Annual Report 2023

Accelerating the energy transition

Chamber of Commerce registration: 59297247
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VARO

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Chair's statement

"I would like to take this opportunity to thank all our people for their hard work over 2023. Their passion and enthusiasm are driving us forward and we at Carlyle and fellow shareholders from Vitol, are pleased to continue to collaborate with such a dedicated team and support their efforts."

Marcel van Poecke, Chairman

During the past 12 months, VARO has continued its transformation at pace, marked by significant strategic advancements and a robust financial performance despite challenging markets. I am proud of the progress VARO has achieved, over 2023, through its strategic investments in existing infrastructure and continued focus on advancing new businesses in sustainable energy. Our expansion has been met through careful capital deployment in selected acquisitions and major new partnerships, underpinned by over $3.3 billion in secured financing.

A pragmatic approach to the transition

In last year's report, I talked about the new era of energy market volatility. Ongoing fluctuating demand and energy prices have continued and, while we have witnessed some stabilisation, there is a long way to go before the market becomes more normalised.

For energy businesses, this new reality has given rise to a pragmatic approach to the energy transition driven by the demand of our customers – one that requires a balance between conventional and sustainable energy. We recognise that traditional energy business models are finite, and believe the transition requires a shift towards a multi-energy portfolio that offers a range of customer solutions, as well as provides VARO with resilience and agility.

VARO's twin engine approach ensures an orderly transition that aligns with commercial and societal realities, underscoring the importance of a practical approach. Over 2023, we have made progress across all VARO strategic growth pillars: biogas, biofuels, e-mobility, carbon removals and hydrogen, while maintaining the scale, efficiency and delivery of our conventional energies manufacturing, trading and distribution businesses.

Since 2022, VARO's trajectory under the experienced and energetic leadership of our CEO, Dev Sanyal, has gone from strength to strength. We have numerous 2023 highlights: the acquisition of 80% of Bio Energy Coevorden to develop the largest biogas manufacturing facilities in Northwest Europe; our new partnership with Lufthansa and our plan for a significant investement to build a new SAF (Sustainable Aviation Fuel) manufacturing facility in Rotterdam; in e-mobility, we increased our stake in E-flux (now Road) and acquired elexon; while together with Groupe E and CSEM, we have commissioned Switzerland's largest ground-mounted solar power facility at our Cressier manufacturing hub to generate renewable electricity on site.

Focused financial and governance approach

VARO's considerable growth and achievements over 2023 stand testament to its disciplined investment and execution. VARO maintained a strong balance sheet and completed a substantial $3.33 billion financing in July, comprising our first green loan of $165 million. VARO's approach to careful capital allocation and risk management is driven by a relentless focus on matching evolving customer needs and market trends. Risk management in a transitioning market is vital and VARO is absolutely focused on understanding, monitoring and mitigating risks as part of a robust governance approach, with a corporate governance framework that includes internal controls and governance mechanisms to support ongoing growth, while mitigating risks linked to operational, commercial and trading environments.

Developing our leadership team

Last year, VARO continued to invest in building Executive Board capabilities to support the scaling and integration of our different energy businesses. We welcomed Georges Menane as EVP and Chief Financial Officer, who has brought world-class financial and capital markets expertise and experience in transforming and scaling multinational finance functions. He will play an important role in ensuring that VARO has the financial capability, infrastructure and capacity to deliver its next phase of growth.

By implementing additional changes in the Executive Board, the company is strategically positioned to further support the scaling and integration of its growth pillars. Rick Klop has taken up a new position as EVP and Chief Operating Officer – Markets and Commercial. In this role, he will play a leading role in integrating VARO's new business divisions to maximise commercial synergies between our conventional and sustainable energies activities. Julian Stoll was appointed EVP and Chief Operating Officer – Operations and Infrastructure. Julian will continue to oversee VARO's manufacturing businesses, with a focus on safety and operational excellence, manufacturing and logistics, and major project management of new infrastructure investments.

Connecting with our people

As VARO continues to expand, I enjoy meeting and connecting with our people throughout the year. They are a truly important part of our success. From attending the opening of new offices in Rotterdam and Baar, to VARO's annual Town Hall in December, these opportunities allow me to engage with the many different talents we have at VARO. Looking after our people, investing in their development, and ensuring their safety is a foundation of our growth. I would like to take this opportunity to thank all our people for their hard work over 2023. Their passion and enthusiasm are driving us forward and we at Carlyle and fellow shareholders from Vitol, are pleased to continue to collaborate with such a dedicated team and support their efforts.

Outlook for 2024

We cannot ignore the hurdles our customers face in following their path of decarbonisation. The energy transition will only be sustainable if we find a way to make it affordable and accessible. By prioritising our customers' needs, providing them with energy security and support, VARO is ensuring they have the conventional energy they need today while preparing for a more sustainable tomorrow.

As we step into 2024, VARO is well-prepared to continue playing its part in the energy transition. We will continue to strengthen our businesses across all energies, creating a board portfolio of energy solutions that spans molecules as well as electrons. I maintain every confidence in the company's ONE VARO Transformation strategy.

CEO's statement

2023 has been a year of accelerating momentum for VARO, amidst substantial market volatility. Our strong financial performance is the result of our relentless focus on business fundamentals while ensuring we remained agile in capturing opportunities. It has been the second-best financial performance in VARO's history, underscoring our robust business model and the effectiveness of our strategic initiatives in a dynamic environment.

Throughout the year, we have made significant strides across our five strategic growth pillars by expanding and acquiring new business ventures and options. We have strengthened our position through new strategic partnerships with our "Customer Lighthouses", establishing ourselves as the partner of choice for customers seeking both energy security and decarbonisation solutions. The issuance of our first-ever green loan of $165 million, as part of a broader $3.3 billion refinancing, reflects strong market confidence in our transformation strategy. This alignment with financial institutions is a significant stepping stone for VARO and an accelerator to our growth trajectory.

"We are proud to be driving tangible progress towards a more sustainable future: moving away from a supplier-led relationship to a co-joined, customer-focused relationship."

Dev Sanyal, Chief Executive Officer

VARO is transforming while continuously delivering value to its customers, shareholders, and stakeholders in a very considered and deliberate way given the volatility we have seen in energy markets. The global energy landscape is facing one of the most significant dislocations due to tragic conflicts in regions like Ukraine and the Middle East, which have substantially altered the energy supply and demand balance and escalated operational costs. Simultaneously, the interplay between demand and regulation also has an impact on the pace of the energy transition. In the face of these unprecedented market dynamics, VARO has demonstrated both agility and resilience, positioning us well both financially and strategically as the market evolves.

Prioritising Safety: A Cornerstone of Sustainable Growth

Doing business safely continued to be a priority for us. This year, we have reinforced our safety foundations by implementing key programs such as Life Saving Rules, defined by the International Association of Oil & Gas Producers, and our Just Culture and VARO Operational Excellence Management System (OEMS). We deployed significant amount of capital towards safety and compliance, comprising nearly half (44%) of this year's total capital expenditure of $116 million.

I also believe that the strong capabilities of our team in process safety, integrity management, and industrial engineering are critical enablers for successfully building the new infrastructure required for the sustainable energies business of tomorrow.

A Customer-Focused Approach to the Energy Transition

We believe the energy transition will not follow a straightforward linear trajectory. We must acknowledge the challenges our customers encounter as they strive to pursue decarbonisation. That is why we are committed to providing them with supply security and support, ensuring they have the energy they need today while preparing for a more sustainable tomorrow.

Our twin engine strategy, which provides a multi-energy approach, covering both conventional and sustainable energies, resonates well with our customers. In 2023, we continued to strengthen the Customer Value Proposition through the development of what we call "Customer Lighthouses". Working in partnership with our customers to help them in their own transformation. Examples of strategic partners include Lufthansa in the aviation sector and Port of Rotterdam and Höegh Autoliners in the marine sector.

Optimisation across conventional and sustainable energies

VARO continued to make strong progress in 2023 by supplying our customers with reliable conventional energies, while creating new sustainable energy businesses to help customers decarbonise. Our ONE VARO Transformation strategy optimises our conventional energy operations to make them more reliable, efficient, and decarbonised, while simultaneously investing in new sustainable energy businesses, often on repurposed infrastructure. We continued to leverage our strengths in conventional energies sector and have completed a major upgrade and optimisation of our manufacturing hub at Bayernoil. Additionally, we expanded our biogas footprint by acquiring Bio Energy Coevorden BV, now VARO Biogas Coevorden, the largest biogas facility in Northwest Europe. This, along with the acquisition of Renewable Energy Services, a leading trader of biogas and Green Certificates, has expanded our biogas trading capabilities across 10 European countries. We also announced the construction of a large-scale Sustainable Aviation Fuel (SAF) manufacturing facility in Rotterdam, aimed at meeting up to 7% of the EU's 2030 SAF target.

Our e-mobility pillar received a substantial boost. We increased investment in Road and acquired elexon, the leading European developer of commercial vehicle charging, connecting the hardware and software to meet customer e-mobility requirements.

In hydrogen, we announced our intent to convert our current hydrogen facility in Bayernoil to a green hydrogen facility with the usage committed for our own requirements. This creates the scale and optionality to leverage for potential use in industry and power in future.

Further emphasising our approach to provide customers multiple decarbonisation pathways, we increased our equity in Silvicarbon, our company focused on nature-based carbon removals.

Efforts to decarbonise our own operations included transitioning to green electricity sources at our Cressier and Bayernoil manufacturing hubs, contributing to a significant reduction of 123,000 tons of CO_2. In partnership with Groupe E, we announced the completion of Switzerland's largest ground-mounted solar facility at Cressier, capable of producing approximately 8.4 GWh annually, enough to power about 2,000 households and supply about 7% of Cressier's electricity needs.

Overall, the biofuel ratio in our products increased from 3.9% to 4.6% in 2023, leading to an 11% increase in CO_2 emission savings at our customers' road fuels, totalling 2.6 million tonnes compared to conventional fuels. We are proud to be driving tangible progress towards a more sustainable future: moving away from a supplier-led relationship to a co-joined, customer-focused relationship.

Nurturing Talent and Our Culture

As VARO navigates this period of extraordinary growth, our transformation is powered by the dedication and expertise of our exceptional team. I would like to take this opportunity to thank our extraordinary people. Their commitment to safety, reliability, and innovation has been instrumental in driving our operational excellence. As we enter a new phase of growth, we remain committed to nurturing our talent, investing in people fundamentals, and fostering a culture of continuous learning.

Financing the Future

Our disciplined approach to financial management has allowed us to navigate the complexities of the energy transition effectively. With high cash generation from Engine 1, we have the financial firepower to scale and to capitalise on emerging M&A and partnership opportunities in Engine 2. We announced a $3.3 billion refinancing of our business in 2023, with the initial debt launch oversubscribed, and the loan size increased by 13% from the original $1 billion to $1.13 billion. We also announced our first green loan of $165 million, significantly boosting our financial strength to accelerate the transformation of our business. Our successful refinancing initiatives, focused capital management and cost-efficient production underscore our commitment to financial resilience and long-term value creation. This demonstrates a resounding vote of confidence in our strategy from the investor community.

Looking Ahead

As we continue our transformation journey, we face both challenges and opportunities with unwavering determination. The uncertain pace of the energy transition requires a pragmatic approach that includes long-standing, ambitious commitments. By focusing on our portfolio agility and portfolio resilience and pursuing value-creative partnerships and M&A opportunities, we will continue to deliver unparalleled value to our customers and resilient returns for our shareholders. As we enter 2024, our focus will be on accelerating value creation, maintaining operational excellence in our existing and new businesses, and fostering more strategic partnerships to execute our ONE VARO Transformation strategy.

In closing, I extend my deepest appreciation to our supervisory board for their guidance, firm support and trust. Together, we are redefining the future of energy, creating a more sustainable and prosperous world for generations to come.

Our Business

External environment

Today's energy markets face a complex interplay of volatile energy prices, increasing regulation and changing supply routes. Energy security, affordability and sustainability remain top priorities as the global energy industry transitions to become more diverse, independent and sustainable.

Complex dynamics in the face of uncertainty
Over the past 12 months, geopolitical turmoil and economic events have disturbed energy flows and pressured the balance of global energy demand and supplies.

Global oil demand reached an all-time high in 2023, primarily driven by China, which is estimated to account for around 75% of the increase. The war in Ukraine and the Middle East conflict have exposed the fragility of the global oil and gas value chain, prompting concerns about potential supply disruptions from major producers around the world.

Climate change
Global temperatures in 2023 reached exceptionally high levels, including the hottest month on record and daily global temperature averages surpassing pre-industrial levels by more than 2°C. Europe has warmed at a rate twice as much as any other continent in the world since the 1980s. As energy accounts for 75% of the EU's overall greenhouse gas (GHG) emissions, it plays a central role in the decarbonisation process.

Despite the EU's rise in temperatures, it has lowered emissions by 31% between 1990 and 2020. The rapid expansion of lower-carbon energy, combined with lower demand for electricity across the EU, is driving down carbon dioxide emissions, including an 8% drop in CO_2 emissions in 2023.

Increasing regulation driving European energy markets
EU legislation sets targets for sustainable energy consumption, energy efficiency, and building renovations. Additionally, it promotes sustainable transportation, energy labeling for products, and the development of clean technologies.

Under European Climate Law, EU Member States must become climate neutral by 2050. As a first milestone, they must aim to reduce net emissions by at least 55% by 2030 compared to 1990: referred to as 'Fit for 55'.

Under the European Green Deal, sustainable energy is a pillar of the clean energy transition, reducing Europe's dependency on external suppliers. The EU regularly revisits how it will increase the share of low-carbon energies in its energy mix and in October 2023, the EU Council adopted the amended Renewable Energy Directive (RED III), setting an overall low-carbon energy target of at least 42.5% binding at EU level by 2030 - but aiming for 45%. RED III also introduces specific targets in the industry, transport, and building (district heating and cooling) sectors.

In 2023, EU sales of electric vehicles (EVs) were up by more than
30%

The transport sector accounts for about
one quarter
of the EU's total greenhouse gas emissions, according to the European Environment Agency

It is the only sector to have experienced a rise in emissions in the past 30 years (nearly
33.5%
between 1990 and 2019)[5]

In March 2023, the EU approved a ban on the sale of fossil fuel-powered cars by 2035, with intermediary goals of a
55%
reduction in CO_2 emissions for new cars and
50%
for new vans by 2030 (compared to 2021).

E-fuels are exempted from the ban; considered carbon neutral because they are made using captured CO_2 emissions.

The EU Emissions Trading Scheme (ETS) makes polluters pay for their greenhouse gas emissions, helps bring emissions down and generates revenues to finance the EU's green transition. ETS revisions in 2023 align the system with this ambition, including tightening a cap to reduce carbon emissions by 62% by 2030, compared to 2005 levels, and covering emissions from maritime transport from 2024.

A gradual energy transition
Energy users are increasingly seeking a variety of energy sources, including sustainable energies, driven by technological advancements, a societal commitment to sustainability, and growing regulatory pressure to meet climate-driven decarbonisation objectives.

As the EU accelerates its transition to sustainable energy sources such as hydrogen, biofuels, and biomethane, customers continue to face significant pressures. Major infrastructure challenges in generation, transmission, and storage, along with rising commodity and material costs, as well as economic pressures such as the cost-of-living crisis, highlight the necessity for a pragmatic approach to the energy transition.

We believe that to get to an orderly, affordable energy transition, the markets require a smart approach to using what is already in place: repurposing existing conventional energy assets and infrastructure for future sustainable energy sources.

What this means for VARO
The world needs new and more diverse forms of energy to mitigate climate change and meet changing customer needs. The energy transition has highlighted the importance of a multi-energy approach.

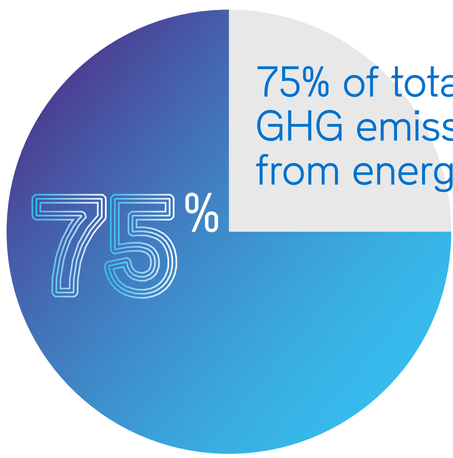
We are committed to providing our customers and society with energy security, greater affordability and more sustainable energy solutions through VARO's twin engine strategy.

While the pace of the energy transition is uncertain, flexibility and optionality in the speed and scale of deployment of sustainable energies is key to business resilience.

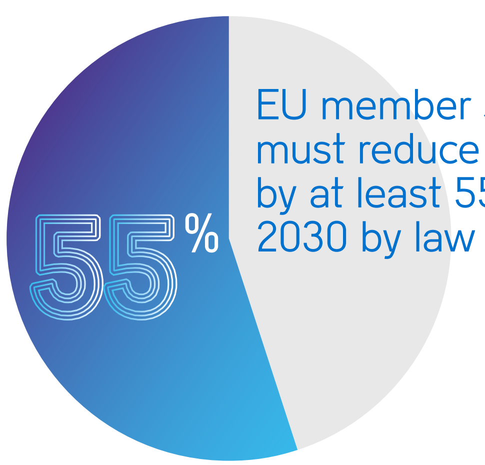
VARO's strategy of investment, innovation and diversification is building a portfolio of conventional and sustainable energies will keep energy flowing in

Europe throughout the transition. We are investing in and repurposing conventional manufacturing hubs, establishing new partnerships, and developing sustainable energy solutions to meet our customers' future energy needs and create value for our stakeholders.

With our track record of building new businesses and customer solutions, executed by an entrepreneurial team, VARO is perfectly poised to be a leader in the energy transition, by improving access to more sustainable liquid biofuels, biomethane and bio-LNG, green hydrogen, e-mobility solutions and carbon removals.



75% of total European GHG emissions are from energy sources

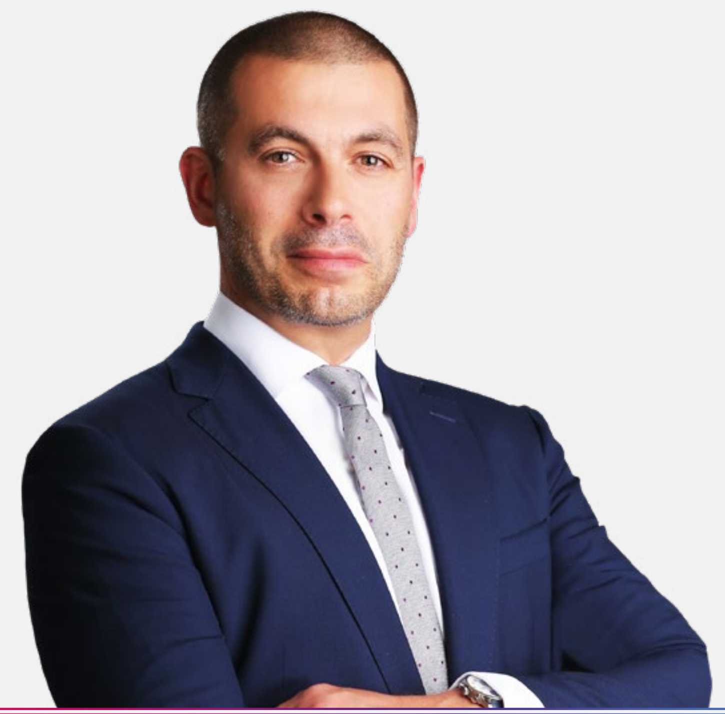


EU member states must reduce emissions by at least 55% by 2030 by law

"The development in shift from conventional fuels to new energies is not a linear process and quite a difficult market to navigate through. Especially demand supporting regulation will continue to drive the transition, for quite some time. Our twin engine strategy helps customers to meet current energy demand safely while embracing sustainable energy sources."

