



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 920 349 196
Organisasjonsform: Aksjeselskap
Foretaksnavn: VARME FINCO AS
Forretningsadresse: Brynsveien 2
1338 SANDVIKA

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Janelle Brataas
Dato for fastsettelse av årsregnskapet: 09.03.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 21.07.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Kostnader			
Avskrivning på varige driftsmidler og immaterielle eiendeler	12, 13, 14	40 000	0
Annen driftskostnad	13, 24	709 000	10 846 000
Sum kostnader		749 000	10 846 000
Driftsresultat		-749 000	-10 846 000
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap		88 207 000	57 874 000
Annen finansinntekt		10 842 000	13 737 000
Sum finansinntekter		99 049 000	71 611 000
Annen finanskostnad		56 154 000	62 253 000
Sum finanskostnader		56 154 000	62 253 000
Netto finans	4	42 895 000	9 358 000
Ordinært resultat før skattekostnad		42 146 000	-1 488 000
Skattekostnad på ordinært resultat	5	9 272 000	-327 000
Ordinært resultat etter skattekostnad		32 874 000	-1 161 000
Årsresultat		32 874 000	-1 161 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		32 874 000	-1 161 000
Sum overføringer og disponeringer		32 874 000	-1 161 000



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	14	566 000	594 000
Utsatt skattefordel	5	4 652 000	1 245 000
Sum immaterielle eiendeler		5 218 000	1 839 000
Finansielle anleggsmidler			
Investering i datterselskap	22	2 599 647 000	2 599 948 000
Andre fordringer	6,8,10	367 500 000	368 750 000
Sum finansielle anleggsmidler		2 967 147 000	2 968 698 000
Sum anleggsmidler		2 972 365 000	2 970 537 000
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer	6, 8, 10, 13	4 064 000	26 001 000
Sum fordringer		4 064 000	26 001 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	6	88 914 000	54 324 000
Sum bankinnskudd, kontanter og lignende		88 914 000	54 324 000
Sum omløpsmidler		92 978 000	80 325 000
SUM EIENDELER		3 065 343 000	3 050 862 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Balanse

Beløp i: NOK	Note	2021	2020
Selskapskapital		90 000	90 000
Annen innskutt egenkapital		1 586 569 000	1 648 695 000
Sum innskutt egenkapital		1 586 659 000	1 648 785 000
Sum egenkapital	17	1 586 659 000	1 648 785 000
Gjeld			
Langsiktig gjeld			
Derivater	6, 7	30 204 000	5 661 000
Sum avsetninger for forpliktelser		30 204 000	5 661 000
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	6, 11	1 433 003 000	1 394 169 000
Sum annen langsiktig gjeld		1 433 003 000	1 394 169 000
Sum langsiktig gjeld		1 463 207 000	1 399 830 000
Kortsiktig gjeld			
Leverandørgjeld	6	38 000	263 000
Betalbar skatt	5	12 763 000	0
Annen kortsiktig gjeld	6,9,10	2 676 000	1 984 000
Sum kortsiktig gjeld		15 477 000	2 247 000
Sum gjeld		1 478 684 000	1 402 077 000
SUM EGENKAPITAL OG GJELD		3 065 343 000	3 050 862 000
POSTER UTENOM BALANSEN			
Garantistillelser	11	95 500 000	85 500 000
Pantstillelser	11	2 688 562 000	2 654 271 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	438 682 000	236 825 000
Annen driftsinntekt	24	1 865 000	1 125 000
Sum inntekter		440 547 000	237 950 000
Kostnader			
Varekostnad		162 060 000	55 245 000
Lønnskostnad	3, 16	28 761 000	26 257 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	12, 13, 14	71 618 000	72 829 000
Annen driftskostnad	13, 24	19 925 000	27 503 000
Sum kostnader		282 364 000	181 834 000
Driftsresultat		158 183 000	56 116 000
Finansinntekter og finanskostnader			
Inntekt på andre investeringer		19 500 000	1 821 000
Annen renteinntekt		1 350 000	1 846 000
Annen finansinntekt		134 000	128 000
Sum finansinntekter	4	20 984 000	3 795 000
Verdireduksjon andre finansielle instrumenter vurdert til virkelig verdi	7	1 559 000	4 695 000
Annen rentekostnad		55 738 000	59 783 000
Annen finanskostnad		4 298 000	4 462 000
Sum finanskostnader	4	61 595 000	68 940 000
Netto finans		-40 611 000	-65 145 000
Ordinært resultat før skattekostnad		117 572 000	-9 029 000
Skattekostnad på ordinært resultat	5	21 520 000	-2 403 000
Ordinært resultat etter skattekostnad		96 052 000	-6 626 000
Årsresultat		96 052 000	-6 626 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2021	2020
Minoritetsinteresser		13 491 000	-3 267 000
Årsresultat etter minoritetsinteresser		82 561 000	-3 359 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		82 561 000	-3 359 000
Sum overføringer og disponeringer		82 561 000	-3 359 000



Konsernets balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	13, 14	481 833 000	498 877 000
Goodwill	14	1 611 348 000	1 611 348 000
Sum immaterielle eiendeler		2 093 181 000	2 110 225 000
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	12	966 096 000	969 550 000
Sum varige driftsmidler		966 096 000	969 550 000
Finansielle anleggsmidler			
Investeringer i aksjer og andeler	23	198 779 000	179 278 000
Andre fordringer	6,8,10	13 269 000	14 593 000
Sum finansielle anleggsmidler		212 048 000	193 871 000
Sum anleggsmidler		3 271 325 000	3 273 646 000
Omløpsmidler			
Varer			
Varer	15	4 469 000	3 436 000
Sum varer		4 469 000	3 436 000
Fordringer			
Kundefordringer	6, 8	138 789 000	36 850 000
Andre fordringer	6, 8, 10, 13	4 788 000	7 058 000
Sum fordringer		143 577 000	43 908 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	6	176 665 000	153 407 000
Sum bankinnskudd, kontanter og lignende		176 665 000	153 407 000
Sum omløpsmidler		324 711 000	200 751 000



Konsernets balanse

Beløp i: NOK	Note	2021	2020
SUM EIENDELER		3 596 036 000	3 474 397 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		90 000	90 000
Annen innskutt egenkapital		1 561 151 000	1 604 981 000
Sum innskutt egenkapital		1 561 241 000	1 605 071 000
Minoritetsinteresser		47 249 000	33 758 000
Sum egenkapital	17	1 608 490 000	1 638 829 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	16	13 144 000	13 613 000
Utsatt skatt	5	145 802 000	150 144 000
Derivater	6, 7	33 748 000	21 889 000
Andre finansielle forpliktelser	13	22 047 000	23 784 000
Sum avsetninger for forpliktelser		214 741 000	209 430 000
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	6, 11	1 433 003 000	1 534 169 000
Sum annen langsiktig gjeld		1 433 003 000	1 534 169 000
Sum langsiktig gjeld		1 647 744 000	1 743 599 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	6,11	140 000 000	17 662 000
Leverandørgjeld	6	38 501 000	17 981 000
Betalbar skatt	5	28 249 000	6 672 000
Skyldige offentlige avgifter	6,9	29 403 000	11 339 000
Annen kortsiktig gjeld	6,9,10	103 649 000	38 315 000
Sum kortsiktig gjeld		339 802 000	91 969 000
Sum gjeld		1 987 546 000	1 835 568 000

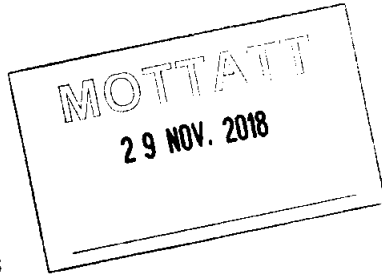


Konsernets balanse

Beløp i: NOK	Note	2021	2020
SUM EGENKAPITAL OG GJELD		3 596 036 000	3 474 397 000
POSTER UTENOM BALANSEN			
Garantistillelser	11	95 500 000	85 500 000
Pantstillelser	11	392 795 000	361 099 000



VARME FINCO AS
Brynsveien 2
1338 SANDVIKA



Vår dato
26.11.2018

Din dato
01.10.2018

Saksbehandler
Henning Stokke

800 80 000
Skatteetaten.no

Din referanse
Janelle Brataas

Telefon
800 80 000

Org.nr
996250318

Vår referanse
2018/1148236

Postadresse
Postboks 9200 Grønland
0134 Oslo

Tillatelse til å utarbeide årsberetning og årsregnskap på engelsk språk for Varme FinCo AS, org.nr. 920 349 196

Vi viser til deres brev av 1. oktober 2018 hvor dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Varme FinCo AS, org.nr. 920 349 196.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Varme FinCo AS, org.nr. 920 349 196, dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at det benyttes engelsk språk ved utarbeidelsen av årsregnskapet og årsberetningen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Fra søknaden gjengis:

Varme FinCo AS ble etablert i 2018 som et Holding selskap og er 100% eiet av Varme TopCo AS. Varme TopCo AS er et Holding selskap eiet av Core Infrastructure II Sår (42,5%), Infranode I AB (42,5%) og Kommunal Landspensjonskasse gjensidige forsikringselskap AS (15%). Eierkretsen er begrenset. Varme TopCo AS er 85% eid av utenlandske investorer, hvorav 42,5% ikke forstår norsk. Sammensetning av styret i Varme TopCo AS er tilsvarende eierandel. Varme FinCo AS har det samme styre som i Varme TopCo AS.

