribution and administrative expenses include direct and indirect costs of marketing and selling products.

Letter of credit (LoC) fees and other trade finance expenses (bank guarantees, country risk insurance, etc.) in relation to the supply and purchase of crude oil are considered by management to be an integral part of costs of goods sold.

29.4. Working capital financing costs

Working capital financing costs comprise the cost of the borrowing base facility ("BBF") including interest on working capital-related borrowings, amortisation of commissions and fees to set up the facility, and guarantee fees. These working capital financing costs are deemed a trade-related expense and therefore have been deducted from EBITDA and are subsumed under operating income in the Group income statement.

29.5. Earnings before interest depreciation and amortisation (EBITDA)

Management's definition of EBITDA is earnings before interest on borrowings, taxes, depreciation and amortisation.

29.6. Consolidated statement of cash flows

The consolidated statement of cash flows is drawn up using the indirect method. Cash is defined as cash and cash equivalents including bank overdrafts and the interest-bearing borrowings if they are an integral part of the entity's cash management. Cash flows are presented separately in the statement of cash flows as cash from operating activities, investing activities and financing activities. Dividends paid to the equity holders of the parent are presented as financing cash flows. Interest paid is presented as an operating cash flow.

29.7. Revenues

Sales of products and trading
The majority of the Group's revenues comprise fuel and other oil product sales where the performance obligation is to supply oil products. Revenue arising from the sale of products and trading is recognised when the control of goods or services have passed to the buyer, which is typically at the point in time that title passes, and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Physical exchanges are reported net, as are sales and purchases made with a common counterparty, as part of an arrangement similar to a physical exchange. Similarly, where the Group acts as agent on behalf of a third party to procure or market oil commodities, any associated fee income is recognised but no purchase or sale is recorded.

Sales of storage and throughput
When it is probable that the future economic benefits will flow to the Group, the recognition in the income statement is in proportion to the stage of the rendered performance as at the end of the reporting period. Tank rentals, including minimum guaranteed throughputs, are recognised on a straight-line basis over time, being the contractual period. Revenues from excess throughputs and other services are recognised at a point in time on completion of the services.

29.8. Taxation

Current income tax
Current income tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Sales taxes
Expenses and assets are recognised net of the amount of sales tax, except:
- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances that existed at the acquisition date. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or recognised in profit or loss.

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

29.9. Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if any, and, for assets that necessarily take a substantial period of time to get ready for their intended use, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised and the carrying amount of the replaced asset is derecognised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are capitalised, and all other maintenance costs are expensed as incurred.

Minimum operating stock, which is the minimum level of inventory that must be held within the entire refinery system during normal operations, operating as a going concern, is treated as part of the related refinery equipment (including adjoining infrastructure such as pipelines and tanks) instead of as inventories. This is on the basis that it cannot be sold or consumed in a production process on a going concern basis, but is necessary for the operation of the refinery system during more than one operating cycle. It is valued at cost and is depreciated over its estimated useful life, taking into account an estimated residual value for the crude oil or products.

Land and construction in progress are not depreciated. Depreciation on assets under construction does not commence until the assets are complete and available for use.

Other assets are depreciated applying the straight-line method over their estimated useful as follows:

Refinery facilities	20 – 40 years
Storage facilities	5 – 30 years
Vehicles and transportation equipment	3 – 10 years
Retail facilities	10 - 15 years
Fixtures, fittings and office equipment	3 – 5 years

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets acquired as part of a business combination are depreciated over their remaining useful economic life from the date of acquisition.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The useful lives are estimated by management at the time the assets are acquired and are reassessed annually, with the estimated useful lives being based on historical experience with similar assets, market conditions and future anticipated events. The actual useful lives might be different from the estimated useful lives.

In recent years there's been an increase in attention to electric vehicles. However, the Group has concluded that this currently does not impact its estimate regarding the useful lives of non-current assets.