Theo Pannekeet, EVP New Energies and Innovation

Our Performance



Georges Menane, EVP and CFO

CFO report

Market overview

The geopolitical landscape continued to exert considerable influence on global markets throughout 2023, amplifying volatility and uncertainty. The impact of the Russia-Ukraine war reverberated across the world, particularly impacting European energy markets. Initial self-sanctioning efforts, followed by mandated sanctions on Russian-sourced energy, created severe disruptions, leading to supply constraints and escalating natural gas and electricity. Crude oil and oil products experienced a similar trend, albeit somewhat tempered.

The escalation of energy costs, coupled with low unemployment and increased consumer spending post-COVID19 lockdowns, contributed to double-digit inflation at the end of 2022 and leading into 2023, triggering a cost-of-living crisis. In response, governments and central banks worldwide implemented measures to curb inflation, including raising interest rates to levels not seen since the 2008 global financial crisis. These actions fuelled concerns of a potential economic downturn, casting shadows of recessionary fears that persisted throughout 2023. However, the Euro-zone economies demonstrated growth of 3.4%, setting a positive trajectory for the region.

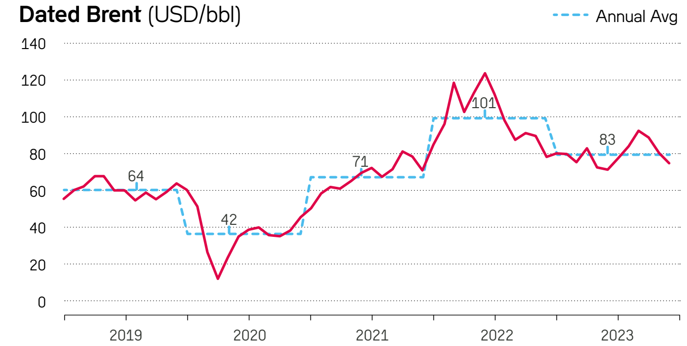
Initial estimates for 2024 paint a less optimistic picture, with projected growth at a modest 0.6%. The unresolved conflict in Ukraine, coupled with escalating conflict in the Middle East, have added uncertainty to the economic landscape. As a result, market volatility continues to be a prevailing factor, impacting the global energy system, investment decisions and business strategies. Amid this uncertain environment, it becomes imperative to remain agile and adaptive, navigating through turbulence with resilience and strategic foresight.

Oil price dynamics

Relative to the previous three years, the crude oil market experienced less volatility in 2023, with Brent crude oil prices trading between $72 per barrel and $98 per barrel. Price fluctuations were influenced by various global economic and geopolitical factors that played out over the course of the year.

At the start of 2023, crude oil prices were under pressure. A weakening economic outlook, spurred by uncertainties in major economies, led to a cautious stance among investors and traders, resulting in a downward trend in oil prices.

Dated Brent (USD/bbl)



As the year progressed into Q3, a combination of factors caused Brent crude oil prices to climb to near $100 per barrel: OPEC (the Organisation of the Petroleum Exporting Countries) implemented voluntary production cuts, which significantly influenced market dynamics by tightening supply; the seasonal increase in demand during the summer months; and improving investor sentiment.

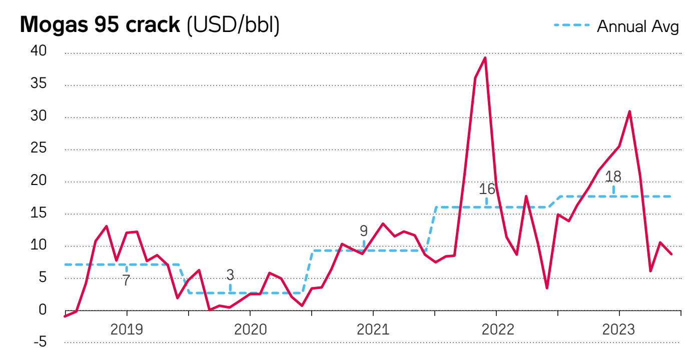
However, the upward trend faltered towards the end of 2023. Initial support for higher crude oil prices began to wane on the back of concerns over economic growth and potential demand contraction, with the year closing at $78 per barrel, relatively close to the level at which it started the year.

The European refining sector mirrored volatility in the crude oil market, however maintained a position of strength for the most part of the year. Refining margins, while fluctuating, remained robust throughout 2023 relative to historical levels. Towards the end of the year, these high margins began to decline, due to the resolution of refinery outages and the onset of seasonally softer demand. Performance was bolstered by significantly lower utility prices compared to 2022, which cushioned refining economics in Europe against a backdrop of market volatility.

Product crack development

Despite the macroeconomic challenges and their impact on product demand, both gasoline and diesel crack spreads remained above their long-term averages.

Mogas 95 crack (USD/bbl)



"The past 12 months marked our second-best year in terms of financial performance. An underlying EBITDA of $600 million is evidence of the strength and efficacy of our integrated business model, our risk and exposure management expertise and our twin engine strategy, encapsulated in our Engine 1 and Engine 2 framework.

2023 was not just about resilience in a challenging market; it was also about making significant strides forward, with our first major investments under Engine 2 signaling our commitment to delivering on our ambitious ONE VARO Transformation strategy and energy transition plans.

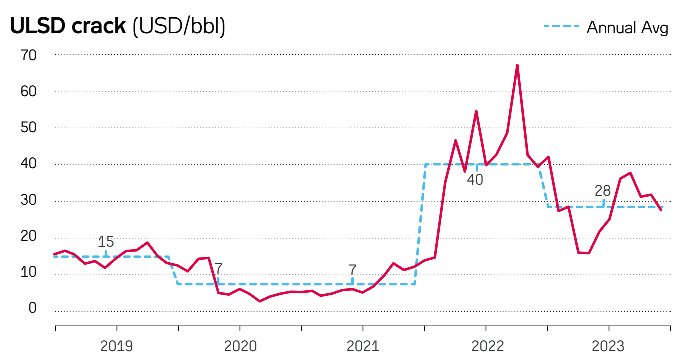
Our strategy has been overwhelmingly validated by the market's response: our refinancing was oversubscribed and we successfully issued our first green loan, underscoring confidence in our sustainable growth trajectory.

The outlook for 2024 remains uncertain due to rising geopolitical tensions and changing regulatory frameworks, particularly in relation to the bio and renewables market and evolving consumer energy demands. But we are confident that VARO will continue to adapt and innovate within this dynamic landscape, leveraging our assets and capabilities while continuing to deploy our resilient strategy in a disciplined manner."

Georges Menane, EVP and Chief Financial Officer

During 2023, the gasoline crack spread remained volatile, albeit with some moderation in the extremes compared to 2022. The annual average gasoline crack spread of $17.8/bbl was up 11% from 2022. Price development was relatively flat in Q1, averaging $15.2/bbl, reflecting a continuation of the prior year's dynamics. Prices gradually increased through Q2 and Q3, hitting an average high of $25.9/bbl in Q3, driven by a combination of constrained refining capacities, recovering global mobility and geopolitical tensions. However, in Q4, prices retreated to an average of $8.9/bbl, attributed to improved refining outputs helping to alleviate supply-side pressures, together with weaker market demand.

The diesel crack spread displayed similar volatility during 2023, but this was moderate relative to the extreme 2022 fluctuations.



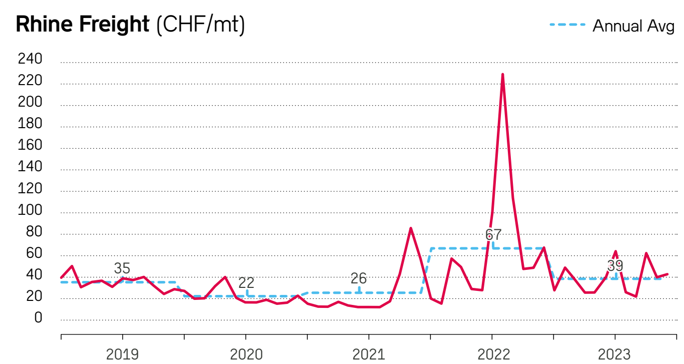
Prices declined steadily over the first half of the year, with a quarterly average of $32.6/bbl in Q1, falling to $17.9/bbl in Q2, as supply concerns surrounding the ban on Russian diesel imports eased, alternative supply routes were established and refinery outputs began to recover following the end of maintenance seasons.

Price levels rebounded sharply in Q3 to an average of $33.0/bbl, due to an uptick in seasonal demand and sporadic supply disruptions, before stabilising in Q4 to an average $30.1/bbl. Prices traded between a narrower range than in 2022, peaking at $48.3/bbl in mid-January to a low of $11.4/bbl at the end of April. The annual average of $28.4/bbl was down 29% compared to 2022, however this level remains well above historical pre-2022 levels, reflecting a market adapting to ongoing geopolitical uncertainties, supply chain constraints and evolving demand patterns.

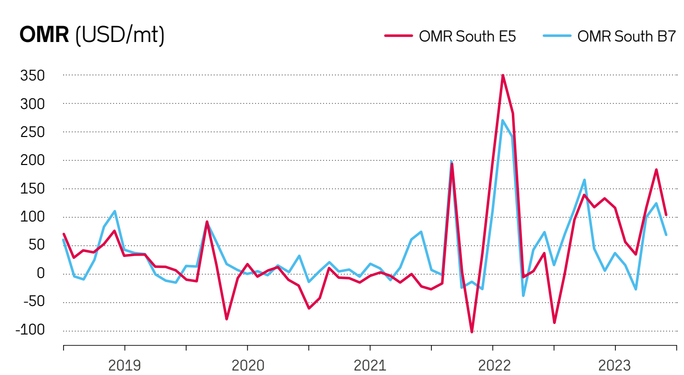
Inland premiums

VARO earns inland premiums on product sales in Switzerland and southern Germany. These premiums mirror the costs associated with transporting fuels into these regions. Premium levels can vary significantly and are influenced by factors including regional supply and demand imbalances, and availability of barges and water levels on the river Rhine.

During 2023, Swiss inland premiums represented by Rhine freight rates from the ARA (Amsterdam/Rotterdam/Antwerp) region were relatively stable compared to 2022.



The annual average Rhine freight rate for 2023 of CHF 38.50/mt was down 42% from a record high in 2022. Price volatility throughout 2023 was mainly due to exceptionally dry weather, resulting in low water levels on the river Rhine and leading to spikes in the freight rate in July and October. Strike action in France during the first half of the year, and interruptions to rail transport in Germany later in the year, also influenced Rhine freight rate development.
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 area, as the Western European oil products pricing centre.



OMR gasoline and diesel premiums experienced elevated volatility during 2023. Gasoline OMR premiums traded in a wide range between a spot low of negative $146/mt in January and a spot high of positive $212/mt in November, with an annual average of $+84/mt (up 6% on 2022 average). Similarly, the diesel OMR premium ranged between a high of $183/mt in April to a low of $-83/mt in September, with an annual average of $62/mt (12% lower than the 2022 average). The volatility in price levels was driven by regional supply interruptions resulting from the fallout of bans on Russian refined products, refinery outages, rail logistics constraints and towards the end of 2023, weaker regional demand in southern Germany.

CO_2 emissions savings certificates and biofuels

Throughout 2023, both certificate and biofuel markets have experienced a consistent decline in prices. This downward trend has been fueled by the flow of products and changes in regulatory landscapes.

In response to shifting global and local factors, high-profile countries using biofuels have substantially reduced their biofuel mandates, such as Sweden's decision to reduce its diesel biofuel mandate by 80%. This drastic reduction necessitated the redistribution of hydro-processed vegetable oil (HVO), putting downward pressure on prices.

The pressure on biofuel markets has been exacerbated by a surge in biofuel exports from Asian markets. This influx of competitively priced, mainly advanced biofuel imports into Europe, has created a supply and demand imbalance. Increased flows including marine, aviation, electricity and biogas, led to an oversupply of CO_2 emissions savings certificates during 2023, on top of an already high carry-over from prior years, putting even more pressure on bio certificate prices.

Throughout 2023, European Union Allowance (EUA) prices fluctuated within a narrow range, driven by short-term factors and reflecting market indecision, including decreased demand due to reduced industrial activity, a rise in renewable power generation, and increased supply resulting from the EU's interventions related to the RePowerEU plan. In contrast, as costlier industrial abatement measures become the primary method for carbon reduction approaching 2030, we expect EUA prices to increase over the longterm.

Market demand

The table below summarises year-on-year changes in demand for 2023 compared to 2022 in the countries where VARO operates:

2023 vs. 2022	Diesel	Gasoline	Heating Oil
Switzerland	(2%)	+4%	(7%)
France	(6%)	+5%	(13%)
Netherlands	(3%)	+8%	n/a
Belgium	(1%)	+8%	(17%)
Germany	(5%)	+3%	(6%)

Product demand in 2023 continued the trend experienced in 2022, with declining demand for diesel and heating oil, and rising gasoline demand in all regions. Falling demand for diesel is influenced by several factors including high prices, slowing manufacturing and freight activity. The reduction aligns with broader economic trends, including a cost-of-living crisis fueled by the energy price shock and rising food prices in 2022, which led to lower economic growth and high inflation levels. These economic conditions persisted into 2023, although inflation rates are declining in many countries.

Moreover, the shift away from traditional diesel and gasoline vehicles towards electric vehicles (EVs) has been accelerating in Europe, contributing to changes in the fuel demand landscape. Sales of gasoline and diesel cars lost market share to EVs for the first time at the end of the fourth quarter of 2022, highlighting a significant trend towards electrification in the transportation sector. During 2023, the rate of EV adoption slowed, while petrol-electric hybrid vehicles gained market share, a trend reflected in steadily increasing gasoline demand in 2023.

On heating oil, high consumer stock levels combined with milder winter weather led to lower market demand across all regions in 2023.

Underlying EBITDA of $600 million represents the second-best year of financial performance in VARO's history. We benefitted from a favourable refining margin environment, which remained elevated throughout 2023 relative to historical norms, albeit materially weaker than 2022.
Our operational performance was below plan, due to an extended turnaround at Bayernoil in Q2, and subsequent capacity constraints led to a decline in crude throughput of 20% compared to 2022.

Financial Highlights 2023

$600 million
Underlying EBITDA

17.5%
Underlying ROACE

$20.9 billion
Annual net sales

$1,365 million
Total equity

25.7 billion litres
Annual fuel sales

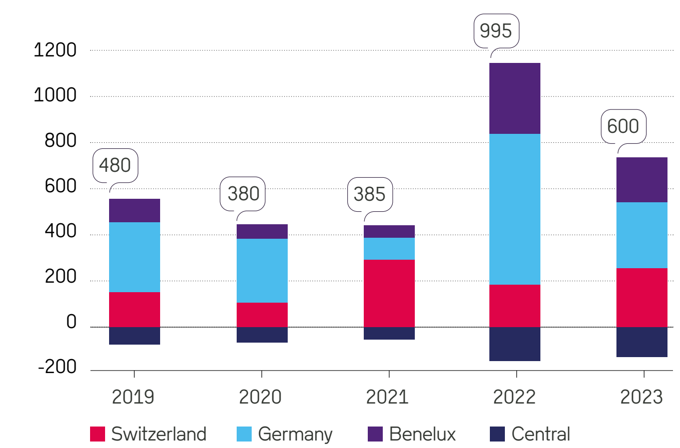
2.6 million tonnes
CO_2 emissions saved by VARO customers

Group Financial Performance

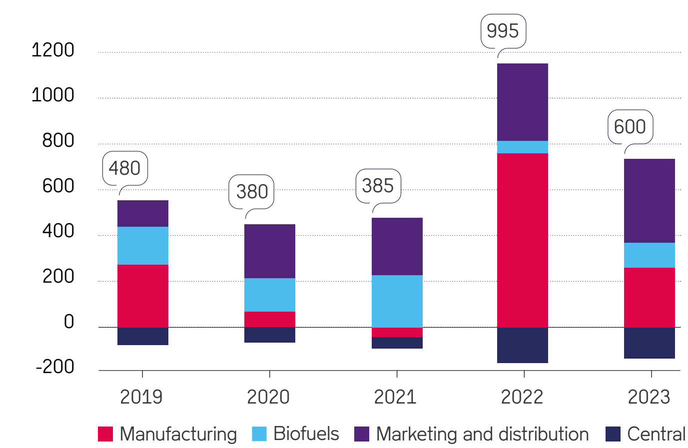
$ million	2023	2022	2021	2020	2019
Underlying EBITDA	600	995	385	380	480
Net capital expenditure*	265	155	135	160	152
IFRS EBITDA	606	810	289	683	443
Profit after taxation	232	485	61	331	173
Underlying ROACE	17.5%	40.0%	8.7%	9.3%	18.8%

* 2019 and 2020 Capital expenditure is presented net of $21m (2019) and $17m (2020) for property damage insurance proceeds relating to rebuild of the Vohburg plant at Bayernoil following the 2018 incident.

Underlying EBITDA by value chain (USDm)



Underlying EBITDA by activity (USDm)



During Q4, routine asset integrity checks revealed anomalies on one of the two distillate hydro-desulphurisation reactors at Bayernoil, requiring it to be taken offline. The reactor will need to be replaced with a new unit during a future turnaround stop. In October 2023, an incident on the mild hydrocracker took this plant offline for four months, affecting refinery profitability despite our efforts to minimise the impact on customers. However, most of the repair costs and a significant part of the lost margin will be offset by our property damage and business interruption insurance cover. A less strong refining margin environment and reduced throughput contributed to lower underlying EBITDA from manufacturing activities.

The marketing and distribution business continued to deliver strong performance, benefitting from healthy margins on the back of regional product supply constraints and elevated inland premia.

Bio and renewables markets experienced significant headwinds, with a marked decline in bio-ticket prices and bio-feedstock prices in the second half of the year. Despite these market challenges, the bio and renewables contribution was up as compared to 2022, supported by higher blending volumes and margins in Germany and Switzerland, and stronger bio trading contribution in Benelux. Overall CO_2 emissions saved by VARO customers due to the replacement of conventional fuels by renewable alternatives increased to 2.6 million tonnes (2022: 2.3 million tonnes.)

Corporate and Central underlying EBITDA benefitted from gains on foreign exchange hedge positions related to managing currency exposures on non-US dollar denominated operating costs and capital expenditures, which are centrally managed.

Profit after tax of $232 million in 2023 was down $252 million from 2022, partly offset by lower provisioning expenses and mark to market gains on forward refining margin hedge positions.