Eierne har pålagt selskapet å utarbeide årsregnskap, årsrapport og konsernregnskap på engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav. Varme FinCo AS har inngått en låneavtale med 4 banker, hvorav 2 er utenlandske långivere vedrørende finansiering av Varme FinCo AS og de underliggende selskapene. Långiverne stiller krav om at selskapet utarbeider årsregnskap, årsrapport og konsernregnskap på engelsk.

Selskapet er et Holding selskap uten omsetning og har derfor ingen kunder eller ansatte, noe som gjør at brukere av regnskapsdokumentasjonen utover långivere og eierne er begrenset.

En norsk utarbeidelse av årsregnskap og årsberetning vil kun ha til formål å tilfredsstille regnskapslovens språkkrav.



2021-07-23

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal årsregnskapet og årsberetningen være på norsk. Departementet kan ved forskrift eller ved enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er et holdingselskap som er heleid av et aksjeselskap, og inngår i et internasjonalt konsern. Eierkretsen er begrenset. Videre er det lagt vekt på at holdingselskaper uten kunder, ansatte eller omsetning har et begrenset antall regnskapsbrukere.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Jeanette Munkvold Skovholt
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Henning Stokke

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.



List of Signatures Page 1/1

VF Financial statements 2021.pdf

Name	Method	Signed at
Maria Munina	One-Time-Password	2022-03-17 10:40 GMT+01
Mounir Corm	One-Time-Password	2022-03-17 10:23 GMT+01
Dale, Stein	BANKID_MOBILE	2022-03-15 20:02 GMT+01
Nasby, Eric Christopher	BANKID_MOBILE	2022-03-15 12:34 GMT+01
Botnevik, Erik	BANKID	2022-03-15 12:25 GMT+01



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Varme Finco AS

Director's report 2021

Varme Finco AS - group

Ownership

Varme Finco AS is a wholly owned subsidiary of Varme Topco AS.

The Varme Finco' group consists of Varme Finco AS (parent company), the wholly owned subsidiaries; Varme Acquisitions AS, Oslofjord Varme AS and Mosjøen Varme Leasing AS, as well as the partly owned companies; Drammen Fjernvarme AS and Fredrikstad Fjernvarme AS.

Business

The group's activities include the production and distribution of district heating and cooling, for residential, public and commercial buildings. The headquarters for the group is located in Bærum.

The group has concessions for delivery of district heating in six areas; Bærum (Sandvika, Lysaker/Fornebu/Lilleaker, Bekkestua), Ullensaker, Fredrikstad and in Mosjøen. In addition to this, the group has agreements for the delivery of thermal energy to a few customers in the Oslo region.

Oslofjord Varme has focused on using large heat pumps for production of both district heating and district cooling. Energy sources used for the heat pumps are sewage water, seawater or heat exchange through boreholes in a rock energy storage. The heating plant in Mosjøen is based on industrial heat recovery. In Fredrikstad, heat is purchased from two local waste incineration plants.

In 2021, there was an increase in heat sales from the previous year, which is largely due to the colder weather in the winter months. Revenues have also increased due to an increase in the market price of electricity from 2020 to 2021.

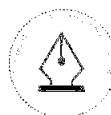
Financial performance

In the Board's opinion, the income statement and balance sheet give a true and fair view of the financial development during the year and the financial position at year end.

The group had a net profit of kr 96,1 mill for 2021 and the Board is satisfied with this result. In the parent company, the net loss before group contributions received was kr 55,3 mill. The company received a group contribution of kr 88,2 mill so that the net profit is kr 32,9 mill.

The difference between net cash flows from operational activities and the operating profit consist mainly of depreciation, interest and taxes paid and a decrease in net working capital. Capital expenditures for increased production capacity and distribution are financed from cash flows from operating activities in 2021 and long-term bank loans.

In 2021, negotiations have begun with one of the group's suppliers on how the annual energy purchase price from 2022 will be determined based on an interpretation of the agreement with the supplier. The result of the negotiations will have an impact on the group's future financial results.



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Continued operations

In accordance to the Accounting Act §3-3, we confirm that the requirement for the preparation of the financial statements being based on the going concern assumption has been met. The basis for this is the budget for 2022 and the group's long-term strategic forecast for the coming years.

Environment

The group has not had any accidents in 2021 which have caused serious pollution of the external environment.

District heating and cooling reduces the use of primary energy resources for our customers by utilizing waste heat and renewable energy. From 2020, reserve and peak load production of district heating in the group's concession areas around Oslo are based on certified renewable sources.

Pursuant to National ETS (emission trading systems) legislation, Oslofjord Varme AS is obligated to buy quotas for CO2 emissions and is awarded free allowances. In 2021, the company had total emissions of 168 tons of CO2 from the combustion of light fuel oil. As an alternative to the payment of NOx taxes, Oslofjord Varme AS is a member of the NOx Fund and pays a deposit into the fund. The fund distributes capital to NOx reducing measures after an application process.

Working environment and personnel

The group has 21 employees, 17 men and 4 women (parent company: no employees). The group's personnel policy ensures that there is no gender discrimination, and therefore no other measures are taken in this area. The working environment is good. There were no work-related injuries in 2021. There has been a total of 52 days of absence (1,1%) due to sick leave.

Financial risks

The group is satisfactorily financed with equity, long-term loans and issued notes. The consequences of variations in the financial market, such as interest rates and foreign exchange, are small. The group has entered into interest rate swaps and cross currency swaps to secure the interest rate and exchange rate on the long-term loans and notes. The group's production volume is sensitive to changes in the outdoor temperature. All invoicing occurs monthly in arrears, so bad debts are very limited. The Group's liquidity is therefore transparent, so that the total financial risk in the group must be regarded as low. For further description, we refer to note 20 for financial risk management. The parent company has insurance coverage for Directors and Officers which limits their personal liability in their role for the company, external environment and third parties.

Future prospects

A large part of the ongoing deliveries are made to relatively new buildings in densely populated areas, which are attractive in the rental market and therefore have a stable demand for heating and cooling.

The Norwegian authorities are active, through Enova, in giving considerable support funds to increase the use of district heating.

The group has no direct activities aimed at research and development but seeks to keep updated by participating in industry-specific organisations.

The group will focus on developing and expanding the use of district heating and cooling in areas where they already have deliveries as well as participate in activities in other parts of Norway where this is appropriate.

Distribution of profits

The parent company had a net profit of kr 32,9 mill in 2021, which is allocated to other equity.