29.10. Goodwill and intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at the end of each reporting period.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets with a finite life, other than goodwill are amortised on a straight-line basis over their expected useful lives. For customer contracts and brand names, they are amortised over their expected useful lives, respectively of 4 to 15 years and 4 to 19 years. Computer software costs generally have a useful life of 3 to 7 years.

Impairment losses and reversals are reported within depreciation and amortisation.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Customer contracts acquired as part of business combinations are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

29.11. Impairment tests for goodwill and other assets

The carrying amount of goodwill is tested for impairment annually. In addition, assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs of disposal (see "Fair value measurements") and value in use.

Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices, market supply and demand, and production. The budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

Management reviews whether goodwill and property, plant and equipment have suffered any impairment. The recoverable amounts of each cash-generating unit, "CGU", have been determined based on fair value less costs of disposal or value in use calculations which are based on a DCF model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets' performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows, the growth rate used for extrapolation purposes and the development of market prices.

29.12. Inventories

Where possible, the Group applies hedge accounting and inventories are accordingly stated at fair value. Certain derivative contracts qualify as fair value hedges. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flow attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The change in the fair value of a hedging derivative is recognised in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss.

Inventories and open purchase and sale commitments are exposed to market risk, resulting from daily price movements in the respective commodity markets. It is the policy of the Group to hedge its purchase and sale commitments, its inventories and processing risks with financial instruments such as futures, options and swap contracts of related commodities. These transactions give rise to market risk, which is the risk that the value of the hedge, the hedge group or the portfolio will change, either favourably or unfavourably, in response to changing market conditions. The Group closely monitors its portfolio exposure to market risk with daily reporting to senior management.
As certain of the Group's activities meet the IFRS definition for broker/trader activities the associated inventories held for trading are stated at fair value less costs to sell in accordance with IAS 2, and any changes in fair value are recognised in profit or loss.

The Group's business model is based on refining crude oil into refined products and transportation of product from one location to another. As a result of refining crude oil into refined products for sale to the market, the Group is exposed to both the cost of goods used in the production and refinement of products but also exposed to the price at which the products are sold. Therefore the Group is exposed to both crude oil price fluctuations and refined product price fluctuations. The lead time on conversion of crude to refined product is, on average, around 8 weeks from the point that it is initially recognised to when the refined product is subsequently sold.

Our risk management policies require that the fair value exposure to variability in prices over this period is managed. In order to manage this risk, the Group enters into derivative contracts to protect against fair value movements in the inventory price throughout its life cycle from crude oil to finished product. For crude oil and intermediate products the Group makes use of Brent hedging instruments and for refined product the Group typically makes use of gasoil, gasoline and diesel hedging instruments. There is a strong economic relationship between the hedged item, our refining inventory, and these hedging instruments. Our hedging instruments are generally swaps or futures, traded with our brokers, for which daily margining is in place, with no open balance as at year-end. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of our refining inventory is identical to the hedged risk component. The Group monitors hedge effectiveness on a daily basis as part of their risk management activities. Hedge ineffectiveness can arise from differences in product grades and location premiums and is accounted for in the income statement.

All other inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing locations and condition. In case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Cost is determined using the weighted average cost method for all products.

29.13. Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The Group applies the IFRS 9 simplified approach for trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. geographical region, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable, supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

29.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

29.15. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions represent presumed obligations arising from past events and are recognised only if their amounts can be estimated reliably and meet other IFRS criteria. Nevertheless, provisions are based on assumptions.

29.16. Pensions and other post-retirement benefits

Wages, salaries, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by the employees of the Group. Deferred arrangements that have a vesting date for more than 12 months after the reporting period are valued on an actuarial basis and amortised on a straight-line basis over the service period until the awards vest.

The Group has both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other comprehensive income ("OCI") in the period in which they arise. Past-service costs are recognised immediately in income. Net interest expense/income is calculated as the product of the net defined liability/asset and the discount rate as determined at the beginning of the year and is included in profit or loss.

Certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, employee turnover, expected return on plan assets, discount rates, future salary increases, mortality rates and future pension increases. Substantial changes in the assumed development of any of these variables may significantly change the Group's retirement benefit obligation and pension plan assets. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an AA rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The discount rate is determined in a way that the valuation with the single discount rate is equal to a valuation with the yield curve (so called cash flow matching method). The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

29.17. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through Other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models.
The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in three categories:
- Financial assets at amortised cost;
- Financial assets at fair value through OCI;
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (trade receivables)
The Group's financial assets at amortised cost include trade receivables. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.
Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the income statement. This category includes derivative instruments.

Derivative financial instruments
In the normal course of business, VARO is a party to contracts with derivative financial instruments which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments include mainly commodity swaps, forward physical contracts, foreign exchange forwards and interest rate swaps.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives are included in 'Oil derivative transactions'.

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models.
The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments

Hedge accounting
At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flow attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The change in the fair value of a hedging derivative is recognised in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss.

The Group only applies hedge accounting under IFRS 9.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Other disclosures relating to impairment of financial assets (trade receivables) are included in Note 12.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement. This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

29.18. Share-based payments

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a Monte Carlo model.

The Group initially measures the cost of cash-settled transactions with employees using a Monte-Carlo model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be re-measured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

29.19. Leases

Policy applicable from 1 January 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. In addition, the Group applies the practical expedient that offers for each separate class of underlying asset, to elect to account for the entire contract as a lease including any non-lease element. This is applied to every class of assets except barges. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, estimated dismantling costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii. Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low value assets
The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

iv. Renewal and termination options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. Judgement is applied in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

v. Incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available. The Group estimates the IBR using mainly observable inputs (such as market interest rates) when available and makes certain entity-specific adjustments in estimates (such as credit rating adjustments).

Policy applicable before 1 January 2019
At inception of an arrangement, the Group determines whether the arrangement is or contains a lease and whether it should be classified as finance or operating lease.

The determination of whether an arrangement is a finance lease is based on the substance of the arrangement and requires an assessment of whether:
- The fulfilment of the arrangement is dependent on the use of a specific asset or assets that could only be used by the lessee without major modifications being made;
- The lease transfers ownership of the asset at the end of the lease term;
- The Group has the option to purchase the asset at a price sufficiently below fair value at exercise date;
- It is reasonably certain the option will be exercised;
- The lease term is for a major part of the asset's economic life even if title is not transferred;
- The present value of minimum lease payments substantially equals the asset's fair value at inception.

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets that do not classify as finance leases are classified as operating leases and are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

29.20. Standards issued but not yet effective

The following new standards and amendments were issued but not yet effective in 2022:

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued

in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Group.

The following pronouncements from the IASB are relevant to the Group's consolidated financial statements and will become effective for future financial reporting periods and have not yet been adopted by the Group:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.
The amendments clarify:
- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is reviewing the impact of these standards and amendments on the Group's consolidated financial statements and intends to adopt these standards and interpretations, if applicable, when they become effective.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

Parent company financial statements of VARO Energy BV

Company income statement

For the year ended 31 December	Note	2022	$ million 2021
Revenue from subsidiaries	3	444	121
Other income and expenses		54	(48)
Tax expense	7	(13)	(12)
Profit for the year		**485**	**61**

Company balance sheet

The balance sheet is presented after appropriation of the result.

At 31 December	Note	2022	$ million 2021
Non-current assets			
Investment in subsidiaries and associated companies	3	1,962	1,735
Long-term loans receivable from VARO companies	4	16	41
Long-term loans receivable from other related parties		2	22
Deferred tax assets	7	7	19
		1,987	1,817
Current assets			
Accounts receivable from VARO companies	4	77	68
Tax receivable	7	11	2
Other receivables and prepayments		-	-
Cash and cash equivalents	6	24	5
		112	75
Total assets		**2,099**	**1,892**
Equity			
Called up share capital	8	-	-
Share premium	8	630	780
Retained earnings	8	995	510
Other reserves	8	6	(41)
Foreign currency translation reserve	8	(25)	3
		1,606	1,252
Provisions			
Employee benefit obligations	5	20	94
Deferred tax liabilities	7	17	23
		37	117
Non-current liabilities			
Long-term debt	9	276	324
		276	324
Current liabilities			
Accounts payable to VARO companies	4	124	132
Accounts payable to other related parties		-	3
Short-term debt		48	36
Tax payable	7	-	2
Other payables and accruals	10	8	26
		180	199
Total equity and liabilities		**2,099**	**1,892**

