

ARE

ANNUAL REVIEW 2007



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TURNING WORDS INTO ACTION

The Energy Services Directive stipulates that, by 2016, Finland should cut down its energy consumption by nine per cent compared with the average energy consumption levels between 2001 and 2005.

Properties in Finland consume 25% of all energy generated. When the annual construction of new buildings is included, the figure rises to up to 34%. The sector we represent is undoubtedly the largest single consumer of energy.

Partial savings can be achieved with structural solutions in properties. Activities at times when premises are being used, however, have the largest impact on energy savings – by controlling them, energy consumption can be cut by up to 50–70%.

Building services systems have been developed to operate independently of people; they optimise energy consumption without the control of the user. If savings objectives are to be achieved, each and every one of us must also take an active role. This can be supported by having the system activate and instruct the user of the premises in order to achieve energy savings. Are and its employees can already implement these technical solutions and provide such services – we have turned words into action.

Our turnover in 2007 amounted to EUR 211.9 million, up by 16.9% on the previous year. The Group's profitability was burdened by some unsuccessful projects in the Baltic countries. We took the decision to discontinue our operations with our Baltic subsidiaries due to their weak profit performance.



In the development of Are's operations, we made efforts to create customer-oriented operating models and service solutions and to boost the efficiency of operations. Our objective is to achieve substantial growth in profitability in the coming years. Are's committed and skilled personnel will give us an excellent opportunity to succeed in this.

I wish to thank our customers, partners in co-operation and, especially, our personnel for the year 2007.

Vantaa, 25 February 2008

Aki Puska, President and CEO

Are Group provides its customers with comprehensive building services solutions ranging from system design, design control and project management to the servicing and maintenance of properties. The company also offers renovation and modernisation services and, among others, property security and energy efficiency related systems and customer solution services. For industrial customers Are offers building services solutions and expertise in electrification, automation, instrumentation and electrical heat tracing. Are Group is part of the Onvest Group. Year 2008 is the 95th anniversary of the start-up of the Group's operations.

HIGH-QUALITY SERVICE USING THE BEST RESOURCES

Successful operations and the achievement of objectives are born from several contributing factors. Are's approximately 1,200 installers come face to face with customers' changing service needs on a daily basis, and serve as important sensors when the company's development needs are being defined. This highlights the importance of two-way interaction.

Tommi Kenttälä conducts demanding automation and instrumentation installation work and electrical work at industrial locations. He completed the automation installer's qualification with Are around three years ago. Kenttälä believes solid professional skill and its development are basic requirements of high-quality customer service. Moreover, customers clearly value training.

The Ministry of Education granted Are a Quality Award for its apprenticeship training programmes



President and CEO Aki Puska and installer Tommi Kenttälä had a discussion in February 2008 about the company and its employees' joint success factors.

in 2007. Learning on the job is already an actively employed method for, among other things, ensuring the retention and availability of labour.

"With its extensive training options, the company not only endeavours to increase the professional expertise of its personnel, but to also offer employees the chance to advance their careers", said Aki Puska.

"In addition to training, we should be able to transfer the know-how of retiring or even already retired employees to the new generation", Tommi Kenttälä pondered.

"That's absolutely true. Retaining quiet knowledge is important in many ways. In the future, the intention is to gather this valuable expertise even more efficiently than before by assigning a partner or support personnel to these employees", Aki Puska promises.

The level of customers' demands is constantly rising.

"Safety requirements and levels, for example, have clearly increased along the years. We are in daily contact with customers on work sites and discuss things that need to be changed. Installers are in many instances asked to suggest solutions, the implementation of which is agreed in more detail with the project manager. Customers trust a large service provider like Are, which has sufficient resources and expertise at its disposal", Tommi Kenttälä asserted.

"Are's installers are among the best in their own field, so I will continue to encourage finding solutions that lead to the best possible result for both the customer and Are", Aki Puska confirmed.

