ANNUAL REPORT WITH BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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2020

Adapteo is a leading Flexible Real Estate provider in Northern Europe. We build, rent out and sell buildings for schools, daycare centres, offices, elderly care and events for both temporary and permanent needs. All our buildings are based on a modular and circular construction concept and can be adapted when user needs change.

Adapteo.

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Financial Calendar

Annual General Meeting 2021 .... **19 April**

Business Review Release, Jan–Mar 2021 .... **4 May**

Half-Yearly Report, Jan–Jun 2021 .... **3 August**

Business Review Release, Jan–Sep 2021 .... **9 November**

Annual General Meeting 2021

The Annual General Meeting of Adapteo Plc will be held on 19 April, 2021, commencing at 1.00 p.m. (Eastern European Time) at Adapteo Plc's head office at Äyritie 12 B, Vantaa, Finland. Due to restrictions on meeting activities, instructions for proxy representation and on-line participation, together with the agenda for the meeting and the proposed decisions and other documents submitted to the General Meeting of Shareholders are made available on Adapteo's website at least three weeks before the meeting.

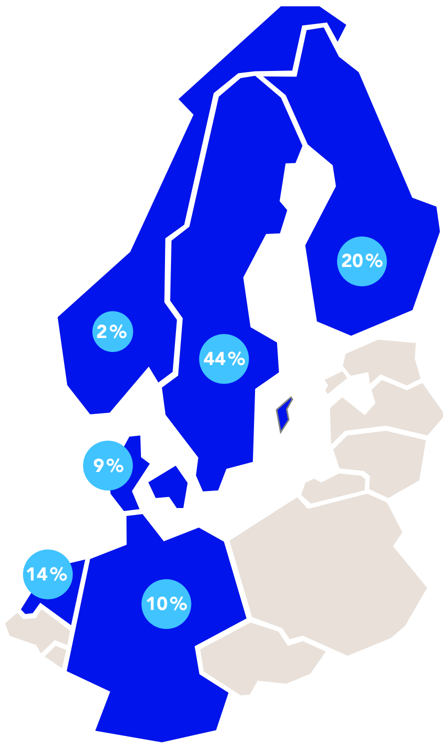
A flexible real estate provider

Adapteo is a leading flexible real estate provider in Northern Europe, which builds, rents out and sells adaptable buildings for schools, daycare centres, elderly care homes offices, accommodation and events.

Society will go through many changes in the years to come. Whatever the future brings, we believe that adaptability is the best solution. With our buildings, we can transform, repurpose, scale up and scale down in a matter of weeks by using a modular and circular building concept. Our buildings can be used for a few days or indefinitely, always optimised for current needs. That is how we build adaptable societies.

Adapteo is listed on Nasdaq Stockholm and operates in Sweden, Finland, Norway, Denmark, Germany and the Netherlands. In 2020, Adapteo had Net sales of EUR 231 million and at the end of the year 505 employees. The headquarter is located in Vantaa, Finland. Adapteo is organised in two Business Areas: Rental Space and Permanent Space. Business Area Rental Space includes the rental of adaptable buildings as well as the provision of assembly and other services. Business Area Permanent Space includes sales and long-term leasing of adaptable buildings.

Net sales by geography 2020, pro forma



Adapteo strategy building

Why we exist	BUILDING ADAPTABLE SOCIETIES		
How we work	PROACTIVE • COLLABORATIVE • COMMITTED		
What we offer	ADAPTABLE BUILDINGS		
Strategic pillars	Break-out growth	Commercial excellence	Operational efficiency
Financial targets	Double digit comp. EBITDA growth	Operative ROCE > 10 %	Net debt/comp. EBITDA 3.5–4.5x
Enablers	Engaged co-workers	Collaboration for innovation	Sustainability leadership

Key figures

231.4
Net sales
EUR million

88.3
Comparable EBITDA
EUR million

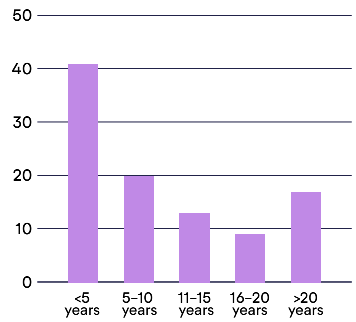
63.9
Operating Cashflow before growth capex
EUR million

78.7
Portfolio utilisation
Per cent

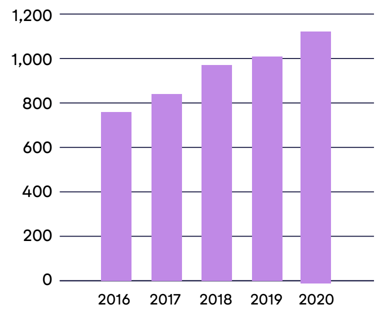
1,132,320
Total square metre in portfolio

EUR millions or as indicated	2020	2019
Net sales	231.4	216.2
Net sales growth in constant currency, %	6.8	-0.2
Rental sales	133.1	132.7
Rental sales growth in constant currency, %	0.0	4.6
Comparable EBITDA	88.3	88.5
Comparable EBITDA margin, %	38.2	40.9
EBITDA	83.4	76.1
EBITDA margin, %	36.0	35.2
Comparable EBITA	44.4	37.2
Comparable EBITA margin, %	19.2	17.2
Operating profit (EBIT)	36.8	22.1
Operating profit (EBIT) margin, %	15.9	10.2
Profit for the period	18.9	8.4
Earnings per share, EUR	0.42	0.19
Comparable earnings per share, EUR	0.51	0.60
Net debt/comparable EBITDA	4.9	4.5
Operative ROCE, %	9.1	8.5
Operating cash flow before growth capex	63.9	65.7
Cash conversion before growth capex, %	72.4	74.2
Growth capex	36.7	29.1
Total sqm in building portfolio	1,132,320	1,009,986
Utilisation rate, %	78.7	84.4

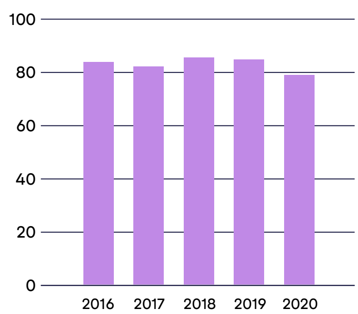
Adapteo building portfolio age, years (% of total portfolio)



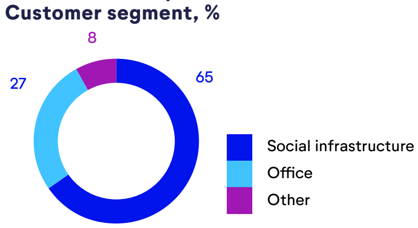
Adapteo portfolio size (total sqm)



Utilisation rate, %



Rental income by Customer segment, %



Key events 2020

Q1

- An order was received from Ingka Services AB for office space to be located between the global support function office, Hubhult, and the IKEA Malmö store.
- An agreement was signed with Laholm municipality for an elderly care solution. It has been co-developed with the customer by using the Rymd range in an innovative manner.
- Several temporary adaptable building solutions for regional hospitals and care providers were delivered. The buildings are used as screening areas for covid-19 testing of patients, administration, and accommodation facilities for medical workers.

Net sales **EUR 49.1 million**
Comparable EBITDA **EUR 20.4 million**

Q2

- Announcement of intention to concentrate the in-house production of adaptable buildings to the production facility in Anneberg, Sweden. The production plant in Gråbo was closed during the second half of 2020.
- Interim CFO Erik Skånsberg was appointed as permanent CFO and member of the Group Management Team.

Net sales **EUR 57.8 million**
Comparable EBITDA **EUR 21.0 million**

Q3

- Oslo Municipality awarded Adapteo, together with three other companies, the framework agreement as supplier of new adaptable school buildings across the Oslo region. The new agreement is for a two-year period with an option for a two-year extension. The contract period started in August 2020.

Net sales **EUR 59.1 million**
Comparable EBITDA **EUR 21.9 million**

Q4

- Acquisition of Dutch Cabin Group, a leading provider of adaptable buildings in the Netherlands and with presence in Germany.
- Launch of a new sustainability strategy with a focus on climate-smart buildings, innovation for sustainability and inclusive societies. The strategy draws up the guidelines for the activities in the future, with the aim of becoming a driving force in the transition to a circular and sustainable construction and real estate industry.
- Adapteo entered into the world's largest corporate sustainability initiative, the United Nations Global Compact. Its content is summarised in ten principles, regarding the topics of human rights, labour, environment, and anti-corruption.
- Announcement of order in Germany including a partnership with the Tannenbergschule and Carlo-Mierendorff-Schule in the Darmstadt-Dieburg district where Adapteo will provide two new school buildings inclusive an integrated canteen. The order includes approximately 5,600 square metres. The rental term is 24 months and preliminary rental start is June 2021.
- A new share issue of SEK 386 million, representing 10 per cent of the issued shares in Adapteo prior to the placing, was carried out in a private placement to institutional and other qualified investors. The subscription price was SEK 89.
- An agreement was signed to acquire the Norwegian adaptable building company Stord Innkvartering AS.
- Refinancing of loan facilities agreements. After the refinancing, the company had available long-term, 36 months, facilities of EUR 530 million and a revolving credit facility of EUR 100 million.

Net sales **EUR 65.3 million**
Comparable EBITDA **EUR 24.2 million**

Acquisitions

Dutch Cabin Group

In October 2020, Adapteo acquired Dutch Cabin Group, a leading provider of adaptable buildings in the Netherlands and with presence in Germany. Dutch Cabin Group manufactures, rents out, and sells both temporary and permanent buildings to customers within the governmental, educational, industrial and healthcare sectors. The acquisition increases Adapteo's geographic diversification and decreases the dependency of the Nordic market in general. Dutch Cabin Group has around 146 employees, is headquartered in Klundert, Netherlands and has two in-house production sites in the Netherlands. In the fiscal year of 2019, Dutch Cabin Group had revenues of EUR 50.7 million, EBITDA of EUR 10.4 million, and EBIT of EUR 7.7 million on a pro forma basis.

The acquisition was made at an enterprise value of EUR 72 million, with further consideration being possible depending on future financial performance. The purchase price of approximately EUR 63 million was paid in cash and the acquisition funded by using existing credit facilities. The seller has agreed to invest EUR 5 million in Adapteo shares through purchases in the open market during a period of up to six months after completion. The seller is George Holding B.V., a privately held company.

The closing of the acquisition took place on 29 October 2020. DCG contributed to Adapteo's net sales by EUR 9.6 million and to operating profit by EUR 1.4 million for the period from 29 October to 31 December 2020.

The pro forma key figures below illustrate the financial impact of the acquisition of Dutch Cabin Group on the Adapteo´s business performance for January-December 2020 as if the transaction had taken place on 1 January 2020. The illustrative pro forma figures are prepared based on the historical results of Adapteo and DCG and are presented in accordance with IFRS. Adapteo's net sales for January-December 2020 would have amounted to EUR 270.4 million, operating profit to EUR 42.6 million and comparable EBITDA to EUR 98.2 million if the acquisition had been completed on 1 January 2020.

Key figures, pro forma

EUR millions	Full year 2020
Net sales	270.4
Operating profit (EBIT)	42.6
Comparable EBITDA	98.2

Stord Innkvartering

In December 2020 Adapteo entered into an agreement to acquire Stord Innkvartering AS. Stord Innkvartering operates across Norway within adaptable buildings including accommodation units, offices and canteens and has an estimated market share of 10–15 per cent of the adaptable building market in Norway. A majority of Stord's customers are in the infrastructure industry and public sector. The company has a leading position in the worker accommodation segment, and the acquisition is expected to provide critical mass and enable expansion to new customer segments in Norway.

Stord's building portfolio consists of approximately 4,000 units with approximately 110,000 square meters. For the financial year 2019, Stord had revenue of NOK 189 million, EBITDA of NOK 114 million (excluding lease costs), and EBIT of NOK 37 million on a pro forma basis. The acquisition was completed during January 2021.

The acquisition was made at an enterprise value of approximately EUR 97 million. A purchase price of approximately EUR 64 million was paid upon the completion of the acquisition and potential additional consideration may become payable in the future depending on Stord's financial performance. The purchase price was paid in cash.

High activity and growth

President and CEO Philip Isell Lind af Hageby

In 2020 Adapteo made considerable progress in highly challenging and unusual market conditions. I'm pleased to see that we came through a period with very challenging market conditions with stable sales and earnings. We worked harder than ever with improvement initiatives and actively pursued growth in new geographies and customer segments. In all, Adapteo was a stronger and larger company at the end of the year than at the beginning. With our sharpened competitiveness and the underlying needs in the market remaining, we are better positioned than ever to serve our customers.

A special focus area for us during the year was sustainability. With a circular business model as part of our DNA, we have sharpened our sustainability strategy and made further commitments for progress in the areas of environment, human rights, labour, and anti-corruption. A concrete result from this work was Morgan Stanley Capital International's (MSCI) upgrading of Adapteo in December to AA status, rating us a leader in our industry in Environmental, Society, and Governance performance.

At the very beginning of the year, we saw signs that the slow market in Sweden in 2019 would catch up and regain its lost momentum. But demand stalled practically everywhere in early March with the onset of the covid-19 pandemic. The first effects were a shut-down of all private market segments and a considerably lower activity among public customers, where decision processes were delayed. This had a material adverse impact on us since February–May is the high season for public-sector activity when we secure orders for school starts after the summer. The public sector returned to a more normal mode in a few months, but this year was still a lost peak season. The private sector segments were weak throughout the year when employers had no need for extra office space, workers at infrastructure projects were sent home, and fairs and exhibitions were cancelled.

"I am confident that we have a strong momentum and solid foundation to meet a new year to deliver on our ambition to build a resource-efficient and adaptable societies."

Operational efficiency

Since becoming an independent company less than two years ago we have developed in a structured way to work smarter and become more efficient in everything we do. These efforts were boosted in early 2020 by the onset of the pandemic when all projections for the future were especially uncertain. We made our own production footprint more efficient by concentrating it to the Anneberg plant and closing the Gråbo plant.

We also consolidated our hub and warehouse network. In all countries, organisations and staffing were subjected to improved ways of working and we found some positions to be redundant. At the end of 2020 we had achieved a lower run-rate of indirect costs than at the beginning of the year.

Commercial excellence

The testing market conditions have been a good grinding stone for our ongoing work and new initiatives to make commercial excellence gains. The commercial spirit has improved with training, tools, and organisational uplifts. Marketing has been reoriented to become more sales supportive, and calculation and pricing tools have improved. In the autumn we launched the Adapteo Sales Academy in order to strengthen sales processes in all countries and to be more proactive by better understanding the needs of specific customers.

Break–out growth

Adapteo has pursued a growth strategy. In the fourth quarter of 2020 we announced the acquisitions of Dutch Cabin Group (DCG) and Stord Innkvartering (Stord). With DCG being a part of Adapteo since 29 October we have established a leading position in the Netherlands, strengthened our presence on the German market, and seen a competent and dynamic management team joining us. DCG is thus a cornerstone in our ambition for future growth in continental Europe.

With Stord we made a leap forward in the important customer segment of worker accommodation, adding a sizeable building portfolio and new management expertise in the infrastructure sector characterised by long and stable customer contracts. Adding to our previous presence in Norway, we have achieved a strong market position in this country.

We have also gained more experience and expertise in the segment of worker accommodation, which meets demands for living quarters for crews working on large infrastructure projects, typically in remote areas. Another segment of expansion, with new solutions and increased sales success, was elderly care. Here we won projects in Sweden and Finland which point the way to the future.

In Germany our Hybrid solution established a strong reputation in the higher end of the market, with a leading energy-efficient profile and premium specifications. With the DCG acquisition we have created a platform for future commercial and technical synergies.

Focus on sustainability

In October, we launched a new sustainability strategy focusing on climate-smart buildings, innovation for sustainability, and inclusive societies. The strategy draws up the guidelines for future activities to become a driving force in transitioning to a circular and sustainable construction and real estate industry. The sustainability strategy originates in the UN's Sustainable Development Goals. Based on the three strategic pillars of climate-smart buildings, innovation for sustainability, and inclusive societies, Adapteo will measure and report on its sustainability work on an annual basis in the sustainability report.

In November 2020, Adapteo was accepted to the world's largest corporate sustainability initiative, the UN Global Compact. The UN Global Compact's ten principles are in line with Adapteo's concept of ethical business practice, which is an integrated part of our operations. A concrete result from the actions taken in 2020 was Morgan Stanley Capital International's (MSCI) upgrading of Adapteo in December 2020 to AA status, rating us a leader in our industry in Environmental, Society, and Governance performance. Adapteo plans to release its sustainability targets during the first half of 2021.

Financial strength and flexibility

In the fourth quarter of 2020 we refinanced the group. Long-term credit facilities amounted to EUR 530 million and in addition we have a EUR 100 million unused committed revolving credit facility. We also used the mandate from the last Annual General Meeting to make a share issue which contributed with approximately EUR 38 million to cash and equity. This adds to our financial stability and gives us a platform for initiatives for future growth.

Positioned for profitable growth

I am very proud of being part of a team that has achieved so much during the last year, a team which has been further strengthened by new colleagues in the Netherlands and Norway. With our broader geographical footprint, increased commercial competitiveness, upgraded portfolio, operational efficiency, financial stability, and growth ambitions. We have a strong momentum and a solid foundation to meet a new year to deliver on our ambition to build a resource-efficient and adaptable society.

Philip Isell Lind af Hageby
President and CEO
Adapteo Group

Building adaptable societies

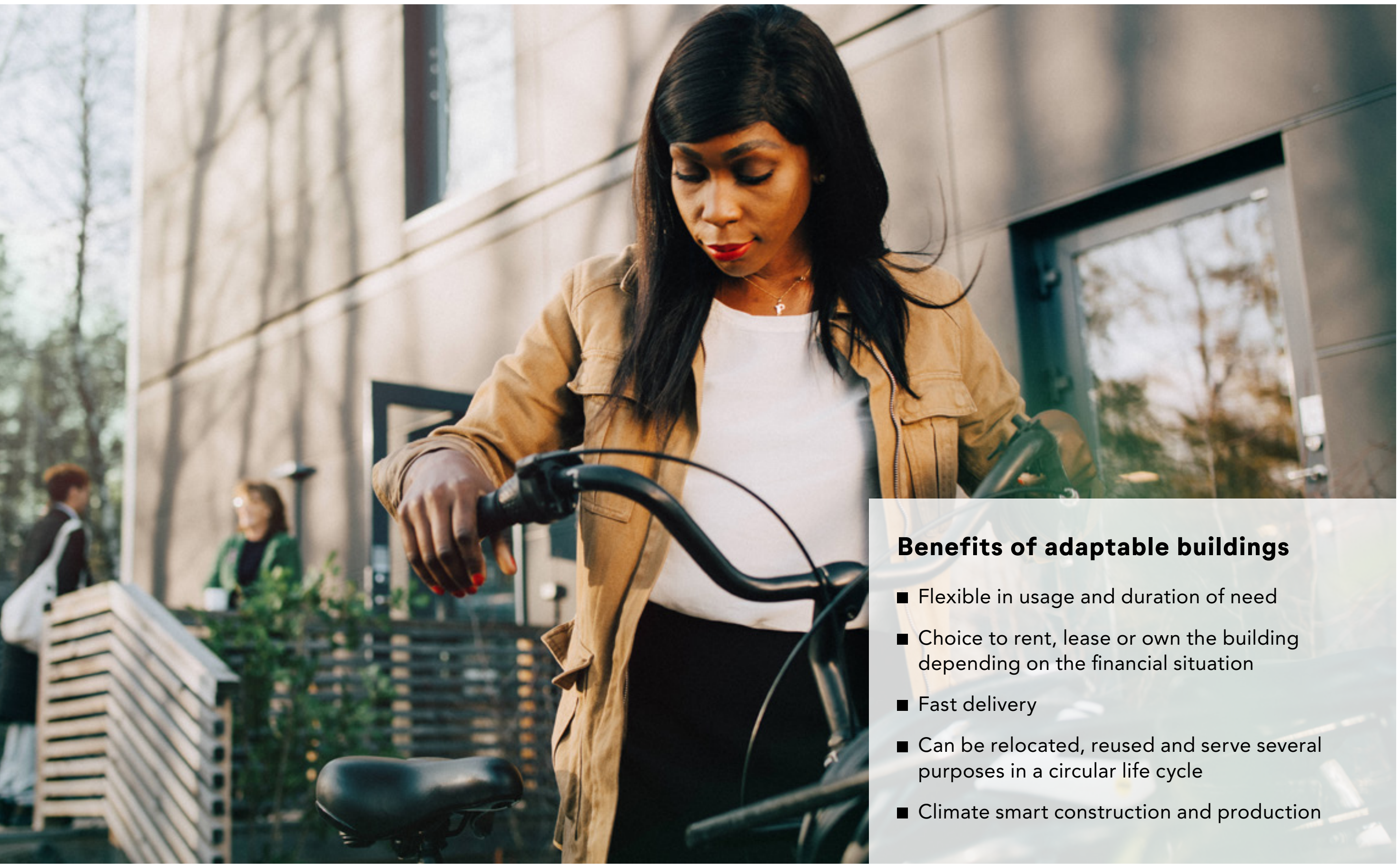
Adapteo has a bigger purpose that goes beyond only providing buildings. Adapteo builds adaptable societies. Society will go through many changes in the years to come. User needs and sustainability demands evolve, and buildings have to transform accordingly. By providing buildings that can adapt to people and environment, Adapteo enables societies to become resilient and sustainable. Adapteo's buildings can be transformed, repurposed, scaled up, scaled down and even moved in the matter of weeks, so that they are always optimised for the current needs. That's how Adapteo builds adaptable societies.

A flexible and new way to build social infrastructure

There is a need to find new ways of building societies, ways that are more efficient and sustainable, and not the least, more flexible. The society cannot afford to continue building static and traditional in world where the needs can change rapidly. That is why Adapteo offers a new and more flexible way to build social infrastructure. Instead of static buildings that are built with traditional methods, the company offers flexible buildings, which easily can be transformed or repurposed in line with the changing needs. This gives the opportunity for our customers to always have the right amount of space and the ability to quickly adapt to changes. The buildings are designed to meet the need of the users, and are always meeting current regulations and standards. The modular and circular building concept secures a sustainable solution.

Driver of sustainable real estate industry

With a circular business model and an ambitious sustainability strategy, Adapteo aspires to be a driver of a sustainable construction and real estate industry. The company uses climate-smart raw materials, resource-efficient production, innovation and an inclusive approach to be able to offer solutions that help the customers become more sustainable. By building resilient societies ready for change, adaptable buildings and circular solutions can play an important role to meet the increasing demand with the smallest possible environmental impact.



Benefits of adaptable buildings

- Flexible in usage and duration of need
- Choice to rent, lease or own the building depending on the financial situation
- Fast delivery
- Can be relocated, reused and serve several purposes in a circular life cycle
- Climate smart construction and production

Three behaviours set us apart

Adapteo's solutions cover the needs of people throughout the lifecycle – from children at daycare and people in the middle of their career to the elderly. The best buildings are made when the design, construction, customer and end-user perspective is combined to find the most optimal solution for a specific need. The company strives to be a partner in the customer's process to find a way to solve their building needs and will guide the customer from planning to building, including awareness of climate impact and social responsibilities.

Adapteo is well-established in its markets and has at the same time kept an entrepreneurial and innovative spirit. Flexibility is the base in the business model, the products, the acting of the company and its employees, and the work environment.

Three core values are included in everything the company does. In the meeting with Adapteo, you can always expect proactivity, commitment, and a collaborative approach. With these three key behaviours, Adapteo differentiates from the rest of the industry.

Proactive

We approach everything from the perspective of the customer and their end-user. We use our initiative and expertise to exceed expectations. We strive to position ourselves as first-choice to our customers in the flexible real estate industry.

Collaborative

To fulfil our potential we must share our expertise and strengthen our ways of working internally, making us even more effective and efficient. We strive to create solutions that are made for the many, always with people and planet in mind.

Committed

We build trust by being clear on both what and how we deliver, and then staying true to that, every time. We are responsible and transparent, internally and with customers so there are no surprises.

Adapteo's adaptable buildings enable new shopping concept for Coop Sweden

The new concept Coop Mini is a cashier-less store made possible by Adapteo's adaptable and innovative solutions. The cooperation will contribute to increasing availability in sparsely populated areas, or areas with lot of visitors during certain times of the year in Sweden.

Coop, one of Sweden's largest retail companies launched their new store concept, Coop Mini in January 2021. It is a cashier-less store concept for everyday purchases and also serves as a pickup spot for e-commerce. The store placed many specific demands on the building and demanded a number of new features, all of which could be solved thanks to Adapteo´s flexible solutions.

– Being in the forefront of innovation and helping our customers to realise their visions is one of our greatest strengths. Our solution was able to meet all of Coops demands and we are proud to be a part of shaping the future of retail together with Coop in this exciting new project. Unmanned stores will contribute to developing rural areas with increased services.

Camilla Hensäter, Managing Director at Adapteo in Sweden.

The cashier-less store is a concept that has gotten increasingly popular internationally, by the beginning of 2020, there were 27 Amazon Go stores opened in the U.S that used this model. A cashier-less store is a new type of retail space, that is always open and where customers check in and out and handle all payments through an app. Without the need for staff, the cashier-less store can be profitable also in more sparsely populated areas.

The first out of two of the new stores opened in the beginning of 2021 in Gävle, Sweden, developed with the help of Adapteo's adaptable building solutions. The project offered a unique set of challenges for Adapteo regarding the design of the store building. Coop had requested a building in line with the design of their other grocery stores, at the same time, the building had to meet some specific demands on security and technology. To be able to quickly open up a store, in remote locations, or for short periods of time, Coop Mini also needed the buildings to be flexible and possible to transport easily.

The adaptable solutions of Adapteo could meet all these demands. They are also a highly sustainable option, that can be re-used at various locations for different customers.

– We are pleased with our collaboration with Adapteo. Together, we have developed an exciting concept whose flexibility can contribute to better accessibility in many locations in Sweden. The work has gone well, and we have been able to find solutions for all the unique requirements. Now we look forward to evaluating the pilot and take the next step together.

Stina Thorgerzon, Head of Offer & Format at Coop.

The cashier-less, automated grocery store is an exciting example of a highly innovative concept that will shape the future of retail, with the potential to improve availability and service for many people.

Coop Mini cashier-less store in Gävle, Sweden

Ability to adapt to change

Adapteo can offer a range of adaptable buildings from basic low-cost solutions to high-end premium solutions with excellent technical features, covering both short-term and long-term needs. The offering is currently divided into two areas with a portfolio of diffrent brands.

All Adapteo's buildings are based on a modular and circular construction concept and can be adapted when the user needs change. Adaptable buildings can be transformed, repurposed, scaled up and down and even moved in the matter of weeks. In that way Adapteo can make sure that its buildings are always optimised for the customers' current needs. The aim is to offer cost and energy-efficient solutions, adapted to people's needs without exploiting limited natural resources or polluting the environment. The environmental impact of a building mainly comes from the material use. Using an industrial building concept enables the choice of renewable resources and minimises waste.

Flexible financing set–up

Adapteo's versatile offering consisting of adaptable buildings with different quality features for diverse needs. In addition it allows several business models with a financial flexibility. The ideal financing set-up differs from customer to customer. Adapteo offers financial flexibility by offering the customers to rent, own, or lease an adaptable building.

Flexible real estate provider

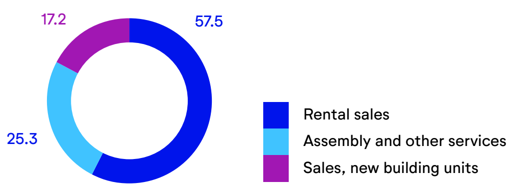
A majority of rental sales

Adapteo's building solutions are delivered ready-for-use to the customers. In addition, the company offers assembly services and other services to both its rental and sales customers. In 2020, rental sales stood for 57.5 per cent of net sales, sales of new building units for 17.2 per cent and assembly and other services comprise approximately 25.3 per cent of total net sales. The revenue generated during the lifetime of a typical rental project consists of approximately 80 per cent of rental sales and 20 per cent of revenue from assembly and other services.

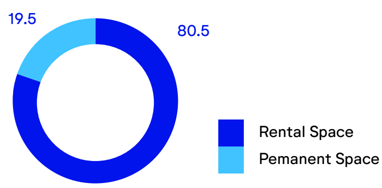
Two Business Areas

Adapteo is organised in two Business Areas: Rental Space and Permanent Space. Business Area Rental Space includes rental of adaptable buildings as well as assembly and other services. Business Area Permanent Space includes sales and long-term leasing of adaptable buildings. In 2020 Business Area Rental Space accounted for approximately 80.5 per cent of the total external Net sales and Business Area Permanent Space accounted for the remaining approximately 19.5 per cent.

Net sales distribution, %



Net sales by Business Area, %



Rental Space

EUR millions or as indicated	Full year 2020	Full year 2019
Rental sales	130.3	129.2
Assembly and other services	54.3	55.8
Sales, new building units	1.7	1.0
External sales	**186.3**	**186.0**
Inter-segment sales	0.1	-
Net sales	**186.4**	**186.0**
Comparable EBITDA	91.3	92.3
EBITDA	90.9	91.2
Comparable EBITDA margin, %	49.0	49.7
EBITDA margin,%	48.8	49.0

In Business Area Rental Space Adapteo offers rental adaptable buildings for different temporary purposes. Adapteo is one of the leading rental adaptable building providers in Northern Europe. Rental of an adaptable building offers the customer space far more quickly than a permanent building, includes very little investment, no building maintenance and flexibility in the rental period. The rental portfolio consists of solutions based on an adaptable building technique that can be used for multiple purposes as well as buildings specifically designed for a certain use. The quality and technical features of Adapteo's buildings match site-built solutions and meet the regulatory requirements for permanent buildings.

Development 2020

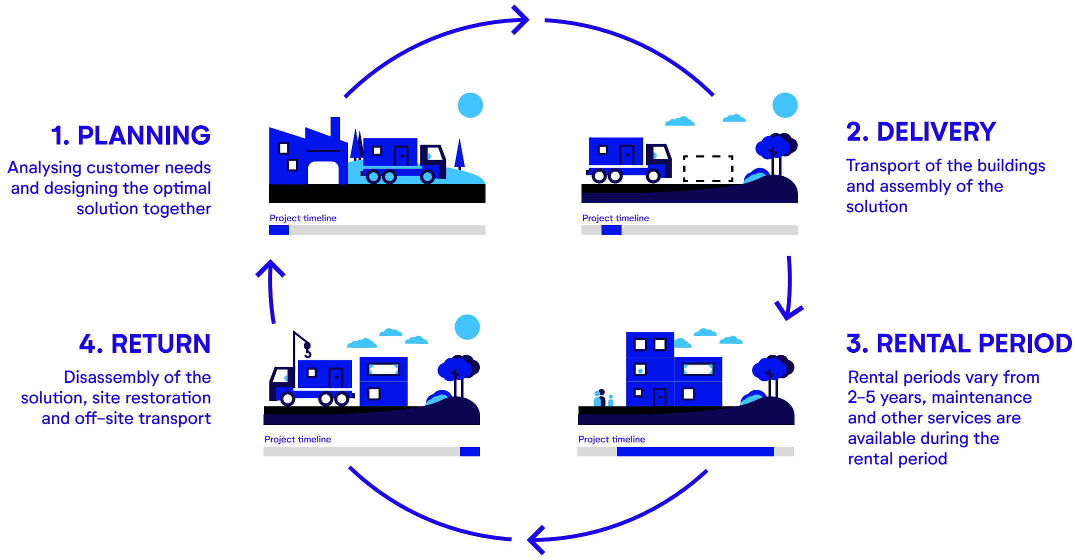
Net sales in Business Area Rental Space remained in 2020 constant at EUR 186.4 (186.0) million. Rental sales increased by 1 per cent, while revenue from assembly and other services decreased by 3 per cent. Comparable EBITDA decreased by 1 per cent to EUR 91.3 (92.3) million, excluding EUR -0.4 (-1.2) million of items affecting comparability.

Primarily Finland and Germany, to some extent also Sweden, contributed to higher rental sales than in the January–December 2019 period. Germany saw a steady increase of new projects delivered throughout the year with growth being led by a very positive market response to the new Hybrid model. Finland had a positive impact from many projects delivered in the first half-year and from prolongations of a number of large projects in the second half-year. Denmark and Norway had a declining development throughout the year with projects being returned at a faster pace than tough market conditions allowed for new projects.

Rental business value chain and project life cycle

The rental value chain is built around matching customer needs with the existing rental portfolio and customisation of the building units in local hubs. Efficient sales operations are based on the ability to find both optimal solutions for customers' needs amongst the available units and suitable customers for the available stock.

A typical duration of a new rental contract is three years, however 70 to 80 per cent of all new contracts are prolonged one or multiple times and the total average rental period including prolongations has historically been approximately five years.



1. Planning

The value chain and lifecycle of a rental project for public and private sectors differ mainly in how the project begins. Almost all new projects for public sector customers begin with a public tender while in the private sector, it typically begins with a planning phase in which the customer's needs is analysed and the optimal solution is designed.

2. Delivery

The second phase of the project is the sourcing, customisation and delivery of the buildings to the customer's site. Prior to the delivery to customer, the units are often modified according to customer specifications. Site preparations and foundation works, such as water, electricity and sewage networks, are carried out before the adaptable building is assembled and handed over to the customer.

3. Rental period

The third phase of the project is the actual rental period, during which Adapteo also provides its customers maintenance and other services necessary, as well as add-on services such as facility management.

4. Return

In the last phase of the rental project, the adaptable building is disassembled and the building units are returned to Adapteo, or in some cases, transported directly to other customers. The units are then refurbished and returned to their standard state before the new rental project begins.

Adapteo's adaptable buildings show their versatility — Nekala library in Finland

In 2020, a new self-service library was opened in Nekala, Tampere in Finland. The library is built with Adapteo's flexible building units and is a true burst of colour and life both on the inside and the outside.

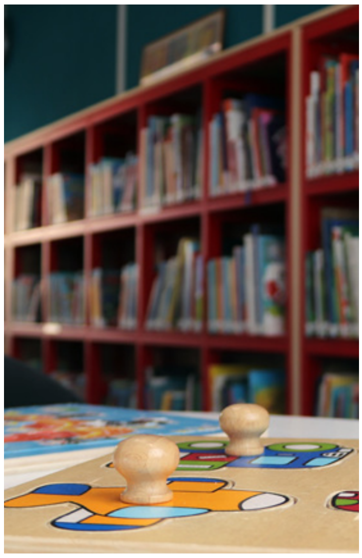
The Nekala library in Tampere used to be located on the premises of Nekala school, until unfortunately due to indoor air problems the whole school, including the library, had to be closed in 2017. Pirkko Lindberg, Director of the Tampere Library and Citizens' College Unit, had previously heard about adaptable buildings that had been used as libraries in other countries, and at the end of 2018, she proposed such an alternative to the Tampereen Tilapalvelut, which is the property management company of the City of Tampere. They immediately began researching the idea in more detail, and eventually chose the solution provided by Adapteo. Once the decision was made, and Adapteo was selected as partner and supplier of the facilities, the delivery was quick. The premises of the Nekala library are 110 m2 in size and the rental period is set at five years.

After deciding on the type of building, together with an architect that was part of the project, it was time to start looking at how this building could be made into a cosy library for everyone. An important idea early on in the project was to create a library that would feel like the visitors' own living room – this was done by for example bringing big armchairs and carpets to soften the atmosphere. The unique and colourful interior design was co-created together with local architecture students as a competition. The owl mural on the wall is also a result of the competition.

– The library is the living room of the people. This was already said in the early 1990s. But then why do they often look like offices? I wouldn't want to step on the gray plastic floor in my home and sit in an uncomfortable standard supplier chair at a white table. I also want life at home and at the same time a little home in the library space.

Pirkko Lindberg, Head of Tampere Library and Citizens' College Unit

The new library is set up in the same location as the previous school. The library, which opened in the autumn of 2020, is a so-called self-service library. This means there is no full-time staff there, and visitors enter with their library card and PIN code. Adapteo's adaptable buildings are well known to be used as schools and daycares, and the Nekala library is the first library built this way in Finland. The new library has been very well welcomed by the residents of the area. It has become their very own multi-purpose space: school groups visit the library, school children come



to the library after school to do their homework, people come and read magazines there daily. It is an important part of the everyday life of the people in the community and has become an extra living room for the residents in the area. Thanks to Adapteo's adaptable building the city of Tampere was able to keep the library in the area and continue to be an important educational and cultural part of the community.

Nekala self-service library in Tampere, Finland

Permanent Space

EUR millions or as indicated	Full year 2020	Full year 2019
Rental sales	2.8	3.5
Assembly and other services	4.3	-
Sales, new building units	38.0	26.7
External net sales	**45.1**	**30.3**
Inter-segment sales	11.5	22.2
Net sales	56.6	52.5
Comparable EBITDA	0.9	1.4
EBITDA	0.0	0.8
Comparable EBITDA margin, %[1]	2.1	4.7
EBITDA margin,%[1]	0.1	2.6

1 External sales

In Business Area Permanent Space Adapteo provides mainly tailor-made, pre-fabricated turn-key solutions, as alternatives to buildings constructed by traditional building contractors. The adaptable buildings for permanent solutions can be divided into standardised turn-key solutions and customised adaptable solutions. Customised adaptable buildings are designed and planned based on the specific needs of the customers. Prefabricated permanent buildings can be built in less time than when using traditional construction methods, since prefabricated buildings are built in controlled indoor environment, with few interruptions, and then assembled on the construction site. The onsite construction time is very short, keeping operational disruptions to a minimum. Adapteo's turn-key solutions comply with the permanent building requirements and characteristics.

Fullerö Hage daycare centre in Uppsala, Sweden

Development 2020

In 2020, external net sales in Business Area Permanent Space increased significantly due to the inclusion of November-December sales from Dutch Cabin Group to EUR 45.1 (30.3) million. Comparable EBITDA decreased to EUR 0.9 (1.4) million, excluding EUR -0.9 (-0.6) million of items affecting comparability.

Full-year external net sales increased significantly in both Sweden and Finland, though pricing conditions remain very challenging. The Netherlands had an increase in net sales compared to last year, with market conditions not being severely impacted by the ongoing pandemic.

Sales value chain and project lifecycle

The sales value chain resembles a normal construction value chain, with the exception that the sourcing and building is completed before transportation. The sales project begins with planning and design phase to meet the customer's needs. The delivery time varies from four to nine months from the order to the delivery to the customer from the in-house production facilities. Once the project is completed, the customer owns the building, except for in long-term leasing, where Adapteo owns the building.

Long–term leasing

Building new premises can involve a big financial risk. As an alternative to buying, Adapteo offers the possibility for the customer to lease the buildings, which usually includes the opportunity to buy the building once the leasing agreement expires. Most of the customers using this possibility are Swedish municipalities using the buildings for schools or daycares. The contract period is usually four to five years with the possibility to extend. If the customer does not buy the building once the leasing agreement expires, the building is returned to Adapteo who will then either sell or lease it to other customers.