Notes on financial statements

1. General

Data in the company financial statements is expressed in US dollars ($) and all values are rounded to the nearest million except when otherwise indicated. The Company presents a condensed income statement in accordance with Section 2:402 of the Dutch Civil Code.

2. Basis of preparation

The company financial statements have been prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. In the company financial statements, VARO Energy BV refers to the stand-alone legal entity. The accounting policies are the same as those used for the consolidated financial statements, in accordance with the provisions of article 2:362.8 of the Dutch Civil Code, except for investments in Group companies which are carried at net asset value. The net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

3. Investments in subsidiaries and associated companies

$ million	2022	2021
At 1 January	1,735	1,580
Share in result for the year	444	121
Dividend distribution	(281)	(28)
Investment in associated companies	-	9
Share premium payment	44	33
Share premium reduction	-	-
Legal merger	1	(5)
Movements in other comprehensive income	47	37
Exchange adjustments	(28)	(12)
At 31 December	**1,962**	**1,735**

As at 31 December 2022 the Company held the following direct interests.

Subsidiaries	%	Country of incorporation	Principal activities
VARO Energy Netherlands Holding BV*	100	The Netherlands	Holding
VARO Energy Belgium NV	100	Belgium	Marketing of oil products
VARO Energy Tankstorage NV	100	Belgium	Logistics of oil products
VARO Energy Marketing AG	100	Switzerland	Crude oil supply and products marketing
VARO Refining (Cressier) SA	100	Switzerland	Oil refining
VARO Energy Direct Sales AG	100	Switzerland	Marketing and logistics of oil products
VARO Energy Tankstorage AG	100	Switzerland	Marketing and logistics of oil products
VARO Energy Refining GmbH	100	Germany	Refinery investment
VARO Energy Holding GmbH	100	Germany	Holding
Ventogene GmbH	100	Germany	Hydrogen manufacturing
VARO Energy France SAS	100	France	Marketing of oil products
VARO Energy France Depot SAS	100	France	Logistics of oil products
VARO Energy UK Limited	100	United Kingdom	IT Services

*The following interests are held via VARO Energy Netherlands Holding BV.

Subsidiaries	%	Country of incorporation	Principal activities
VARO Energy Netherlands BV	100	The Netherlands	Marketing of oil products
VARO Energy Retail BV	100	The Netherlands	Marketing of oil products
VARO Energy Inland Bunkerservice BV	100	The Netherlands	Marketing of oil products
VARO Energy Tankstorage BV	100	The Netherlands	Logistics of oil products

As at 31 December 2022 the Company held the following direct interests in associated companies.

Subsidiaries	%	Country of incorporation	Principal activities
SilviCarbon BV	51	The Netherlands	Investments in carbon removal
E-Flux BV	49	The Netherlands	EV IT Services

4. Intercompany receivables and payables

$ million	2022 Asset	2022 Liability	2021 Asset	2021 Liability
Long-term loans receivable from VARO companies	16	-	41	-
Accounts receivable from VARO companies	77	-	68	-
Accounts payable to VARO companies	-	124	-	132
	93	**124**	**109**	**132**

Settlement of accounts receivable or payable with VARO companies takes place only when mutually agreed.

Movements in long-term receivables from VARO companies are as follows.

$ million	2022	2021
At 1 January	41	91
Additions	-	-
Reclassification from current to long-term liabilities	-	-
Repayments	(22)	(44)
Exchange adjustments	(3)	(6)
At 31 December	16	41

5. Share-based payments

Refer to Note 25 to the consolidated financial statements for details of share-based payments.