Total capital expenditure was $265 million in 2023, comprising of $116 million on compliance and safety, $51 million on the Bayernoil Vohburg rebuild and $97 million commercial and growth spend. Additionally, acquisitions spend in 2023 amounted to $193 million, including the acquisitions of Bio Energy Coevorden (BEC), Renewable Energy Services (RES) and increased investments in Road (formerly E-Flux) and SilviCarbon.

The Group's underlying ROACE of 17.5% was higher compared to historical levels, but down on exceptional levels in 2022. This was due to adjusted underlying EBIT declining 52% year-on-year and a 10% increase in the average level of capital employed, predominantly driven by increase in non-current assets due to acquisitions spend.

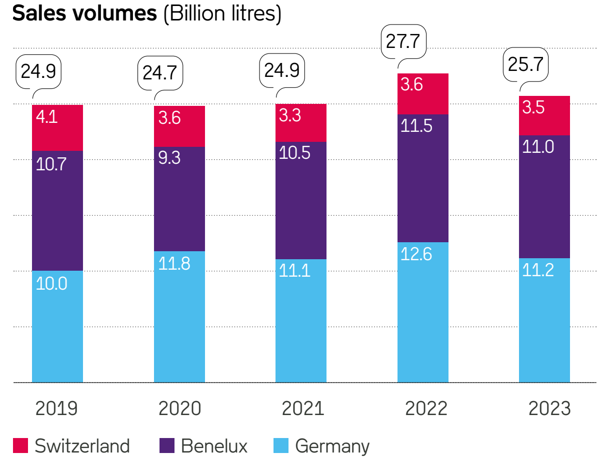
Reconciliation between underlying and IFRS results ($m)

	Including IFRS 16 Impact		Excluding IFRS 16 Impact	
	2023	2022	2023	2022
Underlying EBITDA	**600**	**995**	**523**	**934**
Underlying to IFRS 16 EBITDA adjustments				
Impact of IFRS 16 and IAS19	-	-	77	61
Recognition timing differences on margin swaps	42	-77	42	-77
Management Equity Plans	-21	-57	-21	-57
Property damage insurance compensation	-2	-4	-2	-4
Other non-recurring items	-14	-48	-14	-48
Pre-tax effect of adjustments	**6**	**-185**	**82**	**-124**
Underlying EBITDA	600	995	523	934
Adjustments	6	-185	82	-124
IFRS EBITDA	**606**	**810**	**606**	**810**

Sales volumes

Total sales volumes for 2023 of 25.7 billion litres were down 7% on 2022, resulting from a market-wide, year-on-year decline in demand for diesel and heating oil across all markets where we operate.

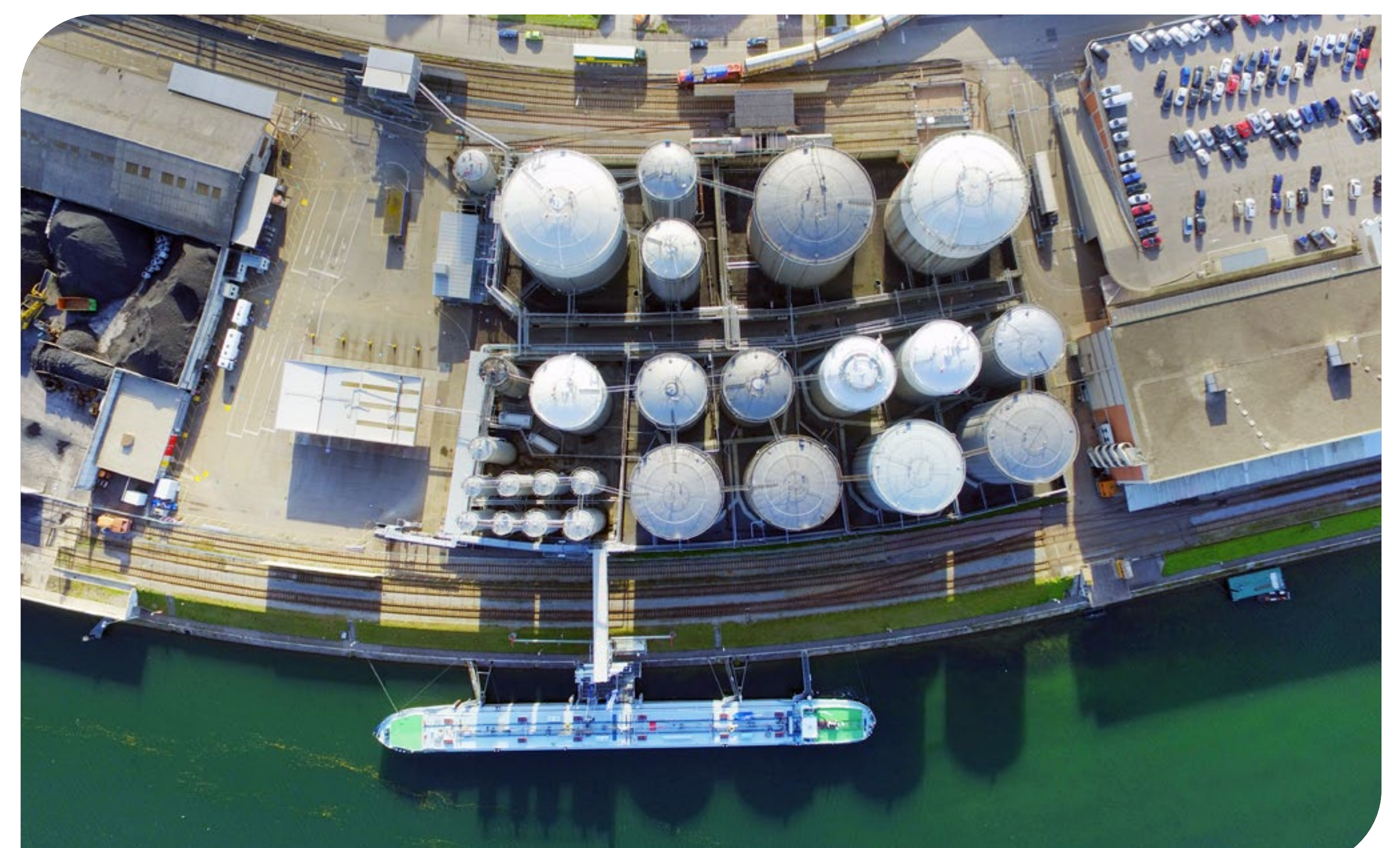
Sales volumes (Billion litres)



Cash flow and net debt

	Including IFRS 16 Impact		Excluding IFRS 16 Impact	
	2023	2022	2023	2022
Cash flow from operations	1,022	567	1,022	567
Net Debt	642	249	445	87
Gross Debt	817	486	620	324
Underlying EBITDA	600	995	523	934
Leverage	1.07	0.25	0.85	0.09

In 2023, we generated net cash from operating activities of $1,022 million and used net cash in investing activities of $453 million. Operating cash flows were driven by strong EBITDA contribution, combined with $470 million cash from reduced working capital requirements due to lower crude and product prices, relative to the end of 2022 levels. Surplus cash generated was used to reduce drawings on our working capital borrowing base facility. During 2023, we executed a $200 million capital distribution and paid a $300 million dividend to our shareholders. Our gross debt increased in 2023 as we issued new term loan debt. With this new term loan, we increased our nominal long-term debt facility to $581 million, including a $165 million green loan, the first in the Group's history. Proceeds were used to refinance the original term loan balance and to fund acquisition spend. The acquisition of BEC resulted in the consolidation of subsidiary debt held at BEC of $65 million. The increase in net debt during 2023 due to these changes in gross debt, combined with reduced cash holdings at the end of the year, with lower cash required to cover initial margin with banks that act as VARO's brokers on trading exchanges.



Business performance reviews

Germany

Marketing and distribution

Ongoing efforts to decrease Germany's dependency on Russian energy imports determined market dynamics at the start of 2023. Crude oil imports from Russia were banned at the end of 2022, and at the start of 2023 import bans were introduced on some finished grades of Russian origin. This move mainly affected diesel imports, which impacted large parts of the German economy and its transport sector. Before the war, more than five million tonnes of Russian diesel were imported annually into Germany's northern deep-sea harbours. Another substantial flow was imported into the Rhine Hinterland indirectly via the ARA region.

The bans did not impact VARO directly, as we refrained from procuring both crude and products of Russian origin from the onset of the Ukraine war. However, the embargo was a change from existing practices. We contributed to a complete redesign of the German molecular energy system, organising additional logistical capacity and storage infrastructure to keep our customers well supplied and mitigate the consequences of changing energy supply routes for Europe's largest economy.

Despite the ongoing challenges in the energy markets, we delivered a solid financial performance. Our supply and trading channel benefitted from higher cost of inventories due to continued tightness and backwardation in the market. We generated upside in road fuels by optimising regional product flows. In that face of wavering demand from the petro-chemical industry, our LPG (Liquified Petroleum Gas) team delivered well above target. Our Heavy Fuel Oil team was successful in managing flows from our manufacturing hub and in blending bespoke grades for our customers. The cost of CO_2 Quota dropped considerably in 2023. Significant imports of Chinese advanced biofuels led to a 70% price decline from about €400/mt at the beginning of the year to about €120/mt at the end of the year.

Due to reliable performance of our Supply team, we maintained steady supplies to our customers during the crucial initial months of the embargo, driving above-plan financial performance. Technical issues in the Bayernoil manufacturing hub later in the year demanded the team's utmost effort. I am grateful for how our colleagues in both Supply and Sales handled these operationally demanding situations with great skill.

The retail segment delivered on plan, despite initial volume losses in our retail sites in the regions bordering the Netherlands. Ongoing tax breaks in the Netherlands temporarily shifted demand across the border. Towards the end of 2023, with the expiry of the extraordinary fiscal measures in the Netherlands, we saw a normalisation of volumes in our portfolio.

Also in 2023, VARO continued to invest in its terminal network. Our focus is on safe, reliable and compliant operations. We have started an investment programme to deliver an even wider range of renewable fuels to our customers.

Bayernoil manufacturing hub

The Bayernoil refinery encompasses manufacturing facilities at two locations in Vohburg and Neustadt, Germany. It is a vital component of VARO's value chain, and also essential for maintaining security and continuity of energy supplies in the region.

VARO owns a 51.43% majority share of the manufacturing hub, with remaining shares held by Rosneft Germany (28.57%) and ENI (20%). Following the escalation of the war in Ukraine, the German Government has implemented a trust arrangement (Treuhand) for Rosneft Germany's holdings, which has stabilised market conditions for the short term. However, a long-term strategic resolution is required to remove lingering uncertainty in the German market.

Refinery margins showed robust performance throughout 2023, particularly in the latter half of the year. During the summer, global refinery utilisation was lower than anticipated due to a combination of unplanned shutdowns, delayed startups, warm weather and a shift towards lighter crude diets. This shift was partly driven by sanctions on Russian crude oil and a significant increase in US light crude oil production. The lower than expected refinery utilisation resulted in tight product inventories, with gasoline and middle distillate remaining well-supported.

In spring 2023, Bayernoil underwent its largest ever maintenance and project execution shutdown. Besides the usual regulatory inspections and maintenance works, we executed the final steps of a total gross investment of more than €650 million. We have now nearly completed the reinvestment programme launched after the 2018 Vohburg incident, including the debottlenecking of several upgrading units and consequential changes to the corresponding logistics. We then safely restarted these plants, enabling a return to pre-incident capacity and operational efficiency. In Q4, as part of our extensive routine asset integrity verification process, anomalies were found on one of the two distillate hydro-desulphurisation reactors. Consequently, the reactor was taken offline and will need to be replaced. In October 2023, an incident on the mild hydrocracker took this plant offline for four months. Despite the efforts of the commercial organisation to minimise the impact on customers, idling these units had an impact on refinery profitability during Q4. We are committed to continue investing in Bayernoil as a strategic asset to VARO, to Bavaria and to the German federal Republic.

Michael Liekens
VP Commercial &
President VARO Germany

Benelux and France

Marketing and distribution

While the Ukrainian war and subsequent sanctions on Russian crude and petroleum products have strongly impacted the supply situation for our Benelux network, the markets have managed to effectively reconfigure supply and trade routes in 2022 and 2023. However, volatility persisted in 2023 due to reduced spare capacity in the system, refinery outages and other disruptions, although government intervention was not required.

Demand in the Netherlands remained robust throughout most of 2023. In the first half, demand was supported by excise reductions introduced at the onset of the Ukraine conflict in 2022. While half of these reductions expired in July, the Dutch parliament extended the remaining reductions beyond January 2024, to shield consumers from inflation. Overall demand was steady throughout 2023, with a downward trend in H_2 reflecting the ongoing shift from diesel to gasoline and, to a lesser extent, to electric vehicles (EVs).

Our marketing and distribution business delivered impressive performance, primarily through the optimisation of supply chains and associated supply risk premiums. The teams demonstrated foresight in anticipating the supply shortages and proactively implementing mitigation strategies. Similarly to 2022, our French team maintained adequate stock positions during refinery outages and strikes, ensuring continuity of supply. Additionally, our Argos retail business benefited from healthy margins, underpinning another strong year of performance.

Inland bunkering operations demonstrated a robust performance. Despite commencing the year with a low order book in cruises, we had a strong season with more term and spot contracts throughout the year. Reinplus Fiwado once again proved its reliability as a supplier for numerous barge companies. However, demand from bulk and container sectors weakened towards the end of the year.

We revitalised our maritime bunkering strategy, allocating resources to expand this promising growth segment, and focused on renewable customer value propositions. The positive outlook is driven by strong customer demand, increasing orders for dual fuel renewable engines and supportive legislation, leading to our early successes in 2023. Considerable progress was achieved in advancing the ONE VARO Transformation strategy, with the introduction of new business activities, strengthened customer value propositions and the integration of new skillsets into our workforce. In early 2023, we successfully completed the acquisition of Bio Energy Coevorden (BEC). Despite challenges such as the decline in gas prices and subsequent mandated temporary reduction in capacity utilisation, we maintain a bullish outlook on biogas demand across the power, heat and transportation sectors. Following the summer, we finalised the acquisition of Renewable Energy Services (RES), which augments our expertise in biogas origination, trading and marketing alongside Guarantees of Origin. Concurrently, we have bolstered our in-house capabilities in power and gas trading, as well as risk management, to enhance our holistic value chain competency. In September, we entered into a Memorandum of Understanding (MoU) for the construction of a Sustainable Aviation Fuel (SAF) plant in the Port of Rotterdam.

The outlook for 2024 remains positive but not without challenges. In our Marketing and Distribution business, we remain well positioned on both conventional and biofuels, maintaining a balanced portfolio across our energy value chains and implementing robust risk management disciplines.

Sacha Konan
VP Commercial & President VARO Benelux & France

Switzerland

Marketing and distribution

The geopolitical landscape, notably the continuing impact of the conflict in Ukraine, heightened the focus on supply security. Consequently, there was an increase in commitments to supply term volumes for 2023.

Product supply in Switzerland faced various challenges throughout 2023. In the spring, strike actions in France brought crude discharging in the port of FOS in Marseille to a standstill. Refinery outages reduced products availability in the European market, leading to alternative import routes, notably resulting in increased gasoline imports from the ARA region compared to previous years. During the summer, the Rhine River experienced exceptionally low water levels, hindering barge capacities into Switzerland, resulting in elevated Rhine freight rates. Conversely, in December, waterways into Switzerland were closed just before Christmas due to elevated water levels, following a rainy period, which in turn also resulted in elevated Rhine freight rates.

All compulsory stock releases from 2022 were required to be replenished by the end of the summer period, leading to heightened demand in the first eight months of the year. This helped to offset reduced market demand, particularly for heating oil.

Despite persistent challenges in sourcing bio-blend products, we significantly expanded our bio-blend product offering in line with our strategic objectives.

Leveraging our robust network of assets and infrastructure, VARO once again demonstrated its reliability and agility as a supplier amidst these dynamic market conditions.

Cressier manufacturing hub

The Cressier manufacturing hub is a key strategic facility in Switzerland's energy infrastructure, playing a vital role in meeting the nation's energy needs. Its central location, combined with an extensive network of transportation infrastructure, ensures a secure and stable supply of about 30% of the liquid fuel demand for the country.

In 2023, Cressier continued its robust performance. Sustained elevated product cracks, combined with equally sustained high inland premia, supported healthy gross refining margins. The Cressier manufacturing hub displayed operational excellence in 2023, capitalising on favourable market conditions and achieving strong operational and financial performance.

The site was able to maintain strong operational availability and close to plan process utilisation, resulting in a solid crude throughput of 21.6 million barrels for the year. A critical element was the successful execution of the anticipated site outage in January. The biggest operational challenge was the strike at the port of Lavera, which closed for several weeks in March and April 2023. Uninterrupted operation of the refinery was secured thanks to the strong relationship with other refiners in the network and good relationship strategic inventory agencies.

The total costs were approximately 10% below budget, despite the sustained strong Swiss franc foreign exchange rate. Commercially, the biggest headwind came from power consumption expenses for 2023, which as per contractual commitment were hedged in 2022 at relatively higher cost. A major highlight of the year was the start of production of the newly installed solar farm, the largest ground-based solar farm in Switzerland. At the same time, we commissioned a district heating system to the first neighbouring communities. We have successfully minimised natural gas consumption at Cressier, as we did not need additional hydrogen from the hydrogen manufacturing unit.