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Bærum, 9 March 2022

Stein Dale
Chairman of the Board

Erik Botnevik
Board member

Maria Munina
Board member

Mounir Corm
Board member

Eric Nasby
Board member



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Varme Finco AS Income statement

Amounts in NOK thousands

Parent Company				Group	
2021	2020		Note	2021	2020
Revenue					
0	0	Sales revenue	2	438 682	236 825
0	0	Other operating income	24	1 865	1 125
0	0	Total revenue		440 547	237 950
Operating expenses					
0	0	Energy costs		162 060	55 245
0	0	Employee benefit expenses	3, 16	28 761	26 257
40	0	Depreciation and amortisation expenses	12, 13, 14	71 618	72 829
709	10 846	Other operating expenses	13, 24	19 925	27 503
0	0	Other gains/(losses) - net	7	1 559	4 695
749	10 846	Total operating expenses		283 923	186 530
-749	-10 846	Operating profit		156 624	51 420
Financial income and expenses					
88 207	57 874	Income from subsidiaries		0	0
10 842	13 737	Other financial income		1 484	1 974
56 154	62 253	Other financial expenses		60 036	64 245
42 895	9 358	Net financial items	4	-58 553	-62 271
0	0	Share of profits of associates and joint ventures		19 500	1 821
42 146	-1 488	Profit before income tax		117 572	-9 029
-9 272	327	Income tax expense	5	-21 520	2 403
32 874	-1 161	Net profit		96 052	-6 626
Profit is attributable to:					
		Owners of Varme Finco AS		82 561	-3 358
		Non-controlling interests		13 491	-3 267
				96 052	-6 626
Allocated as follows					
32 874	-1 161	Transferred to other equity		82 561	-3 358



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Varme Finco AS Statement of comprehensive income

Amounts in NOK thousands

	2021	2020
Profit for the period	96 052	-6 626
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Cash flow hedges	12 341	-12 168
Income tax relating to these items	-2 715	2 677
<i>Items that will not be reclassified to profit or loss</i>		
Pension liabilities	-1 345	3 126
Income tax relating to these items	296	-688
Other comprehensive income for the period, net of tax	8 577	-7 053
Total comprehensive income (loss) for the period	104 629	-13 679
Total comprehensive income for the period is attributable to:		
Owners of Varme Finco AS	90 461	-10 332
Non-controlling interests	14 168	-3 347
	104 629	-13 679



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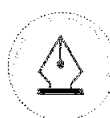
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Varme Finco AS Balance Sheet

Amounts in NOK thousands

Parent Company			Group	
31.12.2021	31.12.2020	Note	31.12.2021	31.12.2020
ASSETS				
Non-current assets				
<i>Intangible and tangible assets</i>				
566	594	14	2 069 812	2 085 069
0	0	13	23 369	25 156
4 652	1 246	5	0	0
0	0	12	966 096	969 550
5 218	1 839		3 059 277	3 079 775
<i>Financial assets</i>				
2 599 648	2 599 948	22	0	0
0	0	23	198 779	179 278
367 500	368 750	6, 8, 10	13 269	14 592
2 967 148	2 968 698		212 048	193 870
2 972 365	2 970 537		3 271 325	3 273 646
Current assets				
<i>Receivables</i>				
0	0	15	4 469	3 436
0	0	6, 8	138 789	36 850
4 064	26 001	6, 8, 10, 13	4 788	7 058
4 064	26 001		148 045	47 344
88 914	54 323	6	176 665	153 407
92 978	80 325		324 711	200 751
3 065 343	3 050 862		3 596 036	3 474 397



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Varme Finco AS Balance Sheet

Amounts in NOK thousands

Parent Company		Note	Group	
31.12.2021	31.12.2020		31.12.2021	31.12.2020
EQUITY AND LIABILITIES				
EQUITY				
<i>Paid-in capital</i>				
90	90		90	90
1 586 569	1 648 695		1 561 151	1 604 981
<u>1 586 659</u>	<u>1 648 785</u>		<u>1 561 241</u>	<u>1 605 071</u>
<i>Retained earnings</i>				
0	0		0	0
<u>0</u>	<u>0</u>		<u>0</u>	<u>0</u>
0	0		47 249	33 758
<u>1 586 659</u>	<u>1 648 785</u>	17	<u>1 608 490</u>	<u>1 638 829</u>
LIABILITIES				
<i>Provisions</i>				
0	0	16	13 144	13 613
0	0	13	22 047	23 784
30 204	5 661	6, 7	33 748	21 889
<u>0</u>	<u>0</u>	5	145 802	150 144
<u>30 204</u>	<u>5 661</u>		<u>214 741</u>	<u>209 430</u>
<i>Other long-term liabilities</i>				
1 433 003	1 394 169	6, 11	1 433 003	1 534 169
<u>1 433 003</u>	<u>1 394 169</u>		<u>1 433 003</u>	<u>1 534 169</u>
<i>Current liabilities</i>				
38	263	6	38 501	17 981
12 763	0	5	28 249	6 672
0	0	13	2 433	2 169
0	0	6, 7	343	0
0	0	6, 11	140 000	17 662
0	0	6, 9	29 403	11 339
2 676	1 984	6, 9, 10	100 873	36 146
<u>15 477</u>	<u>2 246</u>		<u>339 801</u>	<u>91 969</u>
<u>1 478 685</u>	<u>1 402 077</u>		<u>1 987 546</u>	<u>1 835 568</u>
<u>3 065 343</u>	<u>3 050 862</u>		<u>3 596 036</u>	<u>3 474 397</u>

Bærum 9.3.2022

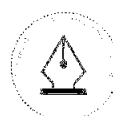
Stein Dale
Chairman of the Board

Erik Botnevik
Board member

Maria Munina
Board member

Mounir Corm
Board member

Eric Nasby
Board member



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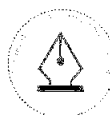
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Varne Finco AS Statement of cash flows

Amounts in NOK thousands

Parent Company			Group	
31.12.2021	31.12.2020		31.12.2021	31.12.2020
		Cash flows from operating activities		
-709	-10 846	Cash generated from operations (Note 18)	232 158	131 075
10 842	13 737	Interest received	1 484	1 974
-54 595	-57 557	Interest paid	-59 273	-63 450
2 273	-10 074	Income taxes paid	-3 635	-10 838
0	0	Change in accounts receivables	-101 938	24 116
-225	262	Change in trade payables	20 521	-12 428
2 509	1 956	Change in other working capital	55 821	6 519
-39 906	-62 521	Total net cash from operating activities	145 138	76 967
		Cash flows from investing activities		
-12	-594	Purchases of property, plant and equipment	-46 096	-31 920
0	0	Acquisitions of shares	0	0
1 250	12 000	Repayment of loans by related parties	0	0
0	0	Dividends from associates and joint ventures	0	0
1 238	11 406	Total net cash from investing activities	-46 096	-31 920
		Cash flows from financing activities		
0	0	Proceeds from increase in share capital	0	0
60 000	0	Proceeds from borrowings	60 000	0
0	0	Payment for share and equity issuance	0	0
0	0	Repayment of borrowings	0	0
0	0	Change in short-term liabilities	-17 662	-4 617
0	0	Principle elements of lease payments	-3 121	-2 925
0	0	Dividends paid to non-controlling interests in subsidiaries	0	0
13 258	81 190	Net group contributions paid to the owners of the parent	-115 000	0
73 258	81 190	Total net cash flows from financing activities	-75 783	-7 542
		Net increase (decrease) in cash and cash equivalents	23 258	37 505
34 591	30 075	Cash and cash equivalents at beginning of period	153 407	115 902
54 323	24 248	Cash and cash equivalents at end of period	176 665	153 407
88 914	54 323			



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Varme Finco AS

NOTES TO THE FINANCIAL STATEMENTS FOR 2021

Note 1 Accounting principles

Accounting principles

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. The financial statements are for the group consisting of Varme Finco AS and its subsidiaries.

For the company, Varme Finco AS, the financial statements are prepared in accordance with the Norwegian Accounting Act of 1998 and accounting standards and practices generally accepted in Norway. For the group, the financial statements are prepared in accordance with the Accounting Act of Norway § 3-9 and the regulation of simplified IFRS set out by the Ministry of Finance the 3rd of November 2014 (simplified IFRS). This means that the recognition and measurement follow international accounting standards (IFRS) and presentation and disclosures are in accordance with the Norwegian Accounting Act and good accounting practice, except for the treatment of dividends and corporate contributions.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to classification of liabilities.

Current assets are valued at the lower of cost and fair value. Other short-term liabilities are capitalised based on nominal amounts when the transactions take place.

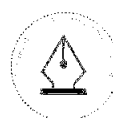
Fixed assets are initially valued at the cost. These assets are written down to fair value when they have been impaired and the impairment is not expected to be permanent. Long term liabilities in NOK with the exception of other accruals are capitalised at nominal value when established.

Shares in subsidiaries - Parent

Investments in subsidiaries are valued with the cost method. The investments are written down to fair value when the impairment is not considered transient and it is required by simplified IFRS.