$ million	2022	2021
At 1 January	94	111
Additions/(Reductions)	(74)	4
Reclassification to current position	-	(21)
At 31 December	**20**	**94**

6. Cash and cash equivalents

Cash includes $24 million (2021 $5 million) which is restricted for interest payments and repayment instalments of the term loan.

7. Current tax and deferred tax

Significant components of deferred tax assets and liabilities were as follows.

	2022		2021 ($ million)	
	Asset	Liability	Asset	Liability
Management Equity Plan	5	-	18	-
Other deferred tax assets	2		1	
Revaluation of fixed assets	-	17	-	23
	7	17	19	23
Total	**7**	**17**	**19**	**23**

VARO Energy B.V. is the head of the Dutch fiscal unity. Until the year 2018 all companies part of the fiscal unity calculated their tax as if they were standalone liable to corporate income tax and paid the standalone current tax liability to VARO Energy B.V. based on an intercompany agreement. This agreement has changed starting 2019 as such that the total income tax charge and corporate income tax balances (deferred and current) of the Dutch fiscal unity are accounted for by VARO Energy B.V. All other companies within the fiscal unity do not account for corporate income tax. As a result all current and deferred corporate income tax balances have been allocated to VARO Energy B.V.

The movement in deferred asset tax is as follows.

$ million	2022	2021
At 1 January	19	17
Tax expense for the year recognised in profit or loss	(12)	2
At 31 December	**7**	**19**

The movement in deferred tax liability is as follows.

$ million	2022	2021
At 1 January	23	25
Tax income for the year recognised in profit or loss	(5)	(1)
Exchange adjustments	(1)	(1)
At 31 December	**17**	**23**

The movement in current tax receivable is as follows.

$ million	2022	2021
At 1 January	2	-
Legal merger	-	2
Change regarding prior year's tax payable	-	-
Tax received	(2)	-
Exchange adjustments	-	-
Reclassification of payable to receivable balance	11	-
At 31 December	**11**	**2**

The movement in current tax liability is as follows.

$ million	2022	2021
At 1 January	2	15
Current tax charge	8	9
Change regarding prior year's tax payable	(2)	6
Tax received (tax paid)	(20)	(27)
Exchange adjustments	1	(1)
Reclassification of payable to receivable balance	11	-
At 31 December	**-**	**2**

8. Shareholders' equity

$ million	Paid-up share capital	Share premium	Retained earnings	Other reserves	Foreign currency translation reserve	Total shareholders' equity
At 1 January 2022	-	780	510	(41)	3	1,252
Profit for the year	-	-	485		-	485
Other comprehensive expense						
Total comprehensive income	**-**	**-**	**-**	**47**	**(28)**	**19**
Total comprehensive income	-	-	485	47	(28)	504
Capital distribution	-	(150)	-	-	-	(150)
Issue of ordinary share capital	-	-	-	-	-	-
At 31 December 2022	**-**	**630**	**995**	**6**	**(25)**	**1,606**

$ million	Paid-up share capital	Share premium	Retained earnings	Other reserves	Foreign currency translation reserve	Total shareholders' equity
At 1 January 2021	-	780	451	(80)	15	1,166
Profit for the year	-	-	61		-	61
Creation of Legal reserve fund			(2)	2		
Other comprehensive expense						-
Total comprehensive income	**-**	**-**	**-**	**37**	**(12)**	**25**
Total comprehensive income	-		59	39	(12)	86
Capital distribution	-	-	-	-	-	-
Issue of ordinary share capital	-	-	-	-	-	-
At 31 December 2021	**-**	**780**	**510**	**(41)**	**3**	**1,252**

The paid-up share capital consists of €69,000 divided into 6,900,000 ordinary shares at par value of €0.01 per share. The paid-up share capital amounting to $89,216 at 31 December 2022 was translated into US dollars at the historical exchange rate of €1.293 and will not be re-evaluated at future exchange rates.