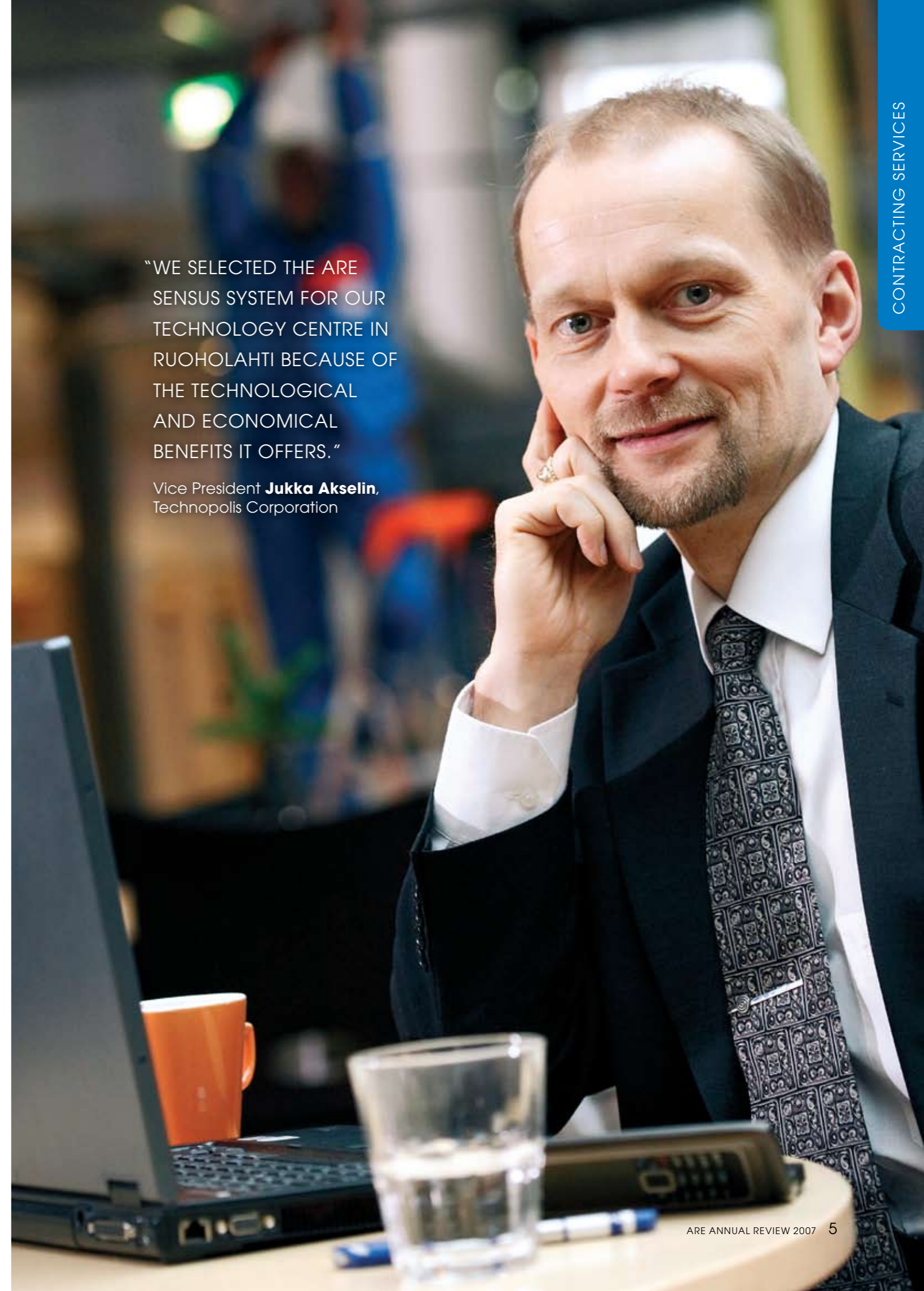
A good working atmosphere is evident in customer service.

"When people know each other well, they find it easier to work together. Information is passed on actively from one person to another and matters are dealt with in a flexible and anticipatory manner. The working atmosphere also remains pleasant", Tommi Kenttälä weighed in.

"All of us Are employees contribute to the quality of our work and hold responsibility for it. People who ask questions and are active learn and develop all the time. I feel that Are has a good reputation and we, the installers, are happy to say we work for Are", Tommi Kenttälä summed up. ■

"WE SELECTED THE ARE SENSUS SYSTEM FOR OUR TECHNOLOGY CENTRE IN RUOHOLAHTI BECAUSE OF THE TECHNOLOGICAL AND ECONOMICAL BENEFITS IT OFFERS."

Vice President **Jukka Akselin**, Technopolis Corporation



CONTRACTING SERVICES

Contracting Services, which is composed of Are's Building Services Contracting and Industrial Services, offers comprehensive services solutions, ranging from building services systems to design control and project management. Industrial Services meets the demands of the wood processing, chemical and metal industries as well as the process and building electrification of power plants.

MARKET SITUATION

During the year in review, the construction business grew by five per cent compared with 2006. The number of new construction projects started remained high, but growth is slowing down due to, among other factors, the uncertainty on world markets. Competition for contracts on construction sites remained tough, which meant that sales margins stayed on the same level as in previous years. Foreign workers increased the availability of labour but, on the other hand, the competitive field expanded with the emergence of new competitors.

Significant factors maintaining growth included the construction of business and office premises and the increase in the construction of logistics centres in different parts of Finland, examples of which are the Vuosaari Harbour and the Ring Road area in the Greater Helsinki Area.

Industrial investments remained at a reasonable level in 2007.

The wood processing industry still had ongoing investments in 2007 which strongly focused on machinery used in the manufacture of special products.

The projects of the energy sector were concentrated on the new reactor at Olkiluoto OL-3 and the power plants in Loviisa and northern Finland.

BUSINESS OPERATIONS

Despite stiff competition, turnover generated by the Building Services Contracting unit of Contracting Services in 2007 amounted to EUR 98.4 million (EUR 87.0 million in 2006), and invoicing was higher than budgeted. Due to a rise in materials and payroll costs, profitability was only acceptable.