Dividends received and corporate contributions from the subsidiaries are recognised as financial income. Dividend and corporate contributions from subsidiaries that exceeds the withheld results during the ownership period are considered repayment of acquisition cost.

Dividends and corporate contributions are recognised in the accounts of the owner's company in line with the Norwegian standard accounting practice.



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Subsidiaries - Group

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Associated companies - Group

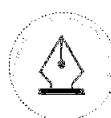
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.



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Intangible assets - Group

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are done annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Customer contracts and customer relationships

Customer contracts and customer relationships which are acquired in a business association are capitalised at fair value at the time of purchase. They are amortized by a linear method over their expected useful life.

EUA allowances held for own use

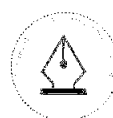
EUA allowances are emission rights that are received to cover CO₂ emissions from production. EUA allowances that have been received free of charge from the Norwegian Environment Agency are stated at a value of kr 0 under intangible assets. A liability is recorded if the actual emissions exceed the received emission rights. The accumulated liability is valued at fair value. Purchased emission rights to cover the difference between actual emissions and received emissions are recorded at cost price. Emission rights are tested for impairment and written down if the market value is less than the purchase price. The reduction in value which occurs when the emissions are surrendered, is recorded as energy costs. When a sale of emissions occurs, the gain or loss from sale is recorded under other income.

Other accounting principles – Parent and Group

Revenue recognition

Revenue recognition from the sale of goods occurs at the time of delivery. Revenue recognition from the sale of services occurs in line with the performance.

The proportion of revenue related to future service performance are capitalised as deferred revenue and recognised in accordance with the delivery of the service.



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The accounting policies for the group's revenues from contracts with customers are explained in note 2.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial assets

Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The group reclassifies debt investments when and only when its business model for managing those assets changes. Currently all debt instruments are held for collection of contractual cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

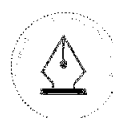
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach required by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 19 for further details. Lifetime loss is also used for lease receivables.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial



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asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

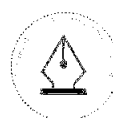
The fair values of various derivative instruments used for hedging purposes are disclosed in note 6. Movements on the hedging reserve in other comprehensive income are shown in note 7. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'Finance income/cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires, or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'Other gains/(losses) – net'.



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Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains and losses.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, on a net basis within other gains/(losses). All other foreign exchange gains and losses are presented in the statement of profit or loss within finance costs.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

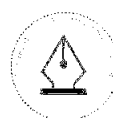
Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. See note 13 for further description of the treatment for leases.



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Fixed assets

Fixed assets are reflected in the balance sheet and depreciated over the asset's expected useful life. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or significant improvements to fixed assets are added to the asset's cost price and depreciated together with the asset.

Government grants relating to investments are recognised as a reduction of the cost of the asset. Investment contributions from customers are recognised as income in the year it is earned.

Internal costs and borrowing costs related to project development are capitalised as part of the project cost.

Inventory

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of FIFO. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Pension obligations

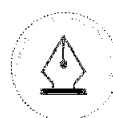
A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service 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. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as



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employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Taxes

The tax charge in the income statement includes both taxes payable for the period and changes in deferred tax. Deferred tax is calculated at 22 % on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet.



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Note 2 Sales revenue

(Amounts in NOK thousands)

The group's revenues are generated from the supply of district heat and district cooling, in combination referred to as thermal energy to customers within the group's 6 concession areas as well as to 3 business-to-business (B2B) customers.

The 6 concession areas are located in Bærum, Ullensaker, Fredrikstad and Mosjøen. The 3 B2B customers are all located within the greater Oslo region.

The group has 3 types of customers; residential buildings, public and commercial buildings and B2B customers.

Customers which are mandatory connected, pay an investment contribution at the time of connection. The investment contribution covers the cost of the installation necessary to connect the customer to the main network.

The revenues from investment contributions are recorded on the balance sheet and amortised over the life-time of the equipment which the investment contribution covers.

Contracts for the supply of thermal energy to customers within the concession areas are typically 3 year contracts with customers paying monthly in arrears for actual measured usage. Since monthly billing is based on actual consumption, revenue recognition is based on the billings.

The group's revenue is generated mainly in Bærum and Fredrikstad and the thermal energy is divided into two categories:

2021	Bærum	Fredrikstad	Ullensaker	Mosjøen	B2B customers
District heating	233 016	88 808	3 932	9 302	42 724
District cooling	48 303	1 998	1 584	0	9 014
Total	281 319	90 805	5 517	9 302	51 738

2020	Bærum	Fredrikstad	Ullensaker	Mosjøen	B2B customers
District heating	112 131	33 835	2 105	6 432	22 896
District cooling	49 458	1 674	1 471	0	6 823
Total	161 589	35 509	3 576	6 432	29 719

Note 3 Employee benefit expenses

(Amounts in NOK thousands)

Parent company

There are no employees in Varme Finco AS.

Remuneration to the Board totals KNOK 350 and is included in other operating expenses.

The audit fee included in other operating expenses for 2021 totals KNOK 290,7 excluding VAT and can be categorised as follows:

Statutory audit	290,7
-----------------	-------

Group

Employee costs	2021	2020
Salaries and wages	24 040	21 502
Capitalised own work	-3 644	-4 019
Social security costs	4 118	3 728
Pension costs	3 215	2 841
Remuneration to the Board	596	585
Other remuneration	437	1 621
Total	28 761	26 257

On average, the number of employees in the accounting year has been 20,5.



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Remuneration for executives in the group	Managing Director Oslofjord Varme AS	Managing Director Fredrikstad Fjernvarme AS	Board of Directors
Salary	1 846	1 242	
Bonus	273	0	
Pension costs*	634	105	
Other remuneration	105	6	
Remuneration to the Board			596
Total	2 858	1 354	596

*] Both the Managing Director in Oslofjord Varme and in Fredrikstad Fjernvarme are included in their company's pension scheme and do not have any rights beyond those associated with their respective schemes. The Managing Directors have a bonus agreement.

Audit fee

The audit fee included in other operating expenses for 2021 totals KNOK 577 excluding VAT and can be categorised as follows:

Statutory audit	574
Other assistance	3

Note 4 Specification of financial income and expenses

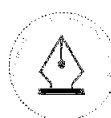
(Amounts in NOK thousands)

Parent company

Financial income	2021	2020
Group contribution	88 207	57 874
Interest income from group companies	10 790	13 691
Other interest income	52	46
Total financial income	99 049	71 611
Financial expenses	2021	2020
Other interest expenses	52 057	58 120
Other financial expenses	4 097	4 133
Total financial expenses	56 154	62 253

Group

Financial income	2021	2020
Interest income from customers	18	27
Other interest income	1 332	1 819
Other financial income	134	128
Total financial income	1 484	1 974
Financial expenses	2021	2020
Other interest expenses	55 738	59 783
Other financial expenses	4 298	4 462
Total financial expenses	60 036	64 245



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Note 5 Taxes

(Amounts in NOK thousands)

Parent company

Components of the income tax expense:	31.12.2021	31.12.2020
Current tax on profits for the year	12 763	0
Tax on group contributions	0	0
Change in deferred taxes	-3 406	2 030
Gov't crisis package - reversal of deficit against previous taxed surpluses	0	-2 273
Taxes booked directly to the balance sheet	-85	-85
Total income tax expense	9 272	-327

Basis for income tax expense, changes in deferred tax and tax payable:

Profit (loss) before taxes	42 146	-1 488
Permanent differences *)	0	0
Change in temporary differences	15 483	-9 228
Group contributions booked directly to the balance sheet	385	385
Group contribution given	0	0
Gov't crisis package - reversal of deficit against previous taxed surpluses	0	10 331
Taxable income	58 013	0

Net temporary differences related to derivatives and borrowings are KNOK 21 144 (2020 KNOK 5 661)

Reconciliation of the tax expense	31.12.2021	31.12.2020
Profit (loss) before taxes	42 146	-1 488
Expected income tax based on nominal tax rate	9 272	-327
Tax effect of the following:		
Permanent differences	0	0
Income tax expenses	9 272	-327
Effective tax rate	22,0 %	22,0 %

Group

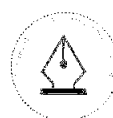
Components of the income tax expense:	31.12.2021	31.12.2020
Current tax on profits for the year	28 249	6 672
Gov't crisis package - reversal of deficit against previous taxed surpluses	0	-3 037
Tax on group contributions	117	85
Change in deferred tax over P&L	-6 845	-6 123
Total tax expense	21 520	-2 403