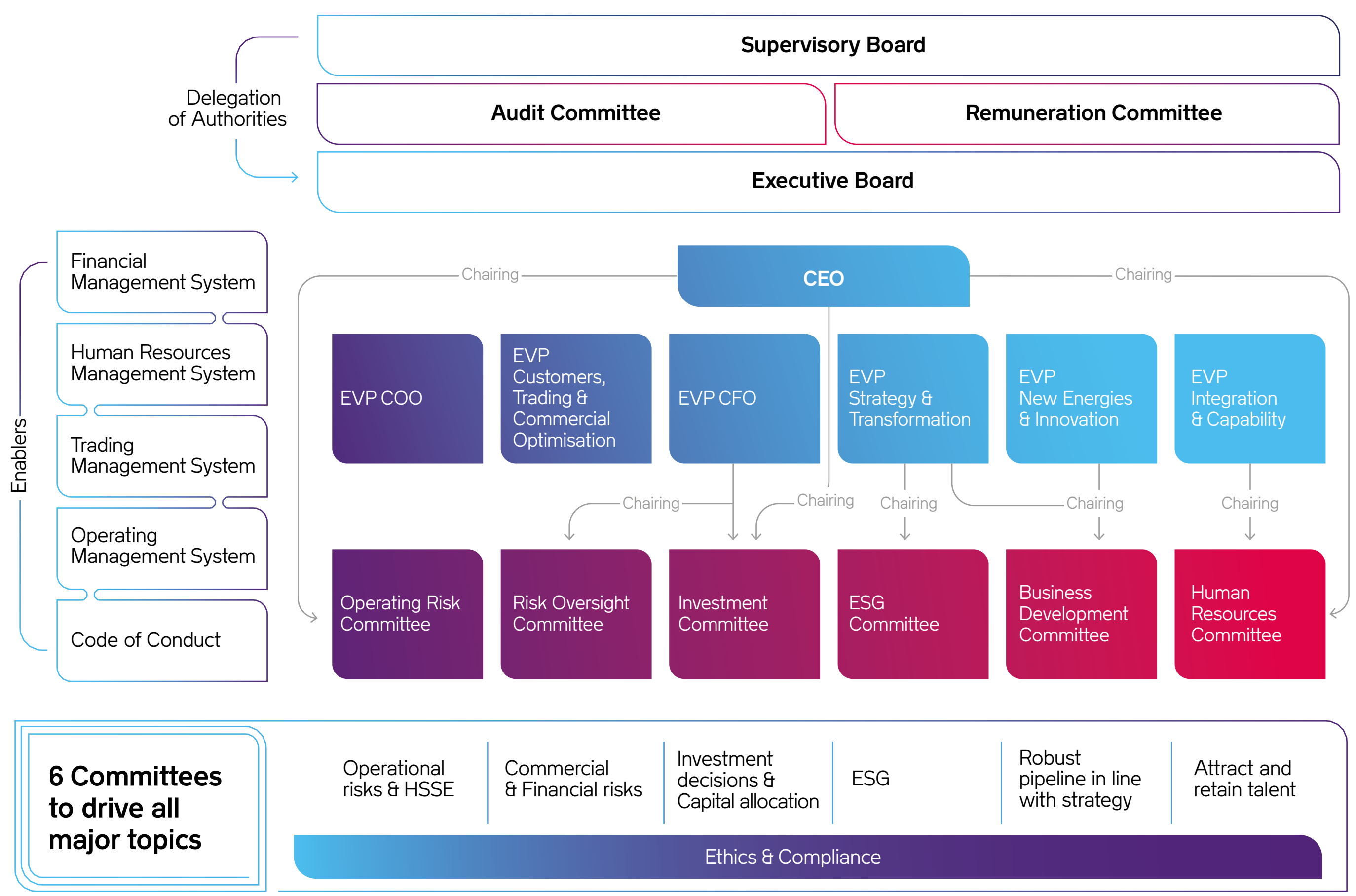
Barbara Mühlemann
VP Commercial & President VARO Switzerland

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 provides a 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

Our market risk management activities encompass:

- Daily monitoring of market positions, exposures, value at risk, daily profit or loss, performance risk, drawdown monitoring, stress testing, expected tail 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.
- Regional Credit Committees address regional credit limit generation, manage overdue and credit insurance risk, and to implement new business exposures.
- Regional Compliance Committee address compliance-related issues for specific regions.

Significant risk factors

We are exposed to various financial risks stemming from business operations, including challenges associated with the energy transition, market risks relating to commodity prices, and foreign currency exchange rates, financing and credit risk. Our economic strategy involves hedging against all market risks, adhering to a predefined set of approved guidelines. We have outlined below the risks we encounter, our risk appetite, the measures we implement to mitigate these risks and the possible outcomes if these risks were to materialise.

Prices, markets and financing

We are exposed to volatility in market prices, including fluctuations in the cost of crude oil, oil products, renewable fuels, bio certificates and other commodity inputs such as natural gas and electricity, as well as interest rates and foreign currency exchange rates, influenced by the broader macroeconomic environment.

Our integrated business model is extended across the value chain. By diversifying our operations, we are able to counteract market fluctuations in various segments of our business. We manage oil price risk with financial instruments by hedging part of our physical crude oil, oil products, renewables and natural gas portfolios and refining margins. These strategies are tailored to align with the prevailing market structure and conditions.

Most non-US dollar exposures are hedged. For significant transactions in foreign currencies, we apply direct hedging on a one-to-one basis, while smaller intra-day exposures are hedged in aggregate. Additionally, we employ hedging strategies to protect against currency risk associated with our anticipated 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 that, combined with close monitoring and forecasting of liquidity needs, provides 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 geopolitical 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 specific 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, we invest in our 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. To manage this risk effectively, we maintain a dedicated Credit Risk function and use credit insurance as a mitigation strategy.

Interruption risk

Our manufacturing and distribution facilities are designed for continuous operation, yet they face potential risk of interruption or shutdown due to operational incidents, supply shortages, insufficient funding, terror or cyber-attacks and regulatory interventions. We actively mitigate these risks through a steadfast commitment to process safety and asset integrity, robust supply chain partnerships, long-standing relationships with financial institutions and cyber security expertise. Furthermore, we are safeguarded by business interruption insurance to protect against unforeseen disruptions.

Process safety risk

We are engaged in operations that involve manufacturing, lending and transporting conventional products; and activities that carry inherent risks to health, safety, security and the environment. Such risks could potentially result in harm to individuals, the environment and our assets, leading to regulatory actions, legal liabilities, business disruptions, increased operational costs, reputational damage and possibly the revocation of our operating license.

Ensuring the safety and integrity of our processes and assets is of utmost importance. To control and mitigate these risks, we focus on:

- Cultivating and maintaining expertise among our employees and contractors;
- Adhering to high-quality operational processes, including inspections and safety reviews;
- Committing to the upkeep and high-standard maintenance of our equipment.

These principles are integral to our daily operations, due diligence efforts and the integration of new activities. However, technical integrity failures, natural disasters, extreme weather changes, human errors and other adverse events could still pose risks. These include the potential for hazardous material leaks, resource scarcity, fires, explosions and other safety incidents during operations or transportation via road, water or pipeline.

Such incidents could not only result in injuries, loss of life, or environmental damage, but also expose us to regulatory penalties, legal liabilities, increased costs and the risk of losing our operating license.

To safeguard against these risks, VARO has instituted comprehensive safety management systems that emphasise safety policies, risk assessments, operational controls, incident investigations, training, communication, contractor management, emergency response preparedness, audits and ongoing improvement initiatives, aiming for a secure and risk minimised risk working environment.

We are dedicated to enhancing our health and safety performance continually. Industry-leading external consultants regularly perform audits on our health, safety, security and environmental (HSSE) processes and our safety culture. In 2023 we developed with outside consultants the risk based process safety management system the OEMS (Operational Excellence Management System). From end 2024 onwards audits on HSSE and process safety will be structured using the OEMS as vehicle. Other studies focus on process safety and equipment integrity to ensure we identify and effectively manage hazards and risks in our manufacturing sites and terminals.

Competition risk

VARO operates in mature and established markets where competition is subject to an established legal system and business practices. We are fully committed to adhering to all relevant competition laws across our operational jurisdictions. To ensure compliance, we have formulated VARO Competition Rules and implemented comprehensive training programs for all our employees that engage with

other market participants, including customers, partners and suppliers. Employees working in commercial roles have additional detailed training on a biennial basis. Any potential concerns regarding competition matters are promptly reported to VARO's Group General Counsel for further evaluation and action.

Cyber-security risk

VARO's operations depend on the integrity and reliability of its IT infrastructure, which could face potential threats from cyber-attacks or equipment failures. Several strategies have been implemented to address these challenges:

- Investment in modern systems housed within secure data centres;
- A dedicated specialist IT security and infrastructure team;
- Adoption of rigorous cyber-security protocols;
- Utilisation of advanced security protection tools;
- Conducting awareness, testing and training programmes for staff;
- Continuous, round the clock network monitoring and detection;
- Ongoing monitoring for threats along with regular testing of our cyber incident response, recovery and business continuity plans.

Climate change and energy transition risk

Climate change and the ongoing energy transition present certain risks to our operations. Government policies, legal frameworks, regulations, technological developments and market dynamics related to climate change could lead to increased costs, reduced demand for certain products in our portfolio, impact revenue and limit certain growth opportunities.

As laws, regulations, social attitudes and customer preferences evolve towards a low-carbon economy, our business may face higher compliance and litigation costs, influencing our strategic direction. The dynamic nature of environmental regulations poses a risk of unintentional non-compliance due to varying interpretations between VARO and regulators on relevant legislation and accompanying guidance.

Technological advancements supporting the transition to a low-carbon economy, changing customer preferences and regulatory incentives favouring sustainable energy sources could alter demand for conventional products, impacting our financial performance and competitiveness.

As the regulatory landscape to support decarbonisation evolves, we are investing in sustainable energies to maintain and expand our market positions and we expect to capitalise on 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

Our 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. We use a wide range of compliance software to review commercial relationships and to review counterparties in the logistical chain. 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.

Governance Report

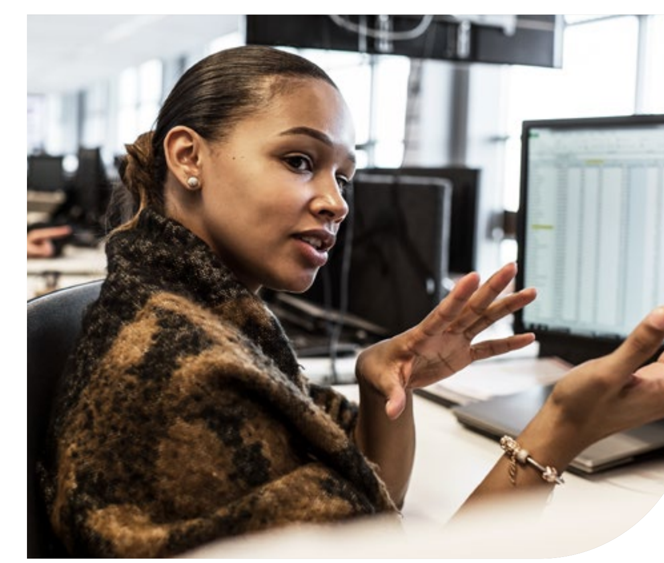
Corporate governance

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

We have a two-tier board structure, consisting of the Executive Board and the Supervisory Board. The Executive Board is responsible for operational management of our activities and comprises seven members. Four Executive Board members together form the legal management board of our holding company. The Supervisory Board (raad van commissarissen) supervises and advises the Executive Board and the Management Board.

We are not subject to a mandatory Dutch law 'large company regime' (structuur regime) and do not apply the large company regime on a voluntary basis.



Supervisory Board

Powers, responsibilities and functioning

Pursuant to the Company's articles of association, the Supervisory Board 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 Supervisory Board 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 Supervisory Board 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 Supervisory Board.

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.

- Responsibilities: Monitoring the Executive Board's performance on:
  - Relationship with, and compliance with recommendations of the Internal and External Auditors.
  - Group funding.
  - Application of information and communication technology by VARO including risks relating to cyber-security.
  - The Group's tax matters.
  - Legal and compliance matters.
  - Environmental, social and governance reporting activities.
- Informing the Supervisory Board 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 our 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 our financial reporting.
- Monitoring the statutory audit of the annual accounts and the consolidated accounts, especially the effectiveness of the audit performance.
- 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 Supervisory Board and reporting annually to the Executive Board on the performance of the Internal Audit function.

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

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 uncharted 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.

Remuneration Committee

The Remuneration Committee consists of Supervisory Board 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 Supervisory Board.

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 Executiv 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 has more than 30 years of experience in the energy sector. He is the Chair of AtlasInvest, a private holding company he founded in 2007, which is engaged in investments across the broad energy spectrum. He is also Chair 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 is also Chair of ONE-DYAS, Vice Chair of CEPSA, Co-Chair of TES, Vice Chair of Energy Intelligence Group and a 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 has a degree in Agricultural Business Administration from the University of Wageningen and a master's in business administration from the William E. Simon School of Management of the University of Rochester, USA.

Russell Hardy

Russell is CEO of Vitol, a global energy company with an asset portfolio spanning power, oil, gas production, energy retail and renewables.

He 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 is a Managing Director for Carlyle International Energy Partners (CIEP), 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 our Remuneration Committee.

Bendik Dahle

Bendik is a Director for Carlyle International Energy Partners (CIEP), based in London. He 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 on M&A transactions and capital raising in the energy sector.

Bendik received a BSc in Economics from the University of Warwick. Besides being an SB member, Bendik is Chair of our Audit Committee.

Jay Gleacher

Jay joined Vitol in 2009 and is focused on investment opportunities in Europe, Africa and Latin America. He is Investment Director and Partner at Vitol, based in London. Prior to joining Vitol, he worked in Morgan Stanley's Investment Banking Global Energy Group.

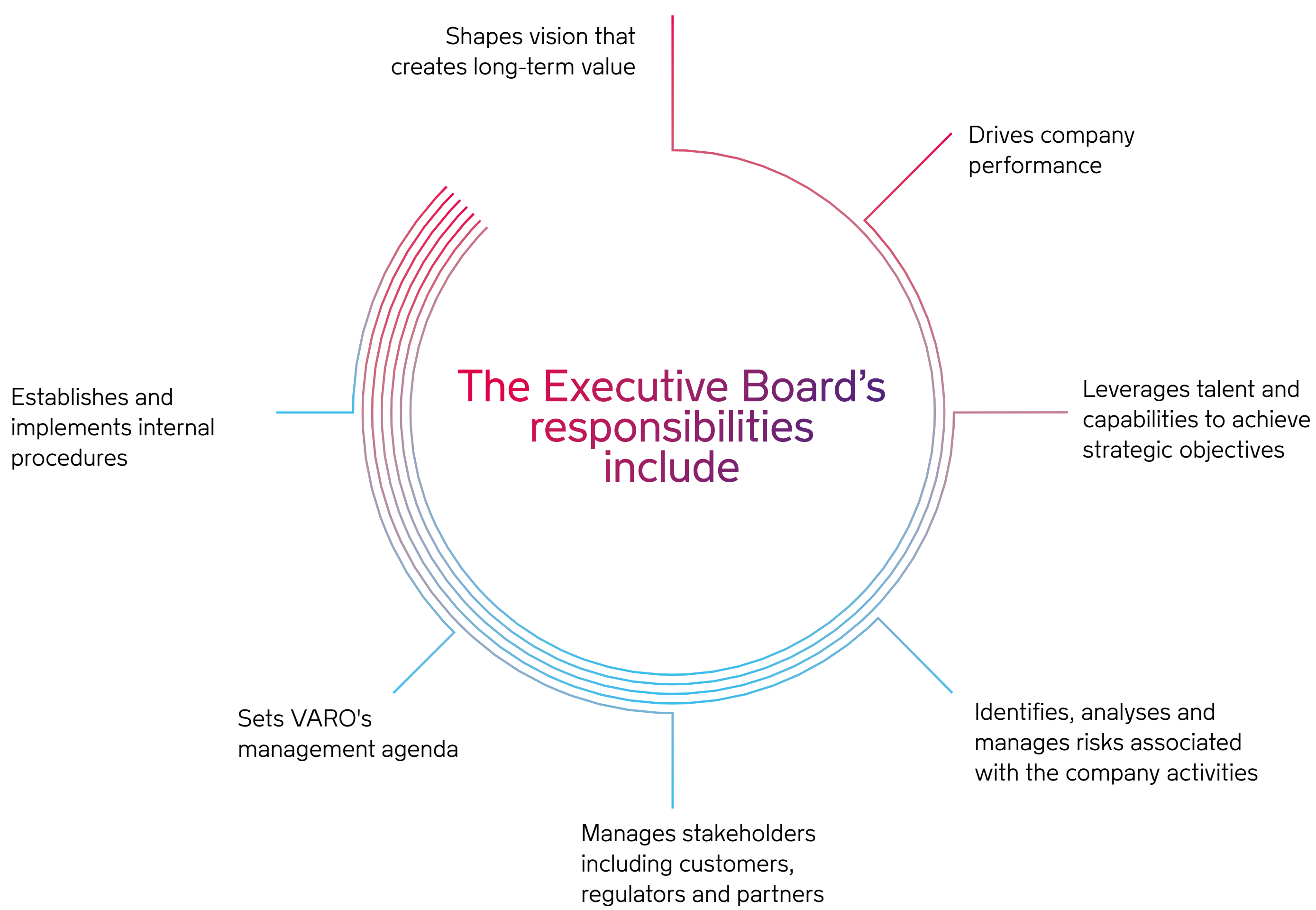
Jay holds a B.A. in International Relations from the University of Pennsylvania.

Besides being an SB member, he is a member of both our Audit Committee and Remuneration Committee.

Executive Board

Management Board meetings and decision-making

The Executive Board is entrusted with our operational management and responsible for its continuity, under the supervision of the Supervisory Board. The Executive Board meets on a weekly basis.



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

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

Management Board resolutions are adopted by a majority vote of the Managing Directors present or represented. Resolutions of the Management Board identified in our Articles of Association, the Shareholders' Agreement or identified pursuant to a Supervisory Board resolution from time to time based on the relevant provisions in the Articles of Association, require the prior approval of the Supervisory Board or at the General Meeting.

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

Executive Board

Dev Sanyal, CEO

Dev was appointed to this role effective 1 January 2022.

Following a 32-year career with BP, including over a decade as a member of the group executive committee, and heading its global gas and low-carbon energy. Prior to this, he was Chief Executive, Alternative Energy and also accountable for BP's Europe and Asia regions. He also held the roles of Group Treasurer and Chair of BP Investment Management and Arco Aluminum, 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 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.

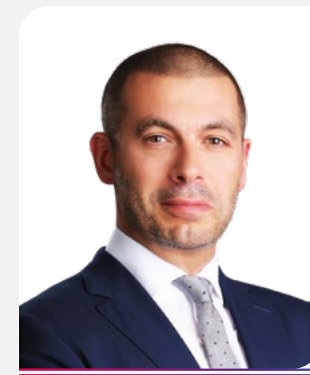
He was an independent non-executive director of Man Group plc (2013-2022); a member of the Energy Advisory Board of the Government of India (2017-2023); Accenture Global Energy Board (2012-2018); Global council of the International Crisis Group (2012-2020); Vice Chair, Centre for China in the World Economy, Tsinghua University (2014-2019); The Duke of Edinburgh's International Award Foundation Business Leaders Group (2012-2015); and Trustee of Career Ready (2007-2013).

Rick Klop
EVP and Chief Operating Officer, Markets and Commercial

Rick was appointed EVP and Chief Operating Officer, Markets and Commercial in December 2023.

His areas of expertise are in oil, trading, commodities, oil logistics, oil marketing, retail, M&A, finance, risk management and general management, to support VARO in driving growth and operational excellence in our commercial activities.

Rick has 17 years of experience in the mid- and downstream oil business, during which he has held leadership roles in supply trading and bunkering, strategy and investments, and finance. Rick joined VARO in 2015 as part of the merger with Argos, where he had been on the Board since 2009. After his role as Country Manager, where he led VARO's activities in Benelux and France, while also overseeing its retail strategy, he assumed the position of CFO in June 2020.



Georges Menane
EVP and Chief Financial Officer (CFO)

Georges joined VARO in December 2023 and is based in Zug.

He brings world-class financial and capital markets expertise and experience in transforming and scaling multi-national finance functions. He plays an important role in ensuring that we have the financial capability as well as the necessary infrastructure and capacity in place for our next phase of growth.

Before joining VARO, Georges was CFO at ADNOC Refining, based in Abu Dhabi. Prior to this, he held senior financial positions in Shell for over 20 years in the UK, The Netherlands, Sakhalin in Russia and Brunei, including Vice President of Investor Relations, Financial Controller and Finance Director of Brunei Shell Petroleum.

Julian Stoll
EVP and Chief Operating Officer, Operations and Infrastructure

Julian joined VARO in March 2020 as its first Chief Operating Officer.