Flexibility in a turn–key solution for daycare in Sundbyberg, Sweden

At the beginning of August, the Swedish Minister of Education, Anna Ekström, inaugurated a new daycare in Sundbyberg, Sweden, delivered by Adapteo's Business Area Permanent Space. Backen daycare has six departments with room for 130 children between one and five years.

The new daycare is environmentally certified and has both a sedum roof and solar cells. The sedum roof with its herbs and living plants brings several benefits. Not only does the roof provide natural insulation all year round, but it is also noise-reducing and can absorb and bind air pollutants.

Throughout the construction process, Adapteo's Business Area Permanent Space has had a strong focus on minimising the building's climate footprint. Sustainability concerns throughout the building's entire life cycle are addressed already from the start. From the choice of materials and the manufacturing process, to ensure that the building can be recycled when it has served its purpose.

Backen daycare is also built to be easily adapted to other functions, should the municipality's needs change at some point in the future.

– We want to be able to be flexible. Why be static? Society is not that.

says Karin Ljunggren, principal of Backen daycare.

Flexibility has also characterised the planning of the daycare solution which has some special features to suit both children and employees. Among other things, windows have been placed horisontally, close to the floor, so that even the youngest children can see what is happening outside. Another detail that the children like, is the large terrace that surrounds the whole building, where the children and teachers are already planning for the spring cultivation projects.

Karin Ljunggren, principal of Backen daycare.

Backen daycare centre in Sundbyberg, Sweden

Well–positioned through long relationships

Adapteo's large portfolio and strong supplier capacity enables fast delivery to customers and the company have built long trusted relationships through local sales and project management capabilities. Through its relationships the company is well-positioned in tenders and frequently invited to consult before tender processes begin. A cost-efficient setup across the geographies enables fast delivery of buildings and its broad and well-located hub network also enables efficient refurbishment and customisation of building units.

Optimising utilisation rate

One of Adapteo's key targets is to optimise utilisation rate. In 2020, the average utilisation rate for the rental portfolio was approximately 79 per cent.

A contract typically contains a provision requiring customers to inform Adapteo three to six months prior to the end of the rental period about its possible prolonging. Adapteo is therefore typically aware of the exact timing, number and location of building units becoming available for re-rental and is able to offer them to new customers before the existing rental period ends, thus improving portfolio utilisation.

Utilisation rate can also improve through efficient transportation and efficient assembly. A typical assembly phase is one month for standardised buildings and two months for more customised buildings. Cutting the time needed for refurbishment and improving the maintenance of the buildings during the rental period shortens the return phase. The return phase usually takes two to three months, including disassembly, refurbishment and transportation to new customer or for storage. By route optimisation and improved driving patterns, Adapteo strives to reduce the number and length of transports, thus also reducing emissions.

Production based on short–term forecasts

New building units are manufactured based on management's forecast of the near-term demand or due to a specific customer need. This gives us flexibility with regards to the capital expenditure through increasing or decreasing new production if there are changes in demand outlook, which limits the company's risks and helps maintaining a high utilisation rate in the existing rental portfolio. The building units have a lifetime of up to 30 years, however Adapteo often sell them before they reach the end of their lifecycle.

Adapteo has a mix of in-house manufacturing and external suppliers. Having partly in-house production supports the sales and long-term leasing business, which requires customisation capabilities and flexibility and it also secures compliance with building regulations. The company continuously work to mitigate its climate impact and to reduce emissions by systematic and careful evaluation of resources used in its production, and aim to increase material efficiency, to reduce waste and to increase the share of waste for recycling. Adapteo also include environmental considerations in procurement decisions and the selection of suppliers.

During 2020 Adapteo concentrated its Swedish inhouse production to one single plant, the factory in Anneberg. Anneberg is a modern and efficient plant and the concentration will lead to higher efficiency and increased capacity utilisation, as well as reduced maintenance and investment needs. It is also in Anneberg that the company's technical department and several other key functions are present. The two acquisitions in the Netherlands and Norway will add two more plants.

Strengthening the position in Northern Europe

Adapteo's strategic direction until 2023 is formed by three strategic pillars; Break-out growth, Commercial Excellence and Operational Efficiency. They encapsulate what the company does to strengthen its position in Northern Europe and increase shareholder value, through expansion of the value proposition, improved commercial and operational execution, and reduction of cost.

Adapteo strives for sustainability leadership and sees it as an enabler for success and an integral part of the business strategy. The company has a sustainability strategy consisting of three pillars: climate-smart buildings, innovation for sustainability and inclusive society and a foundation of business ethics, stakeholder collaboration and UN SDG's.

Break–out growth

In the break-out growth initiative Adapteo identifies and drives growth from new propositions and in new markets, both organically and inorganically.

Commercial excellence

In the commercial excellence initiative Adapteo drives growth and profitability through improvements of its current propositions and commercial operation.

Operational efficiency

Operational efficiency focuses on finding the ways to cost efficiency while maintaining high level of quality. Adapteo's operating models forms the basis for the focus areas, which on a general level are related to achieving efficient and high-quality sourcing and project delivery processes.

Sustainability strategy

With a circular construction concept, Adapteo provides buildings that can adapt to the needs of both people and planet. We use climate-smart raw materials, resource-efficient production, innovation and an inclusive approach.

Financial targets

The Board of Directors has set the following long-term financial targets for Adapteo:

Target	Double-digit growth of comparable EBITDA	Operative ROCE above 10 %	Net Debt to Comparable EBITDA ratio of 3.5-4.5x	Aim to distribute dividend above 20 % of net result[3]
Outcome 2020	11.0 %[2]	10.5 %[2]	4.4 x[2]	0.12 EUR per share = 24%

2 Pro forma including Dutch Cabin Group January–December 2020.

3 Group's net result for the year excluding items affecting comparability.

Break-out growth

Key objectives include:

- **Further strengthen and expand the position in continental Europe**

Adapteo is well positioned to continue to grow in continental Europe. The German rental market for example, is large and offers significant opportunities and Adapteo already has a presence there that can serve as a basis for further expansion.

- **Grow new segments and applications by developing customer offerings and go-to-market capabilities**

Currently Adapteo will continue to grow its strong position in the school and daycare customer segments and in addition aims to capture the growth potential also in the less penetrated customer segments, including health and social care and offices. The office customer segment place more emphasis on such criteria as design, various quality features, services, and with its modern high-quality portfolio, Adapteo is in a good position to grow within the segment.

- **Grow ancillary product and service offerings**

Adapteo will use its well-invested operating platform, large customer base and extensive market knowledge to expand the current offering with ancillary products and services. Adapteo seeks to develop new product and service solutions, such as facility management services, security and insurance services, and interior and exterior add-ons products.

- **Leapfrog organic growth trajectories by securing new capabilities through acquisitions or alliances**

Acquisitions is a core element of our strategy and we will continue to add acquisitions to speed up growth in our current core markets in the Nordics and continental Europe.

Commercial excellence

Key objectives include:

- **Continuously develop the commercial position and targets to ensure focused execution across marketing, pricing and sales**

Adapteos markets are essentially local, but by coordinating strategies and focusing resources across the group, the company can draw significant advantages from its substantial size. Adapteo can also build superior capabilities to execute across marketing, product development and sales.

- **Refine the commercial operating model and strengthen organisational capabilities**

Adapteo is continuously working on developing the skills of its people, aligning the commercial operating model to best practices and ensuring fit-for-purpose data and tools. This will increase the ability to execute on its strategies, to grow faster and more profitably, as well as realise efficiency improvements.

- **Leverage digitalisation to increase value to customers and enhance commercial operation**

Digitalisation of both internal operations as well as, in the longer term, customer interfaces will be an important contributor to stronger sales and marketing capabilities. Digital tools can help improve sales and help Adapteo to have a dialogue with and find the best solutions for customers. The company also invest in data and analytics to improve sales and pricing capabilities.

Operational efficiency

Key objectives include:

- **Improve cost-effectiveness by leveraging scale benefits such as sourcing, centralised group functions as well as hub and factory efficiency**

By leveraging the scale of operations Adapteo will be able to enhance its negotiation position and improve sourcing efficiency. The company also aim to decrease indirect costs by centralising group functions. Focus on assembly and disassembly costs and subcontractor sourcing will improve the sourcing efficiency.

- **Achieve logistic efficiencies and enable seamless delivery of buildings**

Adapteo will focus on optimising its factory and hub network in order to achieve logistic efficiencies and enable seamless delivery of buildings. More efficient production planning, seamless co-operation throughout the value chain and organisation are important key areas.

- **Harmonise portfolio and offering focusing on higher quality and more versatile building units**

Adapteo will utilise its knowledge on customer preferences to harmonise the portfolio and offering. Focus of investing activities is on the higher quality and more versatile product series with attractive economics.

- **Regular maintenance, refurbishment and upgrades to ensure the effective re-use and lifetime maximisation of building units**

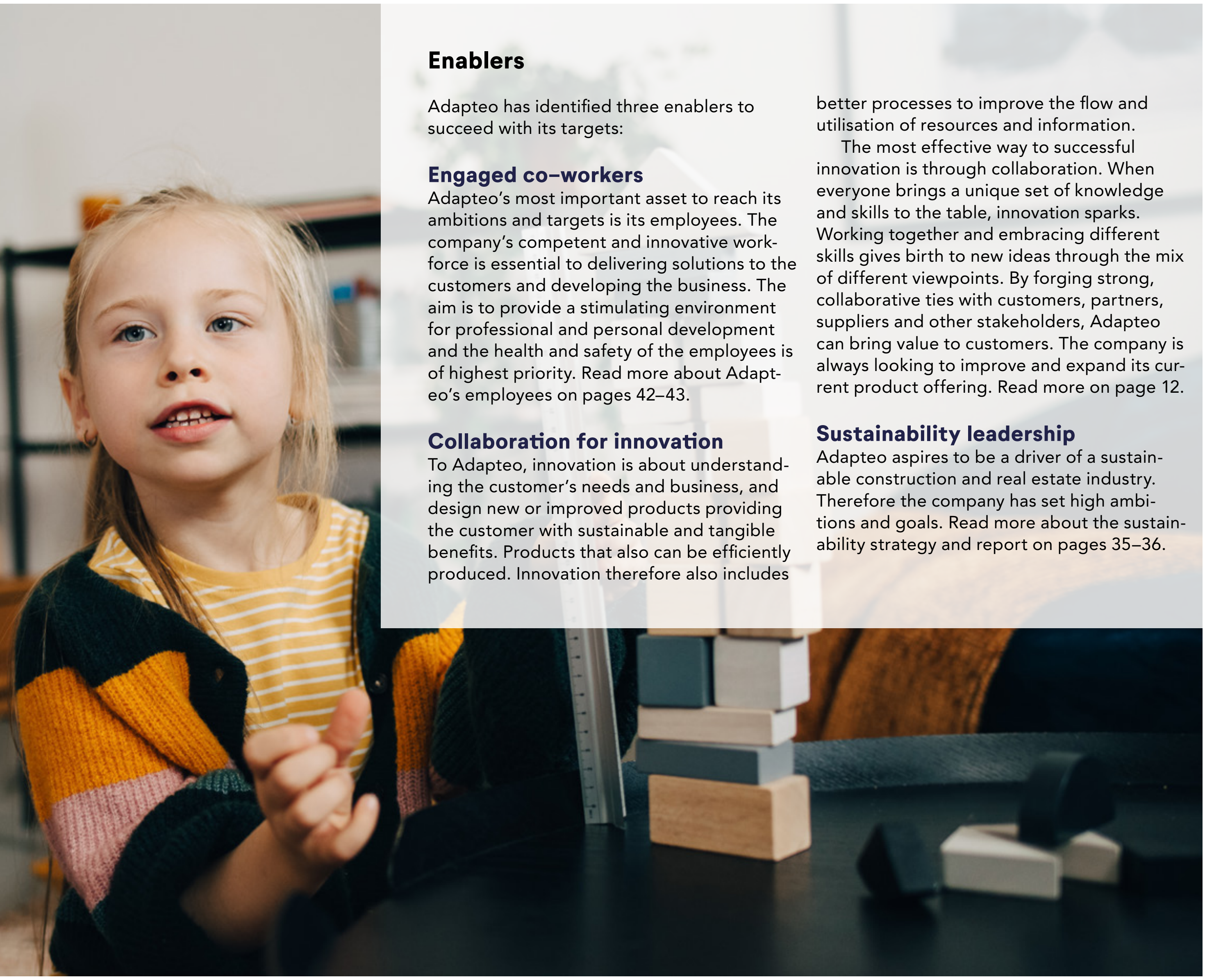
By regular maintenance, refurbishment and upgrades, Adapteo ensures the effective re-use and lifetime maximisation of building units. Old units will occasionally be sold and replaced with new, more modern ones and Adapteo will improve the monitoring and identifying the optimal time to sell and replace old units.

Sustainability strategy

The sustainability strategy is focused on three pillars and a foundation which is in the core of all our sustainability work.

- **Climate–smart buildings**
  - Construct energy-efficient, adaptable buildings using climate-smart raw materials
  - Focus on efficient resource management in production and operation
- **Innovation for sustainability**
  - Be a driver for a circular construction and real estate industry
  - Design and innovate sustainable buildings for the future and help the customers to make sustainable choices
- **Inclusive societies**
  - Offer an inclusive work place and strive for diversity in the work force
  - Provide a growing population with buildings that are adaptable to people's and society's needs
- **The foundation of our strategy**
  - Responsible business practices
  - Stakeholder collaboration
  - Contributing to the United Nations Sustainable Development Goals.

Read more about sustainability on pages 32–51.



Enablers

Adapteo has identified three enablers to succeed with its targets:

Engaged co–workers

Adapteo's most important asset to reach its ambitions and targets is its employees. The company's competent and innovative workforce is essential to delivering solutions to the customers and developing the business. The aim is to provide a stimulating environment for professional and personal development and the health and safety of the employees is of highest priority. Read more about Adapteo's employees on pages 42–43.

Collaboration for innovation

To Adapteo, innovation is about understanding the customer's needs and business, and design new or improved products providing the customer with sustainable and tangible benefits. Products that also can be efficiently produced. Innovation therefore also includes better processes to improve the flow and utilisation of resources and information.

The most effective way to successful innovation is through collaboration. When everyone brings a unique set of knowledge and skills to the table, innovation sparks. Working together and embracing different skills gives birth to new ideas through the mix of different viewpoints. By forging strong, collaborative ties with customers, partners, suppliers and other stakeholders, Adapteo can bring value to customers. The company is always looking to improve and expand its current product offering. Read more on page 12.

Sustainability leadership

Adapteo aspires to be a driver of a sustainable construction and real estate industry. Therefore the company has set high ambitions and goals. Read more about the sustainability strategy and report on pages 35–36.

Public sector drives market resilience

Adaptable buildings are pre-fabricated modular buildings, which have the functionality and quality matching on-site buildings and can be used to serve both short and long-term temporary and permanent needs. A large share of the market for adaptable buildings consists of social infrastructure related customers. Public sector is therefore Adapteo's main customer segment and includes for example municipalities, regions and other public-sector entities. The public sector customers in most cases have a legal obligation to deliver space to varying needs and are impacted by underlying demand drivers like regional population development and renovation needs, as opposed to the private sector, which is more dependent on the general economic situation. The high share of public sector customers drives the market's resilience over time and means that Adapteo is more dependent on Government budget decisions and less dependent on the general economic conditions.

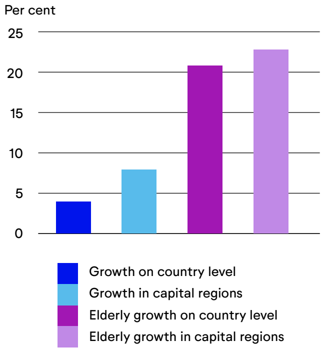
Adapteo is currently present on the Swedish, Finnish, Norwegian, Danish, German and Dutch market.

Market drivers and trends

The demand for adaptable buildings is supported by long-term structural drivers and trends.

Structural trend	Impact on Adapteo
Population growth and urbanisation	Population growth and urbanisation create opportunities for both rental and permanent adaptable buildings. In large cities, where space can be difficult to acquire, adaptable buildings can be used to handle sudden increases in demand requiring a fast solution. The effects of urbanisation especially concern the providers of daycare centres and school properties, as those moving to cities are often young people or families. Alternatively, adaptable buildings can be used to "buy time" in complex decision making processes for permanent long-term solutions. On the other hand, flexible solutions are a beneficial alternative in net loss areas, which also creates opportunities for both rental and permanent adaptable buildings. As it can be difficult for municipalities to commit to onsite built solutions with longterm obligations, rental solutions provide flexibility and limited financial liabilities. Investing in a permanent prefabricated turnkey solution can moreover be considered a viable option compared to onsite built buildings due to the reuse and repurpose opportunities for adaptable buildings
Demographic trends creating need for adaptable buildings	Growing number of children and a rapidly ageing population create significant opportunities for Adapteo's adaptable buildings. The number of children in the Nordics is expected to grow, mainly in Sweden and Denmark. Municipalities and other public entities have a legal obligation to deliver space for daycare centres and school facilities. This, in combination with the urbanisation, creates urgent need for extra capacity, which favours adaptable building solutions with fast and predictable delivery. An ageing population in Europe is resulting in a lasting and somewhat predictable increase in demand for space, providing opportunities for the elderly care market segment.

Nordic population growth, urbanisation and demographic shift 2020–30 [4]



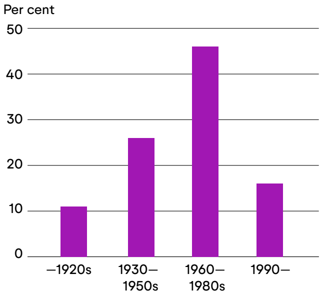
4 Management's estimates based on public sources of Sweden, Finland, Denmark and Norway.

Structural trend

Impact on Adapteo

Ageing building stock with need for renovations

Per cent share of Nordic educational buildings by age[5]



The building stock is ageing in the Nordics and continental Europe, which increases the need for both renovation and new construction, driving the need for temporary as well as permanent building solutions.

The ageing building stock is expected to affect the daycare, healthcare and school property markets in particular. Approximately half of the Nordic educational building stock was built between the 1960s and 1980s. Thus, that part of the building stock is in the age when the need for renovation services increases. Temporary spaces are also needed in case of sudden evacuations of available premises due to for example mould or air quality problems or fires.

The ageing building stock is also a driver for new construction volumes. New construction drives the demand for high-end adaptable building solutions which can be offered as a more flexible and efficient solution to on-site built buildings.

In recent years, several real estate companies have targeted the market for social infrastructure properties. The real estate companies are further driving the demand for renovations in the building stock.

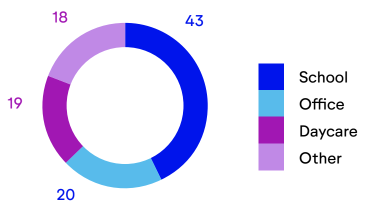
Private sector growth and industrial activity

Private sector growth and industrial activity are driving the demand for both temporary and permanent space. It can include for example primarily office buildings, but also temporary accommodations for workers, construction companies and event premises. Increasing acceptance of the modular building techniques and the appreciation of flexibility and fast delivery among the private sector also supports the expansion of the adaptable building market.

Diversified customers base mainly in public sector

Adapteo’s customers are predominantly municipalities, counties and other public sector entities. The private sector customers include for example construction companies and subcontractors that rent units to accommodate workers for short periods of time, and companies in need of temporary office space or showrooms etc. Social infrastructure customers comprise about three fourth of the rental income. School is by far Adapteo’s biggest customer segment with just below 43 per cent of the rental income. Adapteo's customer base is diversified. The ten largest customers accounted for approximately 14 per cent of the rental income.

Customer segments
Share of net sales, %



5 Includes Sweden, Finland, Denmark, Norway.

Competitive landscape

The rental market in the Nordics is characterised by a handful of large adaptable building providers. In the Nordic rental market, Adapteo is the largest player, with more than a quarter of the market. The main competitors are Expandia in Sweden, Parmaco in Finland and Algeco in Norway. In addition, in the Nordics there are a handful of locally established smaller companies. In the German rental market, Adapteo holds a few per cent market share, being one of the ten largest players in the market. The largest players in the German public rental market are Kleusberg and FAGSI. Several of the continental European competitors both sell and rent out their adaptable buildings.

In the sales market, Adapteo is mainly present in the Swedish and Finnish market. The competitive landscape varies somewhat by geographical area, but a general feature is that it is consolidated. In Sweden, Adapteo holds approximately one fifth of the market.

The closest competitors in the Nordic market are Moelven and traditional site builders and local construction companies.

Competitive advantages

Adapteo's large rental portfolio and local presence enables fast delivery and readiness to deliver on customers' needs. The offering consists of adaptable buildings with different quality features for diverse needs as well as flexible financing alternatives. In addition, Adapteo can offer basic low-cost solutions as well as high-end premium solutions with excellent technical features, covering both short-term and long-term needs within all key customer segments.

Regulatory requirements are stricter and demand higher quality from adaptable buildings in the Nordics compared to continental Europe. In the Nordics this favours locally established companies, as the quality of the buildings of continental European companies may not fulfil the stricter Nordic requirements.

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

BOARD OF DIRECTORS' REPORT

Significant events in 2020

In early March Adapteo assessed its future prospects with the sudden uncertainty brought on by the covid-19 outbreak. Alternative scenarios were formulated and profit protection and cash preservation measures were initiated.

On 23 April 2020 Adapteo held its first Annual General Meeting as an independent company. Due to covid-19 restrictions, all votes were registered beforehand with a proxy representative and the proceedings could be followed in a webcast. Two new members to the Board of Directors were elected, Sophia Mattsson-Linnala and Ulf Wretskog.

In October Adapteo acquired the Dutch Cabin Group, increasing its footprint in continental Europe and adding expertise and management skills for a future growth trajectory.

In November a refinancing arrangement was signed with a consortium of banks, allowing Adapteo to continue to pursue its growth agenda and adding financial stability and flexibility by extending loan maturities. After the refinancing Adapteo had available a three-years EUR 530 million term loan and a EUR 100 million committed revolving credit facility.

In December a directed share issue strengthened Adapteo´s cash and equity by more than EUR 37 million. 4.4 million shares were issued in the share issue.

Adapteo launched a new sustainability strategy with a focus on climate-smart buildings, innovation for sustainability and inclusive societies. The company joined the world's largest corporate sustainability initiative, the United Nations Global Compact. Its content is summarised in ten principles, regarding the topics of human rights, labour, environment, and anti-corruption.

Presentation of financial information

The financial information in this Board of Director´s Report has been presented on actual basis unless otherwise indicated.

Operations

Adapteo is a leading Northern European company for adaptable buildings. The Group has two primary Business Areas: Business Area Rental Space and Business Area Permanent Space. It has operations in six geographical areas: Sweden, Finland, Norway, Denmark, Germany, and the Netherlands.

Business Area Rental Space includes the rental of adaptable space solutions including provision of assembly, disassembly, and other value-added products and services.

Business Area Permanent Space includes sales and long-term leasing of adaptable buildings.

Adapteo is a new brand but has over 30 years of experience, born from the acquisition of Nordic Modular Group and the demerger from Cramo. Market offers comprise premium adaptable buildings solutions to schools, day care centres, elderly care, worker accommodation, offices, and events for temporary and permanent needs. In 2020, Adapteo's net sales were EUR 231 million.

Adapteo is listed on Nasdaq Stockholm with the ticker ADAPT since 1 July 2019.

Employees and recruitment

At the end of 2020 the number of employees was 505 (372). The geographical distribution of employees across Adapteo Group was: Sweden 44%, the Netherlands 29%, Finland 12%, Germany 9%, Denmark 4%, and Norway 2%.

Adapteo is dependent on engaged staff with the right skillset who share the Group's values:

- Proactive in everything we do and striving to exceed our customers' expectations.
- Collaborative by sharing expertise and strengthening our ways of working internally, making us more effective and efficient.
- Committed to Adapteo's purpose of building adaptable societies and taking responsibility for our individual role in it.

To attract, develop, and retain talent is a key success factor of Adapteo as the company is operating in a highly competitive market for skilled staff, where the importance of having an attractive employer brand and employee offering is high.

In 2020, Adapteo performed its second employee engagement survey, which is conducted on an annual basis. The survey measures the employees' engagement as well as a Net Promotor Score. Engagement is measured through the Engagement Index (EI), with an aggregated score for the group of 76 compared to a benchmark of 78. The average number of employees in Adapteo Group during 2020 was 422 (375), and salaries and fees amounted to EUR 20.8 (23.7) million.

Net sales and results of operations

Adapteo's net sales increased to EUR 231.4 (216.2) million. In constant currencies, net sales increased by 7%. Rental sales were EUR 133.1 (132.7) million. In constant currencies, rental sales were unchanged. Both sales numbers saw an impact from the inclusion of the Dutch Cabin Group (DCG) for November-December. In Business Area Rental Space, additional rental and other revenue from DCG compensated for a slower year-on-year development in "Old Adapteo". In Business Area Permanent Space the contribution from DCG was larger in absolute numbers and added significantly to the favourable development in "Old Adapteo".

In Business Area Rental Space, the Dutch Cabin Group, Finland, and Germany contributed to higher rental sales than in the January-December 2019 period. Germany saw a steady increase of new projects delivered throughout the year, while the largest impact in Finland came from prolongations of a number of large projects. Rental sales showed a significant increase year-on year in the Dutch business. Denmark and Norway had a declining development throughout the year with projects being returned at a faster pace than tough market conditions allowed for new projects.

Sales in Business Area Permanent Space increased significantly due to the inclusion of November–December sales from Dutch Cabin Group. Full-year external net sales also increased in both Sweden and Finland, though pricing conditions remain very challenging. The Dutch market did not see a significant impact from the covid-19 pandemic.

The total building portfolio increased to 1,132 (1,010) thousand square meters. Utilisation rate of the total portfolio was 79% (84%).

Adapteo's comparable EBITDA for the year was unchanged at EUR 88.3 (88.5) million. The comparable EBITDA margin decreased to 38.2% (40.9%). Compared to 2019, comparable EBITDA increased in Business Area Rental Space by the contribution for November–December from Dutch Cabin Group. In Business Area Permanent Space the DCG impact was even more pronounced though for the full year earnings decreased. Lower costs for Group functions contributed positively.

Depreciation, amortisation and impairment on property, plant, and equipment and on intangibles totalled EUR 46.6 (54.0) million during the year. There was an increase from the inclusion of DCG in 2020 and from the increased building portfolio, but in Q4 2019 there was a significant impact from write-downs of old modular units.

Operating profit (EBIT) amounted to EUR 36.8 (22.1) million. Operating profit (EBIT) included items affecting comparability of EUR -4.9 (-12.4) million, of which most was from acquisition-related activities.

Net financial expenses were EUR -10.2 (-7.8) million.

Full year profit before taxes totalled EUR 26.6 (14.4) million and profit for the period was EUR 18.9 (8.4) million. Earnings per share was EUR 0.42 (0.19).

Business Area Rental Space

Net sales in Business Area Rental Space remained constant at EUR 186.4 (186.0) million. Rental sales increased by 1%, while revenue from assembly and other services decreased by 3%. Comparable EBITDA decreased by 1% to EUR 91.3 (92.3) million, excluding EUR -0.4 (-1.2) million of items affecting comparability.

Business Area Permanent Space

External net sales in Business Area Permanent Space increased significantly to EUR 45.1 (30.3) million. Comparable EBITDA decreased to EUR 0.9 (1.4) million, excluding EUR -0.9 (-0.9) million of items affecting comparability.

R&D

Adapteo continuously design, build and develop adaptable buildings to anticipate the future needs of customers and changes in legislation, regulations, building permits, and local rules. A key element in design and R&D is circularity, meaning that the company improves and develops its processes continuously in order to maximise value and minimise environmental impact.

R&D highlights in 2020 include that the company has:

- Developed a worker accommodation platform for Sweden, Norway, and Denmark,
- Developed new daycares concept as Lekistan and Pilabo based on demand from SKR (Central organisation in Sweden for municipalities and regions),
- Developed the elderly care concept Grönhaga,
- Now a concept of waterborne floor heating,
- Upgraded F50 building series in Germany to meet the new energy requirement, and
- Upgraded C80 building series in Finland to waterborne heating system.
- R&D costs are treated as operating expenses and not capitalised.

Seasonality

Rental sales is very evenly distributed over the year's quarters and thus also the Group's total net sales. Assembly and other services peak in Q3 whereas sales of new adaptable buildings peaks in Q2.

Capital expenditure

Adapteo's net capital expenditure totalled EUR 66.3 (69.2) million. Net fleet capex amounted to EUR 63.8 (59.4) million, of which growth capex was EUR 36.7 (29.1) million. Growth capex increased on the back of a high market activity in Germany and due to orders for Finland and Sweden placed before the outbreak of the covid-19 pandemic. In addition to portfolio expansion, upgrades and reinvestments were made to lift units to higher standard for specific orders and to replace adaptable buildings disposed of during the reporting period.

Cashflow and financial position

In 2020, net cash inflow from operating activities was lower at EUR 77.9 (80.1) million, mainly due to a lower decrease of net working capital, by EUR 5.2 (17.2) million. 2020 saw decreases of both accounts receivable and payable, while the corresponding period last year saw a significant increase in payables.

On 31 December 2020, borrowings totalled EUR 496.1 million. Net debt totalled EUR 434.8 million. Net debt to comparable EBITDA was 4.9x.

In November 2020 Adapteo refinanced its loan facilities agreements. After the refinancing Adapteo had available committed EUR 530 million term loan and a EUR 100 million committed revolving credit facility. The loan agreement contains quarterly monitored financial covenants which the company is fully compliant with. The EUR 530 million term loan was not fully drawn down as of 31 December 2020 and has a maturity of three years. At the end of 2020 the EUR 100 million revolving credit facility was fully undrawn.

In December 2020 the Board used the mandate from the 2020 Annual General Meeting to make a share issue. 4.4 million shares were sold at SEK 89 per share, adding approximately net EUR 37 million to Adapteo's cash and equity.

Adapteo´s liquidity and funding position was thus strong at year end. Cash and cash equivalents amounted to EUR 54.8 million. In addition, Adapteo has a EUR 20 million overdraft facility until further notice, which was fully unused as of 31 December 2020.

Property, plant and equipment amounted to EUR 528.6 million. Total assets were EUR 928.2 million.

Operative return on capital employed (ROCE) amounted to 9.1% in 2020, compared to 8.5% in 2019. With DCG included for January-December, pro forma ROCE was 10.5%.

Parent company

In 2020, parent company net sales were EUR 9.0 million and the profit for the period was EUR 14.0 million. At year-end, the parent company had 24 employees and held cash and cash equivalents of EUR 46.9 million.

Board of Director's proposal for distribution of profits

The distributable funds of Adapteo Plc are EUR 118,254 thousand of which EUR 13,982 thousand represents the profit for the financial year. The Board of Directors proposes to the Annual General Meeting to be held on 19 April 2021 that a dividend of EUR 0.12 per share, in total EUR 5,889 thousand to be distributed and the rest of the profit for the financial year is placed to retained earnings.

Distributable funds of the parent company at 31 December 2020 (EUR thousands):

Reserve for invested unrestricted equity	106,347
Retained earnings	-2,075
Profit for the period	13,982
Distributable equity	**118,254**

Significant events after the end of the fiscal year

The acquisition of Stord Innkvartering was completed on 29 January 2021. A purchase price of NOK 677 million (approximately EUR 64 million) was paid in cash, and potential additional considerations may become payable in the future depending on Stord's future financial performance.

In January 2021, it was announced that, accordiding to Morgan Stanley Capital International's (MSCI) latest set of ESG ratings, Adapteo has been upgraded to AA status, rating the company a leader in its industry. An MSCI ESG rating is designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks. Adapteo has thus taken a significant leap from its previous BBB rating.

An important year in our sustainability journey

Adapteo aims to be one of the most sustainable companies in the construction and real estate industry, and we are working every day to achieve this goal. 2020 has been a key year for our sustainability journey. We have launched an ambitious sustainability strategy that will help the company lead the transition to a sustainable construction and real estate industry. Our focus will be on driving the shift towards climate-smart buildings, innovating through circular solutions, and contributing to inclusive societies. We have also developed sustainability targets, which will provide a transparent way to monitor and report on the company's progress. The targets will be communicated in the first half of 2021.

During 2020, the sustainability foundations of our business have been strengthened. We have reinforced our commitment to ethical business standards by joining the United Nations Global Compact and deepened our materiality analysis and risk management. At Adapteo, we see a future where adaptable buildings have a large role to play in climate-smart, resilient and inclusive societies. I very much look forward to the next steps in our sustainability journey together with the talented and committed Adapteo colleagues, business partners and customers.

"2020 has been a key year for our sustainability journey. We have launched an ambitious sustainability strategy that will help the company lead the transition to a sustainable construction and real estate industry."

Hanna Wennberg,
Senior Vice President Marketing,
Communications and Sustainability, Adapteo

Scope of the sustainability reporting:

Adapteo acquired Dutch Cabin Group on 29 October 2020. This organisation is not included in the scope of the 2020 sustainability report (on pages 32–51).

Key sustainability milestones 2020

Adapteo has taken significant steps to develop its approach to sustainability during 2020. The company has:

- formulated Adapteo's long-term focus by adopting a sustainability strategy, and started work on setting targets and KPIs, which will be launched during the first half of 2021.
- become a signatory to the United Nations Global Compact (UNGP), the leading standard guiding businesses on environmentally and socially responsible practices.
- deepened the stakeholder dialogue, materiality analysis and sustainability risk assessment.
- strengthened the sustainability governance structure through clear allocation of responsibilities and by including all levels of the organisation in the sustainability strategy development and follow up.
- been awarded AA status by Morgan Stanley Capital International's (MSCI) ESG rating.

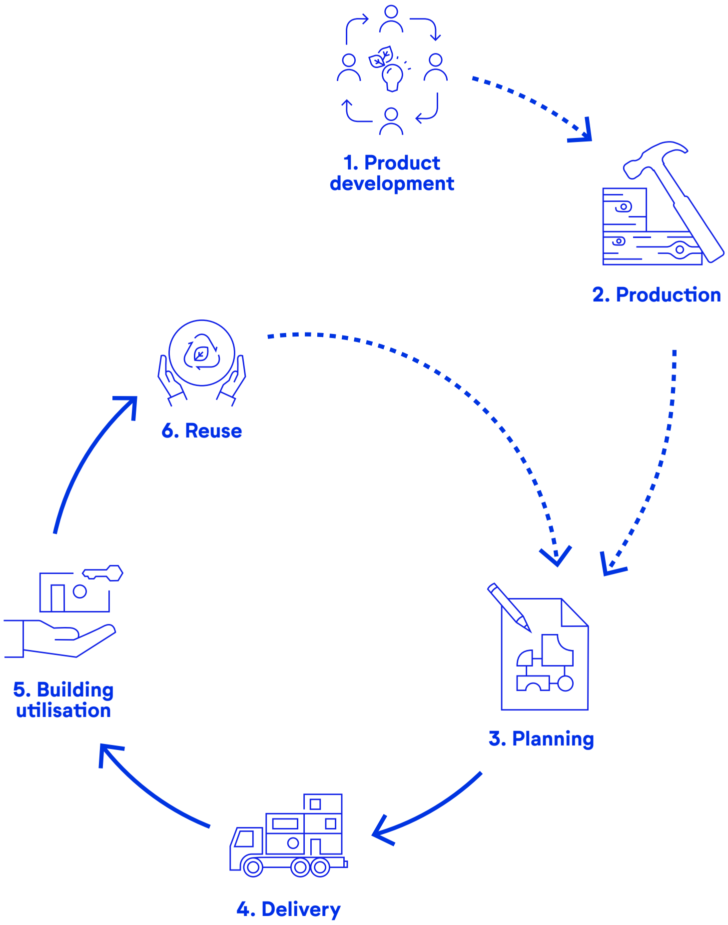
In 2020, Adapteo delivered a total number of 156 schools and daycare centres. We estimate that during 2020 around 140,000 children, students and teachers spent their working day in a school building provided by Adapteo. This includes all ongoing rental contracts, as well as buildings from Business Area Permanent Space delivered in the past 10 years.

Adapteo's value chain

Through collaboration with partners, customer and other stakeholders in the value chain, Adapteo manages sustainability risks and creates value for customers and society. There are six stages in the value chain for Business Area Rental Space.

1. Product development

One of the company's most material sustainability aspects is to use sustainable materials, and to design the products to minimise carbon emissions in use and secure circular product flows. Adapteo's products are designed to meet the needs of the customers and society.



2. Production

Adapteo has a mix of in-house manufacturing and production through external suppliers. The industrial production technique increases productivity, minimises building damp and left over materials. Having partly in-house production helps the company customise building units and flexibly meet customers' needs, as well as supports compliance with environmental standards. Adapteo set high requirements on building unit specifications as well as material sourcing, for example around Forest Stewardship Council (FSC) certification of wood.

3. Planning

Adapteo analyses the customer's needs and design the optimal solution together with the customer. Almost all new projects for the public sector start with a public tender while with private sector customers it begins directly with a planning phase. Cooperation is key, as customers set emphasis on different criteria, for example design, various quality features, environmental performance, services and support.

4. Delivery

Adapteo customises and delivers the building to the customer's site. Sub-contractors provide services such as transports, which is one of our most material sustainability aspects. To optimise transports, the building units are dimensioned to fit the trailer bed and maximise usage of each transport. In this phase, site preparations such as water and electricity and foundation works, are carried out.

5. Building utilisation

Customers can rent, own, or lease an Adapteo building. Trusted relationships with customers through Adapteo's local sales and project management capabilities are essential. Adapteo also provides maintenance, facility management and other services. Buildings are constructed to ensure energy efficiency during the usage phase and Adapteo also offers additional services to increase energy efficiency and offer low-carbon technologies.

6. Reuse

In the last phase of the project, the adaptable building is disassembled, and the units are returned to Adapteo for refurbishment and upgrade before being used again. By regular maintenance, refurbishment and upgrades, Adapteo ensures the effective re-use and lifetime maximisation of building units. Adapteo continuously upgrade the building portfolio to the latest energy efficiency requirements and standards. Once a building has reached the end of its lifecycle and cannot be refurbished and rented out again, the building is sold, to serve another purpose.