Basis for income tax expense, changes in deferred tax and tax payable:

Profit (loss) before taxes	117 572	-9 029
Permanent differences *)	-254	-75
Share of profits in associated companies, partnerships and joint ventures	-19 500	-1 821
Change in temporary differences in OCI	-1 345	-9 042
Change in temporary differences	32 075	36 491
Gov't crisis package - reversal of deficit against previous taxed surpluses	0	13 804
Group contributions given	-146	0
Taxable income	128 402	30 327

The movement in deferred tax assets and liabilities during the year:

	31.12.2021	31.12.2020
Deferred tax liabilities:		
Intangible assets	476 170	492 990
Borrowings	0	0
Receivables	170	54
Construction in progress	27 597	29 221
Property, plant and equipment	226 099	234 585
Total	730 036	756 849



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Deferred tax assets:		
Property, plant and equipment	-1 444	-1 140
EUA allowances	-3 054	-3 061
Pension liabilities	-13 144	-13 929
Derivative financial instruments	-25 030	-21 889
Leasing contracts	-24 480	-25 954
Gain (loss) on property, plant and equipment	-145	-181
Total	-67 297	-66 154
Tax loss carryforward	0	-8 223
Basis for deferred tax - net	662 738	682 473
Net deferred tax liability	145 802	150 144
Deferred tax %	22 %	22 %
Of which deferred tax asset (liability) in equity (OCI)	2 621	5 040
Of which deferred tax asset (liability) booked directly to the balance sheet	-169	-85
Deferred tax	148 255	155 100
Reconciliation of the tax expense		
		31.12.2021
Profit (loss) before taxes		117 572
Expected income tax based on nominal tax rate		25 866
Tax effect of the following:		
Permanent differences *)		-56
Share of profits of associated companies, partnerships and joint ventures		-4 290
Limited interest liability		0
Tax expenses		21 520
Effective tax rate		18,3 %

*) includes: non-deductible costs and non-taxable income

Note 6 Financial assets and financial liabilities

(Amounts in NOK thousands)

Parent

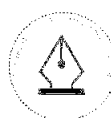
The parent company has a total of KNOK 460 478 in financial assets of which KNOK 371 564 are classified as other financial assets at amortised cost and KNOK 88 914 are classified as cash and cash equivalent. See note 8.

The parent company has a total of KNOK 1 435 717 in financial liabilities of which KNOK 2 714 is classified as trade and other payables and KNOK 1 433 003 is classified as borrowings. See note 9.

Group

	31.12.2021	31.12.2020
Financial assets		
Financial assets at amortised cost		
a) Trade receivables	138 789	36 850
b) Other financial assets at amortised cost	18 057	21 650
c) Cash and cash equivalents	176 665	153 407
	333 511	211 908
Financial liabilities		
Liabilities at amortised cost		
d) Trade and other payables	168 777	65 466
e) Borrowings	1 573 003	1 551 831
Lease liabilities - see note 13	24 480	25 954
Derivative financial instruments		
f) Used for hedging	34 091	21 889
	1 800 352	1 665 139

The group's exposure to various risks associated with the financial instruments is discussed in note 7. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.



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a) Trade receivables

	31.12.2021	31.12.2020
Current assets		
Trade receivables	139 004	37 066
Loss allowance - see note 20	-215	-215
	<u>138 789</u>	<u>36 850</u>

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 14 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 19 and note 20.

b) Other financial assets at amortised cost

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest

	31.12.2021	31.12.2020
Financial leasing assets (amount due after 2022 is KNOK 10 217)	11 751	13 160
Other receivables	6 306	8 490
Loss allowance	0	0
	<u>18 057</u>	<u>21 650</u>

Other receivables generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within 5 years from the end of the reporting period.

Due to the short-term nature of the current receivables and the historically observed credit risk, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts.

Note 19 sets out information about the impairment of financial assets and the group's exposure to credit risk. All of the financial assets at amortised cost are denominated in Norwegian kroner and there is therefore no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

c) Cash and cash equivalents

	31.12.2021	31.12.2020
Current assets		
Cash at bank and in hand	176 665	153 407
Deposits at call	0	0
	<u>176 665</u>	<u>153 407</u>

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year.

	2021
Balances as above	<u>176 665</u>
Balances as per statement of cash flow	<u>176 665</u>

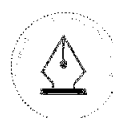
The group has a total of KNOK 1 402 in restricted cash as at 31.12.2021.

d) Trade and other payables

	31.12.2021	31.12.2020
Current liabilities		
Trade payables	38 501	17 981
Payroll tax and other statutory liabilities	29 403	11 339
Other payables	100 873	36 146
	<u>168 777</u>	<u>65 466</u>

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.



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e) Borrowings	31.12.2021	31.12.2020
<i>Secured</i>		
Bank loans and issued notes	1 433 003	1 534 169
Bank overdrafts and short-term loans	140 000	17 662
Total secured borrowings	1 573 003	1 551 831

The bank loans and issued notes in Varme Finco AS are secured by the shares of all the companies in the group except for investments in associated companies and joint ventures as well as the cash and cash equivalent of the group except for Fredrikstad Fjernvarme.

The bank loan in Fredrikstad Fjernvarme is secured by a first mortgage over the assets in Fredrikstad Fjernvarme AS.

The carrying amounts of financial and non-financial assets pledged as security for the bank loans are disclosed in note 12.

The Varme Finco group has complied with both the financial covenants (default ratios) and lock-up tests of its borrowing facilities during the 2021 reporting period, see note 11 for details.

f) See note 7 for derivative financial instruments used for hedging.

Note 7 Derivative financial instruments

(Amounts in NOK thousands)

Parent company

The parent company has entered into three interest rate swaps and two cross currency swaps as at 31.12.2021. The interest rate swaps secure the interest rate on long-term loans and the cross currency swaps secure the exchange rate on long-term notes. The interest rate and currency rate for the loans, notes and the swaps are fixed on the same day.

In accordance with NGAAP, the value of the interest rate swaps, KNOK -1 996 as at 31.12 are not included in the balance sheet. The cross currency swaps of KNOK 30 204 are recognised in the balance sheet through the profit and loss.

The notional principle amount of the outstanding swaps as of 31.12.2021 was kr 778 mill.

For information regarding interest rates and fixing of the interest rates, see under "Group" below.

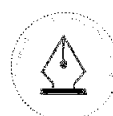
Group

The Group has entered into five interest rate swaps and two cross currency swaps as at 31.12.2021. The swaps secure the interest rate and currency rate on the long-term loans and notes of the Group. The interest rate and currency rate for the loans, notes and the swaps are fixed on the same day.

	31.12.2021		31.12.2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	0	3 887	0	16 227
Cross currency swaps	0	30 204	0	5 661

The notional principal amounts of the outstanding swaps as of 31.12.2021 were kr 813 mill. The swaps, loan agreements and note purchase agreements have corresponding timing of interest rate fixing and interest periods. The cross currency swaps are classified as non-current liabilities as the remaining maturity of the hedged item is more than 12 months. The interest rate swaps are classified as current liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. As of 31.12.2021, the fixed interest on the Group's swaps was 1,9975% - 5,02%. The floating interest rate was NIBOR + margin. The fair value of the swaps is the present value of the difference between the fixed and floating rates on the principal amount for the length of the agreement.

Hedging reserves	Interest rate swaps
Opening balance 1 January 2021	-12 657
Add: new hedging contracts in 2021	0
Less: terminated contracts in 2021	0
Less: change in fair value of hedging instrument recognised in OCI for the year	12 341
Less: deferred tax	-2 715
Closing balance 31 December 2021	-3 031



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In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in the Income Statement in Other gains/(losses) - net in relation to derivatives:

Cross currency swaps	-24 543
Borrowings - see note 11	22 984
Other gains/(losses) - net	-1 559

Note 8 Trade and other receivables

(Amounts in NOK thousands)

Parent company

	31.12.2021	31.12.2020
Long-term receivables:		
Receivables from related parties	367 500	368 750
Total long-term receivables	367 500	368 750

The company has a loan agreement with Oslofjord Varme AS and Mosjøen Varme Leasing AS for NOK 359,5 mill and NOK 8,0 mill respectively. The loans have a repayment date of April 25, 2023.