In accordance with the Dutch Civil Code and statutory requirements in other countries, the foreign currency translation reserve of negative $25 million (2021 $3 million) qualifies as a legal reserve and is not distributable. The other reserves are related to the comprehensive income over the defined benefit obligations.

During 2022 the Company issued new shares to its shareholders in total amount of $150 million from share premium and bought them back afterwards. The buyback of the shares was settled against cash of $128 million and a long term receivable from related parties in an amount of $22 million.

9. Long-term debt

Refer to Note 14 to the consolidated financial statements for details of the term loan.

Movements in long-term debt were as follows.

$ million	2022	2021
At 1 January	324	372
Additions	-	-
Repayments	-	-
Reclassification long-term to short-term	(48)	(48)
At 31 December	**276**	**324**

10. Other payables and accruals

The other payables and accruals with an amount of $8 million (2021: $ 26 million) mainly consist of the current part of the share-based payments, reference is made to Note 5.

11. Commitments and contingencies

The Company is the fiscal parent company of a fiscal unity for Dutch corporate income tax. As a consequence, the Company is severally liable for corporate tax liabilities of the fiscal unity. The following companies are part of the fiscal unity for Dutch corporate income tax.

VARO Energy BV
VARO Energy Netherlands Holding BV
VARO Energy Netherlands BV
VARO Energy Inland Bunkerservice BV
VARO Energy Tankstorage BV
VARO Energy Retail BV

Reference is also made to the Note 21 commitments and contingencies to the consolidated financial statements.

For the following subsidiaries the Company provided guarantees.

VARO Energy Netherlands BV
VARO Energy Tankstorage BV
VARO Energy Tankstorage NV
VARO Energy Retail BV
VARO Energy Inland Bunkerservice BV
VARO Energy France SAS
VARO Energy Belgium NV
VARO Energy Marketing AG
VARO Energy Germany GmbH [(1)]
VARO Energy Holding GmbH [(1)]
VARO Energy Tankstorage GmbH [(1)]
VARO Energy Direct GmbH [(1)]
VARO Refining (Cressier) SA
VARO Energy UK Limited

(1) Exemption pursuant to Section 264 para 3 German Commercial Code.

For the following subsidiary the Company provided a letter of support.

VARO Energy Tankstorage NV

12. Average number of employees

There were an average of 12 FTE during the year (2021; 10 FTE) and all within The Netherlands.

13. Management Board and Supervisory Board

The Management Board received a remuneration of USD 1.55 million and pension premiums of USD 0.04 million in their capacity as directors of the Company.

14. Auditor's remuneration

Pursuant to the legal requirement under article 2:382a of the Dutch Civil Code, the total billed fees in the year of the Dutch firm Ernst & Young Accountants LLP charged to the Company and recognised in the income statement were as follows. Conform article 2:382a section 2, this also includes the billed fees of the consolidated subsidiaries.

$ million	2022	2021
Fees in respect of the audit of the company financial statements	3	2
Audit-related services	-	-
	3	**2**

15. Appropriation of net result

It is proposed by the Management Board to add the net result for the year to the other reserves/retained earnings. This proposal is included in the financial statements.

16. Subsequent events

Acquisition of Bio Energy Coevorden B.V. and DE Mars C.V.
On 9 February 2023, VARO completed the acquisition of 80% shareholding, obtaining control in Bio Energy Coevorden B.V. (BEC) and DE Mars C.V in the Netherlands. Growing our biogas manufacturing capabilities in Europe fits VARO's strategy to grow its investments in Sustainable Energies (Engine 2). Depending on future performance the purchase price will range between €148 million ($159 million) and €368 million ($396 million), of which part is settled in cash at the transaction date. The deferred part of the purchase price includes two earn-out arrangements of which one is subject to various permits being obtained and the second is dependent on BEC's average realised EBITDA from 2023 to 2030.

As at the date of finalisation of the financial statements, not all necessary fair value valuations and other calculations had been finalised and hence no further information is provided.