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

Before joining VARO, he held Vice President roles within Phillips 66, including Vice President Business Transformation and Vice President Refining Operations. He has over 30 years of experience in senior management positions with Conoco, ConocoPhillips, and Phillips in the UK and North America.

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

Ernestina Benedetto
EVP Strategy and Transformation

Ernestina joined VARO's M&A and strategy team in 2018.

She brings more than 15 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 is responsible for VARO's organisation and people development, new capabilities and the company positioning.

He 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 Chair of the Petroplus Cressier Refinery and Pipeline companies in composition proceedings until the successful sale of the assets. In 2015, he assumed the position of VARO's HR & HSEQ Director.

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

Theo Pannekeet
EVP New Energies and Innovation

Theo brings an extensive background in exposure management, (international) oil markets and renewables, combined with an in-depth knowledge across key business areas.

He previously led the Wholesale, Product Trading, Biofuels and Logistic activities/teams of Argos (a precursor company of VARO) across Benelux, Germany and France. As product trader, he also worked at Van der Sluijs, which after several mergers (North Sea Group and Argos) became VARO Energy. He started working in the energy business in 1998, initially at Petroplus Tankstorage and then for physical oil broker company, Starsupply.

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

Internal governance structure

The following committees help us to facilitate our strategy, drive business development and implement effective decision making:

- **Operating Risk Committee** (ORC): oversees the operational risks affecting our 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. Our 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 (short, mid and long-term) and compliance risks (such as sanction restrictions or money laundering). It is the main body for discussing and addressing Group-wide risks. The monthly meeting typically addressed all risks under market, credit and compliance risk. The ROC addresses standardised risk indicators and aims to minimise losses resulting from a wide range of possible risks. Our CFO chairs the ROC.
- **Investment Committee** (IC): approves relevant capital investments and assesses their alignment with our mission, values, strategic goals (including ESG strategic goals), and performance expectations. In 2023, the IC focused on routine regular Capex approvals. Our CEO and CFO jointly chair the IC.
- **ESG Committee** (EC): oversees the implementation and effectiveness of our 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 our strategic goals, including the ESG strategy. The EVP Strategy & Transformation and the EVP New Energies and Innovation jointly chair the BDC.

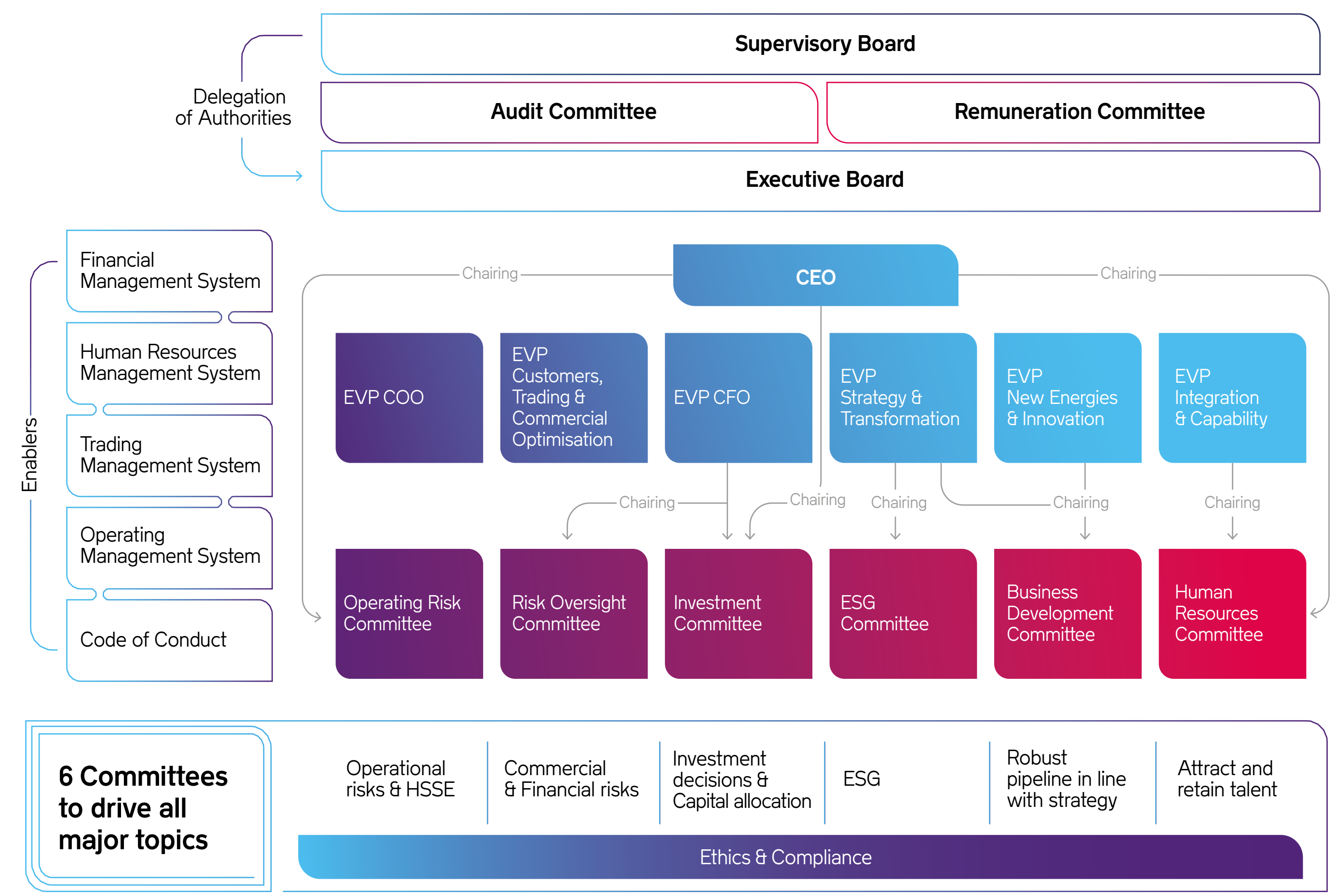
- **Human Resources Committee** (HRC): oversees our capability to attract and retain employees and manages corporate social responsibility. Our CEO and EVP Integration & Capability jointly chair the HRC.

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.

Our governance system is designed to cover topics of material importance for us and our stakeholders. For example, the ORC oversees issues related to health and safety as well as environmental material topics in our ESG strategy.

The ORC is involved in the risks of the projects and new assets from the energy transition and aligns them with VARO's standards and expectations. The BDC directs the selection of business opportunities (approved by the IC) that support the achievement of targets and ambitions set forward in our 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.

We have an established internal control system with entity level controls. These 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 Executive Board is responsible for ensuring that we work in line with relevant compliance and regulatory policies.



Integrated business model

We conduct our business through Group companies acting as one entity. The Group holding company is VARO Energy BV, based in the Netherlands. Our 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 provide 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 we undertake, we have a delegation of authority framework, which outlines the execution authority level of Executive Board members and their team. For the following 19 categories of business activities, we have 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

We are committed to conducting our business with zero harm to our people, to protect the environment and respect our neighbours.

We ensure all employees and contractors working on our 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 Board. For most of our operations, our 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

Our 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, our HSSE director issues a monthly HSSE summary to the Executive Board, which describes our HSSE trends and statistics in specific areas. The Supervisory Board is updated on HSSE trends and statistics on a quarterly basis and, where necessary, on individual incidents.

We seek to secure appropriate protection from environmental liabilities through contractual liability limitations in our agreements with customers and through insurance coverage. Such insurance and contractual limitations on liability may not, however, adequately protect us 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:

1. Interest expense, except for interest expenses incurred on the working capital borrowing base facility;
2. Tax
3. Unrealised gains or losses in open refining margin oil derivative transactions;
4. Exceptional items (any one-off, non-recurring or extraordinary items including impairments);
5. Gains or losses on foreign currency transactions and translations;
6. Depreciation and amortisation.

and taking into account:

1. Without double counting the expenses arising from lease agreements that would be treated in accordance with IFRS prior to IFRS 16 effective date as operating leases;
2. 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 less cash and cash equivalents, but excluding:
Intercompany 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;
Borrowings under the Carbura loan facilities;
Borrowings under the Borrowing Base Facility;
Supplier financing.

Leverage
Means the ratio of total net debt to EBITDA on a rolling 12-month basis.

Financial Statements

Consolidated financial statements of the VARO Group

Group income statement

For the year ended 31 December

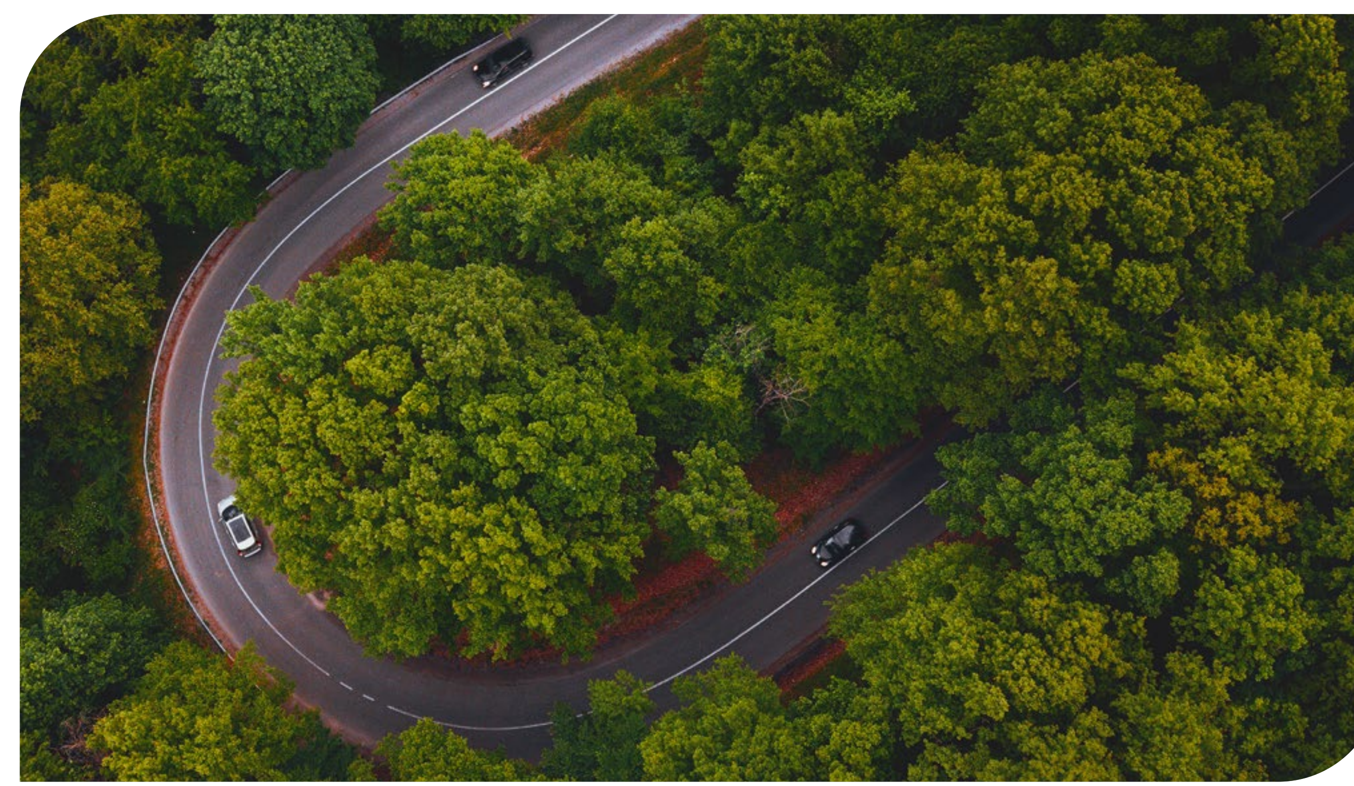
	Note	2023	$ million 2022
Revenue from contracts with customers	4	**20,936**	**26,035**
Purchases		(19,377)	(23,859)
Production and manufacturing expenses		(346)	(293)
Transportation and other costs		(377)	(323)
Oil derivative transactions		31	(415)
Gross margin		**867**	**1,145**
Other income	5	23	9
Selling, general and administrative expenses		(228)	(262)
Working capital financing costs [1]		(35)	(25)
Management Equity Plan (expense) benefit	25	(21)	(57)
EBITDA [1]		**606**	**810**
Depreciation and amortisation	8, 9, 20	(243)	(254)
Operating income		363	556
Interest and finance charges		(47)	(9)
Foreign currency translation losses		(12)	19
Share in the result of associates		-	(1)
Profit before taxation		**304**	**565**
Taxation	6	(72)	(80)
Profit for the year after taxation		**232**	**485**
Attributable to:			
Equity holders of the parent		232	485
Non-controlling interests		-	-
		232	**485**

Group statement of comprehensive income

For the year ended 31 December

	Note	2023	$ million 2022
Profit for the year after taxation		**232**	**485**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange gains (losses) on translation of foreign operations		19	(28)
Income tax relating to items that may be reclassified		-	-
		19	(28)
Items that will not be reclassified to profit or loss			
Remeasurements of the net pension and other post-retirement benefit liabilities or assets		(9)	64
Income tax relating to items that will not be reclassified	6	2	(17)
		(7)	47
Other comprehensive income (expense)		12	19
Total comprehensive income		**244**	**504**
Attributable to			
Equity holders of the parent		244	504
Non-controlling interests		-	-
		244	**504**

[1] see Note 31.5 – Material accounting policies



Group balance sheet

At 31 December

	Note	2023	$ million 2022
Non-current assets			
Property, plant and equipment	8	1,572	1,337
Right-of-use assets	20	189	157
Goodwill	9	442	264
Other intangible assets	9	87	63
Investments in associates	27	39	9
Compulsory long-term inventories	10	38	25
Derivative financial instruments	18	10	7
Other non-current assets	10	5	4
Long-term receivables from related parties	22	4	2
Deferred tax assets	6	11	21
		2,397	1,889
Current assets			
Inventories	11	1,511	1,949
Trade and other receivables	12	1,970	1,705
Receivables from related parties	12	108	22
Derivative financial instruments	18	136	22
Prepayments	12	34	37
Income tax receivables	12	2	11
Cash and cash equivalents	13	175	237
Assets held for sale	26	50	-
		3,986	3,983
Total assets		**6,383**	**5,872**
Equity			
Shareholders' equity	28	1,350	1,606
Non-controlling interests		15	-
Total equity		1,365	1,606
Non-current liabilities			
Finance debt	14	598	300
Lease liabilities	20	152	116
Deferred tax liabilities	6	105	97
Employee benefit liabilities	16	164	199
Other provisions	15	110	48
Derivative financial instruments	18	15	3
Other payables		-	-
		1,144	763
Current liabilities			
Trade and other payables	17	819	683
Payables to related parties	17	607	182
Derivative financial instruments	18	47	81
Other provisions	15	25	-
Accrued liabilities	17	1,883	1,783
Finance debt	14	338	632
Lease liabilities	20	45	46
Income tax payables	17	91	96
Liabilities directly associated with assets held for sale	26	19	
		3,874	3,503
Total equity and liabilities		**6,383**	**5,872**

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 2023	**-**	**630**	**995**	**6**	**(25)**	**1,606**	**-**	**1,606**
Profit for the year	-	-	232	-	-	232	-	232
Other comprehensive expense	-	-	-	(7)	19	12	-	12
Total comprehensive income	-	-	232	(7)	19	244	-	244
Acquisitions	-	-	-	-	-	-	15	
Capital distribution	-	(200)	(300)	-	-	(500)	-	(500)
At 31 December 2023	**-**	**430**	**927**	**(1)**	**(6)**	**1,350**	**15**	**1,365**
At 1 January 2022	**-**	**780**	**510**	**(41)**	**3**	**1,252**	**-**	**1,252**
Profit for the year	-	-	485	-	-	485	-	485
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**

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

Group cash flow statement

For the year ended 31 December

	Note	2023	$ million 2022
Operating activities			
Profit before taxation		**304**	**565**
Adjustments to reconcile profit before taxation to net cash provided by operating activities			
Depreciation and amortisation	8, 9, 20	243	254
Gain on disposals		-	(1)
Earnings from associates		-	-
Negative goodwill recognised during the year	5	-	-
Exchange adjustments		12	(19)
Finance costs		47	9
Interest paid including interest related to leases		(34)	(21)
Proceeds from insurance compensation for property damage		-	-
Deferred proceeds		-	-
Net charge (credit) for MEP liabilities	25	21	57
Net charge (credit) for provisions less payments	15	3	1
(Increase) decrease in inventories	10, 11	428	(458)
Decrease (increase) in current & non-current assets and liabilities		62	225
Income taxes received (paid)		(64)	(45)
Net cash provided by operating activities		**1,022**	**567**
Investing activities			
Capital expenditure	3, 8, 9	(265)	(155)
Proceeds from insurance compensation for property damage		-	-
Acquisitions, net of cash acquired	8, 9	(193)	(16)
Proceeds from disposals of business and fixed assets		5	2
Net cash used in investing activities		**(453)**	**(169)**
Financing activities			
Increase (decrease) of borrowing base facility and supplier finance	14	(294)	34
Capital distribution to shareholders	7, 22	(500)	(150)
Repayments of term loan bank financing	14	(338)	(36)
Increase (repayments) of loan to finance Swiss compulsory stocks	14	12	(16)
Increase in long-term debt	14	568	(12)
Increase in short-term debt	14	10	12
Loan refinancing fees paid		(22)	-
Repayments of lease liabilities for the principal amount	20	(67)	(62)
Net cash used in financing activities		**(631)**	**(230)**
(Decrease) increase in cash and cash equivalents		(62)	168
Cash and cash equivalents at the beginning of the year		237	69
Cash and cash equivalents at the end of the year	13	175	237

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 Wilhelminakade 919, 3072 AP 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 2023 were authorised for issue and signed on 17 May 2024 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 2023	% share 2022	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
Bio Energy Coevorden B.V.	80	0	The Netherlands	Biogas manufacturing
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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

New and amended standards and interpretations
The below amendments to IFRS standards and interpretations apply for the first time in 2023 and have no significant impact on the Group's financial statements:

- IFRS 17 Insurance Contracts.
- Definition of Accounting Estimates - Amendments to IAS 8.
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

The below amendments to IFRS standards and interpretations apply for the first time in 2023 and have been reflected in the Group's financial statements:

- International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12.

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules.
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

For further details please refer to note 6.

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 31.20.

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.

VARO has taken into account the short- and long-term effects of climate change and energy transition in preparing the consolidated financial statements. These considerations are inherently uncertain and may have significant impacts on the assets and liabilities currently reported by the Group.

The Group reviewed significant accounting estimates in the financial statements, including among others useful lives of fixed assets (note 8), impairment considerations (note 9) and/or environmental provisions (note 15). These estimates incorporate the future effects of VARO's decisions and commitments to align its portfolio with the targets set for the energy transition. There is significant uncertainty around the changes in the mix of energy sources over the next 30 years and the extent to which such changes will meet the ambitions of the Paris Agreement. While companies can commit to such ambitions, financial reporting under IFRS requires the use of assumptions that represent management's current best estimate of the range of expected future economic conditions. For our 2023 financial statements, the Group does not see any evidence that VARO's balance sheet materially overstates assets or materially understates liabilities.