Other receivables:

Prepayments	465	470
Other short term receivables	8	2 273
Receivables from related parties	3 592	23 258
Total other receivables	4 064	26 001

All current receivables are due within one year from the end of the reporting period.

Note 9 Other payables

(Amounts in NOK thousands)

Parent company

	31.12.2021	31.12.2020
Accrued expenses	2 676	1 984
Amounts due to related parties	0	0
Total	2 676	1 984

Note 10 Intercompany balances for group companies

(Amounts in NOK thousands)

Parent company

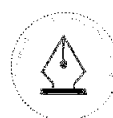
		31.12.2021	31.12.2020
Receivables			
Oslofjord Varme AS	non-current	359 500	359 500
Mosjøen Varme Leasing AS	non-current	8 000	9 250
Oslofjord Varme AS	Current	0	20 000
Mosjøen Varme Leasing AS	Current	3 592	3 258
Total group receivables		371 092	392 008

Liabilities

Varme Topco AS	Current	0	0
Total group liabilities		0	0

Group

		31.12.2021	31.12.2020
Liabilities			
Varme Topco AS	Current	20 000	0
Total group liabilities		20 000	0



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Note 11 Mortgaged debt and guarantee obligations

(Amounts in NOK thousands)

As of 31.12.2021, Varme Finco AS has entered into a Common Terms Agreement covering a Bank Facilities agreement with a consortium consisting of SEB AB, Nordea Bank ABP and DNB Bank ASA and a PP Note Purchase agreement with four PP debt providers represented by IFM investors and Sunlife.

The Bank Facilities agreement is for KNOK 985 918 and as of 31.12.2021, KNOK 730 918 is drawn down. The loan matures in seven years from the date of the first drawdown, 19.12.2019. The loan is to be repaid in full on the maturity date as no installments are made during the period of the loan. The loan has a floating interest rate of NIBOR + margin.

The PP Note Purchase agreement is for an equivalent of KNOK 811 950 and four notes have been issued at a fixed rate, expiring in 10, 12 and 15 years from the date of issuance, 19.12.2019. Two of the issued notes are in NOK and two are in EUR. The notes are to be repaid in full on the maturity date. The EUR notes are recognised at the market exchange rate as at 31.12.2021.

Varme Finco AS, Oslofjord Varme AS, Varme Acquisitions AS and Mosjøen Varme Leasing AS have mortgaged their investment in group company shares and cash as security for the loans. Varme Topco AS, the parent company of Varme Finco AS, has mortgaged their shares in Varme Finco AS.

Parent company

	31.12.2021	31.12.2020
Mortgaged debt:		
Bank loan (net costs of loan)	630 114	568 295
Issued Guaranteed Senior Secured PP notes	802 890	825 874
Total	1 433 003	1 394 169
Book value of assets secured for mortgaged debt:		
Investments in shares	2 599 648	2 599 948
Other receivables	0	0
Cash and cash equivalents	88 914	54 323
Total	2 688 562	2 654 271

Varme Finco AS has issued a guarantee on behalf of Oslofjord Varme's contractual obligations. The guarantee has a limit of kr 500.000. Varme Finco AS has also issued a guarantee for the financing of Drammen Fjernvarme AS. The guarantee has a limit of kr 95.000.000.

For maturity profile see note 20 for further details.

Group

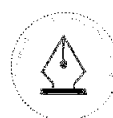
As of 31.12.2021, Fredrikstad Fjernvarme AS has entered into a bank loan and bank overdraft facility with Danske Bank AS. The bank loan is for KNOK 140 000 and as of 31.12.2021, KNOK 140 000 is drawn down. The loan and overdraft facility matures in three years from the date of extension, 30.8.2019. The loan is to be repaid in full on the maturity date as no installments are made during the period of the loan. The loan has a floating interest rate of NIBOR + margin. The bank overdraft facility is for KNOK 32 and as of 31.12.2021, KNOK 0 is drawn down.

To secure their debt, Fredrikstad Fjernvarme AS has given a first priority mortgage over their fixed assets of up to KNOK 200 000 and trade receivables of up to KNOK 30 000 to Danske Bank.

	31.12.2021	31.12.2020
Mortgaged debt:		
The following amounts have been drawn on the facilities agreement (net costs of loan):		
Varme Finco AS	1 433 003	1 394 169
Fredrikstad Fjernvarme AS	140 000	157 662
Total	1 573 003	1 551 831
Book value of assets secured for mortgaged debt:		
Fixed assets	200 000	200 000
Trade receivables	30 000	7 955
Cash and cash equivalents	162 795	153 145
Total	392 795	361 099

Guarantees:

Varme Finco AS has issued a guarantee on behalf of Oslofjord Varme's contractual obligations. The guarantee has a limit of kr 500.000. Varme Finco AS has also issued a guarantee for the financing of Drammen Fjernvarme AS. The guarantee has a limit of kr 95.000.000.



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Financial covenants:

The common terms agreement applies debt covenants at the group level with testing on a half-yearly basis. The level of the ratios for the leverage ratio changes every half year for the initial five years and then is maintained at a constant ratio. The ICR ratio is a constant ratio of 2:1. This results in the following demands on the Varme Finco group as at 31.12.2021:

Leverage ratio (Total net debt / EBITDA)	11.02:1
Interest cover ratio (EBITDA / Net Finance Charges)	2:1

Interest cover and leverage ratios will be tested both retrospectively and prospectively at each period ending. There is no indication of breach of covenants as of 31.12.2021.

In addition to the debt covenants, the common terms agreement applies financial testing for lock-up at the group level with testing on a half-yearly basis. The level of the ratios for the leverage ratio changes every half year for the initial five years and then is maintained at a constant ratio. The ICR is a constant ratio of 2.5:1 and the LLCR is a constant ratio of 1.175:1. This results in the following demands on the Varme Finco group as at 31.12.2021:

Backward Looking Leverage ratio (Total net debt / EBITDA)	10.18:1
Forward Looking Leverage ratio (Total net debt / EBITDA)	9.83:1
Interest cover ratio (EBITDA / Net Finance Charges)	2.5:1
Loan life coverage ratio (NPV plus cash / Outstanding principle amount of Secured Debt)	1.175:1

As at 31.12.2021, there is no indication of non-compliance with the lock-up ratios.

The consequence of non-compliance for these ratios for the group is that the excess cashflow for the period (Lock-up amount) must be transferred to a lock-up account and may not be withdrawn until compliance at next testing date is restored.

The loan agreement with Danske Bank AS applies a debt covenant with Fredrikstad Fjernvarme AS. The booked value of equity shall be a minimum of 25% as per 31.12 and is to be measured by 31.5 of the following year. As of 31.12.2021, the equity ratio was 40,0%.

Note 12 Property, plant and equipment

(Amounts in NOK thousands)

Fixed assets	Buildings and other property	Production equipment	Other equipment	Construction in progress	Total fixed assets
Cost 1.1.2021	584 001	483 544	2 977	33 218	1 103 740
Capital expenditure	10 376	471	0	40 316	51 163
Enova grants received	0	0	0	-939	-939
Reclassifications	30 067	17 282	696	-48 045	0
Disposals	0	0	0	0	0
Cost 31.12.2021	624 444	501 297	3 673	24 549	1 153 964
Accumulated depreciation 31.12.2021	-51 289	-133 817	-2 762	0	-187 868
Accumulated write downs 31.12.2021	0	0	0	0	0
Book value 31.12.2021	573 155	367 480	911	24 549	966 096
Depreciation for the period	16 481	36 622	575	0	53 678

The company uses straight line depreciation for all fixed assets.

The expected useful life for the assets is calculated to be:

* Buildings and plants	25-50 years
* Production equipment	10-25 years
* Other equipment	3 - 5 years

Capitalised cost for own work for project development is KNOK 3 644.

Capitalised borrowing costs for project development is KNOK 399.

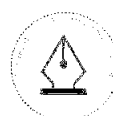
Note 13 Leases

(Amounts in NOK thousands)

(I) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021	2020
Right-of-use assets		
Property rentals	22 460	24 617
Vehicles	909	539
	23 369	25 156



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Lease liabilities		
Current	2 433	2 169
Non-current	22 047	23 784
	24 480	25 954

Additions to the right-of-use assets during the 2021 financial year were KNOK 884 (2020 - KNOK 2 127).