The value chain for Business Area Permanent Space differs slightly from the value chain described above:

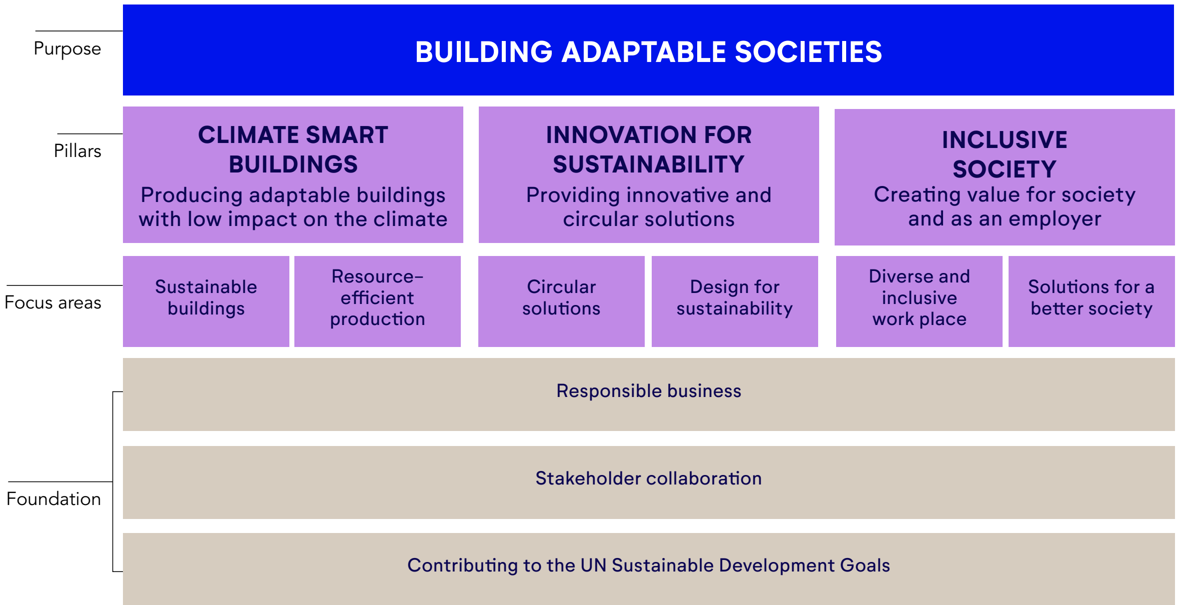
1. Sales 2. Planning 3. Sourcing 4. Production
5. Foundation work 6. Delivery 7. Building utilisation

Adapteo's sustainability strategy

Since the establishment of Adapteo in 2019, it is the company's ambition to be a key driver in the transformation towards a sustainable, circular and flexible real estate industry. Adapteo sees sustainability leadership as an enabler for success and an integral part of the business strategy.

To realise the purpose of building adaptable societies, Adapteo has launched a sustainability strategy in 2020 focused on three pillars: climate-smart buildings, innovation for sustainability and inclusive societies. The strategy's foundation consists of responsible business practices, stakeholder collaboration, contributing to the United Nations Sustainable Development Goals and respecting human rights. These focus areas are based on the issues that matter most to the company's internal and external stakeholders, as well as the areas where Adapteo has the highest impact.

Adapteo sustainability strategy building



We aim to be one of the most sustainable companies in the construction and real estate industry, and we are working every day to achieve that goal.

Philip Isell Lind af Hageby,
President and CEO at Adapteo

Measuring and reporting performance

Adapteo aspires to be a driver of a sustainable construction and real estate industry. Therefore, the company has set high ambitions to help guide the efforts set out by the sustainability strategy.

Adapteo is working on setting targets for each focus area to steer the ambitions even further, and to follow-up on an annual basis. The targets will be communicated in the first half of 2021.

Climate smart buildings

- We construct energy-efficient, adaptable buildings, using climate-smart raw materials
- We focus on efficient resource management in our production and operation

Innovation for sustainability

- Our vision is a circular construction and real estate industry
- We design and innovate sustainable buildings for the future and help our customers make sustainable choices

Inclusive societies

- We offer an inclusive work place and strive for diversity in our work force
- We provide a growing population with buildings that are adaptable to people's and society's needs

Foundation

- Responsible business practices are ingrained in our operations. All our employees and partners act transparently, ethically and with respect for human rights and the environment

Besides reporting on material aspects according to the Global Reporting Initiatives (GRI), Adapteo is also working to set sustainability Key Performance Indicators (KPIs), for example:

Environment	Social	Governance
■ Share of wood which is FSC certified ■ Reduction of energy usage from our own operations	■ Employee engagement level ■ Share of females in operational management	■ Yearly training Adapteo employees: Code of Conduct, Whistleblowing policy and Anti-fraud manual ■ Share of companies in the group certified according to Health and Safety ISO-standards ■ LTIR (work-related accidents)

Climate–smart buildings

Climate change is the defining issue of our time and it will inevitably shape our future. Today the construction and real estate industry stands for 36 per cent of total CO_2 emissions in Europe[6]. By choosing climate-smart raw materials and through our resource-efficient production, Adapteo develops climate-smart buildings for the future.

Sustainable buildings

Adapteo wants to produce adaptable buildings with minimal environmental impact. Therefore, the company uses climate-smart raw materials such as wood, which is the primary material in production. Adapteo strives to increase further the amount of renewable, recyclable, and recycled material used in its production, a goal which will be reached together with the company's suppliers.

Sustainably sourced wood

Adapteo has long been sourcing wood from certified mills. For Adapteo's production in Sweden, the company began during 2020 to ensure that all purchased is certified by the environmental label Forestry Stewardship Council (FSC). 100 per cent FSC-certified construction wood is already achieved for the production in Sweden and the company plans to expand that even to glued laminated timber. Adapteo also aims to set a requirement on its manufacturing partners to source FSC-certified wood.

Daycare Backen in Sundbyberg, Sweden, delivered in 2020 from Business Area Permanent space, is a building certified as Miljöbyggnad Silver from Sweden Green Building Council.

Environmental certifications of buildings

Energy efficiency and the environmental performance of buildings throughout their entire life cycle is a priority for Adapteo. For a growing number of customers, it is important that buildings are environmentally certified. Some of Adapteo's buildings' performance goes beyond compliance and meets the requirements for environmental certifications such as "Miljöbyggnad Silver" from Sweden Green Building Council.

Sustainable materials

Adapteo is working to increase the share of materials in its buildings that are assessed by third-party organisations. Examples of these organisations are SundaHus and Byggvarubedömningen, who are leading experts in health and environmental assessments of building materials. Adapteo is also in dialogue with suppliers to encourage them to assess their materials with these expert organisations.

Resource–efficient production

Adapteo focuses on securing an efficient resource management in its production and operations. Adapteo's buildings are constructed industrially, enabling systematic review of resources and prevention av waste Using a lean process, Adapteo only orders the amount of materials needed, limiting the amount of waste. By focusing on resource-efficient production, Adapteo aims to increase material and energy efficiency and reduce waste even further.

Energy

Adapteo supports the Paris Agreement and aims to minimise the climate impact of its operations and production. Adapteo already procure 100 per cent renewable energy for all business operations in Sweden and Finland, including production facilities, and will expand this to other countries. Adapteo will continue working towards minimising the company's carbon footprint throughout the value chain.

Environmental and quality standards

Adapteo makes efforts to incorporate a sustainability perspective throughout its operations. As of 2020, Adapteo has implemented ISO Quality Management Standard 9001 and ISO Environmental Management Standard 14001 in Finland, Sweden, Germany and Norway.

Minimising waste

Adapteo works continuously to reduce the quantity of materials used in its production and to minimise waste. One example is how we redesigned the façade panelling of the C90 product series in order to reduce material waste. As a result, an estimate of 474 square meters of façade panelling per year was saved. Adapteo also cooperates with recycling companies who collect and recycle different waste fractions. For example, during 2020, Adapteo has worked with the waste management partners to strengthen the process for sorting specific waste streams.

6 European Commission, New Rules for greener and smarter buildings, 15-04-2019

Environment: Resource–efficient production

Energy consumption, MWh (Scope 1 and 2)	2020	2019
Scope 1, Company vehicles and stationary fuel combustion	3,712.5	4,240.5
Share of renewable	27%	-
Scope 2, Electricity used from external source	3,258.3	4,541.1
Share of renewable	92%	-

GHG emissions, tCO_2e (Scope 1 and 2)	2020	2019
Scope 1, Company vehicles and stationary fuel combustion	626.3	865.7
Scope 2, Electricity used from external source	146.4	231.8
Total Scope 1 and 2	772.7	1,097.5
Net sales, EUR million	221.8	216
Energy intensity Scope 1 and 2, tCO_2e per EUR million net sales	3.5	5.1

GHG emissions, tCO_2e (Scope 3)	2020	2019
Waste management	79.4	440.2
Business travel	89.4	-
Transport	1,181.7	-

Waste, kg	2020	2019
Paper waste, recycled	96,220	-
Metal waste, recycled	96,590	-
Plastic waste, recycled	32,380	-
Electronic waste, recycled	10,190	-
Wood waste, recycled	533,700	-
Wood waste, incinerated	152,650	-
Hazardous waste, recycled	20,330	-
Hazardous waste, landfill	7,030	-
Mineral waste, recycled	29,200	-
Mineral waste, landfill	74,830	-
Plasterboard waste, recycled	190,660	-
Industrial waste, recycled	755,970	-
Industrial waste, landfill	85,000	-
Total, kg	**2,084,750**	**1,602,100**

Comments on data sources and comparability:

- Scope 1, 2 and 3 calculations of Adapteo's energy consumption and GHG emissions were made in collaboration with Cemasys.
- 2019 and 2020 energy consumption data are not fully comparable. 2019 was Adapteo's first reporting year and energy consumption was partly based on estimates. During 2020, Adapteo has improved its energy consumption measurements, which has led to some discrepancy between 2019 and 2020 data.
- Data collection on transport GHG emissions is under development and is not exhaustive. 2020 data includes transport of building units in Sweden, Norway, Germany and Business Area Permanent Space Finland, as well as transport of materials in Sweden.
- Business travel includes train, air and hotel accommodation booked through Adapteo's travel agency partner.

Fossil–free machines at construction site helps customer drive its climate and air quality goals

Customers today see value in adaptable space solutions not just in terms of cost efficiency, quality, functionality, and speed, but also environmental benefits.

The City of Oslo is a frontrunner on sustainability. When the municipal company that runs the school buildings in the City needed new spaces, they used a very innovative approach.

As climate goals and air quality are important for the City of Oslo, they choose the supplier and set the price based on the environmental performance of the machines at the construction site.

Adapteo collaborated with a supplier to provide fossil free machines and this, in addition to the quality, awarded Adapteo the procurement. When the procurement was settled, Adapteo worked together with the customer to design the school building, to provide the best possible education and play experience for pupils through adaptable spaces designed for their needs.

– We very much welcome when customers value sustainability in their procurements. Fossil-free machines are just one area we can add value, another is innovation around digital solutions to decrease the buildings' energy use. We hope the public sector will increasingly value resourceefficient production and circular thinking when planning how to manage their needs for quality spaces.

Frode Medhus, Head of Project at Adapteo Norway.

Frode Medhus

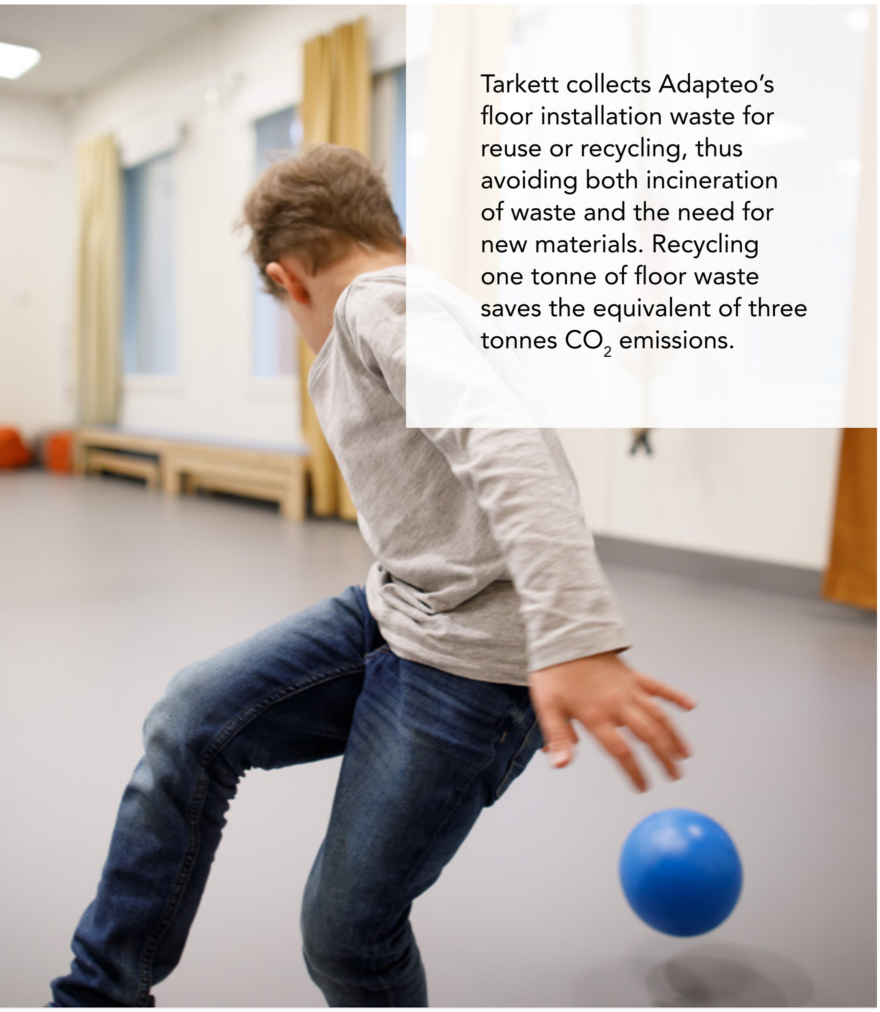
Oslo city

Innovation for sustainability

Finding new ways of addressing global challenges will be necessary in order to meet people's needs without transgressing planetary boundaries. A sustainable future demands innovation and creativity. At Adapteo, the company innovates for sustainability throughout its value chain: designing sustainable solutions and developing circular flows.

Developing circular solutions

Adapteo's circular business model sets a precedent for the future of the construction and real estate industry. Adapteo can build, transform, repurpose, scale up and scale down in a matter of weeks, ensuring that buildings can be rented out for several rounds and serve different purposes depending on the customer's needs.



Tarkett collects Adapteo's floor installation waste for reuse or recycling, thus avoiding both incineration of waste and the need for new materials. Recycling one tonne of floor waste saves the equivalent of three tonnes CO_2 emissions.

Ensuring sustainability throughout a building's entire life cycle is highly important for Adapteo. Some of the company's very first building units for rental are still in use after 30 years. Once a building has reached the end of its lifecycle and cannot be refurbished and rented out again, the building is sold, to serve another purpose.

Floor waste recycling
Cooperation with suppliers is key to drive circular innovation that creates value for customers. Production waste is the most efficient material to recycle, as Adapteo's suppliers already know the material's components. Therefore, in 2020, Adapteo joined forces with the supplier Tarkett to recycle the leftover materials from the installation of floors in the buildings.

Reducing single–use plastics
Adapteo uses plastic covers during transport and storage of building units. During 2020, Adapteo worked with the supplier Looping to replace single-use plastics by switching to reusable covers, as well as to eliminate PVC and increase the use of recycled plastics. Adapteo purchases 70 tonnes of plastic covers per year, and sees an opportunity to reduce this by 25 per cent during 2021. The new covers also have advantages from a work environment perspective, as they are lighter than older covers. Reducing the use of plastics is a focus for the company and Adapteo prioritises cooperation with innovative suppliers such as Looping.

Designing for sustainability

Sustainable product design is particularly important as it determines the materials and technologies used in Adapteo's products, which are on the market for many years to come thanks to the company's circular model. Adapteo continuously innovates the design of the buildings to improve their sustainability performance.

During the production phase, one of the main priorities is to ensure maximum energy efficiency of the buildings, for example by minimising air leakages once they are in use. Adapteo also develops additional services to increase energy efficiency and offer low-carbon technologies. One example is the C90 building, which is the rental product series delivered most. Adapteo offers customers a suit of options for efficient and low-carbon energy, such as waterborne heating through district heating, pellets, or air and water heat pumps.

As a consequence of new legislation, Adapteo is investing in updating its building units by replacing electric heating with waterborne heating in Sweden and Finland. This has the potential to enable clean-tech solutions such as heat pumps and solar energy, and to lower electricity costs for customers.

Innovating through locally sourced wood and renewable energy in Finland

Adapteo's client the City of Kaskinen in Finland has high expectations on sustainability. Kaskinen is a town with old wooden buildings and the municipality was keen on using wood also in new buildings. Adapteo worked with them to ensure a new building made of wood, using locally sourced thermowood from the supplier Lunawood. Thermowood is a sustainable wood material produced with natural methods such as heat and steam. By installing solar panels on the roof, Adapteo could ensure energy supply for the building's main kitchen. This is an example of increasing interest from customers in sustainable solutions, ranging from energy efficient and renewable technology to using wood as building materials. Partnership between Adapteo and the client has been key to securing the success of this project.

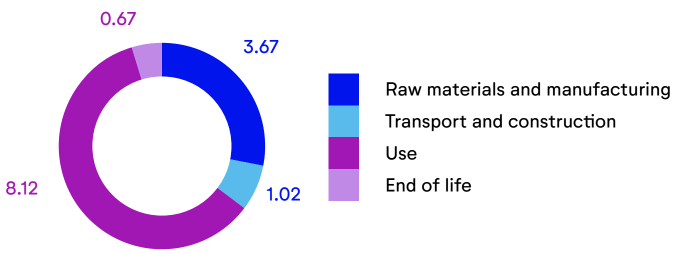
Servicecenter in Kaskinen, Finland

Carbon footprint assessment

Adapteo is part of an ambitious project with the Ministry of the Environment in Finland, which focuses on measuring the carbon footprint of buildings. As part of this collaboration, life-cycle assessments (LCA), from cradle to grave, were conducted of some of Adapteo's typical rental buildings. The LCA will help identify how to improve the sustainability performance of the buildings, and includes also the positive climate impact. The carbon handprint from a typical adaptable rental building in this study, is on average 3,93 $CO_2e/m^2/a$, which is a result from Adapteo's circular business model and the buildings' construction in wood.

The average result of a typical Adapteo rental building assessed by Finland's Ministry of the Environment:

Carbon footprint (Kg CO_2e per m^2 per year)



13.48

Total carbon footprint
(Kg CO_2e per m^2 per year)

Diverse and inclusive workplace

Adapteo was launched with the ambition to establish a healthy and inclusive workplace. The company's three guiding principles are to be proactive, collaborative and committed. Adapteo is a firm believer in equal employment and career advancement opportunities. The company incorporates diversity and inclusion in all processes and strives for gender and age balance. Operating in a traditionally male-dominated industry, it is crucial for Adapteo to actively foster an even gender balance both in the operational and management organisations.

As a tool to promote diversity, since 2020 Swedish team members in Adapteo AB and Adapteo Services AB benefit from full parental pay from Adapteo already after one year of employment at the company, which is an improvement compared to what is stipulated in the collective bargaining agreement.

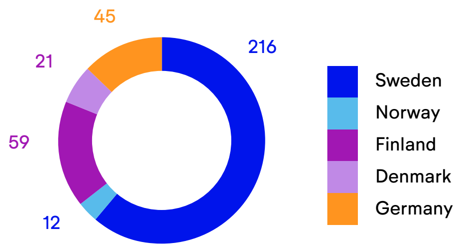
A safe working environment

At Adapteo, the health and safety of employees is the highest priority. Our goal is to be a zero-accident workplace. Adapteo implements the OHSAS 18001 Occupational Health and Safety Management System and similar standards in all markets, and is working towards external certification across the group. All work-related injuries are reported and followed up, and during 2020, no serious work-related injuries were reported. Adapteo provides training on health and safety to relevant employees. All Adapteo team members have collective bargaining agreements (CBAs) or equivalent contracts in the countries where CBAs are local market practice. 98 per cent of the Adapteo team members have permanent employment contracts although some temporary employment occurs, mainly in production or warehouses.

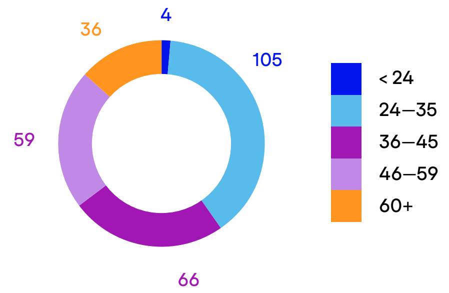
Adapteo's Business Partner Code of Conduct includes requirements on occupational health and safety. The company cooperates with its sub-contractors on occupational health and safety and provide training in this area.

Adapteo has made additional efforts to ensure the health and safety of its team members during the covid-19 pandemic. Measures taken include additional employee surveys with focus on wellbeing and health, and restrictions on the number of people in the company's facilities.

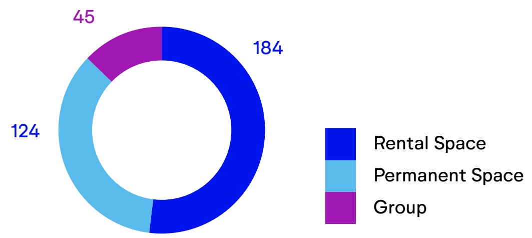
Number of employees per country



Number of employees per age group



Number of employees per Business Area



28 %[7]
Employee turnover

21 %
Rate of new employee hires

0 %
Workrelated serious injuries

7 Including employees who have left because of structural changes to the organisation, e.g. closure of the Gråbo production facility in Sweden.

Talent development and engaged workforce

In 2020, 100 per cent of Adapteo's employees in the Nordics and 62 per cent in Germany received regular performance and career development reviews. Going forward, the aim is to reach 100 per cent in all countries. Adapteo has made additional efforts during 2020 to develop the company's talent despite the ongoing pandemic. Through additional leadership training with external trainers, managers have learnt new skills around leading remotely, active listening and ensuring a good working environment for their teams. The training is now available for all stryk employees.

Gender balance at Adapteo

	All Adapteo employees	Board of Directors	Group Management Team	Business Units Management teams
Women	20 %	43 %	17 %	27 %
Men	80 %	57 %	83 %	73 %

Adapteo regularly tracks employee engagement and seeks feedback from employees through internal surveys. The survey from 2020 shows an Engagement Index of 75. During 2020, despite a challenging year due to the pandemic, the employee survey demonstrated improvements in the quality of Adapteo's leadership, work environment and effective ways of working.

Solutions for a better society

With demographic changes and increased mobility, demands for adaptable and inclusive solutions are growing. Adapteo provides spaces that fit people's changing needs by delivering adaptable solutions for an inclusive society. Adapteo also values inclusion and diversity highly at its own workplace.

Experts on trends in Public Sector

Adapteo is excited about a future where adaptable buildings play a large role in resilient and inclusive societies.

We have spoken to five leading voices within real estate and the public sector to identify key trends that will shape our industry. We have learnt that there will be many opportunities for adaptable buildings to create value in society.

The experts Adapteo talked to observed six key trends shaping how the public sector will manage its real estate to respond to the changing needs of society.

1. Old building stock in need of renovation

The public property renovation debt is enormous. 73 per cent[9] of schools in the Nordic countries today are 40 years or older, and a significant proportion of these are in big need of renovation. The renovation debt is an obstacle to inclusive and quality education. It is already leading to a reconsideration of the public sector's traditional role as property managers.

2. Urbanisation on the rise

Urbanisation affects not only large cities, but also rural areas where people increasingly move to urban centres. This creates changing demands for key social infrastructure such as education and elderly care.

– The urbanisation trend is strong. Urbanisation affects not only large cities, but also rural areas where people increasingly move to urban centres. Because of this trend, we now see larger elderly homes and schools in the town centres in order to streamline costs.

Annika Wallenskog, Chief Economist at the Swedish Association of Municipalities and Regions

3. Volatile demographic changes

Recent years have been extra volatile in terms of demographic trends. For instance, Sweden and Germany had a large immigration stream that peaked in 2015 which has now almost completely ceased. Millennials are also starting to have children, which increases demand for daycare centres and schools.

– These factors make it harder to produce accurate population forecasts. In addition, the elderly population will grow significantly. Sweden needs to build about 500 nursing homes by 2026, and in the pipeline today we only have about 150.

Annika Wallenskog

9 Backlog Renovation report, PWC Strategy &, 2018

4. Strained public sector finances at local level while needs increase

The recent financial crises have hit the municipalities hard and, as a consequence, property maintenance and renovations have been neglected. Despite stronger finances in the past ten years, covid-19 worsens the prospects for public sector finances. The situation has caught up with many municipalities, and the renovation debt is so great that many are starting to look for new solutions.

– As maintenance is neglected, the potential need for rapid evacuation that requires adaptable buildings increases.

Hanna Hellquist, Deputy Municipal Director at the Norrtälje Municipality in Sweden

– The public sector is starting to see that as needs change over time, adaptable builders can rapidly learn from each project, continuously adapt and improve spaces for schools, daycare and elderly care.

Antti Peltokorpi, Assistant Professor of Operations Management in Construction at Aalto University School of Engineering in Finland

5. The rise of climate change on the agenda

Buildings stand for 38 per cent of all energy-related CO_2 emissions globally[10]. The construction and real estate industry and its customers are looking increasingly at the entire environmental footprint of buildings, not just energy efficiency. Therefore, aspects around sustainable design, circularity and choice of materials will become more important. Legislation is also increasing.

– New legislation such as the EU Taxonomy, an increasing price for CO_2 and the financial sector becoming aware of climate risks will drive interest in climate-positive buildings in the years ahead.

Jürgen Utz, Director of the DGNB Academy at the German Sustainable Building Council

6. The pandemic has driven demand for flexible solutions

Covid-19 has changed our lives in a number of aspects. It has also led to new ways of using buildings and real estate. We have seen many examples of flexible and adaptable spaces increasing resilience in society and helping keep people safe – from isolating the infected within elderly care to creating additional hospital wards. The impact may continue beyond covid-19.

– We may see a larger number of relocatable buildings in the future, which can be especially relevant in regions with sparsely populated areas like the Nordic countries. Beyond healthcare, covid-19 has also forced schools to go digital overnight. A mix of traditional classroom teaching and digital solutions open up for new opportunities to design adaptable spaces that best contribute to inclusive and quality education.

Annika Wallenskog

– Digitisation has accelerated during the pandemic. This is likely to have some positive impact, for example on how we design modern teaching and schools in the future.

Jürgen Utz

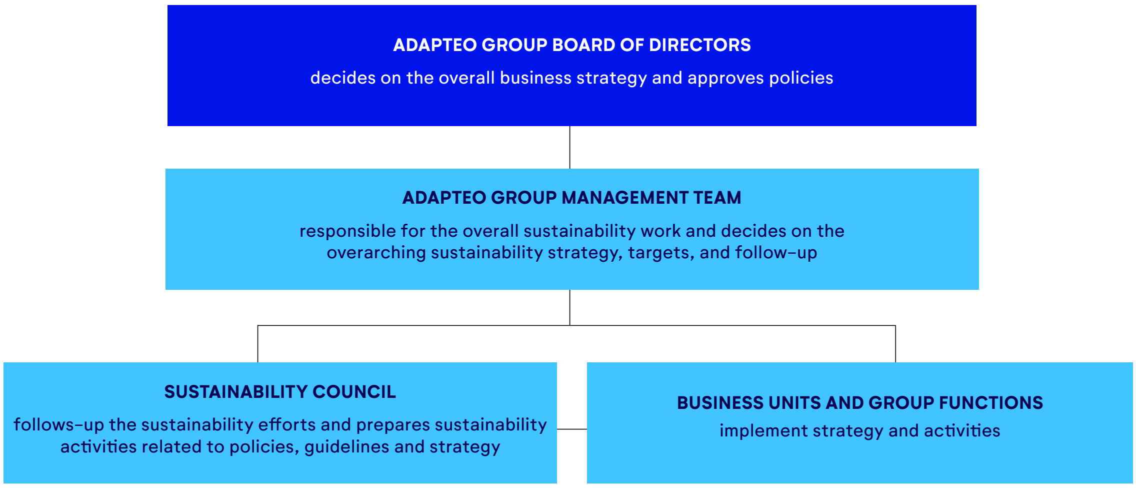
10 UNEP, 2020

Sustainability governance

The foundation of Adapteo's sustainability strategy consists of responsible business practices, stakeholder collaboration, contributing to the United Nations Sustainable Development Goals and respecting human rights. Adapteo’s sustainability governance structure secures the integration of sustainability in Adapteo’s business model at all levels of the organisation. By including all levels of the organisation in the development of its sustainability work, Adapteo ensures that the sustainability strategy is adapted to the company as a whole, is rooted in its actual work, and can be closely followed up.

The Board of Directors decides on the overall business strategy and approves policies such as the Code of Conduct and Sustainability policy. The Adapteo Group Management Team is responsible for the overall sustainability work and decides on the strategy, targets and follow-up. This work is led by the Senior Vice President Marketing, Communication and Sustainability, who is a member of the Adapteo Group Management Team.

A Sustainability Council, representing key functions, prepares and follows up on the planned sustainability activities, which the business units and group functions are responsible for implementing.



Responsible business

Adapteo’s ambition is to be a responsible and ethical business. To strengthen the company's commitments, in 2020 Adapteo became a signatory to the UN Global Compact.

Adapteo's core values, purpose and Code of Conduct form the basis for the company's business operations. Together they act as a compass for both employees and business partners. In addition to Adapteo's own values, the Code of Conduct is based on the OECD's guidelines for multinational enterprises and the UN Global Compact, with important principles for human rights, labour, environmental responsibility, and anti-corruption.

The Code of Conduct is systematically communicated and anchored throughout the organisation. Adapteo trains all employees in Adapteo’s values and corporate culture. A training in the Code of Conduct, which includes human rights, was held for the Dutch Cabin Group's management team at the closing of the acquisition. Information on the Adapteo Code of Conduct is available in the company’s management system on the intranet and is provided as part of new employee onboarding. Adapteo plans to train all employees on its updated Code of Conduct during 2021.

A whistleblowing channel provides a way for all Adapteo employees, business partners, suppliers and other external parties to report suspicions of misconduct. Adapteo informs about the whistleblowing system in its Code of Conduct, on its intranet and external websites. The whistleblowing service is managed by a third party to ensure anonymity. This communication channel is encrypted and password-protected.

Supply chain

Adapteo works with sustainability in partnership with suppliers and other stakeholders. It is a priority for Adapteo that anti-corruption, respect for human rights, non-discrimination and high environmental standards are guaranteed not only in our own operations, but also throughout the supply chain. Therefore, Adapteo's Business Partner Code of Conduct clearly defines the company's expectations in these areas. We review suppliers' endorsement of the Business Partner Code of Conduct on an annual basis.

Adapteo has about 100 large suppliers. Large suppliers are defined as those whose business with Adapteo is over EUR 100,000 annually. Many of Adapteos' suppliers work actively on sustainability already.

Adapteo includes sustainability aspects when the company selects, monitors, and engages with suppliers.

Supplier selection: The Business Partner Code of Conduct is a requirement for all new supplier agreements.

Supplier monitoring: Adapteo carries out an annual assessment of large suppliers, where sustainability aspects such as quality, environment, and health and safety management systems are included. Building entrepreneurs are also a focus of the assessments. For example, in Sweden entrepreneurs are evaluated annually, including on environment and health and safety.

Supplier engagement: Adapteo engages with suppliers on sustainability through the annual assessments. The company also has a dialogue with suppliers to encourage them to assess their materials with third-party organisations such as SundaHus.

During 2021, Adapteo will continue to strengthen its processes for supplier assessment and engagement around sustainability. For example, Adapteo is planning to:

- review its supply chain risk assessment, to be able to better focus internal resources on where Adapteo can drive most impact.
- strengthen its processes for following up supplier assessments, using a risk-based approach.
- strengthen the sustainability aspects in Adapteo's purchasing policy.
- engage in supplier audits.
- carry out supplier training on sustainability, for example by inviting suppliers to a virtual meeting where Adapteo clarifies its sustainability expectations and shares best practices.
- improve internal cooperation regarding suppliers that have business relations with different entities across Adapteo's business. The aim is to increase transparency and engagement with these suppliers.

In terms of priority areas for supplier engagement to create sustainable value for our customers, the main opportunities Adapteo sees are within low-emission transport and sustainable materials.

Stakeholder dialogue

Adapteo's key stakeholder groups are customers and their tenants, employees including management, investors and suppliers. During 2020 and in preparation for this report, Adapteo conducted a sustainability stakeholder dialogue with all key groups: customers, investors, Adapteo employees and suppliers.

Aspects that are important to us are sustainable materials as well as reuse and recycling. Using sustainable trucks and fuels when transporting the building units is also a focus, as well as ensuring a good work environment at our facilities.

Erica Lindström,
Environmental Engineer, ESS

The dialogue included six interviews with customers and investors, three interviews with top management representatives, four interviews with Adapteo team members within production, sourcing, and sales, and one interview with a supplier. Adapteo also carried out two internal surveys, one for the members of the Sustainability Council and one for all Adapteo employees. Engagement with other stakeholders takes place as regular contacts in the company's ongoing operations.

As part of the stakeholder dialogue, customers such as ESS highlighted the importance of communicating what Adapteo does on sustainability as an avenue to build trust. Investors raised the importance of setting science-based targets and focusing on aspects such as anti-corruption and employee training. They also emphasised Adapteo's positive impact in providing quality spaces to essential functions in society, such as daycare, schools and elderly care. Management and employees raised sustainability as a differentiator from competition and the importance of integrating a holistic perspective, including both environmental and social aspects, into business strategy.

For Adapteo, sustainability has the potential to drive positive impact rather than just lower risk. Adapteo provides important social infrastructure such as daycare centres. This has positive effects for society that go beyond reducing the climate impact of buildings.

Gert Steens,
Sterling Strategic Value

Material aspects

During 2020, Adapteo has updated its analysis of material aspects in the environmental, social and governance areas. Dialogue with internal and external stakeholders, such as employees, customers, investors and suppliers, has guided the company in this assessment.

As part of this analysis, Adapteo has mapped the material areas that are of highest importance to internal and external stakeholders, and where Adapteo can have most impact. These material aspects inform the company's sustainability strategy as well as its work on setting targets and KPIs, to measure and report progress.

- Human capital
- Financial result
- Supply chain management

- Climate impact
- Sustainable product design and materials
- Space for an inclusive and resilient society
- Diversity and inclusion
- Business ethics and anti-corruption

- Resource efficiency and waste
- Circularity
- Employee health and safety
- Customer welfare

Very high priority

Priority

Environment Social Governance

Material aspects and Adapteo's sustainability strategy areas

Material aspect	Description	Sustainability strategy area
ENVIRONMENT		
Sustainable product design and materials	Offering climate-smart buildings with low impact on the environment. Using renewable, recycled and recyclable materials in Adapteo's products	▪ Design for sustainability ▪ Sustainable buildings
Climate impact	Emissions from production and operations, energy-efficient production GRI: Energy consumption, Carbon emissions	▪ Sustainable buildings ▪ Resource-efficient production
Resource efficiency and waste	Using resources efficiently and minimising waste from Adapteo's production GRI: Environmental certifications	▪ Resource-efficient production
Circularity	A circular business model where we transform and repurpose Adapteo's buildings to serve different purposes depending on our customer's needs	▪ Circular solutions
SOCIAL		
Human capital	Employee training and career development, employee turnover GRI: Career development review, Collective bargaining agreement	▪ Diverse and inclusive workplace
Diversity and inclusion	Adapteo as a diverse and inclusive workplace with no discrimination GRI: Diversity, Discrimination	▪ Diverse and inclusive workplace
Employee health and safety	Health and safety of Adapteo employees working in production, construction and operations GRI: Health and safety	▪ Foundation
Customer welfare	Ensuring health and safety of end users and customer satisfaction	▪ Solutions for a better society
Spaces for an inclusive and resilient society	Working together with partners to have a positive impact on the local communities and securing spaces for example for schools and elderly care	▪ Solutions for a better society
GOVERNANCE		
Business ethics and anti-corruption	High ethical standards and anti-corruption GRI: Code of Conduct training, Anti-corruption	▪ Foundation
Supply chain management	Environmental standards, health and safety and human rights in the supply chain GRI: Supplier Code of Conduct	▪ Foundation
Financial result	Adapteo's financial results and business success	▪ Foundation

Sustainability risk management

Adapteo has integrated sustainability in its enterprise risk management and aims to increase disclosure on how sustainability risks are managed. During 2020, Adapteo has worked across functions within the company to develop further its sustainability risk management approach. Adapteo regularly assesses how the company can manage these issues and minimise its sustainability risks. Through a robust materiality assessment, Adapteo includes these risks in the company's material topics and manages them as part of its sustainability strategy.

Sustainability risk management — key risks identified

- Waste and hazardous materials management
- CO_2 emissions
- Supply chain management
- Business ethics and anti-corruption
- Employee engagement
- Diversity and inclusion
- Product safety

Contributing to the Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) have been an important corner stone in the development of Adapteo's sustainability strategy and goals. As a flexible real estate provider, Adapteo plays an active role in building adaptable societies and fully support the 2030 Agenda with the aim of contributing to its effective implementation. Adapteo has selected six SDGs where the company can contribute positively. These SDGs are linked to the sustainability strategy and help Adapteo integrate its commitment to sustainable development throughout the business.

Goal: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Milestone: 4.A: Create including and safe environments for education

Goal: Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all

Milestone: 8.5 Decent work and equal pay for work of equal value
Milestone: 8.8 Protect labour rights and promote safe and secure work environments

Goal: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Milestone: 9.4 Upgrade all industry and infrastructure for increased sustainability

Goal: Make cities and human settlements inclusive, safe, resilient and sustainable

Milestone: 11.1 Safe housing for an affordable cost

Goal: Ensure sustainable consumption and production patterns

Milestone: 12.2 Sustainable management and use of natural resources
Milestone: 12.5 Make significant reduction in the quantity of waste

Goal: Take urgent action to combat climate change and its impacts

Milestone: 13.3 Increase knowledge and capacity to handle climate changes

Corporate governance

Adapteo's corporate governance is devised to support the Group's long-term strategies, market presence and competitiveness. At the same time, it shall uphold confidence among stakeholders, such as shareholders, customers, suppliers, capital markets, society, and employees.

Corporate governance relates to decision-making structures by which the shareholders, directly or indirectly, control the Group. The Corporate Governance Principles have been adopted by the Board of Directors of Adapteo Plc (the Board). They supplement the Finnish Companies Act, the Finnish Securities Markets Act, the Finnish Accounting Act, the rules and recommendations of Nasdaq Stockholm, as well as the Company's Articles of Association. The Company applies – on a comply or explain basis – the Swedish Corporate Governance Code (Sw. Svensk kod för bolagsstyrning) issued by the Swedish Corporate Governance Board (Sw. Kollegiet för svensk bolagsstyrning) from time to time. Apart from the transitional deviation of Rule 9.7 in the Swedish Corporate Governance Code regarding the duration of the vesting period of the Performance Share Plan 2019, Adapteo does not deviate from the Swedish Corporate Governance Code for the financial year 2020. For more information regarding the deviation and the Performance Share Plan 2019, please refer to the page 58–59. No violations of applicable stock exchange rules or of good practice on the securities market have been reported regarding Adapteo of the Nasdaq Disciplinary committee or the Swedish Securities Council during 2020. The Swedish Corporate Governance Code is available at http://www.corporategovernanceboard.se.