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 the Netherlands-based Amsterdam Tank Terminal
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 Northwest Europe, as well as further enhancing its existing distribution network and service capabilities within the Dutch market.

The net assets recognised in the 31 December 2022 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the assets and liabilities acquired.

The valuation had not been completed by the date the 2022 financial statements were approved for issue by the Board of Directors.

In 2023, the valuation was completed with no material adjustments to the acquisition date fair values.

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).

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

	$ million
Non-current assets	
Property, plant and equipment	131
Land	4
Intangible assets	9
SDE subsidies	20
	163
Current assets	
Other assets	12
Total assets	**175**
Non-current liabilities	
Debt	62
Deferred tax liabilities	17
	79
Current liabilities	
Other liabilities	26
Total liabilities	**105**
Total identifiable net assets acquired at fair value	**70**
Goodwill arising on acquisition	168
Non-controlling interest	14
Purchase consideration transferred	(145)
Fair value of contingent consideration	(79)
Transaction costs of the acquisition (included in cash flows from operating activities)	(1)

Goodwill of $168 million arises from expected synergies from the acquisition since this acquisition significantly strengthens VARO's biogas manufacturing capabilities. The goodwill is not tax-deductible. Purchase consideration transferred includes variable consideration dependant on future performance of the company. Depending on future performance the final purchase price will range between €148 million ($161 million) and €368 million ($400 million), of which part was 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.

Varo elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The acquired business contributed revenues of $32 million to the Group for the period from 24 March 2023 to 31 December 2023. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $38 million.

Acquisition of Renewable Energy Services B.V.
On 16 August 2023, VARO completed the acquisition of 100% shareholding, obtaining control in Renewable Energy Services B.V. in the Netherlands for an amount of €8 million ($9 million). Purchase consideration transferred includes variable consideration dependant on future performance of the company. Depending on future performance the final purchase price will range between €6 million ($6 million) and €8 million ($9 million), of which part was settled in cash at the transaction date.

The acquisition strengthens VARO's ability to deliver competitive end-to-end biogas solutions for customers across Europe. The company will be merged into the existing VARO business structure.

The acquired business contributed revenues of $22 million to the Group for the period from 31 August 2023 to 31 December 2023. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $35 million.

4. Revenue

	2023	$ million 2022
Switzerland	3,437	3,523
Germany	7,681	11,409
Netherlands	3,800	4,286
Belgium	2,144	3,258
Rest of Europe	3,676	3,494
Rest of the world	198	65
Revenue from contracts with customers	**20,936**	**26,035**

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

	2023	$ million 2022
Property damage insurance compensation	5	-
Other	18	9
	23	9

6. Taxation

Tax on profit	2023	$ million 2022
Current tax	69	80
Deferred tax	3	-
Tax charge on profit	**72**	**80**

Reconciliation of the effective tax rate	2023	$ million 2022
Profit before taxation	304	565
Less: gain arising on acquisition from a bargain purchase	-	-
	304	**565**
Applicable tax charge at Dutch statutory tax rate of 25.8%	78	146
Effect of taxes in foreign jurisdictions	(25)	(52)
Tax effect associated with differences in functional currency	(4)	3
Push down of management equity plan: difference in tax rate	3	(11)
Use of previously unrecognised losses	-	(9)
Recognition deferred tax assets	-	(2)
Non-recognised deferred tax assets	(1)	-
Differences due to final tax return prior years	(2)	(10)
Windfall taxes Belgium	18	20
Release DTL / Impairment DTA	2	
Other permanent differences	3	(5)
Tax charge	**72**	**80**
Effective tax rate	23.68%	14.16%

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 impact to the deferred tax liability and a deferred tax income of $4 million in 2023 (2022 increase in liability and income $3 million). Without this effect, the Group's effective tax rate would have been 23.37% (2022 13.62%).

Pillar Two
The Group is subject to the OECD Pillar Two model rules. This legislation has been transposed into Pillar Two legislation that has been enacted or substantively enacted in the majority of jurisdictions where the Group operates. The Pillar Two model rules aim to ensure that large multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction where they operate. This legislation is set to take effect for the Group's financial year commencing on January 1, 2024.

The Group applies the mandatory temporary exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules, as provided in the amendments to IAS 12 as issued by the IASB.

Varo falls under the purview of the enacted or substantively enacted legislation and has conducted an assessment of its potential exposure to Pillar Two income taxes. This was based on review of the Group's tax filings, country-by-country reporting, and financial statements for relevant constituent entities within the Group. For period from 2024 to 2026, estimated impact calculations with regard to Pillar Two income taxes are based on projections derived from financial budgets. According to the assessment, the effective tax rates related to Pillar Two in most of the jurisdictions where the Group operates exceed the 15% threshold. However, there are a few jurisdictions where the transitional safe harbour relief is not applicable and resulting in Pillar Two effective tax rates fall below 15%. Despite market changes, external uncertainties and circumstances arising that are beyond the control of the Group, Varo anticipates no material exposure to Pillar Two income taxes in those jurisdictions. The Group remains committed to advancing and monitoring the assessment process throughout the financial year 2024.

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 2023							
Deferred tax asset	11	19	4	-	37	(50)	21
Deferred tax liability	(114)	-	-	-	(33)	50	(97)
Recognised in the year							
Acquisitions and disposals	-	-	1	-	(17)	-	(16)
Recognised in income	21	(10)	(5)	-	(9)	-	(3)
Recognised in other comprehensive income	-	2	-	-	-	-	2
Currency translation differences	(5)	1	-	-	3	-	(1)
	16	(7)	(4)	-	(23)	-	(18)
At 31 December 2023							
Deferred tax asset	8	12	-	-	28	(37)	11
Deferred tax liability	(95)	-	-	-	(47)	37	(105)
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)

7. Dividends

	2023	$ million 2022
Cash dividends on ordinary shares declared and paid	300	-
US dollars per share	43.48	-

8. Property, plant and equipment

	Land	Buildings	Refinery facilities	Renewable assets	Storage and retail facilities	Fixtures, fittings and office equipment	Assets under construction	$ million Total
Cost								
At 1 January 2023	109	159	1,330	-	650	27	88	2,363
Acquisitions	5	11	-	100	-	3	20	139
Additions	1	4	105	1	15	15	109	250
Transfers	-	1	48	-	18	1	(68)	-
Disposals	-	(1)	(20)	(4)	-	(4)	(1)	(30)
Assets held for sale	-	(6)	-	-	(4)	(6)		(16)
Exchange adjustments	4	4	35	2	36	2	(3)	80
At 31 December 2023	119	172	1,498	99	715	38	145	2,786
Depreciation								
At 1 January 2023	-	91	631	-	297	7	-	1,026
Acquisitions	-	-	-	6	-	-	-	6
Charge for the year	-	12	86	4	43	7	-	152
Transfers	-	-	-	-	-	-	-	-
Disposals	-	(1)	(20)	-	-	(4)	-	(25)
Assets held for sale	-	(2)	-	-	-	(4)	-	(6)
Exchange adjustments	-	3	34	-	22	2	-	61
At 31 December 2023	-	103	731	10	362	8	-	1,214
Net book value at 31 December 2023	119	69	767	89	353	30	145	1,572

	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

The proportion of electric vehicles continues to increase, however, the relative share of electric vehicles compared to all vehicles remains small. 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 (Note 2). For any pledges on property, plant and equipment or other assets refer to Note 14.

9. Goodwill and intangible assets

Cost	Goodwill	Customer contracts	Other intangibles including software	Intangibles under development	$ million Total
At 1 January 2023	264	9	109	14	396
Acquisitions	175	2	30	-	207
Additions	-	-	2	13	15
Transfers	3	-	5	(8)	-
Disposals	-	-	(2)	-	(2)
Assets held for sale	(5)	(10)	(1)		(16)
Exchange adjustments	5	1	3	-	9
At 31 December 2023	442	2	146	19	609
Amortisation					
At 1 January 2023	-	8	61	-	69
Acquisitions	-	-	-	-	-
Charge for the year	-	-	22	-	22
Transfers	-	-	-	-	-
Disposals	-	-	(2)	-	(2)
Assets held for sale	-	(9)	-	-	(9)
Exchange adjustments	-	1	(1)	-	-
At 31 December 2023	-	-	80	-	80
Net book value at 31 December 2023	442	2	66	19	529

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

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

	2023	$ million 2022
Germany	5	10
Switzerland	32	29
Benelux	234	225
Biogas	171	0
	442	264

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 2023	Pre-tax discount rate 2022	Long-term growth rate 2023	Long-term growth rate 2022
Switzerland	9.99%	10.48%	2.00%	3.96%
Benelux	10.91%	10.90%	2.00%	3.96%
Germany	12.00%	11.86%	2.00%	3.96%
Biogas	10.66%	-	2.00%	-

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 $230 million (2022 $510 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 $754 million (2022 $617 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 $1,029 million (2022 $1,995 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.

Biogas

Based on assumptions above, impairment testing led to a positive difference of €123 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

	2023	$ million 2022
Swiss compulsory inventories	38	25
Other non-current financial assets	5	4
	43	**29**

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

	2023	$ million 2022
Crude oil	321	409
Refined petroleum products	771	971
CO_2 levy tickets (BEHG Germany)	313	410
Bio tickets other	78	131
Refinery spares	28	28
	1,511	**1,949**

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

In total $571 million of refining stock (2022 $709 million) is accounted for at fair value based on hedge accounting. An amount of $321 million (2022 $409 million) is related to crude oil and the remainder represents intermediate and refined products. As such they are categorised within level 2 of the fair value hierarchy.

Inventories at 31 December 2023 include no write-downs to net realisable value (2022 $0 million). VARO is using the broker-trader exemption, and 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 $543 million (2022 $723 million) and includes bio tickets (HBEs) in the Netherlands. As such they are categorised within level 2 of the fair value hierarchy.

Certificates under the German BEHG legislation (CO_2 levy tickets) are valued at cost and the value was $313 million (2022 $410 million).

Other than certain base levels of inventory that VARO maintains to operate its business efficiently, most of the Company's oil product 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 $2 million (2022 $3 million).

As at 31 December 2023, the analysis of trade receivables that were past due but not impaired was as follows:

	2023	$ million 2022
Trade receivables	1,440	1,355
Contract assets	331	156
Other receivables	199	194
	1,970	1,705
Receivables from related parties	108	22
Income tax receivables	2	11
Prepayments	34	37
	2,114	**1,775**

Overdue trade receivables	2023	$ million 2022
Neither impaired nor past due	1,461	1,296
Allowance for doubtful debt	(2)	(3)
Not impaired and past due in the following periods		
Within 30 days	71	67
31-90 days	6	5
Over 90 days	12	12
Total, including receivables from related parties	**1,548**	**1,377**
Movement in allowances	2022	**2021**
At 1 January	3	4
Additions	-	5
Utilised	(1)	(6)
Released	-	-
At 31 December	**2**	**3**

13. Cash and cash equivalents

Cash includes $3 million (2022 $25 million) of cash and time deposits. Cash equivalents comprise restricted cash required to cover initial margin with banks that act as VARO's brokers on trading exchanges.

	2023	$ million 2022
Cash	61	27
Cash equivalents	114	210
	175	**237**

14. Finance debt

	2023	$ million 2022
Non-current		
Term loan	497	276
Loan to finance Swiss compulsory stock obligations	36	24
Other	65	-
	598	300
Current		
Borrowing Base Facility (BBF) liability	111	583
Supplier finance	169	-
Term loan	58	48
Other	-	1
	338	632
Total debt	**932**	**952**
Less cash and cash-equivalents	(175)	(237)
Less loan to finance, and secured against, Swiss compulsory stocks	(36)	(24)
Less Supplier finance	(169)	-
Less Borrowing Base Facility liability	(111)	(583)
Net debt	**445**	**88**

In July 2023 the Group refinanced its Term Loan, which had an initial maturity in October 2024 and nominal value of $480 million, with a new Term Loan. The funds were used to refinance the original Term Loan and to recapitalise the purchase price of Bio Energy Coevorden. With this new Term Loan VARO increased its nominal long-term debt facility to $581 million. This includes a $165 million green loan, the first in the Group's history. The new Term Loan has a five-year duration, maturing in July 2028. 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 July 2028. It carries interest at three-month term SOFR administered by CME plus 2.75% p.a. The related fees have been recognized as an adjustment to the carrying amount of the Term Loan.

In parallel to the refinancing of the Term Loan, the Group entered into a new revolving credit facility with nominal long-term debt size of $550 million. The new revolving credit facility has a three-year duration, maturing in July 2026. The facility carries interest at term SOFR administered by CME plus 2.25% p.a. and each amount drawn hereunder is to be repaid either on the last day of each drawdown interest period or with a bullet payment at maturity. The related fees have been recognised as an adjustment to the carrying amount of the loan.

In July 2023, Varo entered into a new borrowing base facility agreement to refinance the existing borrowing base facility originally dated 20 June 2014 (as amended). The borrowing base facility nominal limit decreased from $2.476 billion to $2.200 billion. The facility has initial maturity in July 2025 and one extension option by one year. Interest is charged at USD Compounded SOFR, plus the baseline CAS 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. The related fees have been recognised as an adjustment to the carrying amount of the borrowing base facility.

In July 2023, Varo entered into a new ancillary guarantee facility agreement replacing the original agreement dated 20 June 2014 (as amended). The guarantee facility limit is $710 million. The facility has initial maturity in July 2025 and one extension option by one year. The facility is used to provide tax authorities, suppliers and other creditors with long-term guarantees. The guarantee facility ranks 40% alongside the BBF (first ranking) and 60% alongside Vitol (second ranking) . The related fees have been recognised as an adjustment to the carrying amount of the borrowing base facility.

In November 2023, VARO has entered into an agreement to purchase nEZ BEHG tickets. The agreement includes payment terms of 90 days. VARO treats this contract as Supplier finance agreement as per IFRS and considers it being part of working capital financing similar to the BBF.

In order for the Group to maintain Swiss compulsory stocks, the Swiss government has granted a facility of CHF30 million carrying interest at CHF SARON.

As at 31 December 2023, VARO had a credit line with Vitol of $150 million for crude oil and $100 million for oil product purchases.

At 31 December 2023 and 31 December 2022 the Group was in full compliance with all financing covenants (see Note 21).

	1 January 2023	Acquisitions	Cash inflows	Cash outflows	Foreign exchange	LT/ST movement	$ million 31 December 2023
Non-current							
Term loan	276	-	520	(276)	-	(23)	497
Loan for Swiss compulsory stocks	24	-	12	-	-	-	36
Other	-	68	26	(30)	1	-	65
Obligations under finance leases	-	-	-	-	-	-	-
	300	68	558	(306)	1	(23)	598
Current							
BBF	583	-	-	(472)	-	-	111
Supplier finance	-	-	169	-	-	-	169
Term loan	48	-	61	(74)	-	23	58
Obligations under finance leases	-	-	-	-	-	-	-
Short-term bank loans	1	-	1	(2)	-	-	-
	632	-	231	(548)	-	23	338
Total debt	932						936
Less cash and cash equivalents	(237)						(175)
Less loan for Swiss compulsory stocks	(24)						(36)
Less Supplier finance	-						(169)
Less BBF	(583)						(111)
Net debt	**88**						**445**

Cash outflows include the amortisation of capitalised loan and BBF fees in amount of $22 million.

	1 January 2023	Cash inflows	Cash outflows	Foreign exchange	LT/ST movement	$ million 31 December 2023
Non-current						
Term loan	324	-	-	-	(48)	276
Loan for Swiss compulsory stock	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**

Repayments of interest-bearing loans	2023	$ million 2022
2023	-	-
2024	338	632
2025	162	300
2026	61	-
2027 and thereafter	375	-
	936	**932**

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

15. Other provisions

	Decommissioning	Remediation	Earn out	Other	$ million Total
At 1 January 2023	**33**	**13**	**-**	**2**	**48**
Acquisitions	-	-	83	-	83
Addition	3	-	-	1	4
Release of unused provisions	-	-	-	-	-
Utilisation	-	-	-	(1)	(1)
Exchange adjustments	2	-	(1)	-	1
At 31 December 2023	**38**	**13**	**82**	**2**	**135**

	Decommissioning	Remediation	Earn out	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**

Estimates of provisions are not sensitive to reasonable changes in any of their assumptions. The average maturity for the decommissioning provisions is estimated at 5 years (2022: 6 years). The provisions have been discounted with a rate of 3.5% (2022 2.9%).

16. Pensions and other post-retirement benefits

Employee benefit obligations

	2023	$ million 2022
Pensions	108	94
Management Equity Plan*	132	152
	240	**246**

* The Management Equity Plan for 2023 includes $76 million (2022: $47 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:

	2023	$ million 2022
Present value of obligations	(386)	(314)
Fair value of plan assets	287	240
Net defined benefit obligation	**(99)**	**(74)**

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:

	2023	$ million 2022
At 1 January	314	435
Liabilities acquired in a business combination	-	-
Current service cost	5	9
Interest cost	8	3
Benefits paid	(6)	(15)
Contributions by the plan participants	5	5
Actuarial (gain) loss:		
Experience adjustment	1	8
Change in actuarial assumptions	32	(115)
Exchange adjustments	28	(16)
At 31 December	**386**	**314**

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

	2023	$ million 2022
At 1 January	**240**	**269**
Interest income	6	1
Benefits paid	(2)	(11)
Contributions by the plan participants	6	5
Contributions by the employer	7	6
Return on plan assets	4	(25)
Exchange adjustments	26	(5)
	287	**240**

For 2023 the fair value of the Swiss plan assets exceeds the defined benefit obligation with a surplus of $8 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 2024 are $12 million.
The principal actuarial and other assumptions with respect to the defined benefit obligations were as follows:

	2023 VARO Switzerland	2023 Germany	2022 VARO Switzerland	2022 Germany
Discount rate 1 January	2.25%	3.70%	0.25%	1.20%
Discount rate 31 December	1.50%	3.30%	2.25%	3.70%
Inflation rate	1.25%	0.00%	1.00%	2.00%
Future salary increases	1.00%	3.00%	1.00%	3.00%
Future pension increases	0.00%	0.00%	0.00%	2.00%
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:

	2023	2022
Equities	31.00%	29.00%
Bonds	15.00%	11.00%
Cash and cash equivalents	6.00%	6.00%
Others (including real estate)	48.00%	54.00%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2023 is shown below for the main pension plans in Switzerland and Germany:

Sensitivity for Swiss pension plans

	2023	$ million 2022
Future pension cost increase		
Service costs of next year with discount rate 0.25% increase	6	4
Service costs of next year with interest rate 0.25% increase	7	4
Discount rate		
Defined benefit obligation at 31 December with discount rate 0.25% decrease	289	227
Defined benefit obligation at 31 December with discount rate 0.25% increase	270	213
Interest rate for projecting savings capital		
Defined benefit obligation at 31 December with interest rate 0.25% decrease	277	218
Defined benefit obligation at 31 December with interest rate 0.25% increase	281	222
Future salary increases		
Defined benefit obligation at 31 December with salary change 0.25% decrease	278	219
Defined benefit obligation at 31 December with salary change 0.25% increase	280	221
Life expectancy		
Defined benefit obligation at 31 December with life expectancy increase 1 year	286	225
Defined benefit obligation at 31 December with life expectancy decrease 1 year	272	215

Sensitivity for German pension plans

	2023	$ million 2022
Future pension cost increase		
Service costs of next year with discount rate 0.50% increase	1	1
Service costs of next year with interest rate 0.50% increase	1	1
Discount rate		
Defined benefit obligation at 31 December with discount rate 0.50% decrease	59	54
Defined benefit obligation at 31 December with discount rate 0.50% increase	54	50
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	47	48
Defined benefit obligation at 31 December with salary change 0.50% increase	47	48
Life expectancy		
Defined benefit obligation at 31 December with life expectancy increase 1 year	48	51
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

	2023	$ million 2022
Trade payables to third parties	819	683
Trade payables to related parties	607	182
Taxes other than corporation tax	718	646
Corporation tax payable	91	96
CO_2 levy	434	447
Other accrued liabilities	731	690
	3,400	**2,744**

Trade payables to related parties 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.