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021	2020
Depreciation charge of right-of-use assets		
Property rentals	-2 157	-2 152
Vehicles	-448	-427
	-2 605	-2 579
Interest expense (included in finance cost)	-764	-795
Gains (-) and losses due to terminations, purchases, impairments and other changes	66	2
Expense relating to short-term leases (included in other operating expenses)	0	0
Expense relating to leases of low-value assets that are not shown above as short-term leases	-4	-4

The total cash outflow for leases in 2021 was KNOK 3 121 (2020 - KNOK 2 925).

(iii) The group's leasing activities and how these are accounted for

The group leases various properties and vehicles. Rental contracts are typically made for fixed periods of 1 to 15 years, but may have extension options as described in (v) below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

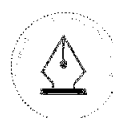
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs



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Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(iv) Variable lease payments

The group does not have any variable lease payments.

(v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Note 14 Intangible assets

(Amounts in NOK thousands)

Non-current assets	Other rights	Customer contracts	Customer relationships	Goodwill	Total
Cost 1.1.2021	6 412	44 720	463 200	1 611 348	2 125 680
Capital expenditures	12	0	0	0	12
Disposals	0	0	0	0	0
Cost 31.12.2021	6 424	44 720	463 200	1 611 348	2 125 692
Accumulated depreciation 31.12.2021	-761	-6 702	-48 418	0	-55 880
Book value 31.12.2021	5 663	38 019	414 782	1 611 348	2 069 812

	Other rights	Customer contracts	Customer relationships	Goodwill	Total
Depreciation for the period	236	1828	13205	0	15 269

The group uses straight line depreciation for all intangible assets.

The expected useful life for the assets is calculated to be:

- * Other rights, determined by the life of the asset 15 - 30 years
- * Customer relationships, determined by the life of the buildings 50 years
- * Customer contracts, determined by contract length 5 - 25 years
- * Goodwill no depreciation

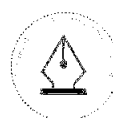
The book value of intangible assets with an undefined useful life and goodwill is tested annually for impairment. In case of indications of a possible impairment in value, impairment tests will be performed promptly, and in any case once a year. If the valuation tests indicate that the book values are no longer recoverable, assets are written down to their recoverable amounts. Impairment tests are carried out by identifying and discounting the cash flows linked to the cash-generating unit. The recoverable amount of the cash-generating unit is calculated based on its fair value less costs to sell. The whole group is considered as three CGU.

Budget and forecast assumptions

The impairment tests performed for 2021 are based on the 2022 budget, management's long-term forecasts (2-15 years) and a long term plan based on yearly forecasts using growth assumptions before the terminal value is established in 2045. Future cash flows are calculated over a 24 year period before the terminal value is calculated due to the longevity of the assets that the goodwill represents; concessions, new customers and contracts. A perpetual growth rate of 2% is assumed, which is consistent with industry reports. The cash flows are based on a number of assumptions. Due to the district heating price cap model, electricity prices play a significant role in the profitability of the business and the impairment tests utilise the forward price for electricity from a 3rd party consultant. Normal production is assumed for the business based on ten years' historic volume data, adjusted for weather/building normalisation, planned customer connections in the short term and long term growth assumptions. The current price cap model for district heating is expected to continue until the terminal year.

Discount rate

The discount rate is based on a weighted average of required rates of return for the Group's equity and debt (WACC). The required rate of return on the Group's equity is estimated by using the capital asset pricing model (CAPM). The required rate of return on debt is estimated on the basis of a long-term risk-free interest rate to which is added a credit margin.



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Sensitivity

The sensitivity tests carried out reveal robustness for the business. Sensitivity analyses were conducted on the consequences of various changes in assumptions in the impairment tests including, for example, a reduction in heating volumes, reduction in long term price assumptions and an increase in the discount rate. The valuation of the equity in the business is most sensitive to changes in volumes and discount rate.

EUA Allowances

Oslofjord Varme is a participant in the CO2 quota scheme and is allocated EUA allowances free of charge from the Norwegian Environment Agency. As of 31.12.2021, the number of EUA allowances allocated to Oslofjord Varme is more than their measured emissions. The company uses a zero cost principle for allowances that are allocated free of charge and therefore, the value of KNOK 11 796 is not recorded at 31.12.

Note 15 Inventories

(Amounts in NOK thousands)

	2021	2020
Current assets		
Raw materials	4 469	3 436
Book value 31.12	4 469	3 436

(i) Assigning costs to inventories

The costs of inventory are determined using FIFO method.

(ii) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2021 amounted to KNOK 11 570. These were included in energy costs KNOK 11 495 and other expenses KNOK 75.

There were no write-downs of inventories during 2021.

Note 16 Pensions

(Amounts in NOK thousands)

The group has two fully funded collective pension schemes in KLP and DNB respectively, as well as an unfunded early retirement scheme for the employees of Oslofjord Varme, which may be used voluntarily from the age of 62. The plans provide a defined benefit, which is mainly dependent upon the number of years of service, salary at retirement and the size of the National Insurance benefits. The defined benefit plans are closed to new members. The group also has two defined contribution plans in DNB; one for which all new employees in Oslofjord Varme AS after 1.1.2015 are registered in and one for which all new employees in Fredrikstad Fjernvarme after 1.5.2018 are registered in.

The group's pension schemes meet the requirements of the law on compulsory occupational pension.

	2021	2020
Net pension expenses		
Current service cost	3 304	3 014
Net interest costs	175	311
Impact of plan amendments on DBO	0	0
Total net pension expenses including social security fees	3 479	3 325
Interest costs reclassified as financial expenses	175	311
Total net pension costs for defined benefit plan	3 304	3 014
Defined contribution pension plan	693	439
Total included in employee benefit expenses	3 997	3 453

Defined contribution plans:	31.12.2021	31.12.2020
Number of participants	9	7
Contribution rate	6-18,1%	6-18,1%

Defined benefit plans:	31.12.2021	31.12.2020
Actives	11	14
Pensioners	6	5

Financial assumptions:	31.12.2021	31.12.2020
Discount rate	1,70 %	2,30 %
Estimated salary increase	2,25 %	2,25 %
Estimated pension increase	1,25 %	2,00 %
Estimated social security base figure adjustment	2,00 %	2,00 %

Actuarial assumptions:	K2013BE	K2013BE
Mortality table	KU	KU
Disability table	KU	KU
Expected turnover	2,3 %	2,3 %



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Net Defined Benefit Obligation:	31.12.2021	31.12.2020
Present value of funded obligations	65 890	51 320
Fair value of plan assets	56 289	42 894
Deficit (-) / surplus (+)	-9 601	-8 426
Present value of unfunded obligations	-3 543	-5 187
Net asset (liabilities) in the balance sheet	-13 144	-13 613

Reconciliation of net amount recognised in the Balance sheet:	31.12.2021	31.12.2020
Net assets (liabilities) recognised in the Balance sheet 1.1	-13 613	-17 531
Net periodic pension cost	-3 073	-2 712
Employer contributions	4 888	3 504
Remeasurements (loss) gain	-1 345	3 126
Net assets (liabilities) recognised in the Balance sheet 31.12	-13 144	-13 613

The defined benefit obligation in Fredrikstad Fjernvarme is not recognised on the balance sheet.

Financial assumptions:	31.12.2021	31.12.2020
Discount rate	1,90 %	1,70 %
Estimated salary increase	2,75 %	2,25 %
Estimated pension increase	1,75 %	2,00 %
Estimated social security base figure adjustment	2,50 %	2,00 %
Actuarial assumptions:		
Expected return on funds	2,30 %	2,30 %
Mortality table	K2013BE	K2013BE
Disability table	KU	KU
Expected turnover	2,3 %	2,3 %

Note 17 Shareholders' Equity

(Amounts in NOK thousands)

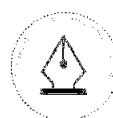
Parent company

	Share Capital	Other paid-in equity	Total
Equity as at 1.1.2021	90	1 648 695	1 648 785
Group contributions after tax		-95 000	-95 000
Profit for the year		32 874	32 874
Equity as at 31.12.2021	90	1 586 569	1 586 659

The share capital consists of 300 shares with a nominal value of kr 300,- each. Varne Finco AS is a wholly owned subsidiary of Varne Topco AS.