The General Meeting of Shareholders, the Board, and the President and CEO are responsible for the management of the Company, and their duties are primarily determined in accordance with the Finnish Companies Act.

The Board ensures that Adapteo complies with the principles of good corporate governance.

The auditor's statement regarding this report can be found on pages 121–125.

Further information about corporate governance in Adapteo is available at www.adapteogroup.com

Corporate Governance structure

The following sections describe the governance structure within Adapteo and how corporate governance creates a framework for rules and regulations, areas of responsibility and processes, and routines that effectively safeguard the interests of shareholders and other parties by, minimising risks and creating good conditions for a stable expansion of Adapteo's business.

Adapteo is a Finnish limited liability company whose shares are listed on Nasdaq Stockholm. Adapteo uses a one-tier governance model, which, in addition to the General Meeting of the Shareholders, comprises the Board and the President and CEO. In the operative management of the company, the President and CEO are assisted by the Group Management Team.

1. Shareholders

At year-end 2020, the total number of shareholders in Adapteo was 8,897. The proportion of foreign ownership was 60% of the number of shares and votes in Adapteo. One owner represented at least 10% of the voting interests for all shares in the company. EQT Public Value Investments S.à r.l. represented 8,295,358 shares, corresponding to 16.9% of total number of shares and votes.

Further details about the company's shares and shareholders are presented in the section "The share and owners", see pages 62–63, and on the website https://www.adapteogroup.com/investors.

2. General Meeting of Shareholders

The General Meeting of Shareholders is the ultimate decision-making authority of the Company. The Annual General Meeting (AGM) is convened by the Board annually within six months from the end of the previous financial year. An Extraordinary Meeting of Shareholders (EGM) may be convened if the Board deems it necessary, or if it is legally required.

The AGM decides on the distribution of profits, adopts the financial statements and discharges the members of the Board and the President and CEO from liability. It elects the members of the Board, as well as decides on their remuneration. The AGM also elects the auditor of the Company. In addition, a shareholder may request that his/her proposal be handled at the next AGM of Shareholders.

General Meetings shall be convened by publishing a notice to the meeting on the Company's website no earlier than three months and no later than three weeks prior to the date of the General Meeting. In addition, Adapteo publishes the invitation to the meeting by means of a regulatory press release immediately after the Board has decided to convene a General Meeting. Each share carries one vote at a General Meeting of Shareholders. The agenda for the meeting and the proposed decisions and other documents are made available on the Company's website at least three weeks before the General Meeting.

The decisions of the General Meeting of Shareholders are published by means of a regulatory press release immediately after the General Meeting of Shareholders. The minutes of the General Meeting of Shareholders are published on Adapteo's website within two weeks of such a meeting.

The Annual General meeting on 23 April 2020 resolved on the composition and remuneration of Adapteo's Board, elected Adapteo's auditor and an authorisation of the Board on issuance of shares and also on acquisition of Adapteo's own shares.

The Annual General Meeting 2021 will be held at 1:00 pm EET on 19 April, 2021, in Vantaa, Finland.

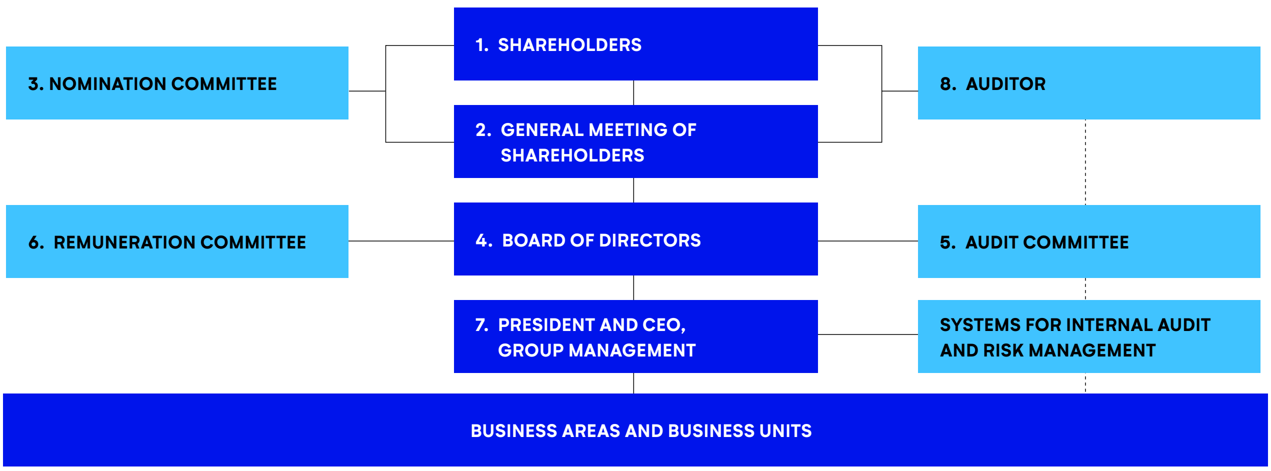
3. Nomination Committee

The Shareholders' Nomination Committee (Nomination Committee), consisting of the largest shareholders of the Company (or persons appointed by such shareholders), prepares proposals concerning the election and the remuneration of the members of the Board and the Chairman of Board to the following AGM. The Nomination Committee consists of four members, one member being the Chairman of the Board and three members representing the Company's three largest shareholders who, on the last business day of September preceding the next Annual General Meeting, hold the largest number of votes calculated out of all shares in the Company. The chairman of the Nomination Committee shall be the member that has been appointed by the largest shareholder unless the Nomination Committee decides otherwise. The term of the members of the Nomination Committee shall end upon the appointment of the following Nomination Committee.

The Nomination Committee shall conduct its duties in accordance with the Swedish Corporate Governance Code. The main purpose of the Nomination Committee is to ensure that the Board and its members represent a sufficient level of breadth of qualifications, expertise, knowledge and competence for the needs of the company, and have the possibility to devote sufficient amount of time to attending their duties as members of the Board. The Nomination Committee shall pay attention to achieving a balanced gender distribution and diversity balance on the Board considering the competence of the Board as a whole. The Nomination Committee shall in its work consider the diversity principles of the company. In preparing its proposal regarding the Board of Directors, the Nomination Committee has applied Section 4.1 of the Code as its diversity policy. Taking the Company's operations, phase of development, and general circumstances into account, this respects the need for the Board of Directors to be appropriately composed and characterised by versatility and breadth in terms of its skills, experience, and background.

The proposals and the Nomination Committee's statement are published at the latest on 31 January each year. For further information about the Nomination Committee, see the Committee Charter at the website www.adapteogroup.com. In accordance with

Corporate Governance structure



instructions on Adapteo's website, shareholders are welcome to present proposals and opinions to the committee.

Shareholders who wish to submit proposals to the Nomination Committee can do so by e-mail to investor.relations@adapteo.com or by ordinary mail to the address Adapteo Plc, Nomination Committee, Attn: Caroline Lind, Box 4080, 169 04 Solna, Sweden.

The members of Adapteo's Nomination Committee for the 2021 Annual General Meeting are:

Fredrik Åtting, appointed by EQT Fund Management S.à r.l.

Dr. Giulia Nobili, appointed by Sterling Strategic Value Fund S.A., SICAV-RAIF

Marie C. Karlsson, appointed by Nordea Funds

Peter Nilsson, Chairman of the Board of Directors of Adapteo

4. Board of Directors

According to Adapteo's Articles of Association, the Board comprises a minimum of five and a maximum of eight members. The Board is responsible for the administration of Adapteo and the appropriate organisation of its operations. The Board of Directors is Adapteo's highest decision-making body below the General Meeting of Shareholders. The Board is responsible for the organisation of the Group and management of the Group's affairs. The Board's tasks include adopting strategies, business plans, interim reports, year-end reports, annual financial statements, and certain instructions, policies and guidelines. The Board is also required to monitor economic developments and ensure the quality of financial reporting and internal controls and evaluate operations based on the objectives and guidelines set by the Board. Additional targets include deciding on the Group's major investments, acquisitions and divestments, and other changes in the organisation and activities.

The Board appoints and dismisses the President and CEO, supervises his or her actions, and decides on his or her remuneration and other terms and conditions of service.

The Board adopts instructions for the Board committees and an instruction for the President and CEO, as well as an instruction for the financial reporting. The work of the Board follows written rules of procedure to ensure that the Board obtains information on all issues, and that all aspects of the Group's activities relating to the Board are addressed.

Composition

Members of the Board of Directors are appointed annually by the Annual General Meeting, which also appoints the chairman of the Board, for the period until the end of the next AGM. According to the Group's Articles of Association, the members of the Board of Directors to be elected by the General Meeting shall consist of a minimum of five members and a maximum of eight members. None of the Board members are employed by the Group.

The AGM of 23 April 2020 resolved that the number of members of the Board of Adapteo shall be seven and resolved to elect Peter Nilsson as Chairman and Carina Edblad, Outi Henriksson, Sophia Mattsson-Linnala, Andreas Philipson, Joakim Rubin, and Ulf Wretskog as members of the Board of Directors of Adapteo. The term of office of the members of the Board of Directors of Adapteo will expire at the end of the 2021 AGM of Adapteo. Based on an evaluation of independence, the members of the Board are considered to be independent of Adapteo. The members of the Board are independent of Adapteo's major shareholder, excluding Joakim Rubin who is not independent of Adapteo's largest shareholder.

The Chairman leads the work, is responsible for ensuring that the Board's work is carried out efficiently and that the Board fulfils its obligations in accordance with applicable laws and regulations. The Chairman shall monitor the Board's performance and prepare and chair the meetings. The Chairman is also responsible for ensuring that the Board of Directors evaluates its work each year and always receives the information necessary to perform its work effectively. The Chairman represents the Board in relation to Adapteo's shareholders.

Attendance at Board meetings 2020

Board member	Attendance / No. of meetings
Peter Nilsson (Chairman)	21/21
Carina Edblad	19/21
Outi Henriksson	20/21
Sophia Mattsson-Linnala	18/18
Andreas Philipson	20/21
Joakim Rubin	19/21[1]
Ulf Wretskog	18/18

1 Joakim Rubin being excluded from two meetings in December 2020 deciding on equity issue launch and allocation.

Work of the Board
To fulfill its duties, the Board's work follows an annual cycle. At the beginning of the year, the Board considers the year-end report and the annual report, as well as matters to be submitted to the AGM. Each year, the Board reviews the strategic direction of the Group as well as the business plan and targets for the year ahead. There is also a presentation of the annual audit made by the Group's principal auditor.

Every quarter, the Board reviews the Group's earnings and interim reports. An inaugural Board meeting is held in connection with the AGM at which members of the Board's committees are appointed and matters such as the right to sign on behalf of the company are decided. At Board meetings, there are normally business presentations and presentations on current matters. The Board evaluates the performance of the President and CEO and also follows up on the compliance of the Code of Conduct during the year. The Board held 21 meetings in 2020, of which 18 after the 2020 AGM, including the inaugural meeting. Three of these meetings were per capsulam.

Evaluation of the Board
The annual evaluation of the Board of Directors' work, including the Board's committees, was conducted in accordance with the instructions by the Nomination Committee. The 2020 evaluation was answered by each Board member. In addition, the Chairman of the Nomination Committee met with each Board member separately to discuss the evaluation and presented the results of the evaluation to the Nomination Committee. The evaluation included working procedures, competence and composition of the Board as well as the experience and diversity of the Board members.

Remuneration of the Board of Directors
Pursuant to the Articles of Association of Adapteo, the General Meeting of Shareholders determines the remuneration payable to the members of the Board of Directors. The Annual General Meeting on 23 April 2020 resolved that remuneration to the Board members elected by the General Meeting, for the period ending at the end of the 2021 Annual General Meeting of Adapteo, should be as per below. See also note 27.

- The Chairman of the Board EUR 92,500.
- Each of the other Board members EUR 37,500.
- The member of the Board elected chairperson of the Audit Committee received an additional compensation of EUR 15,000.

Each other member of the Audit Committee will receive an additional compensation of EUR 7,500.

The member of the Board elected chairperson of the Remuneration Committee will receive an additional compensation of EUR 10,000.

Each other member of the Audit Committee will receive an additional compensation of EUR 5,000.

Authorisation to issue shares and to acquire Adapteo's own shares
The AGM on 23 April 2020 decided to authorise the Board of Adapteo to resolve to issue shares and special rights entitling to shares up to a maximum of 4,500,000 shares, corresponding to approximately 10% of Adapteo's shares as of this date. The AGM also authorised Adapteo's Board to decide on the acquisition of not more than 100,000 Adapteo shares. Both authorisations are valid until the end of the next AGM, however no longer than until 30 June 2021.

5. Audit Committee

The Board has appointed an Audit Committee and adopted a written charter for the Audit Committee setting forth purposes, composition, operations and duties of the committee as well as qualifications for committee membership.

The Audit Committee shall have at least two members. They may not be employed by the Company or the Group. The President and CEO or any other person belonging to the Company's management may not be a member of the Committee. The Audit Committee may invite, in addition to representatives of the Company and external auditors, experts to its meetings, when necessary.

The Committee as a whole, shall possess the expertise and experience required for the performance of the duties and responsibilities of the Committee. Without limiting the applicable requirements, desirable qualifications for Committee members include appropriate understanding of accounting practices and financial reporting. At least one Committee member shall have special expertise in accounting, bookkeeping or auditing, and the Committee as a whole shall have sufficient expertise and experience of the Company's operating environment.

The Audit Committee assists the Board in fulfilling its oversight responsibilities of the Company's financial reporting process, and in monitoring the statutory audit of the financial statements and consolidated financial statements of the Company and assists the Board in its oversight of matters pertaining to financial reporting, internal control, internal audit and risk management, and by making proposals on such matters to the Board. In addition, the Audit Committee reviews the description of the main features of the internal control and risk management systems, pertaining to the financial reporting process, and monitors the efficiency of the system of internal control and risk management, and the audit process.

In addition, the duties of the Audit Committee include preparatory work on the decision on electing the auditor, the evaluation of the independence of the auditor, particularly the provision of related services to the Company and carrying out other tasks assigned to it by the Board. The Audit Committee does not have independent decision-making authority in matters within the competence of the Board, but it assists the Board in preparing such matters that the Board within its competence collectively makes the decisions on.

The Board elects the members and the Chairman of the Audit Committee from among its members. Members are appointed for a one-year term of office, which expires at the end of the AGM following the election. The Audit Committee consists since April 2020 of Outi Henriksson (chair), Joakim Rubin, and Ulf Wretskog. During 2020 the Audit Committee held eight meetings with all members attending all meetings.

6. Remuneration Committee

The Board has appointed an Remuneration Committee and adopted a written charter setting forth the purpose, composition, operation and duties of the Remuneration Committee as well as qualifications for committee membership. The Remuneration Committee shall have at least three members. The Board of Directors shall elect members to the Remuneration Committee from among its members. The members of the Remuneration Committee are to be independent of the Company and its executive management. The President and CEO or any other person belonging to the Company's management team may not be a member of the committee. In addition to the Committee members, the meetings are attended, as a general rule, by the Company´s President and CEO and SVP HR. When needed the Committee may also invite other members of management, external auditors and experts to be heard.

The Remuneration Committee assists the Board by reviewing and preparing matters related to the remuneration principles of the company, the performance and remuneration of the Group Management Team and personnel, as well as executive management appointments, and reviewing appropriate succession planning procedures for executive management, and by making proposals on such matters to the Board, and preparing any tasks referred to a remuneration committee in the Swedish Corporate Governance Code and other rules and regulations applicable on companies publicly listed in Sweden.

The Remuneration Committee consists since of April 2020 of Peter Nilsson (chair) and Carina Edblad and Andreas Philipson as members. During 2020 the Remuneration Committee held four meetings with all members attending all meetings.

Remuneration of the President and CEO and Group Management

The remuneration for Adapteo's senior executives shall consist of a base salary, short-term variable cash remuneration, long term variable remuneration, pension contributions and additional benefits. The base salary shall reflect the position, qualification and individual performance and the variable compensation shall be dependent on the extent to which predetermined quantitative and qualitative goals are met.

Short-term variable cash remuneration is linked to predetermined and measurable criteria with a strong link to the company's predefined financial goals. Short-term variable cash remuneration to the President and CEO may correspond to a maximum of 70 per cent of the fixed annual salary, and to 50% for other members of the executive management team according to the remuneration policy. As of now, the Board of Directors have decided that short-term variable cash remuneration to the CEO corresponds to a maximum of 50 per cent of the fixed annual salary, and 40% of the annual fixed salary for other members of the executive management team. In case of termination of employment of a senior executive by the Group, the compensation, excluding applicable notice period, can be up to six month's base salary. See note 27 for information about the remuneration during 2020.

Performance–based incentive programs

It is considered by the Board to be in the best interest of the shareholders that key personnel in Adapteo have a long-term interest in a good value development of the shares of the Group. Particularly, this applies to the group of key personnel that consists of the senior executives, business unit managing directors and selected key employees of Adapteo. It is also the assessment of the Board that acompetitive long-term incentive program increases the attractiveness of Adapteo on the global market and enhances the possibility to recruit and retain key personnel in the Group.

LTI 2020–2022

During 2020 the Board of Directors of Adapteo resolved on launching a new long-term incentive plan for the performance period 2020-2022 (LTI 2020-2022). The LTI 2020-2022 is cash-based with a total length of three years and the maximum earning opportunity for the participants is expressed as a per centage of the individuals' annual base salary. Each possible cash reward corresponds to 1/3 of a participant's maximum LTI outcome under the performance period. The plan is aimed at approximately 20 key employees. Performance is evaluated based on Adapteo Group´s Earnings Per Share ("EPS") in relation to a performance range from threshold to max level. The LTI plan consists of three evaluation periods and participants has the possibility to earn annual cash rewards following each evaluation period.

To continuously be eligible for participation in any future LTI plans, the Board of Directors have expressed an expectation that the participants must invest any net cash rewards in Adapteo shares. Shares purchased from paid net cash rewards from the plan are to be held by the participants as stated below:

- Up to three years after the date of the share purchase 100% of the shares are to be held
- Three to five years after the date of the share purchase 75% of the shares are to be held
- After five years after the date of purchase of the shares 50% of the shares are to be held

In addition to the above a member of the Group Management Team (GMT) must hold 100 per cent of the Net Shares purchased on the basis of the Plan, until his or her shareholding in Adapteo in total corresponds to the value of his or her annual salary.

Investments of any net earnings under the program is monitored by the Remuneration Committee of Adapteo.

Share–related remuneration

Outstanding share– and share–related incentive programs

Adapteo had outstanding share-based incentive programs with performance measures under which the President and CEO and other key employees was participating during 2020. In connection with the demerger from Cramo Plc, the Board of Directors of Cramo Plc resolved to establish new share-based incentive plans for Adapteo Group employees. The aim was to align the objectives of the shareholders and Adapteos executive management and key employees, to retain key employeesat Adapteo, and to offer them continuity to existing Cramo share-based incentive plans after the demerger.

Due to the acquisition of all shares of Cramo Plc made by Boels, the Board of Directors of Adapteo has decided to make certain considerations relating to the share-based plans originating from Cramo. The Board of Directors has decided that all Adapteo shares under the affected programmes shall continue to vest in accordance with the original time table and terms and conditions. The Board of Directors have further decided on the treatment of the share value of Cramo shares under each respective plan period. It was decided by the Board that the part of the rewards settled as Cramo shares under the One Cramo Share Plans were paid out to the participants in cash according to the bid price of EUR 13.75 per share, on an accelerated schedule to the participants of the One Cramo Share Plan. Furthermore, it was decided by the Board that the rewards settled as Cramo shares under the Performance Share Plans 2017,2018 and 2019 H1 are to be paid in cash to the participants according to the bid price of EUR 13.75 per share, in the original time table of each plan period. In addition it was decided by the Board to offer participants the opportunity to voluntarily utilise the cash reward from the Cramo portion of each Performance Share Plan period to cover applicable taxes arising from the reward of Adapteo shares in order to offer the participants maximal vesting of Adapteo shares under the plans and hence accelerate shareholding amongst management and key employees.

Performance Share Plan 2019 (PSP 2019)

In the plan, the participants have an opportunity to earn Adapteo shares based on the achievement of performance criteria, as established by the Board. The plan includes three discretionary periods, 1 July–31 December 2019 and calendar years 2020 and 2021. Each discretionary period is followed by a two-year vesting period. Each discretionary period is conditional on the Board's resolution.

A participant's participation in PSP 2019is contingent upon his or her participation in the Adapteo Employee Share Savings Plan “Piece of Adapteo 2019”. Any rewards will be paid out after the vesting period in Adapteo shares. The participants are entitled to get a gross number of shares if all the vesting conditions are met. However, a portion of shares is withheld to cover applicable taxes arising from the rewards to the participants and a net number of shares is paid.

The plan constitutes a transitional deviation from the requirement of the Swedish Corporate Governance Code 2016, which provides that the vesting period to the date for acquisition of shares is to be no less than three years. For business, continuity and programme design reasons, the discretionary periods and vesting periods of the Performance Share Plan 2019 have been set to match Adapteo's financial year, being the calendar year. However, as the completion of the demerger was registered on 30 June 2019, the demerger occurred during a calendar year. Therefore, the first discretionary period commenced on 1 July 2019, and, as a result, the first discretionary period and vesting period would together be approximately two and a half years. It has been assessed that applying a discretionary period and vesting period of a total of three and a half years would be detrimental to the incentivising purpose of the programme. The second and third discretionary periods, together with their vesting periods, would both be a total of three years.

The plan is aimed at approximately 20 key employees. The reward from the discretionary period 2019 is based on the Group's EPS and the Group's operative ROCE. Per current estimation, the rewards to be paid based on the discretionary period 2019 are approximately EUR 0.9 million at the maximum. The maximum rewards were converted to Adapteo shares when the trading on Adapteo shares started.

A member of the Group Management Team must hold 50% of the shares resulting from the plan, until his or her shareholding in total corresponds to the value of his or her annual gross salary.

It is to be noted that the Board of Adapteo Plc has resolved not to launch a new discretionary period for 2020 under the Performance Share Plan 2019. Instead, the Board resolved to launch an alternate cash-based long term incentive plan (LTI 2020-2022) as stated above under the section “Perfromance-based incentive programs”.

Employee Share Savings Plan “Piece of Adapteo 2019”

The Employee Share Savings Plan was offered to all Adapteo Group employees. In the plan, employees were offered an opportunity to voluntarily save a proportion of their salary to be used for the purchase of Adapteo shares.

The plan period is 1 July–31 December 2019, during which savings from the participants’ salaries have been deducted monthly. The minimum savings amount per participant per month is 2% of gross salary, and the maximum is 5%. The total amount of all savings may not exceed EUR 0.8 million. Each participant will receive one free matching share for every two purchased savings shares after the designated holding period, which ends on 15 May 2022, assuming the preconditions of shareholding and employment have been met. It is to be noted that the Board of Directors of Adapteo Plc has resolved not to launch a new Employee Share Savings Plan for 2020 or 2021. The shares earned under the current Employee Share Savings Plan 2019 shall continue to vest in accordance with the terms and conditions of the plan and payed to the participants in the original time table in May 2022.

Cramo's Share–Based Incentive Plans
Pursuant to the demerger from Cramo, the Board of Directors of Cramo resolved on certain adjustments to the reward payments of share-based incentive plans set out from Cramo summarised below:

Performance Share Plans 2017, 2018 and 2019
All rewards will be paid out in Adapteo shares and cash corresponding to pending Cramo portions (rewards from PSP 2017 was paid to the participants during 2020), in original schedule after relevant vesting period. The participants are entitled to get a gross number of Adapteo shares and cash corresponding to the Cramo portion if all the vesting conditions are met. However, a portion of Adapteo shares is withheld to cover applicable taxes arising from the rewards to the participants and a net number of shares are paid. Participants under the plans are given the option to use the cash reward arising from the Cramo portion to cover applicable taxes arising from the reward of Adapteo shares in order to offer the participants maximal vesting of the Adapteo shares under the plans

The pending confirmed rewards from the discretionary period2018 will be paid to participants in the original schedule after the relevant vesting periods, in May 2021.

For Adapteo participants, the discretionary period 2019 ended already on 30 June 2019. Any rewards accrued by 30 June 2019 will be paid to participants in the original schedule after the relevant vesting period, in May 2022.

One Cramo Share Plan
After the completion date pursuant to the demerger, the pending matching shares in the One Cramo Share Plan will be paid to the participants in the original schedule after the relevant holding periods, in May 2020 (paid), 2021, and 2022. Matching shares will be paid out in both Cramo and Adapteo shares, so that for each earned Cramo share, the participants receive one additional Adapteo share. During the second quarter 2020, it was decided that the part of rewards settled as Cramo shares were paid out to the participants in cash according to the bid price of EUR 13.75 per share, on an accelerated schedule to the participants of one Cramo Share Plan. The participants are entitled to get a gross number of Adapteo shares after each relevant holding period if all the vesting conditions are met. However, a portion of shares is withheld to cover applicable taxes arising from the rewards to the participants and a net number of shares is paid.

For Adapteo participants, saving in the One Cramo Share Plan ended on 30 June 2019. Any savings not used for share purchases before the demerger has been used to purchase Adapteo shares for Adapteo participants after the demerger. The matching shares will be denominated respectively.

7. President and CEO, Group Management

The Company's Board appoints and dismisses the President and CEO. The Board decides on the terms and conditions of the President and CEO's employment. The terms and conditions as well as the financial benefits from the President and CEO's employment are specified in a written service contract. The President and CEO is responsible for managing, supervising and controlling the business operations of the Company.

The President and CEO is responsible for the day-to-day executive management of the Company in accordance with the instructions and orders given by the Board. In addition, the President and CEO ensures that the accounting practices of Adapteo comply with Finnish law and that its financials have been organised in a reliable manner. The duties of the President and CEO are also set out in instructions for the President and CEO adopted by the Board of Directors of Adapteo. The President and CEO shall provide the Board and its members with the information necessary for the performance of the duties of the Board.

The President and CEO prepares matters for decision by the Board, develops the Company in line with the targets approved by the Board and ensures the proper implementation of the decisions of the Board. The President and CEO is also responsible for ensuring that the Company is managed in compliance with applicable laws and regulations. The President and CEO is not a member of the Board but may attend the meetings of the Board and has the right to speak at the meetings.

The Company's Board decides on the appointment of the members of the Group Management Team based on a proposal by the President and CEO. The Group Management is chaired by the President and CEO and comprises other senior management appointed by the Board. The Group Management Team meets regularly to address matters concerning the entire Group. The Group Management Team is not a decision-making body of the Company. It assists the President and CEO in the implementation of the Group strategy and in operational management. The Group Management Team is responsible for managing the Company's core business operations as a whole, which requires planning of various development processes, Group principles and Group practices, as well as monitoring the development of financial matters and Group business plans. The Group Management Team convenes monthly and minutes are kept of all meetings.

In addition to Philip Isell Lind af Hageby, President and CEO, the Group Management Team consists of Teemu Saarela, Senior Vice President (SVP) Corporate Development; Erik Skånsberg, CFO; Magnus Tinglöf, Executive Vice President Permanent Space; Hanna Wennberg, SVP Marketing, Communications and Sustainability, and Simon Persson, SVP Human Resources Development. For further information about the members of Group Management Team, see page 69.

8. Auditor

The task of the external auditor is to audit the Group's annual report and accounts, the consolidated financial statements and the significant subsidiaries, as well as the management by the Board of Directors and the President and CEO. Following each fiscal year, the auditor shall submit an audit report to the AGM. The principal auditor participates at selected meetings with the Audit Committee and presents the annual audit to the Board of Directors, where the Board also meets the auditor without the management being present.

At Adapteo's Annual General Meeting on 23 April 2020, the auditor, KPMG Oy Ab of Finland, was elected external auditing firm until the AGM 2021 in compliance with a proposal from the Nomination Committee. The principal auditor is Toni Aaltonen, Authorised Public Accountant.

For the 2020 financial period, the KPMG audit fees of the Group companies totalled to EUR 535 thousand, tax consultation EUR 72 thousand and other services EUR 122 thousand. Parent company´s share of the audit fees was EUR 199 thousand.

Internal control and risk management for financial reporting

Adapteo applies principles set forth in the COSO Internal Control – Integrated Framework which helps organisations design and implement internal control. Adapteo Internal Control Framework is designed to identify, assess and manage risks through effective internal controls in order to achieve timely and reliable preparation of the financial reports, and to ensure that applicable accounting principles and other requirements as a publicly listed company are applied consistently. Further, the Internal Control Framework assists Adapteo in being efficient in the business operations, and to comply with applicable laws and regulation.

Control environment

In Adapteo, the Board of Directors is responsible for setting the ambitions for and monitoring the adequateness and effectiveness of internal control. In accordance with the Board of Directors' and its Audit Committee's charters, the Audit Committee assesses the company's financial reporting process and the appropriateness of the internal control system and reviews the internal control reports. The duties of the Board of Directors and the Audit Committee are presented in more detail in the Corporate Governance section.

The President and CEO is responsible for implementing practical actions regarding internal controls and to maintain an organisational structure in which responsibility, authority, and reporting relationships are clearly and comprehensively defined. An authorisation matrix is used where the division of authority for each organisational role is specified through approval limits. Adapteo has defined internal controls operating principles which assists personnel, management and the Board of Directors in their respective roles and duties regarding internal controls.

Adapteo's ethical principles and business norms are specified in Adapteo's Code of Conduct. Compliance with the principles is promoted through internal communication and training. Adapteo strives to ensure that its key business partners also comply with the same or similar principles as outlined in the company's Business Partner Code of Conduct. The Group's personnel and business partners can report suspected violations of Adapteo's Code of Conduct on Adapteo's website.

Risk assessment

Adapteo's internal controls for financial reporting are designed based on the assessment of financial reporting risks at both process and financial statement line item level. The risk assessment is updated annually and is the basis for the annual internal control self-assessment cycle.

Control activities

Adapteo's accounting and reporting manuals define the standards, processes, and responsibilities for financial reporting. These manuals facilitate the achievement of Adapteo's objectives regarding the reliability of financial reporting. Adapteo has defined risk-based internal control points for its main processes, such as sales, project management, portfolio management, procurement, and financial reporting. These control points include e. g. approvals, reconciling sub-ledgers and accounts, analytical reviews, limitations of access rights, and segregation of duties. The defined control points are designed to prevent, detect and correct material errors and deviations in financial reporting.

Information and communication

Adapteo communicates internal control related matters through employee meetings, its intranet, and through targeted trainings for employees. All key policies are made available through Adapteo's intranet. Governance and internal control-related matters have been in focus during the year 2020.

Monitoring activities

Monitoring of the effectiveness of internal control includes both ongoing and separate evaluations and internal audits. The self-assessment process for financial reporting controls is carried out on a quarterly basis based on an annual plan. The self-assessment process was introduced in 2019 and is executed by persons who are independent from the business and finance processes subject to assessment. Corrective actions have been planned for all control defects noted in the self-assessments.

Adapteo has established an internal audit function. According to the defined charter, the duties of the internal audit function include independent and objective auditing activities, as well as value-adding consulting activities that improve operations. Internal audit contributes to the achievement of the company's objectives through systematic assessment and development of the company's risk management, internal controls, and corporate governance processes. The internal audit function reports directly to the Board's Audit Committee and, administratively, to the CFO. Internal audit procedures are supplied from an external service provider. In 2020, the internal audit procedures have focused on the core and enabling business processes.

Key financial reporting risks	Control activities
Group accounting principles are not consistently applied (e.g. IFRS)	■ Group Accounting Manual and reporting instructions are defined and communicated within Finance Community
Reporting processes and procedures are not documented, kept up to date or followed	■ Procedures and instructions are defined and communicated ■ Closing process task list are in use for monthly closing ■ Closing process controls are defined and monitored
Revenues for rental sales, assembly or other sales are not recognised in the appropriate accounting period	■ Group-wide ERP system provides structures for revenue recognition ■ Business Controlling reviews revenue recognition on a monthly basis
Rental equipment is not appropriately valued in the financial statements	■ Condition of rental equipment is evaluated during and after the rental period ■ Process for systematic assessment of the rental equipment impairment is implemented
Provision for bad debt is not calculated based on Group's guidelines	■ Credit policy sets forth principles for credit management ■ Aged receivables are assessed on a monthly basis and bad debt provision is calculated in accordance with the Group Policy

The share and owners

Adapteo's share is listed on Nasdaq Stockholm, Mid Cap since 1 July 2019. The total number of shares as of 31 December 2020 was 49,124,722.

Share price performance

The closing price of Adapteo's share at year-end was SEK 95.30. In 2020 the price of Adapteo's share declined 16.8%. During the same period, the OMX Stockholm PI Index increased 12.9%. The highest price paid for Adapteo's share during the year was SEK 119.94, which was on 21 January 2020. The lowest price paid was SEK 57.10 on 14 May 2020.

Share turnover and trading

In the year 2020 the volume of Adapteo's shares traded on Nasdaq Stockholm was about 13.2 million, corresponding to a value of approximately SEK 1,151 million. Average daily trading for Adapteo's shares on Nasdaq Stockholm amounted to approximately 52,300 shares, corresponding to a value of approximately SEK 4.6 million. The turnover velocity was 55%.

Share issue

Adapteo issued in December 2020 a total of 4,442,025 shares and received net proceeds of approximately SEK 386 million in a directed share issue to institutional and other qualified investors. The shares represent approximately 10 per cent of the total issued shares in Adapteo prior to the new share issue.

The subscription price of the shares was SEK 89 per share. The net proceeds will be used for the acquisition of Stord Innkvartering AS, as well as for general corporate purposes. The total number of issued shares in Adapteo after the share issue is 49,124,722.

Dividend and dividend policy

Adapteo's target is to distribute a dividend of at least 20% of the net result of the group (excluding items affecting comparability). The Board of Directors proposes to the 2021 AGM that a dividend of EUR 0.12 per share be paid in 2021 in one single payment.

Quick facts

- **Market place:** Nasdaq Stockholm Mid Cap
- **Segment/sector:** Real estate
- **No of shares:** 49 124 722
- **Market cap as of Dec 31 2020:** MSEK 4,682
- **ISIN code:** FI4000383898
- **Ticker symbol Nasdaq:** ADAPT

10 largest shareholders 31 December 2020

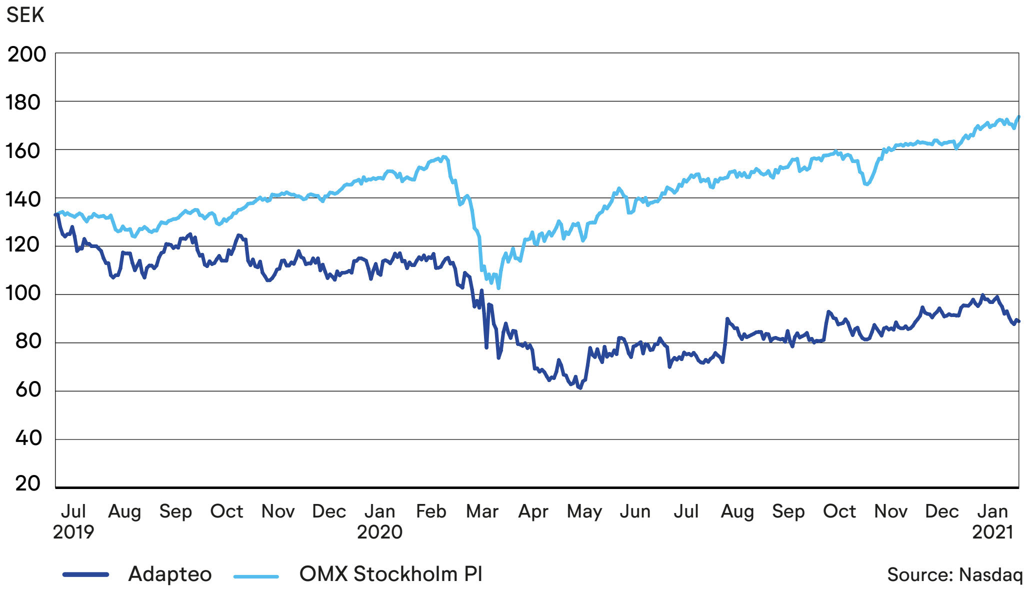
Shareholder	No of shares	% of votes and capital
EQT Public Value Investments S.à r.l	8,295,358	16.89
Sterling Strategic Value Fund	2,804,005	5.71
Construction Managers Group[1]	2,604,615	5.30
Nordea Funds[2]	2,277,217	4.64
Säästöpankki Funds[3]	1,854,824	3.78
Dimensional Fund Advisors	1,628,216	3.31
Norges Bank	1,568,363	3.19
Fourth Swedish National Pension Fund	1,147,182	2.34
Nordea Funds (Lux)	1,144,765	2.33
Vanguard	1,084,931	2.21
Other	24,715,246	50.30
Total	**49,124,722**	**100.00**

As at 31 December 2020, Adapteo PLC held 50,337 of its own shares. The purpose of this is to meet future maturity of employee incentive programs.

Source: Euroclear Finland

1 Includes shares of: Rakennusmestarien Säätiö SR, Rakennusmestarit ja -insinöörit AMK RKL ry, Helsingin Rakennusmestarit ja -insinöörit AMK ry
2 Includes shares of: Nordea Placeringsfond Nordiska Länder, Nordea Suomi, Nordea Invest Nordic Stars
3 Includes shares of: Säästöpankki Kotimaa, Säästöpankki Pienyhtiöt, Säästöpankki Korko Plus, Säästöpankki Itämeri, Säästöpankki Kiinteistöosake Eurooppa

The share



Risk management

All business activities are exposed to risks varying in likelihood and impact. The primary objective of risk management in Adapteo Group is to support the company's strategy execution, continuity of operations, and realisation of business objectives by anticipating any risks involved in the Group's operations and managing them in a proactive manner.

Enterprise risk management emphasizes the role of corporate culture and is an integrated part of operations, planning and decision-making in Adapteo Group.

Responsibilities

Adapteo Group's risk management governance is based on a three lines of defense model. The roles and responsibilities of organisational bodies are described in governance documents and instructions such as charters and job descriptions. This model helps the Board of Directors and management at all levels of the company to properly address risks and opportunities the company is facing, and as a result enhance capabilities to create, preserve and ultimately realise value. Risk management responsibilities have been assigned along these lines:

The Board of Directors is ultimately responsible for ensuring that risk management is properly organised in the Adapteo Group. The Board continuously decides on acceptable risk exposure. The Board's Audit Committee is responsible for monitoring that the company's risk management process operates effectively.

Business Units and Group Functions are responsible for identifying, assessing, managing, and performing risk mitigation activities as a part of day-to-day business activities. Risks are identified taking into an account local market conditions, business operations and surrounding risk factors.