	2024	2025	2026	2027 and thereafter	$ million 2023 Total
Fair value of derivative assets gross					
Commodity / refinery margin swaps	12	1	-	-	13
Forward physical contracts	124	1	-	-	125
Interest rate swaps	-	-	7	1	8
Foreign exchange swap/forward contracts	-	-	-	-	-
Total	136	2	7	1	146
Less: netting by counterparty (where VARO has the right and intent to net)	-	-	-	-	-
Net assets	136	2	7	1	146
Fair value of derivative liabilities gross					
Commodity / refinery margin swaps	(8)	-	-	-	(8)
Forward physical contracts	(33)	(10)	-	-	(43)
Interest rate swaps	-	(2)	(1)	(1)	(4)
Foreign exchange forward contracts	(3)	-	-	-	(3)
Options	(3)	(1)	-	-	(4)
Total	(47)	(13)	(1)	(1)	(62)
Less: netting by counterparty (where VARO has the right and intent to net)	-	-	-	-	-
Net liabilities	(47)	(13)	(1)	(1)	(62)
Net fair value	**89**	**(11)**	**6**	**-**	**84**

	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 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)**

19. Financial instruments and financial risk factors

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

$ million	Financial assets at amortised cost	Derivative hedging instruments	Liabilities at amortised cost
At 31 December 2023			
Financial assets			
Receivables	2,084	-	-
Prepayments	34	-	-
Derivative financial instruments	-	146	-
Cash and cash equivalents	175		-
Financial liabilities			
Trade and other payables	-	-	(3,309)
Derivative financial instruments	-	(62)	-
Finance debt	-	-	(936)
Lease liabilities	-	-	(197)
	2,293	**84**	**(4,442)**
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)**

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 2023 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	2023	2022
Effect on profit before taxation	+5%	6	8
	-5%	(6)	(8)

$ million	Change in Swiss franc rate	2023	2022
Effect on profit before taxation	+5%	12	6
	-5%	(12)	(6)

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 2028. At 31 December 2023 the Group had interest rate swaps with a notional contract amount of $567 million (2022 $380 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 SFOR	2023	2022
Effect on profit before taxation	+1%	(6)	(9)
	-1%	6	9

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 those 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 2023 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 $700 million (2022 $1,110 million). At 31 December 2023 the total utilisation was $774 million versus a facility size of $2,200 million (2022 $964 million versus a facility size of $2,476 million). The utilisation comprised $120 million in loans and $675 million in payment instruments such as guarantees with banks and long-term guarantees. (2022 $590 million in loans and $374 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 2023	**2024**	**2025**	**2026**	**2027 and thereafter**
Long-term debt	106	101	96	408
Borrowing under the borrowing base facility	111	-	-	-
Supplier finance	169	-	-	-
Lease liabilities	61	51	36	61
Trade and other payables	1,426	-	-	-
Derivative financial instruments	47	13	1	1
	1,920	**165**	**133**	**470**

				$ 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**

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 2023 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 2023, $110m were covered by discountable LCs (2022 $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 2023 and 2022 (see Note 21). As at 31 December 2023 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 2023 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.

				$ million
		2023		2022
	Asset	**Liability**	**Asset**	**Liability**
Level 1	-	-	-	-
Level 2	146	(62)	29	(84)
Level 3	-	-	-	-
	146	**(62)**	**29**	**(84)**

At 31 December 2023 the Group held $571 million (2022 $709 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 2023 and 2022.

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 2023	96	36	57	189
31 December 2022	96	23	38	157
Depreciation expense for the year ended				
31 December 2023	24	4	41	69
31 December 2022	22	4	31	57

Additions to right-of-use assets were $97 million in 2023 (2022 $37 million).

Amounts recognised in profit and loss

	2023	2022
Depreciation expense on right-of-use assets	69	57
Interest expense on lease liabilities	8	6
Expense relating to short term leases	2	2
Expense relating to leases of low value assets	-	-
Expense relating to variable lease payments not included in measurement of lease liabilities	3	3
Total	**82**	**68**

At 31 December 2023, the Group committed to $0 million of leases which did not yet commence (2022 $33 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.

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.

	1 January 2023	Cash outflows	Foreign exchange movement	New leases	Accretion of interest	Other	$ million 31 December 2023
Current lease liabilities	46	(75)	1	23	8	42	45
Non-current lease liabilities	116	-	4	74	-	(42)	152
Total	**162**	**(75)**	**5**	**97**	**8**	**-**	**197**

21. Commitments and contingencies

At 31 December 2023, the Group had commitments of $56 million (2022 $104 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:

	2023	$ million 2022
Banks and lenders under various credit facilities	1,325	873
Tax authorities and suppliers	1,075	1,083
	2,400	**1,956**

Letters of credit outstanding at 31 December 2023 were $469 million (2022 $143 million).

Key lenders' covenant tests at 31 December 2023 calculated on a pre-IFRS 16 basis were:

	Threshold	$ million Actual
Borrowing base facility		
Tangible net worth (Group)	≥600	911
Leverage (total net debt / EBITDA)	≤3.00 : 1	0.89 : 1
Current ratio (current assets / current liabilities)	≥1.00 : 1	1.12 : 1
Term loan		
Tangible net worth (Group)	≥600	911
Leverage (total net debt / EBITDA)	≤3.00 : 1	0.89 : 1

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

As of 31 December 2023, VARO has identified certain purchase and sale contracts for bio LNG and UER certificates with a contractual period between 2024 and 2030. The contracts are not certified or verified and are therefore deemed unguaranteed. Due to the uncertainty in the verification process, unguaranteed contracts are not reflected in the 2023 Financial Statement and will only be accounted for when the verification process is completed or the tickets are physically transferred into VARO's compliance accounts by the third parties.

Should these contracts become guaranteed, i.e. certified, verified or transferred into VARO's compliance accounts, the estimated total loss on these contracts is ca. $53 million. Because there is currently no reliable forward price curve for CO_2 Quoten available, the current mark to market is used for the valuation of the contingent liability. Management is actively monitoring and managing these contracts. However, due to the uncertainties in the mark to market valuation and the lack of a forward curve, the ultimate financial impact may differ from current estimates.

22. Related party transactions

Transactions with entities included in the scope of consolidation
Transactions with Bayernoil (joint operation) only related to the tolling agreement.

Capital distribution and dividend to shareholders
During 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 $300 million has been proposed. Both distributions were approved by shareholders and paid during 2023.

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 $462 million (2022 $179 million) and goods purchased amounted to $5,174 million (2022 $7,546 million) including derivative financial instruments, freight and demurrage.

VARO has entered into several agreements with Vitol which are longterm 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.

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 2023 and 2022 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 2023. 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 in the year was as follows.

	2023	$ million 2022
Short-term employee benefits	11	12
Share-based payments	6	2
	17	**14**

24. Employee benefits expense

	2023	$ million 2022
Included in cost of sales		
Wages and salaries	84	80
Social security costs	11	10
Pensions and other post-retirement benefits	5	7
Other personnel expenses	2	2
	102	**99**
Included in selling, general and administrative expenses		
Wages and salaries	88	71
Social security costs	15	12
Share-based payments	21	57
Pensions and other post-retirement benefits	6	5
Other personnel expenses	42	54
	172	**199**
	274	**298**

Number of full-time equivalent employees:

	2023	2022
Switzerland	523	489
Germany	398	377
Netherlands	311	291
Belgium	41	42
United Kingdom	-	1
France	33	31
	1,306	**1,231**

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 five 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% (2022 8%). Of the outstanding awards as of 31 December 2023, 8,985 (2022: 10,047) were exercisable. However 190,434 (2022: 82,948) awards would be exercisable at 31 December 2023 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% (2022 40%), dividend yield of 0% (2022 0%), annual compounded hurdle of 8% (2022 8%), an expected remaining option life range from 1 to 3 years (2022 1 to 4 years) assuming up to a two-year period between the notional exit event and exercise date, and an annual risk-free interest rate between 0% and 4.7% (2022 between 0% and 4.7%). 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 past 5 years.

An increase/decrease in the VARO share price of $10 would lead to an increase/decrease in the liability of circa $3 million. A relative increase/decrease in the VARO share price of 10% would lead to an increase/decrease in the liability of circa $12 million.

The net charge to the income statement was as follows.

		$ million
	2023	2022
Expense arising from cash-settled share-based payments	25	42
Accrued income (credit) from shareholders' indemnities relating to the plan	-	-
Net charge (credit) to the Group	**25**	**42**

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

		$		$
		2023		2022
	Number	WAEP	Number	WAEP
Outstanding at 1 January	471,830	5	546,873	21
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-137,866	-89	-75,043	-38
Expired during the year	-	-	-	-
Outstanding at 31 December	**333,964**	**-58**	**471,830**	**5**

Employees, including senior executives, of the Group are granted share appreciation rights during the year 2022 and 2023 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 five 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.
- 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 was exercisable during 2023.

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% (2022 35%), dividend yield of 0% (2022 0%), annual compounded hurdle of 8% (2022 8%), an expected remaining option life range from 5 to 9 years

(2022 6 to 9 years) assuming up to a two-year period between the notional exit event and exercise date, and an annual risk-free interest rate between 3.8% and 4.0% (2022 3.9% to 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 past 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 $4 million.

The net charge to the income statement was as follows.

		$ million
	2023	2022
Expense arising from cash-settled share-based payments	(4)	15
Net charge (credit) to the Group	**(4)**	**15**

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

		$		$
		2023		2022
	Number	WAEP	Number	WAEP
Outstanding at 1 January	355,892	238	-	-
Granted during the year	72,267	278	355,892	260
Forfeited during the year	-39,580	145	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	**388,579**	**176**	**355,892**	**238**

26. Assets held for sale

As at 31 December 2023 the Group intends to sell 100% of its shares in one of their subsidiaries in Germany. One terminal in Emmerich, Germany, is also part of the transaction perimeter. It is owned by a different VARO Group entity.

The sale transaction perimeter includes mineral oil deliveries to customers which are mainly industrial customers, private households and agricultural enterprises. It also owns 34 retail stations and a fleetcard business in Germany.

The decision to sell does not represent a strategic shift and has no significant effect on the Group's operations and financial results.

The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 December are, as follows:

At 31 December	2023	$ million 2022
Non-current assets		
Property, plant and equipment	10	-
Right-of-use assets	4	-
Goodwill	5	-
Other intangible assets	1	-
	20	-
Current assets		
Inventories	6	-
Trade and other receivables	24	-
Cash and cash equivalents	1	-
	31	-
Total assets held for sale	**50**	**-**
Non-current liabilities		
Lease liabilities	4	-
Other provisions	1	-
	5	-
Current liabilities		
Trade and other payables	14	-
	14	-
Total liabilities directly associated with assets held for sale	**19**	**-**

27. Investments in associates

During 2023, VARO increased its shareholding in Road B.V. (former E-flux) a leading provider of software for vehicle charging for commercial electric vans, e-truck fleets and lightweight transportation, from 49.6% to 57%.

During 2023, VARO increased its shareholding in Silvicarbon B.V. a global leader in nature-based Carbon Dioxide Removals, from 51% to 59.8%.

The investments currently recognised at cost, VARO will apply the equity method from 2024.

At 31 December	Ownership 2023 / 2022	2023	$ million 2022
Road (former E-flux)	57% / 49.6%	30	6
Silvicarbon	59.8% / 51%	8	2
Other	-	1	1
Total investment in associates		**39**	**9**

28. Called-up share capital

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

	Number	$'000 2023 Value	Number	$'000 2022 Value
Ordinary shares of €0.01 each	6,900,000	89	6,900,000	89

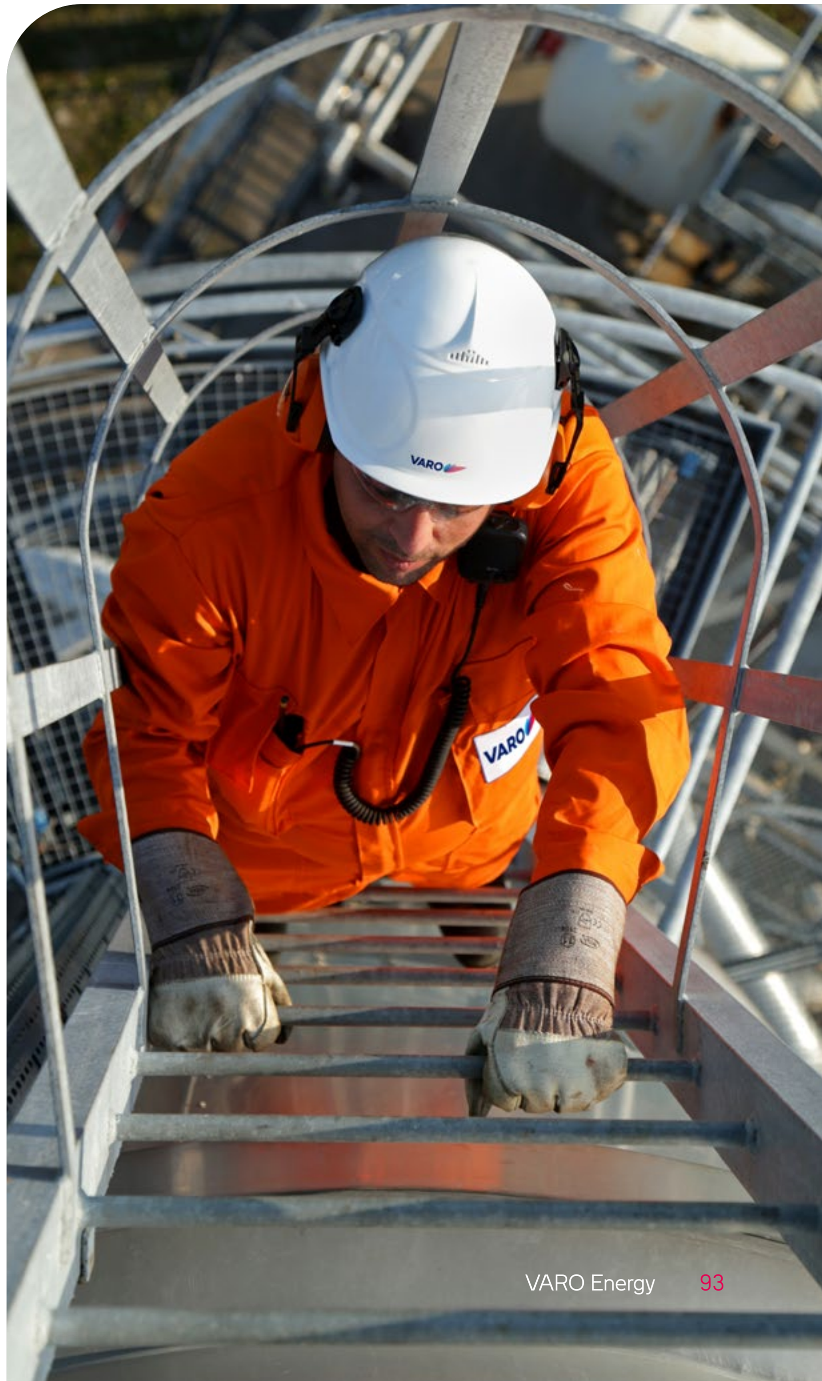
The paid-up share capital consists of €69,000 divided into 6,900,000 ordinary shares at par value of €0.01 per share. The paid-up share capital amounting to $89,216 at 31 December 2023 was translated into US dollars at the historical exchange rate of €1.293 and will not be re-evaluated at future exchange rates.

29. Legal and other reserves

In accordance with the Dutch Civil Code and statutory requirements in other countries, the foreign currency translation reserve of $6 million (2022 $25 million) qualifies as a legal reserve and is not distributable. The other reserves are related to the comprehensive income over the defined benefit obligations.

30. Subsequent events

Acquisition of Elexon GmbH.
On 15 January 2024, VARO completed the acquisition of 100% shareholding in the Germany - based Elexon GmbH. Through this acquisition, VARO has strengthened the company's position in the e-mobility space. Depending on future performance, the purchase price will range between €46 million ($51 million) and €56 million ($62 million), of which part is settled in cash at the transaction date. The deferred part of the purchase price includes an earn-out which is dependent on Elexon's revenues in 2024 and 2025. 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.



31. Material accounting policies

31.1. 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.

31.2. 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.

31.3. 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.

31.4. 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.

31.5. Earnings before interest depreciation and amortisation (EBITDA)

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

31.6. 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.

31.7. 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.

31.8. 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.

31.9. 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.

All tangible asset costs must be recorded as tangible assets under construction until the asset becomes operational. These are recorded under “Tangible Assets under Construction” without further classification. Once the asset is available for use, any costs collected under assets under construction are to be transferred to the appropriate asset account.

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.

31.10. 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.

31.11. 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.

31.12. 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 eight 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 its 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.

31.13. 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.

31.14. 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.

31.15. 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.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a provision, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

31.16. 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.

31.17. 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;
- and 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, supplier finance 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.

31.18. 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.