Group

	Share Capital	Other paid-in equity	Other equity	Total
Equity as at 1.1.2021	90	1 604 981	0	1 605 071
Defined pension benefit liabilities, net of tax (IAS19R)		-1 049		-1 049
Derivative financial instruments, net of tax		9 626		9 626
Group contributions after tax		-134 968		-134 968
Net profit for the year		82 561		82 561
Equity as at 31.12.2021	90	1 561 151	0	1 561 241
Non-controlling interest from acquisition of subsidiary			47 249	47 249
Balance as at 31.12.2021	90	1 561 151	47 249	1 608 490



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Note 18 Cash Flow Information

(Amounts in NOK thousands)

Parent

	2021	2020
Cash generated from operations:		
Profit before income tax	42 146	-1 488
Adjustments for:		
Depreciation and amortisation expenses	40	0
Group contributions classified as financing cash flows	-88 207	-57 874
Fair value adjustment to derivatives	1 559	4 695
Finance costs - net	43 753	43 820
Cash generated from operations	-709	-10 846

Group

	2021	2020
Cash generated from operations:		
Profit before income tax	117 572	-9 029
Adjustments for:		
Depreciation and amortisation expenses	71 618	72 829
Share of profits of associates and joint ventures	-19 500	-1 821
Principle elements of leasing liabilities classified as financing cash flows	2 357	2 130
Fair value adjustment to derivatives	1 559	4 695
Finance costs - net	58 553	62 271
Cash generated from operations	232 158	131 075

Note 19 Critical estimates and judgements

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on fair value less cost of disposal, which requires the use of estimates.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Estimations in relation to lease accounting

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the 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 the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 16.



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Critical judgments in applying the entity's accounting policies

Useful life of intangible assets

Useful life of the group's intangible assets is linked to the expected useful life of the underlying assets. The value of concessions is derived from the useful life of the established infrastructure, as well as the expectation that the concessions are renewed without any significant investments from the group. The useful life of existing customer agreements is derived from both the expected useful life of the infrastructure as well as the expectation of when it is necessary to change any heating/cooling source.

Note 20 Financial risk management

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management for the group is carried out by using policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Currency risk

The group's currency risk is connected to PP notes issued in Euro. Foreign exchange risk arises from future interest payments and repayments of issued notes in a currency that is not the functional currency of the group. The group has entered into cross currency swaps which have converted the notes to NOK. With these cross currency swaps, the group agrees with other parties to exchange the difference between EURO and NOK at fixed currency and interest rates.

Price risk

The group is exposed to price risk due to variations in the different inputs in production – including electricity and biofuel. In addition, the group is exposed by their own production in connection with the price limit on turnover of remotely deliverable heat which needs to be reconciled to the spot price for electricity.

Interest risk on cash flows

The group's interest risk is connected to long term loans. Loans with floating interest rates entail a risk of cash flows partly offset by bank deposits with floating rates.

The group only has floating interest loans in NOK, whereof 39 % is secured through swaps. Such interest rate swaps have converted the floating rate loans to economic fixed rate loans. The group raises long-term loans at floating rates and swaps them into fixed rates that are lower than what the group would have achieved by raising a fixed-rate loan directly. With these interest rate swaps, the group agrees with other parties to exchange the difference between fixed contract rates and floating interest rates estimated in accordance with the agreed principal. This is performed in accordance with agreed upon intervals.

The group only has fixed interest notes in NOK and EUR, of which the EUR notes are hedged with cross currency swaps. Together with the loans, the total amount of interest which is converted to fixed is 75% for the group.

Credit Risk

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash. See note 8 for further disclosure on credit risk.

	Trade receivables	
	2021	2020
Opening loss allowance at 1 January	215	0
Receivables written off during the year as uncollectible	0	215
Closing loss allowance at 31 December	215	215



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Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include a failure to make contractual payments for a period of greater than 120 days past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the group in and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 11) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

The table below specifies the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

(MNOK)	< 3 mnd	3 mnd – 1 yr	1-2 yr	2-5 yr	Over 5 yr
31.12.2021					
Borrowings	0,0	140,0	0,0	635,4	797,6
Net settled derivatives	0,4	0,6	0,6	2,3	30,2
Trade and other payables	127,2	7,1	1,8	5,5	27,3
Financial guarantee contracts	0	0	0	0	0

Note 21 Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The main focus of capital management is to ensure that the group at all times complies with the requirements for reliability and return in connection with borrowing.

Only the group's 5 interest rate swaps and 2 cross currency swaps are recorded at fair value. The swaps are entered in order to secure the group's cash flow in connection with future interest payments, the agreements are accounted for in accordance with this. The value of these agreements is calculated by the groups' bank based on future cash flow estimates and an observable curve for return on investment. Changes in fair value are recognised in comprehensive income, net after tax. See note 7.

Note 22 Investments in subsidiaries

(Amounts in NOK thousands)

Parent company

Company	Number of shares	Ownership	Cost price	Book value
Varme Acquisitions AS	6 469 149	100 %	2 599 648	2 599 648
Subsidiaries owned through Varme Acquisitions AS:				
Oslofjord Varme AS	100	100 %	2 383 948	2 383 948
Fredrikstad Fjernvarme AS	967 937	57 %	77 259	77 259
Mosjøen Varme Leasing AS	30 000	100 %	8 600	8 600
Total			2 469 807	2 469 807

Investments in subsidiaries are booked according to the cost method.

Financial information:	Net profit (loss) for 2021	Equity 31.12.2021	Location
Varme Acquisitions AS	0	2 633 172	Bærum
Oslofjord Varme AS	99 361	210 400	Bærum
Fredrikstad Fjernvarme AS	31 332	114 013	Fredrikstad
Mosjøen Varme Leasing AS	2 494	19 250	Bærum



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Note 23 Investments in associated companies and joint ventures

(Amounts in NOK thousands)

Group - investments in associated companies and joint ventures are booked according to the equity method.

Company	Book value 01.01.2021	Share of profits 2021	Other capital transactions	Book value 31.12.2021
Drammen Fjernvarme AS	179 278	19 500	-	198 779
Financial information:	Net profit (loss) for 2021	Equity 31.12.2021	Ownership	Location
Drammen Fjernvarme AS	39 001	135 339	50 %	Drammen

Note 24 Related party transactions

(Amounts in NOK thousands)

Parent company

The following transactions occurred with related parties:

Sales and purchases of goods and services	2021	2020
- Purchase of services from Oslofjord Varme AS	18	14
Total	18	14

Group

The following transactions occurred with related parties:

Sales and purchases of goods and services	2021	2020
- Sales of services to Varme Topco AS	6	6
Total	6	6

Note 25 IFRS 7.24 (H) and IFRS 9.6.8 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IFRS 7 regarding the Interest Rate Benchmark Reform for the IBOR rate has been implemented in 2019 by the group.

The group has only fair value hedging with fixed interest rates.

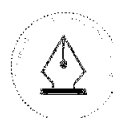
Of the five interest rate swaps in the group, three are hedged using the 6 month NIBOR rate while the other two are hedged using the 3 month NIBOR rate. The nominal amount of the IR swaps are KNOK 304 418 and expire in 2022 - 2024. The nominal amount of the loan and notes portfolio is KNOK 1 587 368.

All of the interest rate swaps are affected by the interest rate benchmark reform, however the IBOR reform and associated accounting changes are not expected to have a major impact on the group's current exposures.

The group was refinanced in December of 2019. Once LIBOR rates are no longer available, the group will be able to use the mechanism provided for in the Initial Bank Facilities Agreement to agree a replacement benchmark rate. Annual meetings between the group and the financial institutions will also facilitate the process.

Note 26 Information about energy costs

In 2021, negotiations have begun with one of the group's suppliers on how the annual energy purchase price from 2022 will be determined based on an interpretation of the agreement with the supplier. The result of the negotiations will have an impact on the group's future financial results.



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To the General Meeting of Varme Finco AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Varme Finco AS, which comprise:

- The financial statements of the parent company Varme Finco AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Varme Finco AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap*



Independent Auditor's Report - Varme Finco AS



Other Information

The Board of Directors (management) is responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

(2)



Independent Auditor's Report - Varme Finco AS



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisionsberetninger>

Drammen, 9 March 2022
PricewaterhouseCoopers AS

Bjørn Rydland
State Authorised Public Accountant

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