The Group's Risk Management function belongs to the Treasury function and is responsible for maintaining the risk management policy and operating model and for facilitating the practical implementation of risk management procedures. The annual cycle sets forth the framework for risk management activities, which also includes arranging for the Group management's annual risk assessment and reporting to the Board of Directors. Group Treasury also has the operational responsibility for financial risk management as described in the Group's Treasury policy, which has been approved by the Board of Directors.

Enterprise risk management and main risks

Adapteo Group's annual risk management process consists of risk identification, risk assessment, risk management, risk monitoring, and risk reporting. The risk management framework creates awareness of risk and control throughout the organisation and supports informed decision making. Continuous communication and dialogue are necessary to promote risk awareness throughout the Adapteo Group and to ensure successful integration of risk management into strategic planning, budgeting, daily decision-making, and operations.

As a result of the risk management process, Adapteo's main risks have been identified and mitigation plans and activities for these have been defined and implemented as has risk monitoring throughout the year. According to the annual cycle, the Group management's risk workshop has concluded on the main risks for Adapteo Group, which are reviewed by the Board of Directors periodically. A risk overview, summary of identified main risks, and mitigation activities for Adapteo Group´s key risks are presented on the following pages.

Risk overview

Risk	Risk description
Global economic and financial conditions	■ The general economic condition and the functioning of financial markets have significant impact on Adapteo's business. ■ Economic fluctuations may affect demand, supply, and financing of operations.
Continued impact from covid-19	■ Covid-19 continues to present significant short-term risks and it may have direct and indirect impact also on the Adapteo´s operations, markets, and employees. ■ Possible temporary lockdowns or the unavailability of personnel can lead to delays in project deliveries and completions. ■ Persistent threat of covid-19 can affect the purchasing decisions and timing of customers or investors.
Competition environment	■ Adapteo operates in a highly competitive market environment with growing competitive pressure. ■ Market position is dependent on continuous commercial and operational development.
Employees	■ Strategy execution is highly dependent on personnel resources. ■ Both scarce availability and possible loss of key personnel may have a material adverse effect on successful strategy implementation.
Initiative prioritisation	■ As a result of recent acquisitions and growth plans, Adapteo has multiple development projects ongoing simultaneously. ■ Insufficient prioritisation and staffing of internal initiatives may have an adverse effect on core business operations, which in turn may affect the company´s results.
Regulatory changes	■ Adapteo's business is subject to various regulatory requirements. ■ Changes in legislation and authorities´ permit processes may slow down project deliveries and have a negative impact on business and operations.
Performance management	■ Failures in performance management and its alignment with Adapteo's strategic and operational targets may adversely affect the company's ability to reach its targets.
Business and IT integration	■ Adapteo's business operations are dependent on the integration of business requirements and information systems capabilities. ■ Failures in integration may affect the efficiency of operations and the correctness of both internal and external reporting, which in turn may lead to wrong decisions and actions.
Project pricing and profitability	■ Adapteo has a standardised project sales, delivery and management model which aims to harmonise project lifecycle management related processes and activities. ■ Failures in adapting and following the project lifecycle management process may cause process inefficiencies and margin losses.
Project lifecycle management	■ Most of Adapteo´s business is project business. The company has a standardised project sales, delivery, and management model which aims to harmonise project lifecycle management related processes and activities. ■ Failures in adapting and following the project lifecycle management process may cause process inefficiencies and margin losses.
Brand awareness	■ Adapteo's brand awareness in the market is low due to the short time of operating under the Adapteo brand. ■ This may affect Adapteo's ability to attract new customers or personnel.
Operating platform scalability	■ Growth of Adapteo's business operations is dependent on the scalability of the company's operating platform. ■ Failures in operating model adaptation and development may affect Adapteo's ability to reach its growth targets with high quality in project deliveries.
Health and safety risks	■ Managing risks related to occupational health and safety is a key responsibility considering the inherent dangers related to building assembly sites. ■ Failure to do so may result in injuries, serious, or even fatal accidents.
Integration processes	■ Adapteo´s strategy to also grow through acquisitions means that integration work occurs from time to time. It is essential that the company can realise the synergies and benefits expected from such acquisitions
Compliance risks	■ Adapteo's governance, risk management, and compliance processes may fail to meet internal and external requirements resulting in possible regulatory penalties, reputational harm, fraud, or other financial losses.
Portfolio management	■ Adapteo's business is dependent on efficient portfolio management. ■ Inefficiencies in portfolio management may affect Adapteo's ability to take advantage of sales and rental opportunities, cause additional costs, impair brand value, or lead to damage liabilities.
Company culture and internal communication	■ Adapteo's company culture and the clarity of internal communication are key drivers for organisational success and job satisfaction. ■ Failures in maintaining, developing, and communicating Adapteo culture may result in low job satisfaction and create organisational silos affecting Adapteo's future success.

Key risks and mitigation activities

Identified key risks	Risk mitigation activities
Global economic and financial conditions Adapteo's business is exposed to general economic conditions. Economic fluctuations, including slow or negative economic growth, may have a negative impact on Adapteo's business, financial condition, and results of operations in several different ways, including lower demand, increased expenses, as well as suppliers, contractors or Adapteo's customers experiencing difficulties in meeting their contractual obligations.	Adapteo constantly monitors the economic and geopolitical situation and actively adapts its strategy and operations in order to mitigate risks related global economic and financial conditions.
Competition environment Adapteo operates in a competitive market where new competitors have emerged and existing competitors have expanded their presence. Adapteo's market position is dependent on the continuous development of services, products, and production methods and processes, as well as customer relationships.	Adapteo performs ongoing market and competitor analysis to gain understanding of the competition environment, pricing factors, and emerging solutions. Through ongoing service, portfolio and process development Adapteo is able to provide a broad range of different solutions to match customer needs and enable fast delivery and matching demand with supply. Additionally, Adapteo performs customer surveys to ensure optimisation between portfolio specifications and customer needs.
Employees Adapteo's success and the execution of its strategy is dependent on its ability to recruit, retain, and develop highly qualified, motivated, and skilled personnel. The availability and loss of key personnel may have a material adverse effect on Adapteo's business.	Adapteo actively maps its existing competencies with business needs. Recruitments are proactively planned and performed to ensure an optimal mix of personnel resources. Succession plans are maintained for key personnel to mitigate possible risks related to employment termination. Employment terms are actively assessed against market practices to ensure a competitive advantage.
Regulatory changes Adapteo's business is subject to regulatory requirements concerning, for example, building, zoning, environmental, and safety regulations. Changes in general or local legislation and official regulations may have a material impact on Adapteo's business and result of operations especially in the form of higher costs caused by significant modification costs or even scrapping of modular units.	Adapteo is in active communication with regulators and continuously analyses the regulatory environment including current and upcoming changes in general and local legislation in all countries where the company operates. Based on such analysis, impact assessment is performed, and action plans are prepared and implemented to allow for proactive adaptation of operating methods and possible portfolio specification changes in relation to regulatory requirements.
Portfolio management Effective management of Adapteo's portfolio is crucial to the success of Adapteo's business. Failure to properly manage the design, manufacturing, repair, and maintenance of its fleet could adversely affect Adapteo's ability to take advantages of sales and rental opportunities, cause additional upgrade and refurbishment costs, or even impairment losses for units that are beyond economic repair, impair brand value, or lead to liabilities to pay damages.	Adapteo actively analyses portfolio composition against market demand in order to ensure a high portfolio utilisation ratio and optimised portfolio specifications. Portfolio inspection, maintenance, and stocktaking processes are under continuous development to ensure the high quality of portfolio. Slow-moving portfolio items are actively tracked and disposed if necessary. Depreciation schemes are assessed on an ongoing basis to ensure the correctness and reliability of financial reporting.
Health and safety risks Managing risks related to occupational health and safety are in a key role considering the inherent dangers related to modular assembling sites. Failure to do so may result in injuries, serious or even fatal accidents.	Adapteo focuses on prevention of accidents through relevant and regular employee safety training and safety communication in accordance with guidelines and operating procedures. Adapteo aims to closely monitor the development of occupational safety ratios at all levels of the company and performs root cause analysis to ensure ongoing development of health and safety precautions. The group has committed to conduct consistent work to strengthen occupational health and safety culture.

Board of Directors

PETER NILSSON

Chairman of the Board of Directors 2019-

Born 1962. Swedish citizen. Independent of the company and its major shareholder

Education Attended the Stockholm School of Economics

Primary work experience President and CEO of Sanitec Corporation 2010–2015. CEO of Duni AB 2004–2007. Various Senior Management positions, Swedish Match Group, 1987–2003

Current positions of trust Board Chairman: Lindab International AB, Unilode Aviation Solutions International AG and Poleved Industrial Performance AB. Board member: Cramo Plc, Team Tråd & Galler Holding AB, J.H. Tidbeck AB, Lindab LTIP17-19 AB, Signtronic Produktion AB, Kylpanel i Nassjö AB, Sandur ehf. and Dagar ehf..

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 1,916 shares

Peter Nilsson also holds, through Poleved Industrial Performance AB, a company controlled by Mr. Nilsson, 90,658 Adapteo shares.

CARINA EDBLAD

Member of the Board of Directors 2019-

Born 1963. Swedish citizen. Independent of the company and its major shareholder

Education M.Sc. (Engineering) and leadership program at Ruter Dam

Primary work experience CEO of Thomas Betong AB and Sollebrunn Betongelement AB. Various Senior positions in Skanska 1986-2011.

Current positions of trust Boardmember Thomas Betong, Sollebrunn Betongelement and Instalco AB.

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 0 shares

OUTI HENRIKSSON

Member of the Board of Directors 2019-

Chairman of the Audit Committee 2019-

Born 1969. Finnish citizen. Independent of the company and its major shareholder

Education M.Sc. (Econ.)

Primary work experience CFO and a member of the Executive Committee of Aktia Bank plc. CFO and a member of the Group Management Team of VR-Group Ltd 2012–2017.

Current positions of trust Board member: Veikkaus Ltd and Aktia Life Insurance Ltd.

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 0 shares

ANDREAS PHILIPSON

Member of the Board of Directors 2019-

Born 1958. Swedish citizen. Independent of the company and its major shareholder

Education M.Sc. (Engineering), Harvard Business School Executive Program of Service Profit Chain and ABB International Business Unit Program

Primary work experience CEO and Founder of T.A.M. Group AB. CEO Catena AB 2011-2013

Current positions of trust Board Chairman: Several subsidiaries of T.A.M. Group AB. Board member: Stendörren Fastigheter AB and Besqab AB (publ).

Share ownership Andreas Philipson holds through Philipson Capital AB, a company controlled by Mr. Philipson, 5,000 Adapteo shares as at 31 December 2020.

Board of Directors

JOAKIM RUBIN

Member of the Board of Directors 2019-

Member of the Audit Committee 2019-

Born 1960. Swedish citizen. Independent of the company, dependent on a company's major shareholder

Education M.Sc. (Industrial Engineering and Management)

Primary work experience Partner of Public Value advisory team of EQT Partners AB. Founding Partner of Zeres Capital Partners AB 2013–2018. Senior Partner and Head of Public Market Fund of CapMan Plc 2008–2015. Several positions e.g. Head of Corporate Finance and Debt Capital Markets, Handelsbanken Capital Markets 1995–2008.

Current positions of trust Board Chairman: Hoist Finance AB (publ), HOIST Kredit AB and ÅF Pöyry AB (publ).

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 1,916 shares

SOPHIA MATTSSON-LINNALA

Member of the Board of Directors 2020-

Born 1966. Swedish citizen. Independent of the company and its major shareholder

Education B.Sc. in Business Administration and Economics

Primary work experience CEO, Rikshem AB 2016-2019. CEO, Huge Fastigheter AB 2014-2016. Head of Finance and Economics Department, SABO (currently Public Housing Sweden) 2007-2014. CEO, AB Sollentunahem 2004-2007. CEO, AB Botkyrkabyggen 1999 -2004.

Current positions of trust Chairman: Kommissionen Läge och kvalitet i hyressättningen. Boardmember: Anders Bodin Fastigheter AB and other Anders Bodin Group companies, KlaraBo AB and SH Bygg AB

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 2,500 shares

ULF WRETSKOG

Member of the Board of Directors 2020-

Born 1967. Swedish citizen. Independent of Adapteo and its major shareholder

Education Civil Engineering diploma from the University of Lund

Primary work experience Region Chair of Sodexo Nordics and CEO of Sodexo Corporate Services Nordics 2019-. CEO, Yanzi Networks 2016-2019. CEO, Coor Service Management Sweden 2013-2016, CEO, Coor Service Management Finland 2010-2012 as well as other positions at Coor Service Management. Region Manager, Skanska Facilities Management 2001-2003.

Current positions of trust Board Member: Sodexo AB and other Sodexo group companies.

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 3,358 shares

Group management team

PHILIP ISELL LIND AF HAGEBY

President and CEO and the Executive Vice President, Business Area Rental Space

Born 1984, M.Sc. Economics

Previous positions Prior to the demerger of Cramo in 2019, Mr. Isell Lind af Hageby served as Cramo's Executive Vice President, Modular Space. Previously, Mr. Isell Lind af Hageby served as Managing Director of Inwido Norway and as Senior Vice President for the company's Norwegian business area between 2016 and 2017 and held various positions at SCAN COIN between 2012 and 2015.

Current positions of trust –

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 4,886 shares

ERIK SKÅNSBERG

CFO

Born 1964, M.Sc Economics

Previous positions Erik Skånsberg has an extensive background from senior financial and CFO positions from both listed and privately held companies, such as Addtech, Envirotainer and Kinnarps.

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 4,000 shares

MAGNUS TINGLÖF

Executive Vice President, Business Area Permanent Space

Born 1970, IB Diploma Business and Management Programme

Previous positions Before joining the company in 2019 Mr Tinglöf served as the Managing Director of Elitfönster Industri and Executive Managing Director of Etrifönster AB. Previously, he has served as the Executive Managing Director of Elitfönster På Plats AB and has held various positions at Telesteps AB and at Cloetta AB.

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 0 shares

SIMON PERSSON

Senior Vice President, HR Development

Born 1989, B.Sc. Philosophy (Human Resource Management)

Previous positions Prior to the demerger of Cramo in 2019, Mr Persson served as the HR Business Partner of Cramo's Modular Space division, Cramo Adapteo. Mr Persson has previously worked as a management consultant specialising in organisation and HR at Knowit HRM AB and as a HR-Generalist at PricewaterhouseCoopers AB.

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 525 shares

TEEMU SAARELA

Senior Vice President, Corporate Development

Born 1981, M.Sc .Economics

Previous positions Prior to the demerger of Cramo in 2019, Mr Saarela served as the Head of Corporate Development of Cramo's Modular Space division, Cramo Adapteo. Mr Saarela has held various managerial positions within Cramo's Modular Space division since joining the company in 2013. Previously, Mr Saarela has also held positions in financial management at Rautaruukki and Thermo Fisher Scientific between 2008 and 2013.

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 1,924 shares

HANNA WENNBERG

Senior Vice President Marketing, Communication and Sustainability

Born 1986, has studied Strategic Communications and Rhetoric at Örebro University

Previous positions Ms Wennberg served as the Head of Marketing of the AI and analytics company My Telescope in 2018-2019. She has held variuos senior managerial marketing and communications positions at Atlas Copco and Epiroc, and has also been a member of the Advisory Board of the Association of Swedish Advertisers.

Share ownership According to shareholders' register of Adapteo as at 31 December 2020: 274 shares

Key figures

EUR millions or as indicated	2020	2019
Net sales	231.4	216.2
Net sales growth in constant currency, %	6.8	-0.2
Rental sales	133.1	132.7
Rental sales growth in constant currency, %	0.0	4.6
Comparable EBITDA	88.3	88.5
Comparable EBITDA margin, %	38.2	40.9
EBITDA	83.4	76.1
EBITDA margin, %	36.0	35.2
Comparable EBITA	44.4	37.2
Comparable EBITA margin, %	19.2	17.2
Operating profit (EBIT)	36.8	22.1
Operating profit (EBIT) margin, %	15.9	10.2
Profit for the period	18.9	8.4
Earnings per share, EUR	0.42	0.19
Comparable earnings per share, EUR	0.51	0.60
Net debt/comparable EBITDA	4.9	4.5
Operative ROCE, %	9.1	8.5
Operating cash flow before growth capex	63.9	65.7
Cash conversion before growth capex, %	72.4	74.2
Growth capex	36.7	29.1
Total sqm in building portfolio	1,132,320	1,009,986
Utilisation rate, %	78.7	84.4

Share related indicators

	2020	2019
Earnings per share, EUR	0.42	0.19
Comparable earnings per share, EUR	0.51	0.60
Equity/share, EUR	5.3	4.3
Dividend/share, EUR	0.12[1]	-
Dividend/earnings, %	23.5	-
Effective dividend yield, %	1.3	-
Price/earnings ratio (P/E), %	18.6	18.3
Weighted average number of outstanding shares during the period (1,000 shares)	44,904	44,683
Number of shares at the end of the period (1,000 shares)	49,125	44,683
of which treasury shares (1,000 shares)	50	-

1 Proposal to the General Meeting

Calculation of key figures have been presented on pages 126–128.

Reconciliation of certain key figures

EUR thousands or as indicated	2020	2019
Specification of Items affecting comparability		
Items affecting comparability		
Costs related to the listing	606	8,078
Acquisition and integration related expenses	2,772	2,278
Restructuring costs	1,500	2,079
Items affecting comparability in operating profit (EBIT)	**4,878**	**12,435**
Total items affecting comparability	**4,878**	**12,435**
Reconciliation of Comparable EBITDA		
Operating profit (EBIT)	36,780	22,142
Depreciation, amortisation and impairment	46,603	53,954
EBITDA	**83,383**	**76,096**
Items affecting comparability in EBIT	4,878	12,435
Comparable EBITDA	**88,262**	**88,531**
Reconciliation of Comparable EBITA		
Operating profit (EBIT)	36,780	22,142
Amortisation of intangible assets resulting from acquisitions	2,708	2,639
EBITA	**39,488**	**24,781**
Items affecting comparability in EBIT	4,878	12,435
Comparable EBITA	**44,366**	**37,216**
Reconciliation of Operating cash flow before growth capex		
Comparable EBITDA	88,262	88,531
Change in net working capital	5,212	17,232
Maintenance capex	-27,137	-30,256
Non-fleet capex	-2,470	-9,854
Operating cash flow before growth capex	**63,867**	**65,653**
Calculation of Earnings per share		
Profit for the period	18,925	8,392
Average number of shares, pcs	44,904,000	44,682,697
Earnings per share, EUR	**0.42**	**0.19**

Reconciliation of certain key figures

EUR thousands or as indicated	2020	2019
Reconciliation of Comparable earnings per share		
Profit for the period	18,925	8,392
Total items affecting comparability	4,878	12,435
Impairment loss on property, plant and equipment	-	8,691
Related income tax impact	-997	-2,514
Comparable profit for the period	**22,806**	**27,004**
Average number of shares, pcs	44,904,000	44,682,697
Comparable earnings per share, EUR	**0.51**	**0.60**
Reconciliation of Net debt/Comparable EBITDA		
Net debt	434,758	399,839
Comparable EBITDA	88,262	88,531
Net debt/Comparable EBITDA	**4.9**	**4.5**
Reconciliation of Operative ROCE		
Net working capital	-41,189	-16,672
Property plant and equipment	528,631	451,057
Investments in joint ventures	1,295	1,239
Operative capital employed total	**488,737**	**435,624**
Comparable EBITA	44,366	37,216
Operative ROCE, %	**9.1**	**8.5**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

EUR thousands	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019[1]
Net sales	2,3	231,351	**216,213**
Other operating income	4	3,521	5,395
Materials and services	5	-97,225	-78,901
Employee benefit expenses	7	-28,821	-33,089
Other operating expenses	6	-25,447	-33,538
Depreciation, amortisation and impairments	8	-46,603	-53,954
Share of profit of joint ventures	14	5	16
Operating profit (EBIT)		**36,780**	**22,142**
Finance income		6,829	3,037
Finance costs		-16,983	-10,787
Finance costs, net	9	**-10,154**	**-7,750**
Profit before taxes		**26,626**	**14,392**
Income taxes	10	-7,701	-6,001
Profit for the year		**18,925**	**8,392**
Attributable to owners of the parent		18,925	8,392
Earnings per share, basic, EUR	29	0.42	0.19
Earnings per share, diluted, EUR	29	0.42	0.19

Consolidated statement of comprehensive income

EUR thousands	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019[1]
Profit for the year	18,925	8,392
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Translation differences	11,632	-3,814
Other comprehensive income for the year, net of tax	11,632	-3,814
Total comprehensive income for the year	**30,557**	**4,578**
Attributable to owners of the parent	30,557	4,578

1 The consolidated income statement, statement of comprehensive income and statement of cash flows for the year ended 31 December 2019 is a combination of actual consolidated information for the period 1 July–31 December 2019 and carve-out financial information for the period 1 January–30 June 2019.

The notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

EUR thousands	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	11	528,631	451,057
Goodwill	13	230,210	171,019
Other intangible assets	13	29,550	24,858
Investments in joint ventures	14	1,295	1,239
Deferred tax assets	10	5,081	7,414
Finance lease receivables	21,23	3,725	3,919
Loan receivables	14,23	154	220
Other receivables	16	13,605	746
Total non-current assets		**812,251**	**660,471**
Current assets			
Inventories	15	7,243	4,372
Finance lease receivables	21,23	2,698	4,314
Trade and other receivables	16,23	49,820	70,707
Income tax receivables		585	3,181
Derivative financial instruments	23,24	810	201
Cash and cash equivalents	20,23	54,804	3,760
Total current assets		**115,960**	**86,537**
TOTAL ASSETS		**928,211**	**747,008**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		10,000	10,000
Treasury shares		-376	-
Reserve for invested unrestricted equity		106,347	67,799
Translation differences		7,958	-3,674
Profit for the period		18,925	8,392
Retained earnings		115,215	107,669
Total equity	22	**258,068**	**190,186**
Non-current liabilities			
Borrowings	19,23	489,042	410,488
Deferred tax liabilities	10	50,473	48,025
Derivative financial instruments	23,24	474	-
Provisions	18	1,258	263
Other liabilities	17	15,964	406
Total non-current liabilities		**557,212**	**459,182**
Current liabilities			
Borrowings	19,23	7,097	1,564
Trade and other payables	17,23	94,635	91,828
Income tax liabilities		8,766	3,530
Derivative financial instruments	23,24	2,434	718
Total current liabilities		**112,932**	**97,639**
Total liabilities		**670,143**	**556,822**
TOTAL EQUITY AND LIABILITIES		**928,211**	**747,008**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to owners of the parent						
EUR thousands	Invested equity	Share capital	Treasury shares	Reserve for invested unrestricted equity	Retained earnings	Translation differences	Total equity
At 1 Jan 2019	**214,487**	**-**	**-**	**-**	**-**	**140**	**214,627**
Profit for the period	8,380	-	-	-	-	-	8,380
Other comprehensive income:							
Translation differences	-	-	-	-	-	-6,022	-6,022
Other comprehensive income	-	-	-	-	-	-6,022	-6,022
Total comprehensive income	**8,380**	**-**	**-**	**-**	**-**	**-6,022**	**2,358**
Share-based payments	-770	-	-	-	-	-	-770
Equity transactions with Cramo Group	19,712	-	-	-	-	-	19,712
Demerger at 30 June 2019	-241,809	10,000	-	67,799	115,513	-	-48,497
At 30 June 2019	**-**	**10,000**	**-**	**67,799**	**115,513**	**-5,881**	**187,431**
Changes after the demerger (1 July–31 Dec 2019)							
Profit for the period	-	-	-	-	11	-	11
Other comprehensive income:							
Translation differences	-	-	-	-	-	2,206	2,206
Other comprehensive income	-	-	-	-	-	2,206	2,206
Total comprehensive income	**-**	**-**	**-**	**-**	**11**	**2,206**	**2,217**
Share-based payments	-	-	-	-	536	-	536
At 31 Dec 2019	**-**	**10,000**	**-**	**67,799**	**116,060**	**-3,674**	**190,186**
At 1 Jan 2020	**-**	**10,000**	**-**	**67,799**	**116,060**	**-3,674**	**190,186**
Profit for the period	-	-	-	-	18,925	-	18,925
Other comprehensive income:							
Translation differences	-	-	-	-	-	11,632	11,632
Other comprehensive income	-	-	-	-	-	11,632	11,632
Total comprehensive income	**-**	**-**	**-**	**-**	**18,925**	**11,632**	**30,557**
Share-based payments	-	-	-	-	17	-	17
Purchase of treasury shares	-	-	-376[1]	-	-	-	-376
Share issue	-	-	-	38,547[2]	-863[2]	-	37,685
At 31 Dec 2020	**-**	**10,000**	**-376**	**106,347**	**134,140**	**7,958**	**258,068**

1 In 2020 Adapteo repurchased own shares which were used for honouring share-based incentive plans for employees of the company. Shares were acquired through on Nasdaq Stockholm at the market price prevailing at the time of repurchase.
2 Directed share issue in 2020 increased the reserve for unrestricted equity reserve by EUR 38,547 thousand and costs related to share issue decreased the retained earnings, net of taxes, by EUR 863 thousand.

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

EUR thousands	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019[1]
Cash flow from operating activities			
Profit before taxes		26,626	14,392
Adjustments:			
Depreciation, amortisation and impairment	8	46,603	53,954
Share of profit of joint ventures	14	-5	-16
Other non-cash adjustments		62	-669
Net gain on sale of property, plant and equipment	4	-1,915	-3,267
Share-based payments	7	17	342
Finance costs, net	9	10,154	7,750
Cash generated from operations before changes in working capital		81,541	72,486
Change in working capital			
Change in inventories		-1,773	2,342
Change in trade and other receivables		23,778	-16,083
Change in trade and other payables		-16,793	30,973
Change in working capital		5,212	17,232
Change in finance lease receivables		3,477	2,271
Cash generated from operations before financial items and tax		90,230	91,989
Interest paid		-11,953	-6,677
Interest received		70	411
Other financial items, net		2,075	-2,983
Income taxes paid		-2,531	-2,614
Net cash inflow from operating activities		**77,891**	**80,126**
Cash flow from investing activities			
Payments for property, plant and equipment		-69,959	-76,604
Payments for intangible assets		-1,514	-424
Proceeds from sale of property, plant and equipment and intangible assets		7,407	12,392
Repayment of loan receivable from joint venture		72	-
Acquisition of subsidiaries and business operations, net of cash acquired	12	-56,427	-751
Net cash (outflow) from investing activities		**-120,422**	**-65,386**
Cash flow from financing activities			
Share issue	22	37,469	-
Purchase of treasury shares	22	-376	-
Proceeds from bank loans	19	461,075	453,000
Repayment of bank loans	19	-400,354	-439,832
Change in other current borrowings		-	-5,012
Payments of lease liabilities	19	-4,238	-3,817
Repayments of demerger related liabilities to Cramo Plc		-	-28,514
Repayment of loans from Cramo Group	19	-	-12,248
Equity financing with Cramo Group, net		-	23,136
Net cash inflow from financing activities		**93,576**	**-13,287**
Change in cash and cash equivalents		**51,045**	**1,453**
Cash and cash equivalents at beginning of the year	20	3,760	2,377
Exchange differences		-1	-70
Cash and cash equivalents at year end		**54,804**	**3,760**

1 The consolidated income statement, statement of comprehensive income and statement of cash flows for the year ended 31 December 2019 is a combination of actual consolidated information for the period 1 July–31 December 2019 and carve-out financial information for the period 1 January–30 June 2019.

The notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

BACKGROUND AND BASIS OF PREPARATION

1 BACKGROUND AND BASIS OF PREPARATION

1.1 Background

Adapteo Plc (the "Parent company" or the "Company") with its subsidiaries (together, "Adapteo" or "Group") is a leading Northern European provider of adaptable buildings.

Adapteo Plc was established through the partial demerger of Cramo Plc on 30 June 2019 when all the assets, debts and liabilities belonging to Cramo's Modular Space business transferred to Adapteo Plc. The company's shares are listed on the Main Market of Nasdaq Stockholm AB as of 1 July 2019.

Adapteo Plc is domiciled in Vantaa, and its registered address is Äyritie 12 B, 01510 Vantaa, Finland. The copies of the consolidated financial statements are available at www.adapteogroup.com.

The consolidated financial statements and the financial statements of the Parent company were authorised for issue by the Board of Directors on 19 March 2021.

1.2 Adapteo's business

Adapteo builds, rents out and sells adaptable building solutions. Adapteo's market consists of rental and sales of adaptable buildings in Sweden, Finland, Denmark, Norway, Germany and the Netherlands. Adaptable buildings are prefabricated modular buildings which have the functionality and quality matching on-site buildings. They are offered to several segments including schools, daycare centres, offices, elderly care and events for both temporary and permanent needs in the private and public sector. Most of the customers are in the public sector.

1.3 Basis of preparation

The consolidated financial statements of Adapteo have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, including International Accounting Standards (IAS) and the SIC and IFRIC interpretations effective on 31 December 2020. The notes of the consolidated financial statements also conform to the requirements of the Finnish accounting and corporate legislation which supplement the IFRS.

Adapteo has not formed a legal group before 30 June 2019. The consolidated income statement, statement of comprehensive income and statement of cash flows for the year ended 31 December 2019 are a combination of actual consolidated information for the period 1 July–31 December 2019 and carve-out financial information for the period 1 January–30 June 2019. Balance sheet figures as of 31 December 2019 are actual consolidated figures. IFRS does not provide guidance for the preparation of carve-out financial information. Carve-out principles applied in preparing the carve-out financial information for the January–June 2019 have been described in the Consolidated Financial Statements for the year ended 31 December 2019. The carve-out financial information does not necessarily reflect what the results of operations and financial position would have been if Adapteo would have been a separate independent legal group before 30 June 2019.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for derivative financial instruments and share-based payments.

These consolidated financial statements are presented in thousands of euros, except when otherwise indicated. All figures presented have been rounded which may cause, for example, the sum of individual figures to deviate from the presented total sum.

1.4 Critical accounting estimates and judgements

The preparation of the financial information has required management to make estimates and judgements affecting the amounts presented in the financial statements and notes. These estimates and judgements, based on historical evidence and plausible future scenarios, have been evaluated at each balance sheet date. Actual results may differ from these estimates and judgements.

The following areas include a high degree of management estimates and assumptions:

Key judgement and estimates	Note
Share-based payments	7
Recognition of deferred tax assets and liabilities	10
Useful lives and valuation of property, plant and equipment	11
Fair values of contingent consideration and net assets acquired in business combinations	12
Key assumptions used in impairment testing	13
Determining the lease term	19, 21

PERFORMANCE

This section focuses on the results and performance of Adapteo. It includes disclosures that explain the different components of Adapteo's performance, employee benefits, operating expenses, finance items as well as information about taxes.

2 SEGMENT INFORMATION

Adapteo offers rental of premium adaptable buildings and rental related services and sells new adaptable buildings. Adapteo's operations and profitability is reported as two operating segments, Business Area Rental Space and Business Area Permanent Space, which is consistent with the internal reporting and the way that operative decisions related allocation of resources and assessment of performance have been made by the Adapteo's Group management team as Adapteo's chief operating decision maker. Adapteo has not aggregated its operating segments.

Adapteo reports its Business Area results using EBITDA and comparable EBITDA as the main operating measures. Business Area Rental Space includes the rental of adaptable buildings as well as the provision of assembly and other services. Business Area Permanent Space includes sales and long-term leasing of adaptable buildings.

Adapteo has operations in Sweden, Finland, Norway, Denmark, Germany and the Netherlands.

The information below summarises financial information for both Business Areas:

2020

EUR thousands	Rental Space	Permanent Space	Group functions	Eliminations	Group total
Rental sales	130,292	2,767	-	-	133,059
Assembly and other services	54,298	4,279	-	-	58,578
Sales, new building units	1,666	38,048	-	-	39,714
Total external net sales	**186,256**	**45,104**	**-**	**-**	**231,351**
Inter-segment sales	96	11,528	-	-11,624	-
Net sales	**186,352**	**56,632**	**-**	**-11,624**	**231,351**
Comparable EBITDA	**91,265**	**943**	**-3,788**	**-129**	**88,262**
Total items affecting comparability	-403	-911	-3,564	-	-4,878
EBITDA	**90,862**	**33**	**-7,383**	**-129**	**83,383**
Depreciation, amortisation and impairment					-46,603
Operating profit (EBIT)					**36,780**
Finance costs, net					-10,154
Profit before taxes					**26,626**

2019

EUR thousands	Rental Space	Permanent Space	Group functions	Eliminations	Group total
Rental sales	129,182	3,546	-	-	132,728
Assembly and other services	55,774	-	-	-	55,774
Sales, new building units	998	26,713	-	-	27,711
Total external net sales	**185,954**	**30,259**	**-**	**-**	**216,213**
Inter-segment sales	-	22,209	-	-22,209	-
Net sales	**185,954**	**52,468**	**-**	**-22,209**	**216,213**
Comparable EBITDA	**92,342**	**1,409**	**-5,220**	**-**	**88,531**
Total items affecting comparability	-1,179	-610	-10,646	-	-12,435
EBITDA	**91,163**	**799**	**-15,866**	**-**	**76,096**
Depreciation, amortisation and impairment					-53,954
Operating profit (EBIT)					**22,142**
Finance costs, net					-7,750
Profit before taxes					**14,392**

EBITDA = Operating profit (EBIT) + depreciation, amortisation and impairment. Comparable EBITDA = EBITDA + items affecting comparability. Items affecting comparability = Material items outside ordinary course of business, such as costs related to the listing, acquisition and integration related expenses, restructuring expenses including redundancy payments.

Net sales[1] by geographical area

EUR thousands	2020	2019
Finland	54,807	55,275
Sweden	120,163	114,499
Norway	6,475	9,448
Denmark	23,548	21,510
Germany	18,369	15,481
The Netherlands	7,891	-
Other	97	-
Total	**231,351**	**216,213**

1 Net sales are presented based on the location of clients.

Assets[1] by geographical area

EUR thousands	2020	2019
Finland	136,794	116,459
Sweden	442,053	429,004
Norway	23,646	17,904
Denmark	51,223	51,362
Germany	68,155	38,109
The Netherlands	85,145	-
Total	**807,016**	**652,837**

1 Non-current assets other than deferred tax assets and loan receivables are presented based on the location of assets.

3 SOURCES OF REVENUE

The following table summarises the net sales breakdowns:

EUR thousands	2020	2019
Rental sales	133,059	132,728
Assembly and other services	58,578	55,774
Sales, new building units	39,714	27,711
Total net sales	**231,351**	**216,213**

Timing of revenue recognition:

EUR thousands	2020	2019
Products and services transferred at point in time	40,312	29,253
Services transferred over time	57,979	54,232
Total	**98,291**	**83,485**

Adapteo provides adaptable building solutions that are either rented or sold to public sector customers (such as municipalities) and private sector customers (such as industrial companies and private enterprises). Net sales include the rental of adaptable building units, assembly and other services and the sale of new building units. Rental sales are recognised in accordance with IFRS 16 and assembly and other services as well as sale of new building units are recognised in accordance with IFRS 15.

Rental sales

The majority of Adapteo's revenue consists of rental sales generated from leases of adaptable building solutions with contract lengths varying from short-term event business rentals to longer-term several year contracts to both municipalities and private customers. The primary customer segments include schools, daycares, offices, health and social care and exhibitions and fairs. Rental sales are derived from both adaptable buildings and accessories.

Assembly and other services

Assembly and other services include short-term services related to on- and off-site transportations, assembly and disassembly of building units, customisations as well as design, planning activities and other smaller service components such as seasonal services during the rental period. The duration of assembly and disassembly services of adaptable buildings varies from a few days to several months. Other services generating revenue include repair and maintenance services.

Sales, new building units

Sales, new building units consist of sale of new adaptable buildings. Adapteo provides tailor-made turnkey adaptable building solutions to both public and private customers. Customers can either buy or agree a long-term leasing contract with an option to buy the adaptable building solution after the lease period. Sales, new building units also include the sale recognised in connection with these long-term rental agreements, fulfilling the criteria for finance leasing. Interest income related to finance leasing is presented as other operating income in note 4.

Accounting policy

Revenue recognition

Leases (IFRS 16)

Rental revenue derived from operational leases is recognised on a straight-line basis during the rental period.

A part of Adapteo's operations include manufacturer/lessor arrangements. Lease agreements that transfer substantially all of the risks and rewards of ownership to the lessee are classified as finance leases. A finance lease of an asset by a manufacturer/lessor gives rise to two types of income: finance income over the lease term (note 21) and a profit or loss equivalent to that arising on a sale of the leased asset. The sale is recognised when the risks and rewards of ownership of the asset have transferred to the customer. The revenue recognised is the lower of the asset's fair value or the present value of the minimum lease payments computed at a market rate of interest. The cost of sale is the cost of the leased asset (or carrying amount of the asset, if different) less the present value of any unguaranteed residual value. The finance income derived from finance lease agreements is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the asset and presented as operating income.

Revenue from Contracts with Customers (IFRS 15)

Adapteo's contracts with customers include both lease and service components. Lease components are treated as leases in accordance with IFRS 16 (as described above). Services are accounted for as revenue under IFRS 15 when considered as separate performance obligations. The consideration is allocated to a lease and non-lease component (i.e. services) on the basis of the relative stand-alone prices of the components.

Assemblies of adaptable buildings or other items and their related transports are generally viewed as a combined customer promise, i.e. the customer is unable to use the adaptable building solution without the assembly and other services. Therefore, the services seen as an integral part of Adapteo's rental obligation to provide adaptable building to a customer and they are not treated as separate performance obligations. Other rental related services are separate performance obligations.

Transaction price is total amount of consideration to which an entity expects to be entitled to in exchange of transferring goods or services to a customer, excluding amounts collected on behalf of third parties (VAT). The total consideration may include variable consideration e.g. annual discounts, which are included in the amount recognised as revenue only to the extent that is highly probable that revenue is not reversed later. In some customer agreements a delay due to Adapteo is sanctioned by a penalty fee which constitutes a variable consideration. However, variable considerations related to penalty fees are included in the transaction price as it is highly probable at the inception of the contract that a penalty fee due to delay will not arise. In baked-in contracts the transaction price is also adjusted with a financing component i.e. the timing of payments provides a significant financing benefit either to the vendor or to the customer when it is seen as significant. In general, these financing components are seen as immaterial and therefore transaction prices are not adjusted. In baked-in contracts, assembly and disassembly invoicing is included in the monthly rental charge invoicing for the total contract duration and the contract price is allocated to the lease components and service components due to the fact that services are separate performance obligations.

Transaction price is mainly allocated to each performance obligation by their observable stand-alone selling prices. Adapteo's business is based on combined pricing and delivery, thus, discount is evenly allocated on all items.

Revenue from assembly and other services is recognised over time when Adapteo satisfies the performance obligation by transferring the service to the customer. As a main rule, Adapteo satisfies performance obligations over time during which the services are rendered. Revenue from assembly and disassembly services in the beginning and at the end of adaptable building leasing contracts are recognised over time. Measure of progress is determined by comparing incurred costs to total costs. Other short-term rental related services are recognised at a point in time upon completion of the services as the time of transferring the control to the customer is relatively short.