Capital distribution and dividend to shareholders
In February 2023 the Group issued new shares to its shareholders in total amount of $200 million from share premium and bought them back afterwards. In addition, a dividend from retained earnings in amount of $100 million has been proposed. Both distributions were approved by shareholders and paid in March 2023 and are not recognised as a liability in 2022.

17. Management Board and Supervisory Board

Directors who held office during the year, and changes, were as follows:

Supervisory Board		Management Board	
MQH van Poecke	(Chairman)	D Sanyal	appointed 1 January 2022
JBM Dröge		R Klop	
R Hardy		M Geurts	resigned 22 December 2022
J Gleacher		J Stoll	
B Dahle	appointed 22 December 2022	T Pannekeet	appointed 22 December 2022

Signature page of the Management Board

D Sanyal

T Pannekeet

R Klop

J Stoll

Rotterdam, 19 April 2023

Signature page of the Supervisory Board representatives of Vitol Refining Group B.V.

R Hardy

J Gleacher

Rotterdam, 19 April 2023

Signature page of the Supervisory Board representatives of CIEP II S.à.r.L and CIEP Energy Transition B.V.

MQH van Poecke

JBM Dröge

B Dahle

Rotterdam, 19 April 2023

Other information

Statutory rules concerning the appropriation of the result

Article 4.1 of the articles of association reads as follows.

4.1.1.
The general meeting of the shareholders is authorised to appropriate the profits that follow from the adoption of the annual accounts or to determine how a deficit will be accounted for as well as to resolve upon interim dividends from the profits or distributions from the reserves, provided that the Company's equity exceeds the total amount of the reserves to be maintained pursuant to the law. A resolution to distribute profits or reserves is subject to the approval of the management board.

4.1.4.
Distributions shall be due and payable on the date set by the general meeting of the shareholders.

4.1.6.
The general meeting of the shareholders may resolve that distributions shall be distributed in whole or in part in a form other than cash.

Independent auditor's report

To: the shareholders and the supervisory board of VARO Energy B.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements for the financial year ended 31 December 2022 of VARO Energy B.V. based in Rotterdam, the Netherlands.

The financial statements comprise the consolidated and company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of VARO Energy B.V. as at 31 December 2022 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the IASB (IASB-IFRS) and the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of VARO Energy B.V. as at 31 December 2022 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:
- The group balance sheet as at 31 December 2022
- The following statements for the year then ended: the group income statement, the group statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:
- The company balance sheet as at 31 December 2022
- The company income statement for the year then ended
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of VARO Energy B.V. in accordance with the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We refer to section "How we manage risk" of the directors' report for management's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in co-operation with our forensic and legal specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note 2 to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

When identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition. We considered among others the cut-off of revenue. We designed and performed our audit procedures relating to revenue recognition responsive to this presumed fraud risk. These risks did however not require significant auditor's attention.

We considered available information and made enquiries of relevant executives, directors, internal audit, legal, compliance, human resources and regional directors and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors, in co-operation with our forensic and legal specialists, related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports, inspection of the overview of litigation and disputes and performing substantive tests of details of classes of transactions, account balances or disclosures, reference is made to note 21 "commitments and contingencies" to the financial statements.

We also inspected lawyers' letters and correspondence with (regulatory) authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. In case of (potential) non-compliance with laws and regulations that (may) have or has a material effect on the financial statements, we assessed whether the company has an adequate process in place to evaluate and account for the impact of non-compliance for its activities and financial reporting and, where relevant, whether the company implemented remediation plans. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section "Going concern" in Note 1.3 to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism.

We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

Based on our procedures performed, we did not identify material uncertainties about going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the directors' report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IASB-IFRS, EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Building a better working world

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Building a better working world

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 19 April 2023

Ernst & Young Accountants LLP

Signed by J.J. Vernooij

Colofon

Photography
Adobe Stock: page 11
Shutterstock: page 10, 11, 28, 40, 61, 81 and 150
Unsplash: page 7, 11 and 28

Design and lay-out
NOSUCH Creative Agency

FSC
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