31.19. 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

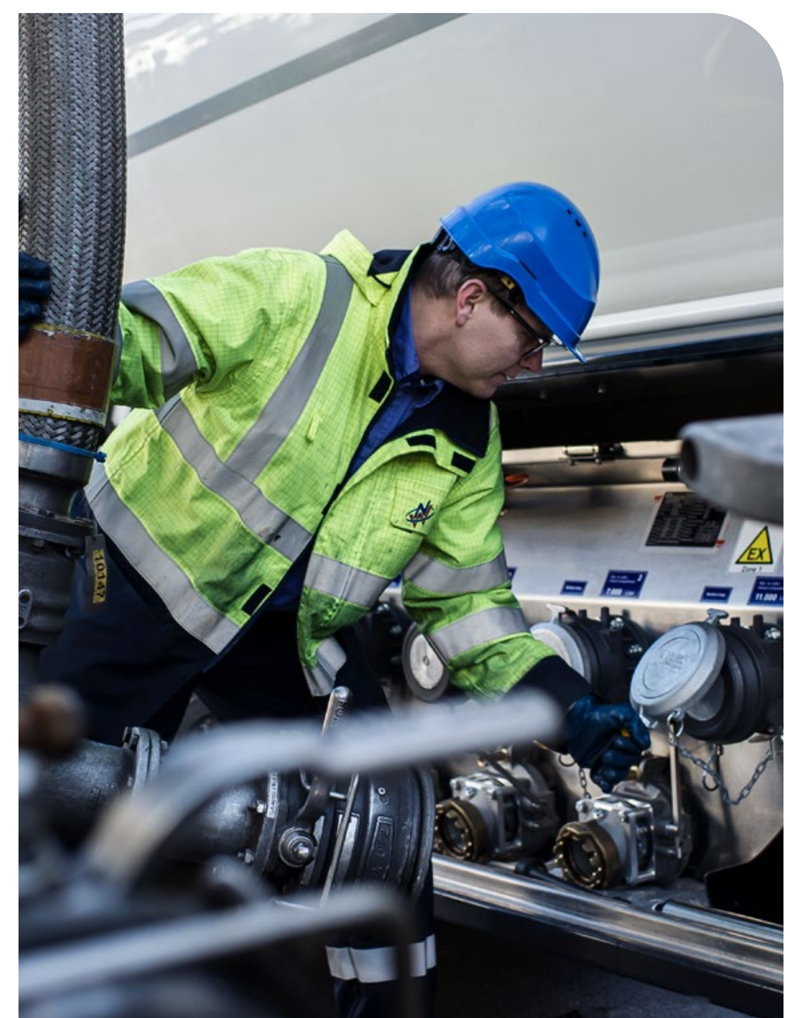
measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

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.

31.20. Standards issued but not yet effective

The following new standards and amendments were issued but not yet effective in 2023:

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.



The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020 and October 2022, 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.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The amendments are not expected to have a material impact on the Group's financial statements.

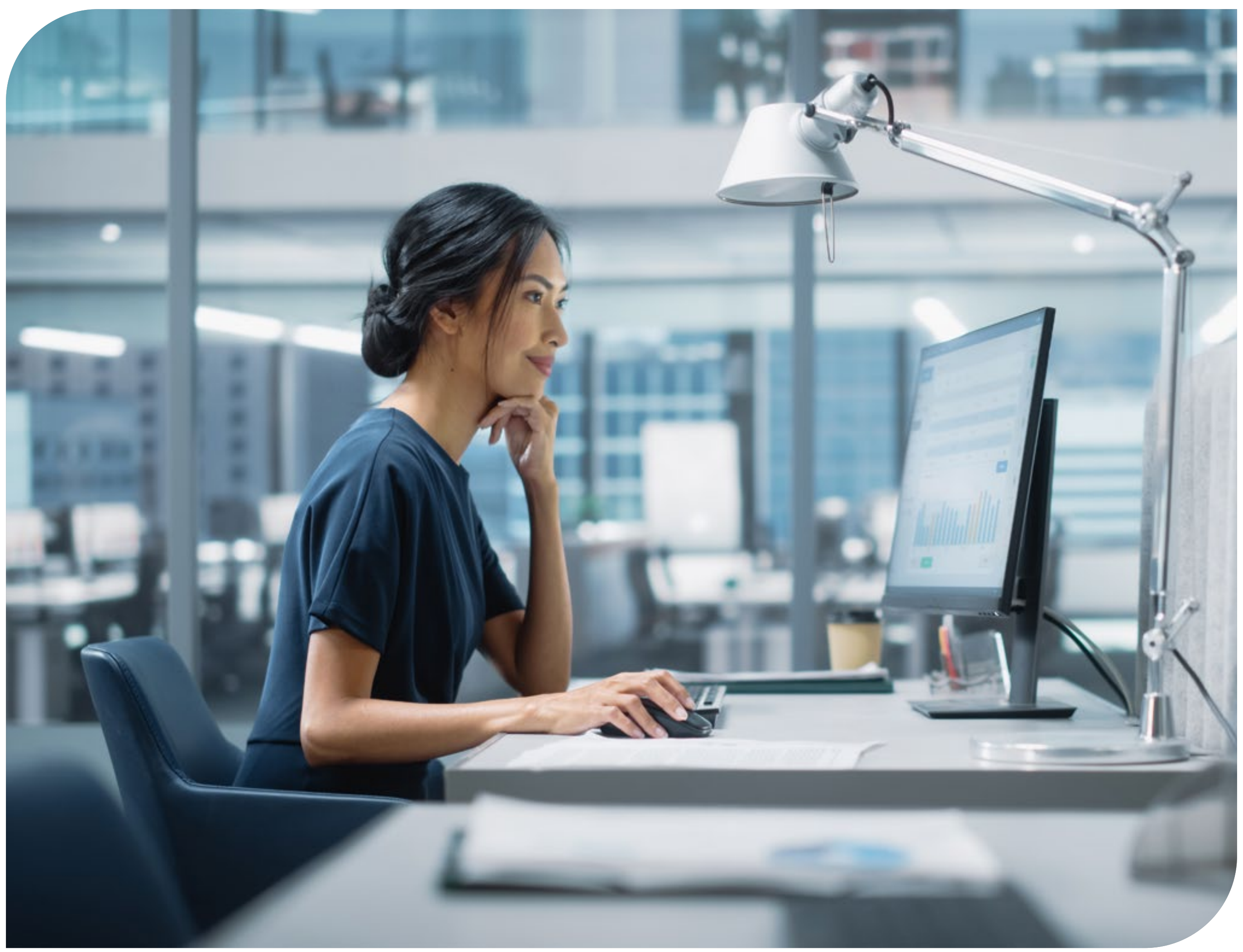
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024 and are not expected to have a material impact on the Group's financial statements.

Parent company financial statements of VARO Energy BV

Company income statement

For the year ended 31 December	Note	2023	$ million 2022
Revenue from subsidiaries	4	326	444
Other income and expenses		(71)	54
Tax expense	8	(23)	(13)
Profit for the year		**232**	**485**



Company balance sheet

The balance sheet is presented after appropriation of the result.

At 31 December	Note	2023	$ million 2022
Non-current assets			
Property, plant and equipment	3	8	-
Investment in subsidiaries and associated companies	4	2,044	1,962
Long-term loans receivable from VARO companies	5	51	16
Long-term loans receivable from other related parties	12	3	2
Deferred tax assets	8	8	7
		2,114	1,987
Current assets			
Accounts receivable from VARO companies	5	24	77
Tax receivable	8	2	11
Other receivables and prepayments		1	-
Cash and cash equivalents	7	-	24
		27	112
Total assets		**2,141**	**2,099**
Shareholders' equity			
Paid-up share capital	9	-	-
Share premium	9	430	630
Legal reserves			
Other reserves	9	(1)	6
Foreign currency translation reserve	9	(6)	(25)
Other reserves			
Retained earnings	9	927	995
		1,350	1,606
Provisions			
Employee benefit obligations	6	28	20
Deferred tax liabilities	8	16	17
Other provisions	10	81	-
		125	37
Non-current liabilities			
Long-term debt	11	497	276
		497	276
Current liabilities			
Short-term debt		58	48
Accounts payable to VARO companies	5	77	124
Accounts payable to other related parties	12	13	-
Tax payable	8	7	-
Other payables and accruals	13	14	8
		169	180
Total equity and liabilities		**2,141**	**2,099**

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 using the equity method. Under the equity method, the investments are initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets. Goodwill relating to the investment is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

3. Property, plant and equipment

Cost	Land	Buildings	Storage and retail facilities	Assets under construction	$ million Total
At 1 January 2023	-	-	-	-	-
Acquisitions	-	-	-	-	-
Additions	-	-	-	8	8
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Exchange adjustments	-	-	-	-	-
At 31 December 2023	**-**	**-**	**-**	**8**	**8**

The additions during the year are related to a new project and after completion these will be transferred to the responsible operating company.

4. Investments in subsidiaries and associated companies

	2023	$ million 2022
At 1 January	1,962	1,735
Share in result for the year	326	444
Dividend distribution	(596)	(281)
Acquisitions	224	-
Investment in associated companies	30	-
Share premium payment	46	44
Share premium reduction	-	-
Legal merger	-	1
Other movements	40	-
Movements in other comprehensive income	(7)	47
Exchange adjustments	19	(28)
At 31 December	**2,044**	**1,962**

As at 31 December 2023 the Company held the following direct interests.

Subsidiaries	%	Country of incorporation	Principal activities
VARO Energy Netherlands Holding BV*	100	The Netherlands	Holding
Bio Energy Coevorden B.V.	80	The Netherlands	Biogas manufacturing
De Mars C.V.	80	The Netherlands	Storage of feedstock
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
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

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

As at 31 December 2023 the Company held the following direct interests in associated companies.

Associated companies	%	Country of incorporation	Principal activities
SilviCarbon BV	60	The Netherlands	Investments in carbon removal
E-Flux BV	57	The Netherlands	EV IT Services

5. Intercompany receivables and payables

	2023 Asset	2023 Liability	$ million 2022 Asset	2022 Liability
Long-term loans receivable from VARO companies	51	-	16	-
Accounts receivable from VARO companies	24	-	77	-
Accounts payable to VARO companies	-	77	-	124
	75	**77**	**93**	**124**

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.

	2023	$ million 2022
At 1 January	16	41
Additions	34	-
Repayments	-	(22)
Exchange adjustments	1	(3)
At 31 December	**51**	**16**

6. Employee benefit obligations

The provision of $28 million (2022: $20 million) per balance sheet date is related to the company's Management Equity Plan. The current part of this provision amounts to $11 million. Refer to Note 25 to the consolidated financial statements for details of share-based payments.

$ million	2023	2022
At 1 January	20	94
Reclassification from current position	5	-
Reductions	(5)	(74)
Additions	8	-
At 31 December	**28**	**20**

7. Cash and cash equivalents

Cash includes $0 million (2022: $24 million) which is restricted for interest payments and repayment instalments of the term loan.

8. Current tax and deferred tax

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

$ million	2023		2022	
	Asset	Liability	Asset	Liability
Management Equity Plan	5	-	5	-
Other deferred tax assets	3		2	
Revaluation of fixed assets	-	16	-	17
	8	**16**	**7**	**17**

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	2023	2022
At 1 January	7	19
Prior year adjustments	2	-
Tax expense for the year recognised in profit or loss	(1)	(12)
Exchange adjustments	-	-
At 31 December	**8**	**7**

The movement in deferred tax liability is as follows.

$ million	2023	2022
At 1 January	17	23
Prior year adjustments	1	-
Tax expense for the year recognised in profit or loss	(3)	(5)
Exchange adjustments	1	(1)
At 31 December	**16**	**17**

The movement in current tax receivable is as follows.

$ million	2023	2022
At 1 January	11	2
Change regarding prior year's tax payable	(7)	-
Tax received	(3)	(2)
Exchange adjustments	1	-
Reclassification of payable to receivable balance	-	11
At 31 December	**2**	**11**

The movement in current tax liability is as follows.

$ million	2023	2022
At 1 January	-	2
Current tax charge	19	8
Change regarding prior year's tax payable	-	(2)
Tax received (tax paid)	(12)	(20)
Exchange adjustments	-	1
Reclassification of payable to receivable balance	-	11
Reclassification of payable to receivable balance	**7**	**-**

9. Shareholders' equity

$ million	Paid-up share capital	Share premium	Retained earnings	Other reserves	Foreign currency translation reserve	Total shareholders' equity
At 1 January 2023	-	630	995	6	(25)	1,606
Profit for the year	-	-	232	-	-	232
Creation of Legal reserve fund	-	-	-	-	-	-
Other comprehensive expense	**-**	**-**	**-**	**(7)**	**19**	**12**
Total comprehensive income	-	-	232	(7)	19	244
Capital distribution	-	(200)	(300)	-	-	(500)
Issue of ordinary share capital	-	-	-	-	-	-
At 31 December 2023	**-**	**430**	**927**	**(1)**	**(6)**	**1,350**

$ 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
Creation of Legal reserve fund	-	-	-	-	-	-
Other comprehensive expense	**-**	**-**	**-**	**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**

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 2023 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 $6 million (2022: -$25 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 2023 the Company issued new shares to its shareholders in total amount of $200 million from share premium and bought them back afterwards.

10. Current tax and deferred tax

The other provisions with an amount of $81 million (2022: $ 0 million) mainly consist of the earn-out provision relating to our acquired subsidiaries. The current part of this provision amounts to $22 million.

$ million	2023	2022
At 1 January	-	-
Reductions	-	-
Additions	81	-
At 31 December	**81**	**-**

11. Long-term debt

Refer to Note 14 of the consolidated financial statements for details regarding the term loan. Movements in longterm debt were as follows.

$ million	2023	2022
At 1 January	276	324
Additions	520	-
Repayments	(276)	-
Reclassification longterm to shortterm	(23)	(48)
At 31 December	**497**	**276**

12. Accounts receivable and payable with other related parties

The payable to other related parties with an amount of $13 million (2022: $0 million) consist of committed share premium contributions within the associated companies.

$ million	2023		2022	
	Asset	Liability	Asset	Liability
Long-term loans receivable from other related parties	3	-	2	-
Accounts payable to other related parties	-	13	-	-
	3	**13**	**2**	**-**

13. Other payables and accruals

The other payables and accruals with an amount of $14 million (2022: $ 8 million) mainly consist of the accrued interest payable relating to the Term loan, reference is made to Note 14 of the consolidated financial statements for details regarding the Term loan.

14. 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

15. Average number of employees

There were an average of 12 FTE during the year (2022; 12 FTE) and all within The Netherlands.

16. 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.

17. 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	2023	2022
Fees in respect of the audit of the company financial statements	3	3
Audit-related services	-	-
	3	3

18. 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.

19. Subsequent events

Acquisition of Elexon GmbH
On 15 January 2024, VARO completed the acquisition of 100% shareholding in the Germany-based Elexon GmbH. Through this acquisition VARO has strengthened the Company's position in the e-mobility space. Depending on future performance the purchase price will range between €46 million ($51 million) and €56 million ($62 million), of which part is settled in cash at the transaction date. The deferred part of the purchase price includes an earn-out which is dependent on Elexon's revenues in 2024 and 2025. 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.

20. 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
JBM Dröge	R Klop
R Hardy	J Stoll
J Gleacher	T Pannekeet
B Dahle	

Management Board

D Sanyal

R Klop

T Pannekeet

J Stoll

Rotterdam, 17 May 2024

Supervisory Board

MQH van Poecke

R Hardy

JBM Dröge

J Gleacher

B Dahle

Rotterdam, 17 May 2024

Other information

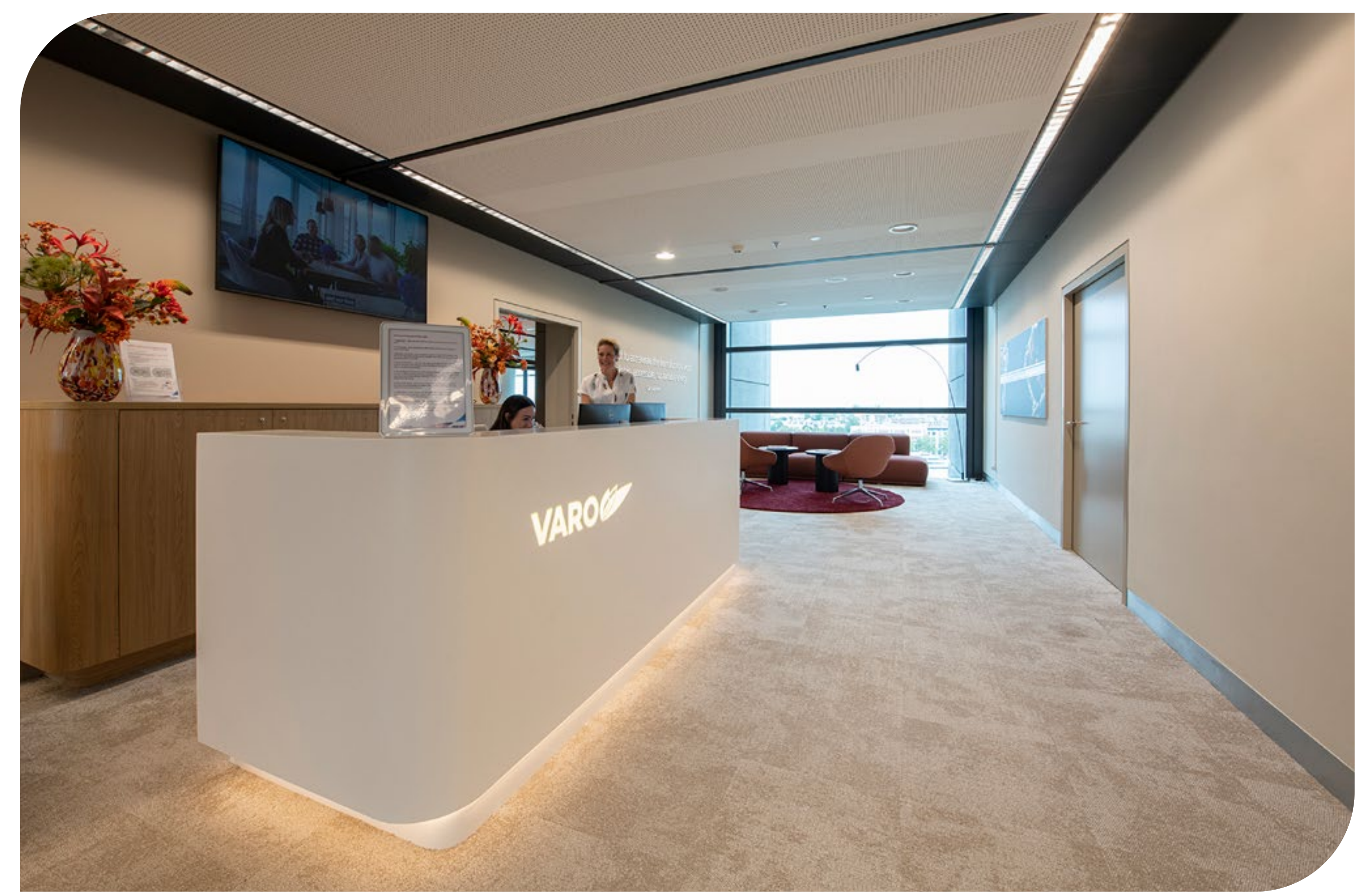
Statutory rules concerning the appropriation of the result

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 supervisory board of VARO Energy B.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements for the financial year ended 31 December 2023 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 2023 and of its result and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as issued by the IASB (IASB-IFRS), the International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) 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 2023 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 2023
- 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 material accounting policy information and other explanatory information

The company financial statements comprise:
- The company balance sheet as at 31 December 2023
- 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.

We addressed the risks related to management override of controls, as this risk is present in all companies. For these risks we have performed procedures among other things 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 other the cut-off of revenue. We designed and performed our audit procedures relating to revenue recognition responsive to this presumed fraud risk.

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 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. 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.

Based on our procedures performed, we did not identify material uncertainties about going concern. 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 management 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 management 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.

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.

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, 17 May 2024

Ernst & Young Accountants LLP

signed by J.J. Vernooij

Colofon

Photography
Roger Waleson and Patrick Andersen
Getty Images: page 2-3
Unsplash: page 8, 43, 99, 156
Pixabay: page 9
Shutterstock: page 8, 9, 20-21, 27, 36, 40, 42, 64, 80, 96-97, 101, 106, 148

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