Revenue from sales, new building units is recognised when control over the goods or services to a customer are transferred either over time or at a point in time. Sale of new and used equipment constitutes a single performance obligation, containing either a single component or several components such as planning and customisation activities.

Contract balances

On the balance sheet, contract assets are presented in non-current other receivables and current trade and other receivables. Contract liabilities are presented in non-current other liabilities and current trade and other payables. The following table provides information about receivables, contract assets and liabilities from contracts with customers. The contract liabilities consist of advances arising from customer agreements, as invoicing is often done in advance compared to when the performance obligations of the contracts are satisfied.

EUR thousands	31 Dec 2020	31 Dec 2019
Trade receivables	31,072	37,858
Contract assets	29,791	25,046
Contract liabilities	43,911	45,595

Trade receivables contain receivables from revenue recognised in accordance with IFRS 16 and IFRS 15. Contract liabilities contain advances received from contracts accounted for in accordance with IFRS 16 and IFRS 15. Contract assets include accrued income from partially completed assembly performance obligations and accrued income from partially completed self-manufacturing projects. These balances are specified in notes 16 and 17.

Significant changes in receivables, contract assets and contract liabilities during the financial year are as follows:

EUR thousands	Contract assets	Contract liabilities
At 1 Jan 2020	**25,046**	**45,596**
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	-11,543
Increases due to new customer agreements including payment schedule arrangements, net of revenue recognised during the period	12,888	4,102
Transfers from contract assets recognised at the beginning of the period to receivables	-9,757	-
Business acquisitions	1,614	5,756
At 31 Dec 2020	**29,791**	**43,911**

EUR thousands	Contract assets	Contract liabilities
At 1 Jan 2019	**14,280**	**24,429**
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	-16,414
Increases due to new customer agreements including payment schedule arrangements, net of revenue recognised during the period	17,282	37,581
Transfers from contract assets recognised at the beginning of the period to receivables	-6,516	
At 31 Dec 2019	**25,046**	**45,596**

The customer is typically invoiced with payment term of 14 to 60 days when the service or product is delivered. Part of the service revenue arising from assembly and disassembly services is invoiced in advance. Rental revenues are usually invoiced during the same month as the performance obligation is satisfied or one month in advance. Contract assets primarily relate to customer agreements partially completed performance obligations or payment arrangements. According to them, the customer is permitted to pay completed assembly services during the rental period as monthly amortisations. Contract liabilities consist of prepayments from customers. A net amount (i.e. a contract asset or liability) is recognised when the agreed payment schedule for a completed assembly performance obligation and advances from a future disassembly performance obligation relate to the same customer agreement.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date, including revenue in accordance with IFRS 16.

2020

EUR thousands	2021	2022 & subsequent	Total
Rental sales	98,949	69,660	168,609
Assembly and other services	13,390	8,200	21,590
Total	**112,339**	**77,860**	**190,199**

All consideration from contracts with customers is included in the amounts presented above, except for the practical expedient in paragraph 121 of IFRS 15. Therefore, Adapteo does not disclose information about remaining performance obligations that have original expected durations of one year or less.

4 OTHER OPERATING INCOME

Other operating income mainly includes net gains on sale of used adaptable buildings and interest income from finance lease receivables.

EUR thousands	2020	2019
Net gains on sale of used adaptable buildings	1,915	3,293
Interest income from finance lease receivables	651	1,053
Insurance compensation	564	359
Other income	391	690
Total	**3,521**	**5,395**

5 MATERIALS AND SERVICES

Materials and services include costs incurred related to rental of portfolio such as leased furniture and accessories, maintenance and repair costs as well as also assembly and disassembly cost. In addition, materials and services include costs of goods sold related to manufacturing of new adaptable building solutions.

EUR thousands	2020	2019
Cost of sub-rental	-1,037	-1,483
Production related costs[1]	-21,597	-5,152
Repair and maintenance cost	-14,527	-11,940
Cost of external services[2]	-60,064	-60,326
Total	**-97,225**	**-78,901**

1 Employee benefit expenses not included.
2 Include mainly assembly and disassembly costs.

6 OTHER OPERATING EXPENSES

EUR thousands	2020	2019
Premises expenses	-3,108	-3,129
Sales and marketing	-1,202	-1,525
Administrative costs	-20,334	-28,411
Other costs	-804	-474
Total	**-25,447**	**-33,538**

Audit fees included in other operating expenses are specified in note 28. No material costs have been recognised in other operating expenses relating to short-term leases and leases of low value.

7 EMPLOYEE BENEFIT EXPENSES

EUR thousands	2020	2019
Salaries and fees	-20,769	-23,687
Share-based payments	-343	-760
Social security costs	-4,810	-5,561
Pension costs - defined contribution plans	-2,900	-3,081
Total	**-28,821**	**-33,089**

Employee benefit expenses comprise mainly of salaries, social costs, share-based payments and other fees, pension costs and fringe benefits. Fringe benefits consists of employee health care services, car benefits, phone benefits and other fringe benefits.

Average number of personnel in 2020 was 422 (in 2019 375). Information on key management compensation is presented in note 27.

Accounting policy — Employee benefits

Short–term benefits

Short-term employee benefits include wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date. Short-term benefits are recognised in other payables based on the accrued employee benefit expenses up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Post–employment benefits

Adapteo has retirement benefit plans in accordance with local conditions and practices in the countries in which it operates.

Pension plans are classified as defined benefit or defined contribution plans. In defined contribution plans, Adapteo makes fixed payments to separate entities. Adapteo has no legal or constructive obligation to make additional payments if the party receiving them is unable to pay the beneficiaries. All arrangements that do not fulfil these conditions are considered defined benefit pension plans. All Adapteo's pension benefit plans are considered as defined contribution plans.

Share–based payments

Effect of share-based incentives on the result and financial position:

EUR thousands	2020	2019
Expenses, share-based payments	343	760
of which equity-settled share-based payments	148	342
liabilities arising from share-based payments 31 December	195	418

The nature and extent of the existing share-based payment plans are disclosed below. The accounting treatment of plans which were launched by Cramo and which continued after the demerger changed because of the demerger. Before the demerger all the plans were treated fully as equity settled. After the demerger, all rewards for the Cramo's share-based incentive plans are paid out in both Cramo's and Adapteo's shares and therefore, the plans are treated partly as equity-settled and partly as cash-settled. The participants are entitled to get a gross amount of shares, but a portion of shares is withheld to cover applicable taxes arising from the rewards to the participants. Taxes are paid on behalf of the participants and the employees receive a net amount of shares. At the demerger date, the portion of Cramo's share-based incentive plans to be settled with Cramo's shares were classified as cash-settled incentive plans and a liability was recognised on the balance sheet. As the accounting treatment of the plans changed due to the demerger, the information disclosed below describes only the nature and extent as well as the accounting treatment of the plans after the demerger.

Share–based payments — share plans

Adapteo's key personnel have historically participated in Cramo's share-based incentive plans. In the plans, selected employees have an opportunity to earn shares based on the achievement of performance criteria set for a one-year discretionary period. Each discretionary period will immediately be followed by a two-year vesting period, after which any earned reward will be paid out to participants. As a main rule, no reward will be paid, if a key employee's employment or service ends before the reward payment.

The aim of the plans is to align the objectives of the shareholders and the employees, to retain the employees and to offer them continuity to Cramo share plans after the demerger. The plans in operation during the period were launched by the Board of Directors of Cramo and continue after the demerger. The rewards pending at the time of the demerger will be paid out in the original schedule in both Cramo and Adapteo shares, so that for each earned share, originally granted in terms of Cramo shares, the participants receive one additional Adapteo share. As the reward is subject to taxes and tax-related payments, net shares after deduction of the applicable taxes arising from the reward are paid.

The Performance Share Plan 2019 of Adapteo Plc was established for Adapteo Group employees. In the plan, the participants have an opportunity to earn Adapteo shares based on the achievement of Board-established performance criteria. The plan includes three discretionary periods, 1 July-31 December 2019 and calendar years 2020 and 2021. Each discretionary period is followed by a two-year vesting period. Each discretionary period is conditional to the Board's resolution. A participant's participation in the plan is contingent upon his or her participation in the Adapteo Plc Employee Share Savings Plan. Any rewards will be paid out after the vesting period in Adapteo shares. The participants are entitled to get a gross number of shares if all the vesting conditions are met. However, a portion of shares is withheld to cover applicable taxes arising from the rewards to the participants and a net number of shares is paid.

The key data and changes in the amounts of share ownership plans during the period 2020 are presented in the tables below.

Plan	Performance Share Plan 2015 of Cramo Plc	Performance Share Plan 2018 of Cramo Plc	Performance Share Plan 2019 of Cramo Plc	Performance Share Plan 2019 of Adapteo Plc
Instrument	**Discretionary Period 2017**	**Discretionary Period 2018**	**Discretionary Period H1 2019**	**Discretionary Period H2 2019**
Grant date	19.5.2017	15.8.2018	25.4.2019	12.8.2019
Beginning of earning period	1.1.2017	1.1.2018	1.1.2019	1.7.2019
End of earning period	31.12.2017	31.12.2018	30.6.2019	31.12.2019
End of restriction period	15.4.2020	19.1.2021	18.2.2022	19.2.2022
Vesting conditions	EPS, ROE,	EPS, ROE,	EPS, ROE,	EPS, ROCE,
	Service period	Service period	Service period	Service period
Maximum contractual life, years	2.9	2.4	2.8	2.5
Remaining contractual life, years	0.0	0.1	1.1	1.1
Number of persons at the end of the reporting year	0	7	11	18
Payment method	Equity and cash	Equity and cash	Equity and cash	Equity and cash

The plans launched before the demerger shall be paid both in Adapteo and Cramo shares, meaning that against each Adapteo share amount represented in the below table an equivalent number of Cramo shares shall be paid out. The amounts are presented in gross terms before deduction of the applicable taxes arising from the reward to the employee.

Changes during the period	Discretionary Period 2017 (Adapteo and Cramo shares)	Discretionary Period 2018 (Adapteo and Cramo shares)	Discretionary Period H1 2019 (Adapteo and Cramo shares)	Discretionary Period H2 2019 (Adapteo shares)
1 January 2020				
Outstanding at the beginning of the reporting period, pcs	11,268	21,301	24,877	50,781
Changes during the period				
Granted	0	0	0	0
Forfeited	0	1,102	14,394	37,278
Exercised	11,268	0	0	0
31 December 2020				
Outstanding at the end of the period, pcs	0	20,199	10,483	13,503

Share–based incentives — employee share savings plans
Adapteo employees have historically been offered an opportunity to participate in One Cramo share savings plan. In the plan, the participants have been offered a possibility to save 2 to 5% of their gross salary for purchasing the shares in Cramo. Shares are acquired with the accumulated savings at market price quarterly. Each participant receives one free matching share for two savings shares acquired and held during the plan. The matching shares will be paid after a holding period of approximately three years, provided that the participant is still employed.

The plans in operation during the period were launched by the Board of Directors of Cramo and continue after the Demerger. The Matching rights under the plans pending at the time of the Demerger were transferred from Cramo to the Adapteo employees so that the Matching rights in Cramo shares were settled in cash based on the tender offer price for Cramo share and the plans continue based on a Matching share for each two (2) savings share in Adapteo. The Matching rights subject to the savings share acquired after the Demerger will be paid in Adapteo shares. As the reward is subject to taxes and tax-related payments, part of the reward is paid in cash to cover applicable taxes arising from the rewards to the participants.

The key data and changes in the amounts of One Cramo share plans during 2020 as well as Adapteo's Employee Share Savings Plan (Piece of Adapteo) during the period are presented in the tables below.

Instrument	One Cramo 2016–2017	One Cramo 2017–2018	One Cramo 2019	Piece of Adapteo 2019
Initial grant date	21.2.2017	23.2.2018	16.5.2019	29.8.2019
Vesting date	15.5.2020	16.5.2021	16.5.2022	16.5.2022
Maximum contractual life, years	3.2	3.2	3.0	2.7
Remaining contractual life, years	0.0	0.4	1.4	1.4
Number of persons at the end of the reporting year	0	38	30	158
Payment method	Equity and cash	Equity and cash	Equity and cash	Equity and cash

The changes in the amounts of employee share savings plans are presented in the following table. The amounts are presented in gross terms before deduction of the applicable taxes arising from the reward to the employee.

Changes during the period	One Cramo 2016–2017 (Adapteo and Cramo shares)	One Cramo 2017–2018 (Adapteo and Cramo shares)	One Cramo 2019 (Adapteo and Cramo shares)	Piece of Adapteo 2019 (Adapteo shares)
1 January 2020				
Outstanding in the beginning of the reporting period, Cramo pcs	1,360	3,382	838	0
Outstanding in the beginning of the reporting period, Adapteo pcs	1,322	3,191	802	4,324
Changes during the period				
Granted	0	0	0	3,425
Forfeited, Cramo pcs	0	0	0	0
Forfeited, Adapteo pcs	0	27	0	426
Exercised, Cramo pcs	1,360	3,382	838	0
Exercised, Adapteo pcs	1,322	0	0	0
31 December 2020				
Outstanding at the end of the reporting period, Cramo pcs	0	0	0	0
Outstanding at the end of the reporting period, Adapteo pcs	0	3,165	802	7,323

Fair value determination

The fair value of equity-settled share-based incentives has been determined at grant date and the fair value is expensed over the three-year plan period between the share acquisition date and matching share delivery. The acquisition date of the Savings shares required for the plan participation is considered as the grant date. The fair value of the rewards is based on an estimate by the company on the quantity of shares on which a right is expected to be gained.

Long–term incentive plan for performance period 2020—2022

The long-term incentive plan for the performance period 2020-2022 (LTI 2020–2022) consists of three evaluation periods of:

I. First evaluation period 2020: EPS for financial year 2020

II. Second evaluation period 2020–2021: EPS for financial year 2021

III. Third evaluation period 2020–2022: EPS for financial year 2022.

The LTI 2020–2022 is cash-based with a total length of three years and the maximum earning opportunity for the participants is expressed as a per centage of the individuals' annual base salary. Each possible cash reward corresponds to 1/3 of a participant's maximum LTI outcome under the performance period. Performance is evaluated based on Adapteo Group´s Earnings Per Share ("EPS") in relation to a performance range from threshold to max level. Participants have the possibility to earn annual cash rewards following each evaluation period. To continuously be eligible for participation in any future LTI plans, the Board of Directors have expressed an expectation that the participants must invest any net cash rewards in Adapteo shares.

Accounting policy

Adapteo has performance share plans and share savings plans. In performance share plans the target group has an opportunity to earn company shares as a reward on the basis of achievement of targets established for the performance criteria for each calendar year. Participants are entitled to get a gross number of shares if all the vesting conditions are met. However, a portion of shares is withheld to cover applicable taxes arising from the rewards to the participants and a net number of shares is paid. Adapteo's new performance share plan 2019 is treated fully as equity settled. Plans transferred from Cramo are treated partly as equity-settled and partly as cash-settled, because the rewards are paid in both Adapteo's and Cramo's shares. At the demerger date, the portion of Cramo's share-based incentive plans to be settled with Cramo's shares were classified as cash-settled incentive plans and a liability was recognised on the balance sheet.

In share savings plans the employees can save 2–5% of their monthly gross salaries during the 12 months plan periods and the savings are automatically used to purchase company shares for the participants quarterly after each publication date of the interim results during the plan period. The participant will receive one free matching share for every two acquired savings shares, if the participant holds the acquired shares until the end of the designated holding period. An additional requirement for receiving the matching shares is that the participant's employment has not been terminated before the end of the designated holding period. As the rewards are subject to taxes and tax-related payments, net number of shares after deduction of the applicable taxes arising from the reward are paid. The new share savings plan (Piece of Adapteo 2019) is treated fully as equity-settled, but the old plans transferred from Cramo are treated partly as equity-settled and partly as cash-settled, because the rewards are paid in both Adapteo's and Cramo's shares. The portion of the Cramo shares are paid as cash to the participants based on a predetermined bidding price of Cramo of EUR 13.75 and no Cramo shares are paid.

Expenses of the performance and share savings plans are recognised over the vesting period, from the grant date until they vest, i.e. are paid.

The fair value of the equity-settled payment is determined at the grant date and expensed over the vesting period, the corresponding amount being credited to equity. The fair value of the equity-settled reward is not remeasured. The impact of non-market vesting conditions (EPS, ROE target) are not taken into account when determining the grant date fair value, but they are taken into account by adjusting the number of shares that are included in the measurement of the transaction. So that, ultimately, the amount recognised as expense shall be based on the number of shares that eventually vest. At each reporting date Adapteo revises its estimate on the number of shares that are expected to vest. The impact of the revision of the original estimates is recognised in the consolidated income statement.

The fair value of the cash-settled payment is expensed over the vesting period, the corresponding amount being recognised as a liability. The cash-settled payment is valued at each reporting date and at the date of settlement. At each reporting date Adapteo revises its estimate on the number of shares that are expected to vest and adjusts the amount recognised as expense.

Key judgement and estimates — Share–based payments

The fair value of reward shares in the performance share plan is based on the share price on the grant date and the valuation does not involve high degree of estimation. Instead, the determination of the fair value of matching shares in the One Cramo Share savings plan includes certain assumptions relating to expected dividend yield and cost of equity and debt. These variables include estimation uncertainty.

8 DEPRECIATION, AMORTISATION AND IMPAIRMENT

Intangible assets and property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses.

EUR thousands	2020	2019
Depreciation on buildings	-3,408	-2,952
Depreciation on rental equipment	-30,033	-30,028
Depreciation on rental accessories	-7,980	-6,070
Depreciation on other machinery and equipment	-1,700	-1,676
Depreciation of property, plant and equipment	**-43,121**	**-40,726**
Amortisation on software and other intangible assets	-475	-185
Amortisation of intangible assets resulting from acquisitions	-2,708	-2,639
Amortisation of intangible assets	**-3,182**	**-2,824**
Total depreciation and amortisation	**-46,304**	**-43,551**
Impairment on property, plant and equipment	-295	-10,150
Impairment on intangible assets	-4	-254
Total impairment losses	**-300**	**-10,404**
Total depreciation, amortisation and impairment losses	**-46,603**	**-53,954**

Impairment losses relate mainly to the write-down of old rental equipment.

Depreciation and amortisation periods are presented in notes 11 and 13. Depreciation of right-of-use property, plant and equipment is included in the depreciation of property, plant and equipment as follows:

EUR thousands	2020	2019
Land and buildings	-2,999	-2,667
Rental equipment	-459	-573
Other machinery and equipment	-940	-883
Total	**-4,399**	**-4,123**

9 FINANCE INCOME AND COSTS

EUR thousands	2020	2019
Interest income	40	411
Exchange rate gains	6,789	2,529
Other finance income	-	96
Finance income	**6,829**	**3,037**
Interest expenses on loans from Cramo Group	-	-865
Interest expenses on bank loans	-10,481	-6,611
Interest expenses on leases	-354	-357
Exchange rate losses	-6,077	-2,821
Other finance costs	-71	-133
Finance costs	**-16,983**	**-10,787**
Finance costs, net	**-10,154**	**-7,750**

Accounting policy

Transaction costs related to loans are expensed in profit or loss using effective interest rate method. The effective interest rate is the rate that discounts the estimated future payments during the expected maturity of a loan to the net carrying amount of the financial liability. The calculation includes transaction costs and all fees directly attributable to the transaction paid by the contracting parties. Interest income is recognised using the effective interest rate unless the receipt of interest is uncertain. In such cases the interest income is accounted for on a cash basis. Foreign exchange gains and losses on financing activities are recognised within finance income or costs. Foreign exchange risk arising from internal funding and recognised assets and liabilities is managed primarily through forward contracts. Hedge accounting is not applied for these derivatives and the change in the fair value of derivatives is recognised in finance items in consolidated income statement.

10 TAXES

This note explains Adapteo's income tax expense and other balances presented as tax items in the financial statements. The deferred tax section provides information on expected future tax payments.

Income taxes in the consolidated income statement comprise of current income tax expense and change in deferred taxes and are recognised as follows:

EUR thousands	2020	2019
Current year tax	-6,846	-4,653
Adjustment for prior years	-1,056	10
Change in deferred taxes	201	-1,358
Total	**-7,701**	**-6,001**

The difference between income taxes at the Finnish domestic tax rate 20% (during all periods presented) and income taxes recognised in the consolidated income statement is reconciled as follows:

EUR thousands	2020	2019
Profit before tax	**26,626**	**14,392**
Tax calculated with domestic corporate tax rate	-5,325	-2,879
Foreign subsidiaries divergent tax rate	-559	-506
Tax from the previous financial periods	-1,056	10
Non-taxable income	247	-
Non-deductible expenses	-319	-291
Utilisation of previously unrecognised tax losses	1,101	843
Recognition of previously unrecognised tax losses	1,395	-
Current year losses for which no deferred tax assets was recognised	-2,085	-2,954
Other items	-1,100	-223
Taxes in income statement	**-7,701**	**-6,001**
Group's effective tax rate, %	**28.9**	**41.7**

Deferred tax assets and liabilities as presented in the consolidated balance sheet:

EUR thousands	31 Dec 2020	31 Dec 2019
Deferred tax assets	5,081	7,414
Deferred tax liabilities	50,473	48,025
Deferred tax liabilities, net	**45,392**	**40,611**

Movements in deferred tax assets and liabilities during 2020:

EUR thousands	1 Jan 2020	Recognised in income statement	Acquisitions	Exchange differences	31 Dec 2020
Deferred tax assets					
Tax losses carried forward	2,175	1,395	-	-5	3,565
Property, plant and equipment	707	-44	-	3	666
Leases	35	62	168	274	539
Elimination of internal profit	4	35	-	1	40
Other temporary differences	4,494	-4,830	-	608	272
Total	**7,414**	**-3,382**	**168**	**881**	**5,081**
Deferred tax liabilities					
Depreciation difference	28,973	1,762	705	1,202	32,642
Leases	1,804	-42	-	14	1,776
Valuation of assets to fair value in business combinations	11,694	-957	3,589	469	14,795
Other temporary differences	5,554	-4,345	-	51	1,260
Total	**48,025**	**-3,582**	**4,294**	**1,736**	**50,473**
Deferred tax liabilities, net	**40,611**	**-200**	**4,126**	**855**	**45,392**

Movements in deferred tax assets and liabilities during 2019:

EUR thousands	1 Jan 2019	Recognised in income statement	Recognised in equity	Exchange differences	31 Dec 2019
Deferred tax assets					
Tax losses carried forward	1,972	-543	542	203	2,175
Property, plant and equipment	638	-	-	69	707
Leases	-	35	-	-	35
Elimination of internal profit	433	-486	-	57	4
Other temporary differences	66	3,348	1,073	7	4,494
Total	**3,109**	**2,354**	**1,615**	**336**	**7,414**
Deferred tax liabilities					
Depreciation difference	29,241	-659	-	391	28,973
Leases	1,303	29	455	17	1,804
Valuation of assets to fair value in business combinations	12,475	-948	-	167	11,694
Other temporary differences	118	5,289	145	2	5,554
Total	**43,138**	**3,711**	**600**	**577**	**48,025**
Deferred tax liabilities, net	**40,030**	**1,357**	**-1,015**	**241**	**40,611**

Deferred tax assets are recognised for tax loss carryforwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets of EUR 6.1 million in respect of tax losses have not been recognised in 2020 (2019: EUR 6.9 million). Of the tax losses for which Adapteo has not recognised deferred tax assets in 2020, EUR 2.9 million (2019: EUR 2.7 million) will expire during the next ten years and EUR 3.2 million (2019: EUR 4.2 million) have no expiry date. Unrecognised tax losses relate to Finland and Denmark. For Finland the amount of unrecognised deferred tax asset is EUR 2.9 million and relates to the portion of the tax loss incurred in 2019 and 2020 for which the realisation of the tax benefit is not probable. Adapteo's legal entity in Denmark, Adapteo A/S (formerly Cramo A/S), has tax loss carryforwards of EUR 3.2 million which have mainly arisen from the losses generated by Cramo's Equipment Rental business prior its disposal in 2017. For the carve-out period, any changes in recognised deferred tax assets relating to Adapteo A/S tax loss carry-forwards arisen from the disposed Equipment Rental business have been recognised through invested equity, as they are deemed to be contributions from Cramo Group. The other temporary deferred tax assets and liabilities are mainly related to transfer of assets carried out between entities within the Group during 2019.

Accounting policy

Income tax expense/benefit consists of the current tax and change in deferred taxes for the period, together with tax adjustments for previous periods. Taxes are recognised through profit and loss, except when they relate directly to equity or the items recognised in the other comprehensive income items. In such cases, tax is also charged to these items. Current taxes are calculated based on the tax rate of each country. Tax assets and liabilities reflect uncertainty related to income taxes, if any.

Deferred taxes are calculated for temporary differences between the book values of assets and liabilities and the tax basis of assets and liabilities. Deferred tax liabilities are not recognised, however, if they are attributable to the initial recognition of an asset or liability in a transaction other than business combination and the transaction, at the time it occurs, does not affect the accounting profit or taxable profit. The deferred tax for investments in subsidiaries and joint ventures is recognised, except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred taxes are calculated using the tax rates enacted, or substantially enacted by the last day of the reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Key judgement and estimates — Recognition of deferred tax assets and liabilities

Adapteo is subject to tax in several countries. Determining Adapteo's income tax requires significant assessment and judgement. Adapteo estimates tax positions in accordance with tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If necessary, the amounts recorded are adjusted to amounts expected to be paid to the tax authorities.

Management judgement is required in assessing whether certain deferred tax assets and deferred tax liabilities are recognised on the balance sheet. Deferred tax assets are recognised only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Estimates of these future cash flows are dependent on the management's estimates that relate among others to the amount of future net sales, operating costs, finance costs and taxes. In addition, Adapteo's ability to generate taxable income depends on factors related to general economy, finance, competitiveness and regulations that Adapteo is unable to control. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of temporary differences.

PROPERTY, PLANT AND EQUIPMENT, ACQUISITIONS, INTANGIBLE ASSETS AND INVESTMENTS IN JOINT VENTURES

This section presents the information on Adapteo's property, plant and equipment, business acquisitions, intangible assets and investments in joint ventures.

11 PROPERTY, PLANT AND EQUIPMENT

Adapteo's property, plant and equipment ("PPE") mainly consists of rental equipment including building units used in adaptable building leases and rental accessories. Other property, plant and equipment assets comprise buildings including offices and production facilities, capitalised costs of leasehold improvements, other machinery and equipment including mainly production machinery, office equipment as well as assets under construction.

Leases are recognised as a right-of-use (RoU) assets and a corresponding liability at the date at which the leased asset is available for use by the Group. RoU assets are included in the asset classes in the following tables.

EUR thousands	Land	Buildings	Rental equipment	Rental accessories	Other machinery and equipment	Assets under construction	Total property, plant and equipment
Acquisition cost							
At 1 Jan 2020	**7,185**	**12,782**	**551,629**	**84,498**	**11,035**	**4,861**	**671,992**
Exchange differences	190	307	11,531	2,255	121	34	14,438
Additions	1,357	3,492	55,028	7,615	1,593	8,892	77,978
Business acquisitions	4,632	8,145	26,404	491	1,409	3,917	44,998
Disposals	-	-	-11,349	-	-121	-	-11,470
RoU adjustments	-684	-447	-45	-	-102	-	-1,277
Reclassification between asset categories	-	2,360	11,292	-6,433	474	-7,832	-139
At 31 Dec 2020	**12,680**	**26,640**	**644,490**	**88,427**	**14,410**	**9,872**	**796,518**
Accumulated depreciation and impairment							
At 1 Jan 2020	**-1,317**	**-2,777**	**-163,619**	**-46,972**	**-5,883**	**-365**	**-220,933**
Exchange differences	-21	-59	-3,731	-1,786	-126	-	-5,723
Disposals	-	-	5,372	-	7	-	5,379
Depreciation	-1,409	-1,999	-30,033	-7,980	-1,700	-	-43,121
Impairments	-	-	-262	-	-33	-	-295
Reclassification between asset categories	-80	-1,940	22	-	170	-1,365	-3,194
At 31 Dec 2020	**-2,837**	**-6,776**	**-192,251**	**-56,738**	**-7,565**	**-1,730**	**-267,887**
Net book value at 31 Dec 2020	**9,853**	**19,864**	**452,239**	**31,689**	**6,845**	**8,141**	**528,631**

EUR thousands	Land	Buildings	Rental equipment	Rental accessories	Other machinery and equipment	Assets under construction	Total property, plant and equipment
Acquisition cost							
At 1 Jan 2019	831	5,879	515,691	66,695	7,336	4,664	**601,099**
IFRS 16 transition	5,798	6,855	1,212	-	2,252	-	16,118
At 1 Jan 2019 adjusted	**6,629**	**12,734**	**516,903**	**66,695**	**9,588**	**4,664**	**617,217**
Exchange differences	15	-106	-5,410	-943	97	-86	-6,433
Additions	541	1,236	57,035	9,861	1,384	6,269	76,326
Disposals	-	-878	-12,583	-	-1,037	-618	-15,117
Reclassification between asset categories	-	-204	-4,316	8,885	1,003	-5,368	-
At 31 Dec 2019	**7,185**	**12,782**	**551,629**	**84,498**	**11,035**	**4,861**	**671,992**
Accumulated depreciation and impairment							
At 1 Jan 2019	**-**	**-1,278**	**-132,505**	**-39,746**	**-4,235**	**-**	**-177,763**
Exchange differences	-	3	1,234	652	22	-	1,912
Disposals	-	568	5,079	-	146	-	5,794
Depreciation	-1,317	-1,634	-30,028	-6,070	-1,676	-	-40,726
Impairments	-	-	-9,770	-	-14	-365	-10,150
Reclassification between asset categories	-	-436	2,370	-1,808	-126	-	-
At 31 Dec 2019	**-1,317**	**-2,777**	**-163,619**	**-46,972**	**-5,883**	**-365**	**-220,933**
Net book value at 31 Dec 2019	**5,867**	**10,005**	**388,010**	**37,527**	**5,151**	**4,496**	**451,057**

Net book value of right-of-use assets included in the property, plant and equipment:

EUR thousands	31 Dec 2020	31 Dec 2019
Land	3,945	4,642
Buildings	7,622	6,363
Rental equipment	386	711
Other machinery and equipment	1,711	1,768
Total	**13,664**	**13,484**

Additions to the right-of-use assets during 2020 were EUR 5.6 million (EUR 1.7 million in 2019). Depreciation of right-of-use assets recognised in the income statement, see note 8.

Accounting policy

Property, plant and equipment is measured at cost less accumulated depreciation and any impairment losses. This cost includes expenditure that is directly attributable to the acquisition. Property, plant and equipment acquired in the business combinations is measured at fair value at the date of acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset when it is probable that it will generate future economic benefits, and the cost can be measured reliably. The expenditure on repairs and maintenance of property, plant and equipment are recognised as expense when incurred.

Depreciation of an asset is started when the asset is available for use or rental, i.e. in the location and condition necessary to operate in a manner intended by the management. Residual values, depreciation methods and useful lives of the assets are reviewed at the end of each reporting period and, if necessary, adjusted to reflect any changes in expectations of economic value.

Property, plant and equipment assets are depreciated on a straight-line basis over the estimated economic useful lives (years) as follows:

Buildings	4–23
RoU buildings	1–10
Rental equipment	20
RoU rental equipment	1–5
Rental accessories	5–10
Other machinery and equipment	3–10
RoU other machinery and equipment	1–5

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the disposed asset and are recognised within other operating income or other operating expenses in the consolidated income statement when the asset is disposed.

Adapteo's leasing activities and how these are accounted for

Adapteo leases rental machinery, vehicles and premises. 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, but leased assets may not be used as security for borrowing purposes.

Under IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Adapteo. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used.

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.

Payments associated with short-term leases and 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.

Lease liabilities are presented in note 19.

Impairment of assets

Property, plant and equipment and other intangible assets (see note 13) and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Key judgement and estimates — Useful lives and valuation of property, plant and equipment

Depreciation is based on management's estimates of the residual value of the assets, depreciation methods and the useful life of assets. The estimates may change due to technological development, the competitive situation, changes in market conditions and other factors, and this may lead to changes in the estimated useful lives and the amount of depreciation recognised in the consolidated income statement.

The useful lives of property, plant and equipment are reviewed periodically considering the factors mentioned above and all other relevant factors.

Optimal rental fleet's utilisation levels are managed centrally at Adapteo's group level. Testing of the value of the rental portfolio is based on calculations of value in use, taking into account the possibility of transferring it to another entity of the group. The preparation of these calculations requires management estimate.

12 ACQUISITIONS

2020 Dutch Cabin Group

On 5 October 2020, Adapteo entered into an agreement with George Holding B.V. to acquire Dutch Cabin Group ("DCG") by acquiring 100% of the shares. The closing of the acquisition took place on 29 October 2020.

The acquisition allows Adapteo to increase its pace of growth within continental Europe. In addition, the increased geographic diversification and less dependency on the Nordic markets are considered as benefits from the transaction. Dutch Cabin Group is a provider of rental and permanent building structures with more than 60 years of experience. DCG uses both internal and external supply sources. DCG's main market is Benelux countries and Northern Germany. The purchase consideration is EUR 76.6 million of which EUR 62.5 million was paid in cash at the closing. The present value of the contingent component (earn-out) of the purchase price is EUR 14.0 million and it has been recognised as a liability in the consolidated balance sheet. The contingent consideration is linked to the actual EBITDA in 2021 and 2022. The earn-out can result in a total payment ranging from nil to EUR 18.0 million in total.

Purchase consideration:

EUR thousands	
Purchase price paid at closing	62,545
Contingent consideration	14,028
Purchase consideration	**76,573**

EUR thousands	Opening balance sheet
ASSETS	
Non-current assets	
Property, plant and equipment	44,998
Other intangible assets	5,478
Finance lease receivables	1,355
Total non-current assets	**51,831**
Current assets	
Inventories	929
Finance lease receivables	141
Trade and other receivables	11,811
Cash and cash equivalents	6,118
Total current assets	**18,999**
TOTAL ASSETS	**70,830**
LIABILITIES	
Non-current liabilities	
Borrowings	18,828
Deferred tax liabilities	4,126
Total non-current liabilities	**22,954**
Current liabilities	
Borrowings	2,860
Trade and other payables	19,759
Income tax liabilities	1,560
Total current liabilities	**24,179**
TOTAL LIABILITIES	**47,133**
Net assets	**23,697**
Purchase consideration	**76,573**
Goodwill	**52,877**

The table below represents details of the outflow of cash to acquire Dutch Cabin Group:

EUR thousands	
Cash consideration at closing	62,545
Acquired cash and cash equivalents	-6,118
Total	**56,427**

The fair value of acquired identifiable intangible assets at the date of acquisition was EUR 5.5 million comprising of customer relationships. The gross value of the acquired trade receivables was EUR 9.1 million, of which EUR 9.0 million is considered to be collectable. Residual goodwill amounts to EUR 52.9 million. Goodwill is not tax-deductible. The goodwill consists of workforce, market position, geographical coverage and expected future profits. The calculation of purchase price allocation presented above is premilinary at 31 December 2020.

Acquisition related costs of EUR 1.9 million are included in other operating expenses in the consolidated income statement and in net cash flow from operating activities in the statement of cash flows. The acquired businesses contributed net sales of EUR 9.6 million and operating profit of EUR 1.4 million to Adapteo for the period from 29 October to 31 December 2020. Adapteo's pro forma net sales would have been EUR 270.4 million and operating profit EUR 42.6 million if the acquisition had been completed on 1 January 2020.

In 2019, Adapteo did not have any acquisitions.

Accounting policy

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is the fair value of the assets transferred, the liabilities incurred, and the equity instruments issued at the acquisition date. Any contingent consideration is recognised at fair value at the acquisition date and classified as a liability or equity. Contingent considerations classified as a liability are measured at fair value on each reporting date with changes recognised in the consolidated income statement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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 of the subsidiary acquired is recorded as goodwill. If this 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 consolidated income statement.

Key judgement and estimates — Fair values of contingent consideration and net assets acquired in a business combination

The purchase consideration transferred and net assets acquired in business combinations are measured at fair value. The fair value of the contingent consideration included in the purchase consideration for an acquisition has been estimated on the basis of the present value of the expected cash flows. The measurement of fair value of acquired net assets is based on fair values of similar assets (property, plant and equipment), estimated future cash flow (intangible assets, such as customer relationships and brands) or an estimate of the payments required for fulfilling an obligation. Related to property, plant and equipment, the management makes comparisons to the market prices of corresponding assets, as well as estimates of the decrease in value attributable to the age, wear and tear and other similar factors of acquired assets. The determination of the fair value of intangible assets is based on assessments concerning the cash flows of assets, because information on the sales of similar assets has not been available. Therefore, the valuation exercise, which is based on repurchase values, expected cash flows or estimated payments requires management's judgments and assumptions. Management believes that the estimates and assumptions used are sufficiently reliable for determining fair values.

13 GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets comprise of goodwill and other intangible assets consisting of brand, customer relationships, software and other intangibles. Other intangibles mainly include non-competition agreements.

EUR thousands	Goodwill	Brand	Customer relationships	Software	Other intangibles	Other intangible assets total
Acquisition cost						
At 1 Jan 2020	**171,634**	**2,731**	**25,678**	**2,310**	**1,765**	**32,483**
Exchange differences	6,335	139	964	39	58	1,199
Additions	-	586	-	742	186	1,514
Business acquisitions	52,877	-	5,478	-	-	5,478
Reclassifications	-	-612	-	-	612	-
At 31 Dec 2020	**230,846**	**2,843**	**32,119**	**3,091**	**2,621**	**40,675**
Accumulated amortisation and impairment						
At 1 Jan 2020	**-615**	**-281**	**-3,613**	**-1,985**	**-1,747**	**-7,626**
Exchange differences	-21	-20	-212	-22	-57	-312
Amortisation	-	-181	-2,515	-295	-192	-3,182
Impairment	-	-	-	-	-4	-4
At 31 Dec 2020	**-636**	**-482**	**-6,341**	**-2,302**	**-2,000**	**-11,124**
Net book value at 31 Dec 2020	**230,210**	**2,362**	**25,779**	**790**	**620**	**29,550**

EUR thousands	Goodwill	Brand	Customer relationships	Software	Other intangibles	Other intangible assets total
Acquisition cost						
At 1 Jan 2019	**174,506**	**2,782**	**26,136**	**1,889**	**1,766**	**32,573**
Exchange differences	-2,872	-51	-458	-3	-1	-513
Additions	-	-	-	424	-	424
At 31 Dec 2019	**171,634**	**2,731**	**25,678**	**2,310**	**1,765**	**32,483**
Accumulated amortisation and impairment						
At 1 Jan 2019	**-615**	**-102**	**-1,182**	**-1,552**	**-1,712**	**-4,548**
Amortisation	-	-179	-2,431	-179	-35	-2,824
Impairment	-	-	-	-254	-	-254
At 31 Dec 2019	**-615**	**-281**	**-3,613**	**-1,985**	**-1,747**	**-7,626**
Net book value at 31 Dec 2019	**171,019**	**2,450**	**22,064**	**325**	**18**	**24,858**

Goodwill

Accounting policy

Goodwill represents the consideration that has been paid when acquiring a business in excess of the fair value of the assets and liabilities acquired. Goodwill is not amortised but it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Goodwill is carried at cost less any accumulated impairment losses. Previously recognised impairment loss of goodwill is not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Basis for impairment testing

Adapteo has reported two operating segments: Rental Space and Permanent Space. Goodwill is monitored and allocated by management at the level of the two operating segments and CGUs.

Operating segment level summary of the goodwill allocation per 31 December:

EUR thousands	2020	2019
Rental Space	171,690	161,802
Permanent Space	58,520	9,217
Total	**230,210**	**171,019**

The calculation of purchase price allocation presented above is premilinary at 31 December 2020.The impairment test is done annually based on the balance sheet as of 31 December (31 October in 2019). The testing date has been changed in 2020. In the impairment testing the assets of the two CGUs are compared to their recoverable amount. The recoverable amount is the higher of CGU's fair value less costs of disposal and value in use. The recoverable amount of the CGU has been determined in the 2020 testing based on assessing the fair value less cost of disposal (FVLCOD) which is calculated by using the discounted cash flow method (Level 3). The cash flow projections used in the calculations are based on the next year's financial budget and the forecasts for the subsequent four years. The cash flow projections, covering altogether a period of five years, are based on actual results and management's estimates on future sales, cost development, investments, applicable tax regulations and management's expectations of market development as well as the future development of the markets. The projections are in line with the external information to the extent such information is available. Adapteo's Board and Group Management have approved cash flow forecasts upon which the impairment tests are based.

Key assumptions used in impairment testing

The key assumptions related to impairment test:

	Rental Space				Permanent Space			
	EBITDA%	Compound annual growth rate five-year period	Growth rate beyond the five-year period	Discount rate after tax, %	EBITDA%	Compound annual growth rate five-year period	Growth rate beyond the five-year period	Discount rate after tax, %
2020	40.7% – 46.2%	7.7%	1.5%	7.9%	12.2% –15.6%	15.8%	1.5%	7.9%
2019	47.0% – 48.7%	9.5%	1.5%	8.1%	9.4% – 13.8%	9.9%	1.5%	8.1%

Management has determined the values assigned to each of the above key assumptions as follows:

EBITDA margin: EBITDA is defined as operating profit (EBIT) plus depreciation, amortisation and impairment. Corresponding margin has been calculated by dividing the measure with net sales.

Rental space's forecasted profitability for the forecast period has slightly decreased in 2020 and the terminal value profitability level reflects the forecast period EBITDA levels used. Rental space EBITDA margin is currently under pressure due to tightened competitive situation, especially in Finland, and continuing covid-19 pandemic presence in all countries. There is also a phenomenon of lower installation volumes in 2020 (especially in Finland) that pushes the monthly rental revenue generation to a lower baseline to start the year 2021 and thus impacting directly the EBITDA margin. Projections for the future years still show an improvement going forward after the lower margin season expected for the coming few years.

The permanent space's EBITDA margin is expected to improve from the current low level via number of corrective actions, key focus on these actions is to ensure that the full chain from sales to delivery is optimised to have profitable offering and more efficient operations. The improvement potential in profitability is mainly on internal processes.

Growth rate for the five-year period: Future growth estimates are mainly based on forecasted utilisation rates and forecasted price development in the CGUs. The overall sales are expected to reach a compound annual growth rate of 7.7% for Rental Space and 15.8% for Permanent Space during the forecasted period.

Growth rate beyond the five years: The growth rate beyond five years is estimated to be 1.5% per year for both CGUs. This is predicted to reflect the forecasted growth and long-term inflation forecast.

Discount rate: Forecasted cash flows are discounted with a specific discount rate. Adapteo's weighted average cost of capital (WACC) constitutes the basis for the determination of the discount rate. Cost of capital includes assumptions for capital structure, risk-free interest rate, risk premium, cost of debt and equity and equity beta. In determining the discount rates, the weighted average cost of capital is increased by specific risk factor, which includes assumptions for country, currency and price risks inherent to the CGU.

Sensitivity analysis of the main assumptions
The figures below represent the changes of the main assumptions, for each assumption separately, after which the carrying amount of the CGU equals its recoverable amount. In the sensitivity analysis, each parameter is adjusted independently whilst holding the other parameters constant.

Rental Space

	Annual change in profitability – Max decrease in %-units	Growth rate beyond five-year period – Max. decrease in %-units	Discount rate – Max. increase in %-units	The amount by which the recoverable amount exceeds the carrying amount – EUR million	The amount by which the recoverable amount exceeds the carrying amount –%
2020	-1.2%	-0.5%	0.4%	47.4	7.3%
2019	-2.6%	-0.8%	0.7%	84.1	13.4%

Permanent Space

	Annual change in profitability – Max decrease in %-units	Growth rate beyond five-year period - Max. decrease in %-units	Discount rate – Max. increase in %-units	The amount by which the recoverable amount exceeds the carrying amount – EUR million	The amount by which the recoverable amount exceeds the carrying amount –%
2020	-3.6%	>1.5%	4.1%	62.2	69.2%
2019	-2.4%	>1.5%	2.7%	13.6	43.4%

Based on the impairment test results, no impairment was recognised in 2020 and 2019. Management estimates that the most sensitive main assumption of the above sensitivity analysis is the annual change in profitability of the Rental Space business.

Key judgement and estimates — Key assumptions used in goodwill impairment testing

The management makes significant estimates and judgements in determining the level at which the goodwill is tested and whether there are any indications of impairment.
The recoverable amount of cash generating unit is determined based on fair value calculations which require the use of estimates. Cash flow forecasts are based on Adapteo's actual results and the management's best estimates on future sales, cost development, general market conditions and applicable tax rates. Cash flow forecasts include budgets and forecasts approved by the Board of for a period of five years and cash flows for the periods after five years are extrapolated using the estimated growth rates mentioned in this note under key assumptions used in impairment testing. The growth rates are based on the management's estimates on future growth in the CGUs.

Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in this note under key assumptions used in impairment testing.

Other intangible assets

Accounting policy

Other intangible assets are recorded in the balance sheet initially at cost, when it is probable that the assets will generate future economic benefits and the cost can be measured reliably. Other intangible assets include brands, customer relationships, software and other intangibles comprising mainly of non-competition agreements.

Adapteo's brands, customer relationships and non-competition agreement are recognised in connection with the business acquisitions. Brands, customer relationships and non-competition agreements acquired in the business combinations are measured at fair value on the date of the acquisition and subsequently amortised on a straight-line basis over the estimated useful lives.

Intangible assets that are separately identifiable or arising from contractual or other legal rights relate to IT systems. The capitalised cost related to IT systems consist of external service expenses and fees paid for licenses.

Amortisation periods for other intangible assets are for brands and software 3 years and for customer relationships 10 years.

Research costs are expensed as incurred. Development costs are capitalised when it is probable that a development project will generate future economic benefits, and the cost can be measured reliably. Other development costs are expensed. Currently the development projects of Adapteo do not fulfil the criteria of capitalisation and thus the development costs are expensed as incurred.

14 INVESTMENTS IN JOINT VENTURES

Ungabostäder Haninge AB is a Swedish company and owned and controlled jointly by Adapteo with 50% ownership.
In Adapteo's consolidated financial statements the joint venture investment is recognised as follows:

EUR thousands	2020	2019
Carrying amount of investment at 1 Jan	**1,239**	**1,241**
Profit for the period	5	16
Other comprehensive income items	51	-18
Carrying amount of investment at 31 Dec	**1,295**	**1,239**

The financial information on the joint venture is summarised in the following table. The information disclosed reflects the amounts presented in the financial statements of Ungabostäder Haninge AB and not Adapteo's share of those amounts.

EUR thousands	31 Dec 2020	31 Dec 2019
Rental equipment	2,273	2,620
Total non-current assets	**2,273**	**2,620**
Cash and cash equivalents	229	232
Other current assets (excluding cash)	82	66
Total current assets	**311**	**298**
Borrowings	1,045	1,449
Total non-current liabilities	**1,045**	**1,449**
Total current liabilities	**743**	**753**
Net assets	**796**	**716**

Adapteo's subsidiary Flexator Leasing AB has granted loan to Ungabostäder Haninge AB and the book value of the loan was EUR 154 thousand on 31 December 2020 (2019: EUR 220 thousand).

Accounting policy

Investments in entities which Adapteo has a joint control are accounted for under the equity method of accounting. Adapteo's share of the profit or the loss from joint ventures is presented as a separate line item before operating profit in the consolidated income statement. Adapteo's investments in the joint ventures are presented in the consolidated balance sheet under Investments in joint ventures. Investments in the joint ventures are initially recognised on the balance sheet at the acquisition cost and subsequently, the value of investment is adjusted in accordance with changes in the net assets of the investee in proportion to Adapteo's ownership. Investments in the joint ventures are derecognised when Adapteo no longer has joint control over the investee.

NET WORKING CAPITAL

This section describes components of net working capital of Adapteo. Net working capital consist of the following:

EUR thousands	Note	31 Dec 2020	31 Dec 2019
Non-current			
Other receivables	16	13,605	746
Other liabilities	17	-15,964	-406
Provisions	18	-1,258	-263
Current			
Inventories	15	7,243	4,372
Trade and other receivables	16	49,820	70,707
Trade and other payables	17	-94,635	-91,828
Total net working capital		**-41,189**	**-16,671**

15 INVENTORIES

Adapteo has in-house production of adaptable buildings. Inventories mainly consist of materials and supplies, which include raw materials and spare parts. Work in progress relates to unfinished adaptable buildings.

EUR thousands	31 Dec 2020	31 Dec 2019
Materials and supplies	7,243	4,372
Inventories	**7,243**	**4,372**

Write-downs of inventories recognised during the financial years 2020 and 2019 were immaterial.

Accounting policy

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories shall comprise all costs of purchase including transportation, handling and other costs directly attributable to the acquisition. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling.

If the net realisable value of inventory is deemed lower than the cost, then allowance is established for inventory obsolescence. The amount to be allocated to inventory obsolescence is based on an estimation of the net realisable value of inventory.

16 TRADE AND OTHER RECEIVABLES

EUR thousands	31 Dec 2020	31 Dec 2019
Non-current		
Accrued income on assembly[1]	12,648	-
Other receivables	956	746
Non-current other receivables	**13,605**	**746**
Current		
Trade receivables	31,072	37,858
Accrued income on assembly[1]	10,173	14,974
Accrued income on self-manufactured projects[1]	6,970	10,071
Other accrued income	173	589
Other prepaid expenses	424	1,019
VAT receivables	796	3,502
Other receivables	213	2,693
Current trade and other receivables	**49,820**	**70,707**
Total trade and other receivables	**63,425**	**71,453**

1 Accrued income on assembly and self-manufactured projects relate to revenue recognition according to IFRS 15 and are treated as contract assets. Contract assets and contract liabilities were presented earlier as current receivables and liabilities. In 2020 they have been classified as either current or non-current according to their maturity. In addition, contract assets and liabilities have been netted according to IFRS 15. Earlier periods have not been restated.

Trade receivables comprise of the following provision for impairment:

EUR thousands	31 Dec 2020	31 Dec 2019
Trade receivables	31,667	39,226
Provision for impairment	-595	-1,368
Total trade receivables	**31,072**	**37,858**

A total amount of EUR 381 thousand in 2020, trade receivables has been recognised in the income statement as impairment losses (2019: EUR 76 thousand).

Refer also to note 24 Financial risk management, Credit and counterparty risk.

Accounting policy

Trade and other receivables represent amounts that Adapteo expects to collect from other parties. Trade receivables are non-interest-bearing and are generally on 14–60 days payment terms.

The classification of trade receivables is based on the business model's objective and on the contractual cash flow characteristics. Cash flows of trade receivables consist solely of payments of principal and interest. Adapteo holds the trade receivables with the objective to collect the contractual cash flows. Trade receivables are initially recognised at their transaction price as they do not have significant financing component. Subsequently, they are measured at amortised cost. Credit loss allowance is deducted from the receivables.

The credit loss allowance is recognised using the simplified approach, under which allowance equal to lifetime expected credit losses is recognised. Trade receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Trade receivables are derecognised when the rights to receive cash flows from the investment have expired or have been transferred, and Adapteo has substantially transferred all risks and rewards of ownership.

For credit risk disclosures including ageing of trade receivables and description of the expected credit loss model, please see note 24.

17 TRADE AND OTHER PAYABLES

EUR thousands	31 Dec 2020	31 Dec 2019
Non-current:		
Contingent consideration	14,028	-
Advances received[1]	1,530	-
Other liabilities	406	406
Non-current other liabilities	**15,964**	**406**
Current:		
Trade payables	33,150	25,998
Advances received[1]	42,381	45,595
Accrued interests	787	-
Accrued expenses	15,207	15,343
VAT liability	1,472	4,538
Other payables	**1,638**	**353**
Current trade and other payables	**94,635**	**91,828**
Total trade and other payables	**110,599**	**92,234**

1 Advances received consist of advances arising from customer agreements and are treated as contract liabilities in revenue recognition according to IFRS 15. Contract assets and contract liabilities were presented earlier as current receivables and liabilities. In 2020 they have been classified as either current or non-current according to their maturity. In addition, contract assets and liabilities have been netted according to IFRS 15. Earlier periods have not been restated.agreements and are treated as contract liabilities in revenue recognition according to IFRS 15.

Additional information on contingent consideration is presented in note 12. Material items included in accrued expenses relate mainly to personnel expenses and advances received.

Accounting policy

Trade and other payables mainly consist of amounts owed to suppliers, employees and customers. Trade and other payables represent liabilities for goods and services provided to Adapteo prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Accounting policy for share-based payments is presented in note 7 Employee benefit expenses.

18 PROVISIONS

Movements in each class of provisions during the years presented are set out below.

EUR thousands	Guarantee provision	Other provisions	Total provisions
At 1 Jan 2020	**263**		**263**
Additions	-	1,034	1,034
Unused provisions reversed	-39	-	-39
At 31 Dec 2020	**224**	**1,034**	**1,258**
of which			
non-current	224	1,034	1,258
Total provisions	**224**	**1,034**	**1,258**

EUR thousands	Guarantee provision	Other provisions	Total provisions
At 1 Jan 2019	**271**	**117**	**388**
Unused provisions reversed	-8	-117	-125
At 31 Dec 2019	**263**	**-**	**263**
of which			
non-current	263	-	263
Total provisions	**263**	**-**	**263**

Other provisions include provisions related to onerous contracts.

Accounting policy

Provisions are recognised when Adapteo has a present legal or constructive obligation as a result of past events, it is probable that a cash outflow will be required to settle the obligation and the amount can be estimated reliably. The unwinding of the discount to present value is included as interest expense within finance cost. Provisions are split between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (non-current).

Guarantee provisions are made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. Management estimates the provisions based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Provisions are booked for onerous contracts when the obligatory expenditure required to meet obligations exceeds the benefits yielded by the contract. Provisions are not recognised for any estimated future operating losses.

FINANCING AND CAPITAL MANAGEMENT

This section summarises Adapteo's net debt and how Adapteo manages its capital including liquidity management. Adapteo's capital consists of equity and borrowings as shown on the balance sheet.

Adapteo's net debt items are:

EUR thousands	Note	31 Dec 2020	31 Dec 2019
Borrowings	19	496,139	412,052
Loan receivables	23	-154	-220
Finance lease receivables	21	-6,423	-8,233
Cash and cash equivalents	20	-54,804	-3,760
Net debt		**434,758**	**399,839**

Specification of net debt items and the movements:

				Borrowings			
EUR thousands	Cash and cash equivalents	Finance lease receivables	Loan receivables	Bank loans	Lease liabilities	Other borrowings	Total
Net debt at 1 Jan 2020	**-3,760**	**-8,233**	**-220**	**398,171**	**13,431**	**450**	**399,839**
Cash flows	-44,927	3,477	72	60,721	-4,238	-	15,104
Business acquisitions	-6,118	-1,496	-	21,600	88	-	14,074
Exchange differences	1	-183	-6	-	117	-	-70
Other changes	-	13	-	1,898	4,350	-450	5,812
Net debt at 31 Dec 2020	**-54,804**	**-6,423**	**-154**	**482,390**	**13,749**	**-**	**434,758**

				Borrowings					
EUR thousands	Cash and cash equivalents	Finance lease receivables	Loan receivables	Bank loans	Loans from Cramo Group	Repayments of demerger related liabilities to Cramo Plc	Lease liabilities	Other borrowings	Total
Net debt at 1 Jan 2019	**-2,377**	**-10,721**	**-224**	**209,663**	**106,529**	**-**	**684**	**63,685**	**367,238**
Cash flows	-1,313	2,271	-	13,168	-12,248	-28,514	-3,817	-5,012	-35,465
Recognised on adoption of IFRS 16	-	-	-	-	-	-	13,688	-	13,688
Exchange differences	-70	-222	4	-	-	-	-	-	151
Other changes	-	439	-	175,340	-94,281	28,514	2,876	-58,223	54,226
Net debt at 31 Dec 2019	**-3,760**	**-8,233**	**-220**	**398,171**	**-**	**-**	**13,431**	**450**	**399,839**

19 BORROWINGS

The carrying values of Adapteo's borrowings are presented in the following table:

EUR thousands	31 Dec 2020	31 Dec 2019
Non-current		
Bank loans	479,166	398,171
Collateralised loan	-	405
Lease liabilities	9,876	11,912
Total non-current borrowings	**489,042**	**410,488**
Current		
Bank loans	3,224	-
Collateralised loan	-	45
Lease liabilities	3,873	1,519
Total current borrowings	**7,097**	**1,564**
Total borrowings	**496,139**	**412,052**

Bank loans
In November 2020 Adapteo refinanced its loan facilities agreements. After the refinancing Adapteo has available EUR 530 million term loan and a EUR 100 million revolving credit facility. The loan agreement contains quarterly monitored financial covenants which the company is fully compliant with. The EUR 530 million term loan was not fully drawn down on 31 December 2020, and its maturity is three year. The nominal value of the loan is EUR 463 million. At the end of 2020 the EUR 100 million revolving credit facility was fully undrawn. In addition, Adapteo Plc has a EUR 20 million overdraft facility until further notice which was unused on 31 December 2020 and Dutch Cabin Group has a total of EUR 1.3 million overdraft facility which was unused on 31 December 2020.

Lease liabilities
Adapteo leases rental machinery, vehicles and premises. Adapteo's lease liabilities were:

EUR thousands	31 Dec 2020	31 Dec 2019
Non-current	9,876	11,912
Current	3,873	1,519
Total lease liabilities	**13,749**	**13,431**

Accounting policy

Financial liabilities
Borrowings are recognised initially at fair value. Transaction costs are included in the initial measurement of the borrowings. Subsequently, borrowings are measured at amortised cost using the effective interest method. In the effective interest method, transaction costs related to borrowings are amortised over the term of the borrowings and recognised as finance costs as part of interest expense. Borrowings are derecognised when loan has been repaid or liability has been extinguished for example in connection with refinancing.

Adapteo classifies a liability as current if the liability is due to be settled within twelve months after the reporting period; or it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Fees related to loan commitments are recognised as transaction costs to the extent that it is probable that the total loan commitment or a part of it will be raised. This means that the fee is recognised in the balance sheet until the loan is raised. In connection with the drawdown, the fee related to loan is recognised as part of the transaction costs against the loan balance. To the extent there is no evidence that it is probable that the loan will be raised, the fee is recognised as prepaid expense in respect of the liquidity related services and is accrued over the term of the commitment.

For the measurement policies of the fair values of all financial assets and liabilities, see note 23.

Lease liabilities
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
- 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.

There are no significant variable lease payments or options included in the Adapteo's lease arrangements.

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.

Key judgement and estimates — lease term

Accounting for leases require the use of judgement from different aspects of which determining the discount rate and determining the lease term have been assessed as the most critical ones. Discount rates used are centrally established as the Group's calculated incremental borrowing rate for each entity. The lease term is determined based on the information available in the lease agreement and other relevant facts and circumstances. For example, for leases valid until further notice, the lease term is often estimated based on the experience and estimation about how long the contract is expected to be valid.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to EUR 54 804 thousand on 31 December 2020 (31 December 2019: EUR 3 760 thousand).

Accounting policy

Cash and cash equivalents include cash in hand and demand deposits available at call. Cash and cash equivalents have original maturities of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash and cash equivalents are measured at amortised cost.

21 FINANCE LEASE RECEIVABLES

Adapteo offers long-term leasing as an alternative to buying. These leases are classified as finance leases where Adapteo is a lessor. The customers consist mainly of Swedish municipalities. The following table shows how the amount of the net investment in a finance lease (finance lease receivable) is determined:

EUR thousands	31 Dec 2020	31 Dec 2019
Minimum lease payments	6,636	8,207
Unguaranteed residual value	1,732	2,268
Gross investment	**8,367**	**10,476**
Unearned finance income	-1,945	-2,242
Net investment (finance lease receivable)	**6,423**	**8,233**

The following table presents the maturity of the gross investment amounts and the present value of minimum lease payments.

31 Dec 2020

EUR thousands	Gross payments	Present value of lease (finance lease receivables)
Within 1 year	2,173	2,663
1-5 years	4,038	2,685
After 5 years	2,156	1,075
Total	**8,367**	**6,423**

31 Dec 2019

EUR thousands	Gross payments	Present value of lease (finance lease receivables)
Within 1 year	4,268	4,235
1-5 years	4,723	3,604
After 5 years	1,485	395
Total	**10,476**	**8,233**

During the financial year 2020, the impact of change in lease terms due to lessees exercising extension options resulted as an increase of EUR 171 thousand in net sales (2019: EUR 1 269 thousand).

Other information about leases where Adapteo is a lessor:

EUR thousands	2020	2019
Rental revenue from operative leases (note 3)	133,059	132,728
Interest income from finance lease receivables (note 4)	651	1,053
Selling profit from finance lease receivables	138	33

Accounting policy

For those lease agreements of property, plant and equipment where Adapteo acts as lessor and transfer substantially all the risks and rewards of ownership to the lessee, are classified as finance leases and recognised as receivable in the balance sheet. The receivable is measured initially at an amount equal to the present value of the minimum lease payments. The rental income derived from these finance lease agreements is recognised on a straight-line basis for each period during the lease term to produce a constant periodic rate of interest on the asset. The interest income is presented as other operating income in the income statement.

Key judgement and estimates — Determining the lease term for finance leases where Adapteo is a lessor

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

22 EQUITY

On the demerger date 30 June 2019, Adapteo issued 44,682,697 new shares and the shareholders of Cramo received as demerger consideration one Adapteo share for each Cramo share that they hold. Shares and share capital were registered in the Finnish Trade Register on 30 June 2019.

Adapteo has one class of shares with equal voting rights. All the issued and subscribed shares have been fully paid to the company. Shares do not have a nominal value.

Adapteo announced on 10 December 2020 the result of the offering of new shares in a directed share issue to institutional and other qualified investors. Adapteo issued a total of 4,442,025 new shares and the shares were registered with the Finnish Trade register on 11 December 2020. Following the registration of the new shares, the total number of registered shares in the company is 49,124,722. Adapteo holds a total of 50,337 treasury shares on 31 December 2020.

Number of shares, share capital and reserve for invested unrestricted equity:

EUR thousands	Outstanding shares (pcs)	Share capital (EUR thousands)	Reserve for invested unrestricted equity (EUR thousands)
At 1 Jan 2020	44,682,697	10,000	67,799
Share issue	4,442,025	-	38,547
At 31 Dec 2020	**49,124,722**	**10,000**	**106,347**

23 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The following table presents Adapteo's financial assets and liabilities during the years presented:

EUR thousands	Note	31 Dec 2020	31 Dec 2019
Non-current financial assets at amortised cost			
Finance lease receivables	21	3,725	3,919
Loan receivables	14	154	220
Total		**3,879**	**4,139**
Current financial assets at amortised cost			
Finance lease receivables	21	2,698	4,314
Trade receivables	16	31,072	37,858
Cash and cash equivalents	20	54,804	3,760
Total		**88,573**	**45,932**
Current derivative financial instruments at fair value		810	201
Total financial assets		**93,263**	**50,273**

EUR thousands	Note	31 Dec 2020	31 Dec 2019
Non-current financial liabilities at amortised cost			
Borrowings	19	489,042	410,488
Total		**489,042**	**410,488**
Current financial liabilities at amortised cost			
Borrowings	19	7,097	1,564
Trade payables	17	36,590	25,998
Total		**43,688**	**27,563**
Non-current derivative financial instruments at fair value		474	-
Current derivative financial instruments at fair value		2,434	718
Total financial liabilities		**535,638**	**438,768**

Accounting policy

Determination of fair values

For borrowings, when the fair value is calculated for disclosure purposes, the fair value is based on discounted cash flows. The rate used for measurement is the rate which would apply for the Adapteo's new external financing and investments. The overall rate consists of a risk-free rate and the risk premium for the company. The fair value of lease contracts is computed by discounting the cash flows with a rate corresponding to similar contracts at the measurement date.

The fair value of trade receivables and trade payables corresponds to the cost. The effect of discounting is immaterial due to short maturity of these items. For borrowings, the fair values are not materially different to their carrying amounts since the contractual interest on borrowings is close to current market rates. For other financial assets and liabilities, carrying values correspond to fair values.

Derivative financial instruments

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. Derivatives, for which hedge accounting is not applied, are classified as a current asset or liability. Derivatives, which are entered in with hedging purposes, but for which hedge accounting is not applied or cannot be applied are measured at fair value through profit and loss. Changes in the fair value of these derivative instruments are recognised immediately through profit or loss and presented in the income statement within finance items.
In the fair value hierarchy, derivative contracts are classified on level 2. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

24 FINANCIAL RISK MANAGEMENT

The objective of the financial risk management is to minimise the negative effects on Adapteo's financial performance caused by changes in financial markets and thus help to secure profitability. The Group´s financial risks consist of credit and counterparty risk, funding risk, liquidity risk and market risk (including currency risk and interest rate risk). The general operating principles to manage financial risks are defined in the Group Treasury policy which is approved by the Board of Adapteo. The policy is reviewed and if needed updated at least annually. Operational management of financial risks is carried out centrally by the Group Treasury in co-operation with operating units. The Treasury Policy defines objectives and limits for financing activities. Responsibilities in between the Group Treasury and operating units with regard to financial activities and financial risk management are also defined in the Group's Treasury Policy.

Interest rate risk

Fluctuations in market interest rates have an effect on interest outflows and the fair value of interest-bearing receivables and loans payable. The objective of interest rate risk management is to mitigate the impact of interest rate changes in the consolidated income statement, balance sheet and cash flow, while also taking into account the market value of net debt.

The Group can have both variable rate and fixed-rate non-current borrowings and interest rate derivatives can be used to manage interest rate risk. Currently all the borrowings are with variable interest rates. The Group has used interest rate swap for managing interest rate risk. Lease liabilities and receivables are at fixed rates and expose Adapteo to fair value interest rate risk.

If interest rates had been 1 per centage points higher with all other variables held constant, the impact to the profit for the year would have been EUR 1.8 million lower on 31 December 2020 calculated from the external loans and interest rate derivatives. Interest rate level is so low that the decrease in interest rates would not have had any material impact on Adapteo's profit.

Adapteo's borrowings are presented in note 19 Borrowings.

Currency risk

Adapteo operates internationally and is exposed to risks arising from foreign exchange rate fluctuations, primarily from exposures with respect to the Swedish krona. Foreign exchange risk arises from internal funding as well as recognised assets and liabilities in other than functional currency of the group entity, and from net investments in foreign operations.

The objective of the foreign exchange risk management is to limit the uncertainties associated with foreign exchange rate fluctuations and their effect on Adapteo's consolidated profit, cash flows and balance sheet.

Main funding currency for the Group is euro but the subsidiaries are normally funded through intra-Group loans in their home currencies. Foreign exchange risk arising from internal funding and recognised assets and liabilities is managed primarily through derivative contracts. In the sensitivity analysis internal and external loans and receivables are considered, and foreign exchange derivative contracts which have been made in hedging purpose and which offset the impact of changes in foreign exchange rates. Strengthening or weakening of euro would not have had a material impact on the result of the Group.

Although the Group has a large international presence, sales of local entities are mainly carried out in the functional currency of those entities. Purchases are also carried out mainly in local currencies but also some in foreign currencies. However, currency risk arising from sales and purchases is considered insignificant. Hence, according to the Treasury Policy, future sales and purchases are not hedged.

Translation risk is caused by the parent company's foreign currency denominated net investments in foreign subsidiaries. Translation differences are recognised in equity on consolidation. The most significant foreign currency net investments are denominated in Swedish krona. Other currencies do not create significant translation risk. During the reporting period translation risk has not been hedged.

The Group has not applied hedge accounting in currency hedging. Changes in the fair values of derivatives are recognised through profit and loss.

Credit and counterparty risk

Adapteo's credit and counterparty risk arises mainly from credit exposures to customers, including outstanding trade and finance lease receivables and committed transactions, as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group Treasury is monitoring closely the outstanding receivable balances and local entities are responsible for managing the credit risk related to operating items, such as trade receivables. Adapteo constantly monitors the credit status of its clients and when necessary, guarantees are required, and client's paying behaviour is monitored actively. Most of Adapteo's clients are municipalities and other public sector, low credit risk entities in stable economies.

The Group Treasury is responsible for managing the Group's financial credit risk through counterparty limits. Adapteo's Treasury policy defines the permitted external counterparties with corresponding limits.

The balance sheet values of receivables and cash and cash equivalents best correspond to the amount which is the maximum credit risk exposure without taking into account the value of any collateral. Trade receivables or finance lease receivables do not contain any significant concentration of credit risk.

Impairment of trade receivables

The maturity structure of trade receivables, credit losses and change of provision for bad debt is presented below. Trade receivables are arising from large number of customers and are mainly denominated in EUR and SEK and therefore considered mitigating the concentration of risk.

Movements in the impairment loss allowance (provision of bad debt) of trade receivables:

EUR thousands	2020	2019
At 1 Jan	**1,368**	**191**
Increase in loss allowance recognised in profit or loss during the year	887	1,253
Receivables written off during the year as uncollectible	-381	-76
Impact of the change in calculation (in 2020 calculated excluding VAT)	-165	-
Impact of decreased overdue receivables	-1,225	-
Business acquisitions	112	-
At 31 Dec	**595**	**1,368**

Adapteo applies the simplified approach to providing for expected credit losses, which requires the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on common credit risk characteristics and on the days past due.

The impairment loss allowance is determined based on expected credit losses ("ECL") as a combination of statistical model (collective assessment) and specific review (case-by-case analysis). The collective assessment applied uses external Probability of Default factors taking into consideration statistical data and forward-looking macroeconomic factors. Allowances in past due trade receivables relatively reflect the age of the receivable and applied Probability of Default factors. Allowances in ageing categories are followed-up on a statistical basis where indications of material changes exist. Secondly, Adapteo conducts a specific review, and takes local and client specific consideration of collectability of the receivable into account. The specific review focuses on the expected credit losses on material trade receivables taking into consideration all relevant indications known.

Credit losses are recognised as an expense in other operating expenses.

Ageing analysis of trade receivables on 31 December 2020:

EUR thousands	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Total
Trade receivables, not due at reporting date	0.4%	24,206	-91	24,115
Due 1–30 days	3.2%	4,970	-161	4,809
Due 31–60 days	2.3%	1,084	-25	1,058
Due 61–90 days	4.7%	614	-29	585
Due 91–120 days	21.1%	172	-36	136
Due 121–180 days	27.0%	318	-86	232
Due 181–365 days	40.5%	143	-58	85
Due over 365 days	67.9%	160	-109	51
Total		**31,667**	**-595**	**31,072**

Ageing analysis of trade receivables on 31 December 2019:

EUR thousands	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Total
Trade receivables, not due at reporting date	0.1%	26,207	-35	26,172
Due 1–30 days	1.1%	5,113	-56	5,056
Due 31–60 days	2.4%	1,591	-38	1,552
Due 61–90 days	4.9%	1,866	-91	1,775
Due 91–120 days	18.7%	3,233	-604	2,629
Due 121–180 days	25.2%	502	-127	375
Due 181–365 days	39.4%	192	-76	116
Due over 365 days	65.1%	522	-340	182
Total		**39,226**	**-1,368**	**37,858**

Trade receivables are written off as uncollectible when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the debtor's insolvency, bankruptcy, liquidation or a failure to make contractual payments. If there are such indicators, Adapteo analyses the collectability of trade receivables case by case.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Impairment of loan receivables, finance lease receivables and cash and cash equivalents

Adapteo uses general model to assess impairment loss for loan receivables, finance lease receivables and cash and cash equivalents.

Adapteo recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, Adapteo measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Despite the foregoing, Adapteo assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Adapteo has assessed that loan receivables, finance lease receivables and cash and cash equivalents have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers instruments to be 'low credit risk' when they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. To be concluded to be 'low credit risk' the counterparty should have a strong financial position and there should not be past due amounts. Based on the management assessment, credit loss allowance for loan receivables, finance lease receivables and cash and cash equivalents is insignificant. For that reason, no credit loss allowance for them is recognised. The credit loss allowance need is followed-up on a regular basis.

Adapteo regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. Adapteo considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess that Adapteo compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Regardless of the above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery.

Adapteo has not historically had loan receivables, finance lease receivables or cash and cash equivalents with increased credit risk or which would have been written off due to events of default.

Funding risk and liquidity risk

Adapteo's management evaluates and monitors continuously the amount of funding required in the Group´s business activities to ensure it has adequate liquidity to fund its operations, repay its loans at maturity, pay annual dividends and meet other financial obligations. Adapteo's Group Treasury is responsible for maintaining sufficient funding and control maturity profile of external loans. In order to optimise the use of liquid funds within Adapteo, cash management and funding is centralised to Adapteo's Group Treasury.

Adapteo's Group Treasury manages the liquidity risk by using cash and cash equivalents, Group accounts with overdraft facility and credit facility. Adapteo's cash and cash equivalents amounted to EUR 54.8 million at the end of December 2020. Adapteo has undrawn EUR 20 million committed overdraft facility. In addition, Adapteo has EUR 100 million committed revolving credit facility which was fully unused on 31 December 2020.

In order to decrease the funding risk the Group aims to diversify the maturity structure of its interest-bearing debt and negotiates new committed credit facilities well in advance of need. In November 2020 Adapteo refinanced its loan facilities agreement. After the refinancing Adapteo has EUR 530 million term loan which was not fully drawn on 31 December 2020. The loan agreement contains two quarterly monitored financial covenants based on the ratio of the Group's net debt to EBITDA and interest coverage ratio. During the reporting period the Group was in full compliance with the covenants of its financing agreements.

The table below analyses Adapteo's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturities of financial liabilities on 31 December 2020:

EUR thousands	Less than 1 year	1–2 years	2–5 years	Later than 5 years	Total	Carrying value
Bank loans	14,753	12,309	481,097	1,557	509,716	482,389
Lease liabilities	4,243	3,280	5,286	1,844	14,652	13,749
Derivative financial instruments	2,434	-	474	-	2,908	2,908
Trade payables	36,590	-	-	-	36,590	36,590
Total	**58,020**	**15,589**	**486,857**	**3,400**	**563,867**	**535,637**

Maturities of financial liabilities on 31 December 2019:

EUR thousands	Less than 1 year	1–2 years	2–5 years	Later than 5 years	Total	Carrying value
Bank loans	7,000	7,000	407,000	-	421,000	398,171
Collateralised loan	-	482	-	-	482	450
Lease liabilities	4,212	3,264	4,605	2,104	14,186	13,431
Derivative financial instruments	718	-	-	-	718	718
Trade payables	25,998	-	-	-	25,998	25,998
Total	**37,928**	**10,745**	**411,605**	**2,104**	**462,384**	**438,768**

Capital management

Adapteo's objective for managing capital are to enable the ability to operate effectively in capital markets and maintain optimal returns to shareholders and benefits for other stakeholders.

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. Borrowings activities are centralised to the parent to the extent possible and cash resources are distributed within the group by the treasury department.

Adapteo monitors capital structure based on the ratio of net interest-bearing liability to EBITDA (Net Debt / Comparable EBITDA).

Risk related to covid–19

Since the outbreak of the covid-19 pandemic in Northern Europe in March 2020, Adapteo is monitoring its impact on markets, employees and business processes. Continuity plans are being continuously reviewed, processes are being optimised, and every activity is evaluated from a cost and risk perspective in order to mitigate the negative financial effects associated with the outbreak of covid-19 in the best possible way. Adapteo makes financial forecasts on a monthly basis for all of its cash-generating units. These forecasts have not resulted in any asset impairment being identified. Nor have cashflow projections for the Group resulted in any doubt about the Group's ability to meet its future payment obligations.

OTHER NOTES

This section includes other information that must be disclosed to comply with accounting standards and pronouncements.

25 COLLATERALS AND CONTINGENT LIABILITIES

Adapteo has the following off–balance sheet commitments:

EUR thousands	31 Dec 2020	31 Dec 2019
Guarantees and commitments given on behalf of Group companies	3,423	1,254
Investment commitments	11,325	12,260
Buy-back obligations	3,511	-
Collateral given		
Pledges	14,614	-
Other collateral	5,062	482
Debts, secured by collateral		
Loans	19,676	450

Accounting policy

A contingent liability is a possible obligation, incurred as a result of earlier events, whose existence is confirmed only when an uncertain event outside the control of Adapteo is realised. An existing liability that is not likely to require the fulfilment of the payment obligation or whose amount cannot be reliably measured is also considered a contingent liability.

26 ADAPTEO ENTITIES AND FOREIGN CURRENCY TRANSLATION

Adapteo legal entities on 31 December 2020 are as follows:

Name	Domicile	Ownership of parent company	Ownership of the Group
Parent company: Adapteo Plc	Finland		
Adapteo Finland Oy	Finland	100%	100%
Adapteo AS	Norway	100%	100%
Adapteo A/S	Denmark	100%	100%
Adapteo GmbH	Germany	100%	100%
Adapteo Holding AB	Sweden	100%	100%
Adapteo AB	Sweden		100%
Flexihus Rent i Sverige AB	Sweden		100%
Adapteo Services AB	Sweden		100%
Temporent AB	Sweden		100%
Flexator Oy	Finland		100%
Temporent AS	Norway		100%
Temporent A/S	Denmark		100%
Flexator AB	Sweden		100%
Flexator Leasing AB	Sweden		100%

Name	Domicile	Ownership of parent company	Ownership of the Group
Dutch Cabin Group B.V. (from 29 October 2020)	The Netherlands	100%	100%
Dutch Cabin Group Holding B.V.	The Netherlands		100%
Primakabin B.V.	The Netherlands		100%
De Cabin Concurrent B.V.	The Netherlands		100%
Smart-Cabins B.V.	The Netherlands		100%
Directbouw B.V.	The Netherlands		100%
Directbouw Productie B.V.	The Netherlands		100%
E-Rent Raumsysteme GmbH	Germany		100%
Van Hamburg Holding B.V.	The Netherlands		100%
Van Hamburg Verhuur Materieel B.V.	The Netherlands		100%
Wagenbouw Holding B.V.	The Netherlands		100%
Wagenbouw Bouwsystemen Verhuur B.V.	The Netherlands		100%
Wagenbouw Bouwsystemen B.V.	The Netherlands		100%

Adapteo has ownership in the following joint venture on 31 December 2020. See more in note 14. Adapteo has no associated companies.

Joint venture	Domicile	Ownership of parent company	Ownership of the Group
Ungabostäder Haninge AB	Sweden		50%

Accounting policy

Subsidiaries
Adapteo has control of an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and Adapteo has ability to affect those returns through its power over the investee. All the facts and circumstances shall be considered when assessing the control. The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes of the elements of control. Control means that the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's return. Acquired subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. Adapteo has 100 per cent control over all its subsidiaries.

Intercompany items
All Adapteo's intercompany transactions, receivables, liabilities and unrealised gains, as well as its internal profit distribution are eliminated; unrealised losses are also eliminated unless the costs cannot be recovered.

Foreign currency translation
Items concerning the performance and financial position of Adapteo entities are measured using the currency of the primary economic environment in which the entities operate (functional currency). The financial information is presented in euros, which is the functional and presentation currency of the parent company.

Foreign currency transactions are recorded in the functional currency using the rate of exchange prevailing at the transaction date. In practice, it is often necessary to use a rate that is close to the rate of the transaction date. Foreign currency monetary items are translated into the functional currency using the rates of the last trading day of the reporting period. Foreign currency non-monetary items, which have been recognised at fair value, are translated into the functional currency using the rate of fair value measurement date. Otherwise, non-monetary items are translated using the rate of the transaction date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the consolidated statement of comprehensive income. The foreign exchange gains and losses from operating activities are included in the respective items above operating profit. The foreign exchange gains and losses related to financing items are included in the finance income and finance costs.

Translating the financial statements of foreign entities
Income statements of foreign entities are translated into euros at the weighted average exchange rates for the year, while balance sheets are translated using the exchange rates of the last trading day of the reporting period. The translation of the profit (loss) for the period using different rates in the consolidated income statement and the balance sheet causes a translation difference, which is recognised in equity and whose adjustment is recognised in other comprehensive income items. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of the accumulated equity items after the acquisition are recognised in other comprehensive income items. When the control over subsidiary changes, the accumulated translation differences are recognised as part of gain or loss. Fair value adjustments and goodwill arising from acquisitions of foreign entities are treated as assets and liabilities of the foreign entities in their functional currency. They are translated into euros at the rate of the last trading day of the reporting period.

27 RELATED PARTY TRANSACTIONS

Adapteo Plc's related parties include its subsidiaries as well as a joint venture. Related parties also include key management personnel and their close family members as well as entities controlled by these persons. Key management personnel include Adapteo's Group Management Team and the members of the Board of Directors.

Prior the demerger date 30 June 2019 Adapteo's related parties included Cramo Plc and Cramo Group companies other than Adapteo entities. Transactions with Cramo Group before the demerger date are presented as related party transactions. At the date of the demerger and after the demerger, transactions with Cramo Group are not classified as related party transactions.

Related party transactions

EUR thousands	2020	2019
Interest income on loan receivable from joint venture	8	11
Net sales (Cramo Group companies) [1]	-	100
Purchases (Cramo Group companies) [1]	-	333
Interest expenses (Cramo Group companies) [1]	-	-865

1 For the period 1 January–30 June 2019

At 31 December 2020 Adapteo had a EUR 154 thousand loan receivable from a joint venture Ungabostäder Haninge AB (31 December 2019: EUR 220 thousand). Information on joint ventures is presented in note 14.

Remuneration paid to President and CEO:

EUR thousands	2020	2019[1]
Salaries, bonuses and fringe benefits	399	182
Post-employment benefits	39	31
Share-based payments	16	99
Total	**454**	**313**

1 For the period 30 June–31 December 2019

Remuneration paid to other Group Management Team:

EUR thousands	2020	2019[1]
Salaries, bonuses and fringe benefits	633	346
Termination benefits	219	38
Post-employment benefits	122	75
Share-based payments	27	66
Total	**1,001**	**525**
Total compensation to President and CEO and other Group Management Team	**1,455**	**838**

1 For the period 30 June–31 December 2019

Remuneration paid to Board members:

EUR thousands	2020	2019[1]
Peter Nilsson, Chairman	98	43
Carina Edblad	42	20
Outi Henriksson	53	26
Andreas Philipson	42	20
Joakim Rubin	47	24
Ulf Wretskog	30	-
Sophia Mattsson-Linnala	25	-
Total	**337**	**133**

1 For the period 30 June–31 December 2019

28 AUDIT FEES

EUR thousands	2020	2019
Authorised Public Accountants KPMG		
Audit fees	535	411
Tax consultation	72	-
Other services	122	-
Total	**729**	**411**
Other audit companies		
Audit fees	15	-
Total	**15**	**-**
Total audit fees	**744**	**411**

29 EARNINGS PER SHARE

	2020	2019
Profit for the year attributable to the owners of the parent company, EUR thousand	18,925	8,392
Basic weighted average number of shares outstanding, thousands of shares	44,904	44,683
Basic earnings per share, EUR	**0.42**	**0.19**
Dilution effect of share-based incentive plans, thousands of shares	64	69
Diluted weighted average number of shares outstanding, thousands of shares	44,968	44,752
Diluted earnings per share, EUR	**0.42**	**0.19**

Accounting policy

Basic earnings per share are calculated by dividing the net profit attributable to the owners of the parent company by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of all shares to assume conversion of all potentially dilutive shares. The Group has share plans with a dilutive effect, which increases the number of shares.

30 NEW AND FORTHCOMING ACCOUNTING STANDARDS

New and amended standards applied in the financial year ended 31 December 2020

Adapteo has applied the following new and amended standards that have come into effect on or after 1 January 2020. These have no material impact on Adapteo's financial statements.

Amendments to References to Conceptual Framework in IFRS Standards
The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

Amendments to IFRS 3 Business Combinations – Definition of a Business
The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business.

Amendments to IAS 1 Presentation of Financial Instruments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform, Phase 1
Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

Amendments to IFRS 16 Leases – covid–19 Related Rent Concessions
The amendment allows the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the covid-19 pandemic and only if certain conditions are met.

Adoption of new and amended standards in future financial years

Adapteo has not yet adopted the following new and amended standards and interpretations already issued by the IASB. Adapteo will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year. Adapteo estimates that the new standards will not have a material impact on future financial statements. The amendments are not yet endorsed by the EU.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform, Phase 2 (to be applied from 1 January 2021)
Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

Amendments to IAS 16 Property, Plant and Equipment (to be applied from 1 January 2022)
Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (to be applied from 1 January 2022)
When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018—2020
(to be applied from 1 January 2022)
The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent – a subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 Financial Instruments: This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 Leases – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.

Amendments to IAS 1 Presentation of Financial Statements (to be applied from 1 January 2023)
The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

31 EVENTS AFTER THE BALANCE SHEET DATE

The acquisition of Stord Innkvartering ("Stord") was completed on 29 January 2021. A purchase price of NOK 677 million (approximately EUR 64 million) was paid in cash, and potential additional considerations may become payable in the future depending on Stord's future financial performance.

Stord provides adaptable buildings within the infrastructure industry and public sector across Norway, including accommodation units, offices and canteens. Stord's building portfolio consists of approximately 4,000 units with approximately 110,000 square meters, and the company has an estimated market share of 10–15 per cent of the adaptable building market in Norway.

The financial reporting of Stord as part of Adapteo is under preparation and thus no detailed financial information on the acquisition is provided by the date of these Consolidated financial statements.

FINANCIAL STATEMENTS OF THE PARENT COMPANY, FAS

Income statement of the parent company

EUR thousands	Note	1 Jan–31 Dec 2020	30 Jun–31 Dec 2019
Net sales	1	8,964	3,715
Materials and services	2	-4,944	-2,870
Employee benefit expenses	3	-2,577	-1,835
Other operating expenses	4	-6,383	-3,654
Depreciation, amortisation and impairment		-103	-8
Operating profit / loss (-) (EBIT)		**-5,042**	**-4,652**
Finance income		34,237	19,178
Finance costs		-16,238	-16,826
Finance income, net	5	**17,999**	**2,352**
Profit / loss (-) before appropriations and taxes		**12,957**	**-2,299**
Group contribution		1,026	-
Deferred income taxes		-	600
Profit / loss (-) for the period		**13,982**	**-1,699**

Balance sheet of the parent company

EUR thousands	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	6	380	97
Tangible assets	7	7	-
Shares in group companies		337,682	273,285
Loan receivables from group companies		202,273	187,378
Deferred income tax receivable		600	600
Total non-current assets		**540,942**	**461,360**
Current assets			
Inventories		4,753	4,077
Cash pool receivables		17,497	6,976
Loan receivables from group companies		19,577	6,214
Other receivables from group companies	8	2,616	14,459
Derivative financial instruments	13	810	201
Other receivables		73	1,012
Prepaid expenses and accrued income	9	35	1,989
Cash and cash equivalents		46,939	3,464
Total current assets		**92,300**	**38,391**
TOTAL ASSETS		**633,243**	**499,752**
EQUITY AND LIABILITIES			
Equity			
Share capital		10,000	10,000
Reserve for invested unrestricted equity		106,347	67,799
Retained earnings		-2,075	-
Profit for the period		13,982	-1,699
Total equity	10	**128,254**	**76,101**
Non-current liabilities			
Borrowings	11	461,127	400,000
Derivative financial instruments	13	474	-
Total non-current liabilities		**461,602**	**400,000**
Current liabilities			
Trade payables		4,572	611
Trade payables to group companies		20	1,030
Cash pool liabilities		34,744	15,508
Other liabilities		81	289
Accrued expenses	12	1,535	5,496
Derivative financial instruments	13	2,434	718
Total current liabilities		**43,387**	**23,651**
Total liabilities		**504,988**	**423,651**
TOTAL EQUITY AND LIABILITIES		**633,243**	**499,752**

Statement of cash flows of the parent company

EUR thousands	1 Jan–31 Dec 2020	30 Jun–31 Dec 2019
Cash flow from operating activities		
Profit before taxes	12,957	-2,299
Adjustments:		
Depreciation	103	8
Finance income and costs	-17,999	-2,352
Cash generated from operations before changes in working capital	-4,940	-4,643
Change in working capital		
Increase (-) / decrease (+) in current receivables	-334	-827
Increase (-) / decrease (+) in inventory	-676	-513
Increase (+) / decrease (-) in current liabilities	1,717	2,121
Cash generated from operations before financial items and tax	-4,233	-3,862
Payments of listing costs	-	-10,075
Interest and other finance costs paid	-15,206	-4,732
Interests received	11,856	4,783
Net cash from operating activities	**-7,584**	**-13,886**
Cash flow from investing activities		
Payments for tangible assets	-383	-99
Payments for intangible assets	-9	-
Acquisition of subsidiaries and business operations	-64,397	-
Net cash (outflow) from investing activities	**-64,790**	**-99**
Cash flow from financing activities		
Proceeds from bank loans	461,075	400,000
Repayments of bank loans	-400,000	-368,000
Repayment of debt to Cramo	-	-18,439
Change in loan receivables from Group companies	-27,944	6,435
Change in cash pool receivables and liabilities	8,715	-2,546
Share issue	38,547	-
Purchase of treasury shares	-376	-
Received dividend	35,832	-
Net cash inflow from financing activities	**115,849**	**17,449**
Change in cash and cash equivalents	**43,475**	**3,464**
Cash and cash equivalents at beginning of period	3,464	-
Cash and cash equivalents at end of period	**46,939**	**3,464**

Notes to the Financial statements of the parent company

Unofficial Translation. This document has been prepared in Finnish and translated into English. Should discrepancies exist between the Finnish and the English versions, the Finnish version shall prevail.

Adapteo Plc is domiciled in Vantaa, and its registered address is Äyritie 12 B, 01510 Vantaa, Finland. The Consolidated financial statements are available at www.adapteogroup.com.The Consolidated financial statements and the Financial statements of the parent company were authorised for issue by the Board of Directors on 19 March 2021.

The financial statements have been prepared in accordance with the Finnish accounting standards (FAS).

The company's shares are listed on the Main Market of Nasdaq Stockholm AB as of 1 July 2019.

Parent company's accounting policies

Foreign currency transactions

Assets and liabilities denominated in currencies other than those of the euro zone are translated into euros at the exchange rates prevailing at the date of the transactions. Exchange gains and losses are recognised through profit and loss.

Revenues

Parent company's net sales consists of sales of adaptable buildings and services to Group companies. Parent company buys adaptable buildings which it sells to Group companies. The final place of location of the adaptable buildings will be determined according to the demand. The full costs of adaptable buildings are charged from a Group company in a time of delivery. Revenue from service charges is recognised once the services have been provided.

Income taxes

Income taxes relating to the financial year are recognised in the income statement.

Inventory

Parent company's inventory consists of adaptable buildings. Inventory is recognised at acquisition cost, re-acquisition cost, or probable selling price, whichever lower. Acquisition cost includes related variable costs.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits withdrawable on demand and other liquid short-term investments with original maturities of three months or less.

Accrual of pension costs

The pension cover of the parent company is handled by external pension insurance companies. Pension costs are recognised in the income statement in the year to which these contributions relate.

Valuation of assets

Tangible and intangible assets are recognised in the balance sheet at original acquisition cost less planned depreciation and amortisation and possible impairment. An amortisation according to plan is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful life for intangible assets is three years and for tangible assets five years. Investments in subsidiaries as well as other investments are recognised at original acquisition cost or at fair value if fair value is lower than acquisition cost.

Derivative financial instruments

Derivatives are valued to fair value according to Bookkeeping Act 5.2a. Change in the fair value of derivatives is recognised in finance items it the income statement.

Related party transactions

Related party transactions are described in note 27 of the Consolidated financial statements.

Comparative figures

Financial statements from previous financial year are for 6 months period from 30 June 2019 to 31 December 2019. Financial year 2020 is the first period with full length of 12 months.

Accounting of new loan agreements

Effective interest rate method is applied to new loans drawn down in 2020.

1 NET SALES

EUR thousands	2020	2019
Revenue from sales of adaptable buildings	4,944	2,870
Administrative service charges from Group companies	4,019	845
Total	**8,964**	**3,715**

2 MATERIALS AND SERVICES

EUR thousands	2020	2019
Change in inventory – adaptable buildings	-4,944	-2,870
Total	**-4,944**	**-2,870**

3 EMPLOYEE BENEFIT EXPENSES

EUR thousands	2020	2019
Salaries	-1,921	-1,574
Pension expenses	-387	-128
Other employee benefit expenses	-268	-133
Total	**-2,577**	**-1,835**
Average number of personnel	**22**	**15**

Key management remuneration, see Consolidated financial statements, note Related party transactions.

4 OTHER OPERATING EXPENSES

EUR thousands	2020	2019
Consulting services	-4,890	-2,494
Administrative costs	-892	-758
Other costs	-360	-240
Total	**-6,143**	**-3,493**

Audit fees

EUR thousands	2020	2019
Auditing	-199	-161
Assignments described in Audit Act 1.1,2 §	-28	-
Tax consulting	-35	-
Other services	-122	-
Total	**-383**	**-161**

5 FINANCE INCOME AND FINANCE COSTS

EUR thousands	2020	2019
Finance income from Group companies		
Dividend income	21,474	14,358
Interest income	6,048	2,266
Finance income from others		
Interest income	54	-
Exchange rate gains	6,663	2,553
Finance income	**34,238**	**19,178**

EUR thousands	2020	2019
Finance costs from Group companies		
Interest expenses	-1	-
Finance costs from others		
Interest expenses	-8,987	-3,824
Exchange rate losses	-5,321	-2,431
Listing costs	-	-10,075
Other finance costs	-1,929	-496
Finance costs	**-16,238**	**-16,826**
Finance income and costs, net	**17,999**	**2,352**

Listing costs in 2019 include direct costs related to the listing of Adapteo's shares on the Main Market of Nasdaq Stockholm AB and the commencement of Adapteo's operations.

6 INTANGIBLE ASSETS

EUR thousands	Intangible rights	Total
Acquisition cost 1 Jan 2020	**106**	**106**
Additions	383	383
Acquisition cost 31 Dec 2020	**489**	**489**
Accumulated amortisations 1 Jan 2020	**-8**	**-8**
Amortisation for the period	-101	-101
Accumulated amortisations 31 Dec 2020	**-109**	**-109**
Net book value 31 Dec 2020	**380**	**380**
Net book value 31 Dec 2019	**97**	**97**

7 TANGIBLE ASSETS

EUR thousands	Equipment	Total
Acquisition cost 1 Jan 2020	**-**	**-**
Additions	9	9
Acquisition cost 31 Dec 2020	**9**	**9**
Accumulated amortisations 1 Jan 2020	**-**	**-**
Amortisation for the period	-2	-2
Accumulated amortisations 31 Dec 2020	**-2**	**-2**
Net book value 31 Dec 2020	**7**	**7**
Net book value 31 Dec 2019	**-**	**-**

8 OTHER RECEIVABLES FROM GROUP COMPANIES

EUR thousands	31 Dec 2020	31 Dec 2019
Trade receivables	1,591	101
Dividend receivable	-	14,358
Group contribution receivable	1,026	-
Total	**2,616**	**14,459**

9 PREPAID EXPENSES AND ACCRUED INCOME

EUR thousands	31 Dec 2020	31 Dec 2019
Accrued financial expenses	-	1,737
Other receivables	35	252
Total	**35**	**1,989**

10 EQUITY

EUR thousands	31 Dec 2020	31 Dec 2019
Share capital at the beginning of period	10,000	10,000
Share capital at the end of period	10,000	10,000
Restricted capital total	**10,000**	**10,000**
Reserve for invested unrestricted equity at the beginning of period	67,799	67,799
Share issue	38,547	-
Reserve for invested unrestricted equity at the end of period	**106,347**	**67,799**
Retained earnings at the beginning of period	-	-
Profit / loss (-) from previous period	-1,699	-
Treasury shares	-376	-
Retained earnings at the end of period	**-2,075**	-
Profit / loss (-) for the period	13,982	-1,699
Non-restricted capital total	**118,254**	**66,101**
Equity total	**128,254**	**76,101**

In December 2020 the Board used the mandate from the 2020 Annual General Meeting to make a share issue. 4,442,025 shares were sold at SEK 89 per share.

Distributable funds at 31 December 2020

Retained earnings	-2,075
Reserve for invested unrestricted equity	106,347
Profit for the period	13,982
Total	**118,254**

Adapteo has one class of shares with equal voting rights. All the issued and subscribed shares have been fully paid to the company. Shares do not have a nominal value.

	Pcs
Number of shares at the beginning of fiscal year	44,682,697
Share issue	4,442,025
Number of shares at the end of fiscal year	**49,124,722**
Number of treasury shares held by the company at 31 Dec 2020	50,337

Details about current share incentive plans are disclosed in the Consolidated financial statements, note 7.

11 BORROWINGS

EUR thousands	31 Dec 2020	31 Dec 2019
Loans from financial institutions	461,127	400,000
Total	**461,127**	**400,000**

In November 2020 Adapteo refinanced its loan facilities agreements. After the refinancing Adapteo has available EUR 530 million term loan and a EUR 100 million committed revolving credit facility. The loan agreement contains quarterly monitored financial covenants which the company is fully compliant with. The EUR 530 million term loan was not fully drawn down as of 31 December 2020 and has a maturity of three years. Nominal value of term loan is EUR 463 million. At the end of 2020 the EUR 100 million RCF was fully undrawn. Transaction costs are accrued to effective interest rate method.

12 ACCRUED EXPENSES

EUR thousands	31 Dec 2020	31 Dec 2019
Personnel expenses	468	1,061
Interest expenses	778	3,712
Other expenses	289	723
Total	**1,535**	**5,496**

13 DERIVATIVE FINANCIAL INSTRUMENTS

EUR thousands	31 Dec 2020	31 Dec 2019
Currency forward contracts, current		
Positive fair value	810	201
Negative fair value	-2,356	-718
Value of underlying instruments	60,477	78,933

Adapteo operates internationally and is exposed to risks arising from foreign exchange rate fluctuations, primarily from exposures with respect to the Swedish krona. Foreign exchange risk arises from internal funding as well as recognised assets and liabilities and net investments in foreign operations.

The objective of the foreign exchange risk management is to limit the uncertainties associated with foreign exchange rate fluctuations and their effect on Adapteo's profit, cash flows and balance sheet.

Foreign exchange risk arising from internal funding and recognised assets and liabilities is managed primarily through forward contracts according to Treasury Policy. Hedge accounting is not applied for these derivatives and the change in the fair value of derivatives is recognised in finance items.

Further detail about Adapteo's financial risk management are disclosed in the Consolidated financial statements, note 24.

EUR thousands	31 Dec 2020	31 Dec 2019
Interest swap		
Negative fair value	-553	-
Value of underlying instruments	100,000	-

Interest rate risk is defined as the uncertainty of the market value of Adapteo's cash flows, assets and/or liabilities caused by fluctuations in interest rates. Interest rate derivatives are used to hedge against changes affecting the result, balance sheet and cash flows due to interest rate fluctuations. The company has used interest rate swaps for hedging purposes.

14 COMMITMENTS

EUR thousands	31 Dec 2020	31 Dec 2019
Parent company guarantees	1,423	249
Bank guarantees, counter-indemnity obligations	1,270	-
Total	**2,693**	**249**

15 LEASING CONTRACT COMMITMENTS

EUR thousands	31 Dec 2020	31 Dec 2019
Due next period	26	60
Due later	23	48
Total	**49**	**108**

Signatures

Board of Director's proposal for distribution of profits

The distributable funds of Adapteo Plc are EUR 118,254,321 of which EUR 13,982,442 represents the profit for the financial year. The Board of Directors proposes to the Annual General Meeting to be held on 19 April 2021 that a dividend of EUR 0.12 per share, in total EUR 5,888,926 to be distributed and the rest of the profit for the financial year is placed to retained earnings.

The Board of Directors and CEO

Vantaa, 19 March 2021

Peter Nilsson
Chairman
of the Board

Carina Edblad

Outi Henriksson

Andreas Philipson

Joakim Rubin

Sophia Mattsson-Linnala

Ulf Wretskog

Philip Isell Lind af Hageby
President and CEO

The Auditor's Note

Auditor's Report has been issued today.

Helsinki, 19 March 2021

KPMG Oy Ab
Authorised Public Accountants

Toni Aaltonen
Authorised Public Accountant

Auditor's Report to the Annual General Meeting of Adapteo Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Adapteo Plc (business identity code 2982221-9) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes to the financial statements.

In our opinion

– the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
– the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4 to the parent company financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter

How the matter was addressed in the audit

Revenue Recognition (Refer to Notes 2 and 3 to the Consolidated Financial Statements)

The key audit matter

- The consolidated net sales during the financial year totalled EUR 231.4 million and was derived from many revenue sources, such as rental income, sales of new modules and provision of assembly and other services.
- In general, the Group enters into long-term lease contracts, and each contractual phase is accounted for under different accounting standards. IFRS 15 is applied to recognition of revenues from assembly and other services and sales of new modules, and IFRS 16 to recognition of rental income.
- The identification of contractual phases and performance obligations is critical in respect of the accurate timing and amount of revenue recognition. This requires management judgement.

How the matter was addressed in the audit

- We evaluated the internal control environment and tested the operating effectiveness of relevant controls, as well as performed substantive procedures in order to assess the accuracy of the timing and amount of revenues recognized in the consolidated financial statements.
- As part of our year-end audit procedures we assessed the balance sheet items related to sales accruals for their completeness and existence. Our audit procedures also included testing of the valuation of trade receivables and other balance sheet items related to net sales.
- We read the key customer agreements and verified the consistency of the accounting with the terms of sales agreements.

Existence and Valuation of Property, Plant and Equipment–PPE (Refer to Notes 8 and 11 to the Consolidated Financial Statements)

The key audit matter

- PPE assets totalled EUR 528.6 million, representing approximately 57% of the consolidated total assets at 31 December 2020.
- The business of the Group is highly dependent on the condition and availability of the rental equipment.
- There is a risk that the judgments made by management when evaluating the depreciation periods of the rental equipment and around the annual impairment review of the Group's rental equipment are not appropriate and that the carrying values of these assets are misstated.

How the matter was addressed in the audit

- We tested key controls of the monitoring environment of rental equipment management. In addition, we performed audit procedures on PPE assets leased out using data analyses.
- In particular, we focused our audit procedures on the following areas: rental equipment purchases, assessment of depreciation periods and rental equipment residual values. We also attended physical counts to ensure the existence of the rental equipment.
- Furthermore, we considered the appropriateness of the Group's disclosures in respect of PPE.

Valuation of Goodwill and Other Intangible Assets (Refer to Note 13 to the Consolidated Financial Statements)

- At 31 December 2020 goodwill amounted to EUR 230.2 million and other acquisition related intangible assets EUR 29.6 million in the consolidated balance sheet.
- Impairment testing of goodwill and other intangible assets is based on cash flow forecasts prepared by management.
- Determination of key assumptions underlying the future cash flow forecasts used in impairment tests requires the management to make judgments over gross margin, growth rates and discount rate, among others. Due to the high level of judgment related to the forecasts used, and the significant carrying values involved, valuation of goodwill and other intangible assets is considered a key audit matter.

- We evaluated and analysed the assumptions applied, such as profitability levels, discount rates and long-term growth rate.
- We also assessed the appropriateness of the methods used in testing.
- We involved KPMG valuation specialists when assessing the technical and mathematical accuracy of the calculations and to compare the assumptions applied to external and industry data.
- Furthermore, we considered the appropriateness of the Group's disclosures in respect of goodwill, other intangible assets and impairment testing.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

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 good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

Adapteo Plc was formed at the time of the completion of the partial demerger from Cramo Plc according to the demerger plan. We have been appointed as auditors since 30 June 2019, when the demerger came into effect and the company was registered.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included 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 other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 19 March 2021

KPMG OY AB

TONI AALTONEN
Authorised Public Accountant, KHT

Definitions for the key figures

Key figure	Definition	Reason for the use
Net sales growth in constant currency	Net sales growth between financial years in reporting period's foreign exchange rates.	Net sales growth in constant currency presents the development of Adapteo's net sales excluding the effect of foreign exchange rate fluctuations.
Rental sales growth in constant currency	Rental sales growth between financial years in reporting period's foreign exchange rates.	Rental sales growth in constant currency presents the development of Adapteo's rental sales excluding the effect of foreign exchange rate fluctuations.
Operating profit (EBIT)[1]	Operating profit (EBIT) as presented in the consolidated income statement	Operating profit (EBIT) shows result generated by the operating activities.
EBITDA[1]	Operating profit (EBIT) + depreciation, amortisation and impairment	EBITDA is the indicator to measure the performance of Adapteo. EBITDA also provides a proxy for cash flow generated by operations.
Comparable EBIT [1]	EBITDA + items affecting comparability	Comparable EBITDA is presented in addition to EBITDA to reflect the underlying business performance and to enhance comparability from period to period. The Company believes that this comparable performance measure provides meaningful supplemental information by excluding items outside normal business, which reduce comparability between the periods. Additionally, comparable EBITDA is one of Adapteo's long-term financial targets.
Items affecting comparability	Material items outside ordinary course of business, such as costs related to the listing, acquisition and integration related expenses, restructuring expenses including redundancy payments, impairment losses on goodwill and intangible assets recognised in business acquisitions, and gains and losses on business disposals.	
Comparable EBITA[1]	Operating profit (EBIT) + amortisation and impairment on intangible assets resulting from acquisitions + items affecting comparability	
Net capex	Additions to property, plant and equipment + additions to other intangible assets - disposals of rental equipment and rental accessories at net book value	Net capex presents the net amount of investments made.
Net fleet capex	Additions to rental equipment + additions to rental accessories – disposals of rental equipment and rental accessories at net book value	Net fleet capex presents investments into new building units, net of disposals.
Growth capex	Additions to rental equipment + additions to rental accessories –reinvestment capex – capex relating to building unit upgrades	Growth capex distinguishes investments related to growing the rental portfolio. Maintenance capex distinguishes the portion of net investments to the building portfolio required to maintain the size of the building portfolio after disposals, as well as to maintain technical quality to meet regulatory and customer requirements. Non-fleet capex distinguishes investments into the operating platform. Reinvestment capex distinguishes the portion of investments made to maintain the size of fleet. Capex breakdowns provide further transparency and enable better evaluation of company's cash flows and earnings.
Maintenance capex	Reinvestment capex + capex relating to building unit upgrades – disposals of rental equipment and rental accessories at net book value	
Non-fleet capex	Additions to land, buildings, other machinery and equipment and assets under construction + additions to other intangible assets	
Reinvestment capex	Disposed square meters of building units multiplied by average investments in building units per square meter for the period	

Key figure	Definition	Reason for the use
Operating cash flow before growth capex	Comparable EBITDA +/– change in net working capital as presented in cash flow statement – maintenance capex – non-fleet capex	Operating cash flow before growth capex indicates the amount of operational cash flow that is largely available for value creative investments, such as growing the building portfolio.
Cash conversion before growth capex	Operating cash flow before growth capex / comparable EBITDA	Cash conversion before growth capex indicates the proportion of comparable EBITDA, which remains after maintenance capex, non-fleet capex and investments to working capital are accounted for.
Net debt	Non-current and current borrowings - cash and cash equivalents – loan receivables - non-current and current	Net debt is an indicator to measure the total external debt financing of Adapteo.
Net debt / Comparable EBITDA	Net debt as at the balance sheet date / comparable EBITDA for the last 12 months	The ratio of net debt to comparable EBITDA helps to show financial risk level and it is a useful measure for management to monitor the company's indebtedness in relation to its earnings and is one of Adapteo's long-term financial targets.
Operative ROCE	Comparable EBITA for the last 12 months / (property, plant and equipment + investment in joint ventures + net working capital as at the balance sheet date) Net working capital = Non-current other receivables + inventories + trade and other receivables – non-current other liabilities – non-current and current provisions – trade and other payables	The ratio of net debt to comparable EBITDA helps to show financial risk level and it is a useful measure for management to monitor the company's indebtedness in relation to its earnings and is one of Adapteo's long-term financial targets.
Utilisation rate	Average rented building units during the period divided by total building units available	Utilisation rate presents how large a portion of the portfolio has on average been on rent. Utilisation rate is a useful indicator to monitor the efficiency of portfolio management.
Total sqm in building portfolio	-	Total square meters in building portfolio is a useful indicator to monitor the size of the rental portfolio.

1 Corresponding margin has been calculated by dividing the measure with net sales

Key figure	Definition
Earnings per share	Profit for the period / average number of Adapteo's outstanding shares
Comparable earnings per share	Profit for the period excluding items affecting comparability, net of taxes and material impairment losses on property, plant and equipment, net of taxes / average number of Adapteo's outstanding shares
Equity/share	Equity attributable to equity holders of the parent / Basic number of shares at the balance sheet date
Dividend/earnings	(Dividend/share x100) / Comparable Earnings per share
Effective dividend yield	(Dividend/share x100) / Share price at balance sheet date
Price/earnings ratio (P/E)	Share price at balance sheet date / Comparable Earnings per share

GRI Content Index

Complementing facts and figures to our qualitative sustainability report according Global Reporting Initiative

Disclosure number	Disclosure title	Page	Comments and delimitations
Organisational profile			
102-1	Name of the organisation	4, 77	Adapteo Oyj, corporate identity number FI29822219
102-2	Activities, brands, products, and services	4, 28	
102-3	Location of headquarters	4	
102-4	Location of operations	4, 77	Adapteo runs operations and provides products and services in 6 countries; Finland, Sweden, Norway, Denmark, Germany and the Netherlands.
102-5	Ownership and legal form	62–63	
102-6	Markets served	4	For geographic locations see disclosure 102-4.
102-7	Scale of the organisation	4–5	
102-8	Information on employees and other workers	42	
102-9	Supply chain	47	
102-10	Significant changes to the organisation and its supply chain	7	Aquisition of Dutch Cabin Group on 29 October. Dutch Cabin Group is not included in the 2020 sustainability reporting.
102-11	Precautionary Principle or approach	50, 65	Adapteo applies a precautionary approach to risk management
102-12	External initiatives	33	UN Global Compact. ISO14001, ISO9001, OHSAS18001, SCC certification and the Working Environment Agency's (Arbetsmiljöverket) regulations.
102-13	Membership of associations		Member of DGNB e.V. (Deutsche Gesellschaft für Nachhaltiges Bauen), regional Rental Associations, The Wood Foundation (Stiftelsen Träcentrum).
Strategy			
102-14	Statement from senior decision-maker	8–9, 32	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	11, 46	
102-17	Mechanisms for advice and concerns about ethis	46	

Disclosure number	Disclosure title	Page	Comments and delimitations
Governance			
102-18	Governance structure	Sustainability governance 46 Governance 54	
102-20	Executive-level responsibility for economic, environmental, and social topics	46	
102-22	Composition of the highest governance body and its committees	54–57	
102-35	Renumeration policies	56–58	
Stakeholder engagement			
102-40	List of stakeholder groups	48	
102-41	Collective bargaining agreements	42	
102-42	Identifying and selecting stakeholders	48	
102-43	Approach to stakeholder engagement	48	
102-44	Key topics and concerns raised	48–50	
Own disclosure	Customer satisfaction survey		The result of a customer survey carried out in all Adapteo's markets in 2020 showed a Net Promoter Score (NPS) of 10.

Disclosure number	Disclosure title	Page	Comments and delimitations
Reporting practice			
102-45	Entities included in the consolidated financial statements	108–109	
102-46	Defining report content and topic Boundaries	49	This report has been prepared in accordance with the Global Reporting Initiative's (GRI) standards. The content of the sustainability report and the GRI index have been defined by the compulsory information set by GRI and by the implemented materiality analysis. The sustainability reporting does not include Duch Cabin Group acquired 29 October 2020, unless otherwise stated.
102-47	List of material topics	49–50	
102-48	Restatements of information		No restatements of information
102-49	Changes in reporting	49–50	Adapteo has updated the materiality assessment with additional details and aspects as a result of the stakeholder dialogue.
102-50	Reporting period		2020
102-51	Date of most recent report		31 March 2020, for the year 2019
102-52	Reporting cycle		Yearly
102-53	Contact point for questions regarding the report		Hanna Wennberg, SVP Marketing, Communication and Sustainability E-mail: hanna.wennberg@adapteo.com Tel: +46859099440 Web: adapteogroup.com
102-54	Claims of reporting in accordance with the GRI Standards		This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index	129–134	
102-56	External assurance	121–125	This Sustainability Report has not been externally verified.
Management approach			
103-1–103-3	Management approach	48	

Disclosure number	Disclosure title	Page	Comments and delimitations
Economic			
201-1	Direct economic value generated and distributed	76, 78, 82	
205-1	Operations assessed for risks related to corruption		During the latest group risk assessment in June 2020 and January 2021, the risk of corruption within all operations was considered low in relation to potential financial impact and likelihood. Moving forward continuous monitoring of key policies as well as management and employee training will take place. Additionally, the topic is included in onboarding of new employees and trainings on Code of Conduct.
205-2	Communication and training about anti-corruption policies and procedures	46	The Board of Directors, the General management team and Managing Directors discuss business ethics on a regular basis. A training in Corporate governance including polices was held in December for the Dutch Cabin Group's managment team.
205-3	Confirmed incidents of corruption and actions taken		No incidents or legal proceedings of corruption
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices		No legal actions for anti-competitive behaviour, anti-trust and monopoly practices
Environmental			
301-3	Reclaimed products and their packaging materials	34	Adapteo's modular units are rented out in several rounds and thus they are fully reclaimed. However, we do not yet have figures for how much of the material from an end of life unit is reused
302-1	Energy consumption within the organisation	38	
302-2	Energy consumption outside of the organisation	38	
302-3	Energy intensity	38	
302-4	Reduction of energy consumption	38	

Disclosure number	Disclosure title	Page	Comments and delimitations
CRE8	Sustainability certifications	37	
305-1	Direct (Scope 1) GHG emissions	38	
305-2	Energy indirect (Scope 2) GHG emissions	38	
305-3	Other indirect (Scope 3) GHG emissions	38	
305-4	Emission intensity	38	
305-5	Reduction of GHG emissions	38	
306-1	Waste generation	38	Waste is generated mainly in the production phase of our value chain. Adapteo has a mix of in-house manufacturing and production through external suppliers
306-2	Management of significant waste-related impact	37–38, 40	
306-3	Waste generated	38	
308-1	New suppliers that were screened using environmental criteria		From July 1st 2019, when Adapteo was formed, all new contract suppliers have signed our Business partner Code of conduct.
Social			
401-1	New employee hires and employee turnover	42–43	
403-1	Occupational health and safety management system	42	
403-3	Occupational health services		Depending on the market, Adapteo offers our employees healthcare insurance or a health service agreement. In some countries, this includes regular health examinations also covering work-releted illnesses and psychological support.
403-5	Work training on occupational health and safety	42	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	42	
403-9	Work-related injuries	42	During the 646,429 hours worked in 2020 the number of recorded work-related injuries was 13, none of which resulted in fatalities or other high-consequence injuries. The injuries mainly consisted of minor injuries including: squeezes, falls and cuts. LTIR*:10.8 (*LTIR, Lost Time Injury Rate – number of work related accidents with at least one day of absence per one million working hours)

Disclosure number	Disclosure title	Page	Comments and delimitations
404-3	Per centage of employees receiving regular performance and career development reviews	43	On average 95% of the employees have received reviews during the year
405-1	Diversity of governance bodies and employees	43	
406-1	Incidents of discrimination and corrective actions taken		No incidents of discrimination and therefore no legal proceedings.
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		Adapteo mainly purchases the components and materials used in our building units from European suppliers, predominately from Sweden, Finland, Estonia and the Czech Republic. As these countries are members of the EU we see a low risk of human rights violations for first tier suppliers. However we do not have a system in place to review the conditions for the involved parties further down the value chain at this point in time.
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		All Adapteo's framework agreement templates include clauses on human rights through the addition of our Business partner Code of Conduct as an appendix. Thus all of new agreements and contracts include clauses on human rights. However, we do have some contracts that are yet to be updated to the new template. Analyses and follow-up in our business systems are ongoing to make sure all contracts are up to date, but presently the exact figure is unknown.
414-1	New suppliers that were screened using social criteria		Since July 1st 2019, when Adapteo was formed, all new suppliers have signed our Business partner Code of Conduct.
415-1	Political contributions		Adapteo Code of Conduct prohits political donations
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No instances of non-compliance reported. Fault reporting in properties is managed continuously by a fault reporting system and service organisation.
412-2	Employee training on human rights policies or procedures	46	

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