At the end of the year in review, the order backlog for Building Services Contracting stood at EUR 85.0

million which was slightly better than in 2006.

Major building services projects completed included the first-stage building services work at the Trio Shopping Centre in Lahti, building services work at the distribution centre of Turku Harbour and building services work for KOY Airport in Vantaa.

Some of the major projects of Building Services Contracting in 2007 included the Helsinki Ruoholahti technology centre of Technopolis Corporation (implementation of the Sensus technology), the first stage of the Trio Shopping Centre in Lahti and the Gatehouse tower block in Helsinki.

In Building Services Contracting, Are began development work for the adoption of operating models based on the ISO 9001 quality system, the ISO 14001 environmental system and the OHSAS 18001 occupational safety system, and will strive to certify its operations during 2008.

Turnover generated by Industrial Services during the year in review totalled EUR 23.4 million (EUR 23.0 million in 2006), and profitability retained its good level.

The order backlog for Industrial Services at the end of 2007 was EUR 4.5 million.

Among the most significant projects of Industrial Services in 2007 were the Wirsu Project of Stora Enso, the Tarra-4 and the REC-08 projects of UPM-Kymmene Corporation, the electrification projects of Rautaruukki Corporation and the bio diesel project of Neste Oil Corporation.

The operations of Industrial Services were complemented with operating models based on the OHSAS 18001 occupational safety system adopted in 2007, which complemented the ISO 14001 environmental system and the ISO 9001 quality system which had been certified earlier.

ARE'S ENTIRE EXPERTISE AT THE DISPOSAL OF THE CUSTOMER

The building services contracts offered by Contracting Services to its customers include plumbing, electrification, air conditioning and sprinkler work for properties and the implementation of building services systems. The working models of project management contracting in building services were enhanced during the year in review so that they meet customers' needs and expectations even better than before. With the simultaneous implementation of design and contracting, Are strives to shorten the overall duration of a construction process. This also enables the company to take the needs for alterations into consideration almost up to the point when the property is handed over. Are provides the customer with design, control and implementation and puts its cost-awareness at the customer's disposal in the best possible way.

In demanding building services projects that require special expertise, Contracting Services utilises the energy saving, optimisation and efficiency systems developed by Are's Customer Solution Services.

Industrial Services became a part of Contracting Services in the autumn of 2007. The development activities of Industrial Services focus on directing Are's entire service range and competence at industrial customers. In addition to earlier electrification and instrumentation work, Are now offers industrial properties significantly expanded building services solutions.

OUTLOOK FOR 2008

Thanks to a solid order backlog and the stable market at the beginning of the year, the outlook for 2008 is good. The higher payroll expenses and the world

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markets' effects on changes in the prices of materials will pose their own challenges.

As for the industrial sector, the forest industry's substantial reorganisation measures will also create challenges. However, the oil refining and chemical industry, which represents Are's largest market segment, provides a balance. In this segment, Are's work situation in Porvoo continues to be good with the start of the second stage of Neste Oil's bio diesel plant. The operations of the steel industry also hold opportunities for expanding the company's service offering. ■



“ IT IS IMPORTANT FOR US THAT OUR PARTNERS ARE ABLE TO SUPPORT THE CHAIN OPERATING MODEL OF BUILDING SERVICES. ARE PROVIDES US WITH CONSISTENT SERVICES ACROSS THE COUNTRY, ALL FROM THE SAME SERVICE PROVIDER.”

Per Friman, Maintenance Manager,
Helsinki Department Store,
Stockmann plc

PROPERTY SERVICES

Are's Property Services provides its customers with servicing and maintenance, technical services as well as solutions for corporate security and the control of energy consumption on properties.

MARKET SITUATION

The market for Property Services has continued its growth. This is mainly due to an increase in the overall number of properties, but also partly owing to the outsourcing of property operations to service-sector companies. Like the private sector, municipalities are assessing new operating models in order to boost the efficiency of the maintenance of their properties. The activities of international investors in Finland have also increased demand for property services.

The sector's competitive situation has remained tough. For this reason, cost has become one of the main criteria in decision-making, which is also influenced by the versatility of a service package and how easy a solution is to apply. The range of property services Are offers is one of the most extensive on the market. The customers can receive all the services they require – from maintenance and servicing to corporate security solutions – from a single nationwide service provider.

BUSINESS OPERATIONS

In 2007, Property Services' turnover amounted to EUR 63.2 million, a growth of 12.1 per cent over the previous year (EUR 56.4 million in 2006). A substantial share of the growth was achieved through new contracts. The business's profitability can mostly be attributed to a revamp and standardisation of operating models and to the adoption of mobile solutions in servicing operations.

The most significant contracts in 2007 included the maintenance and special technical servicing of the properties of Stockmann plc, the building services and electrical usage services of Elisa Corporation's telecommunications premises and the partnership contract with Senate Properties.

Like several of its customers, Property Services certified a quality system for its operations. The certification took place in the summer of 2007, and operations will be controlled and monitored in accordance with operating models based on the ISO 9001 quality system, the ISO 14001 environmental system and the OHSAS 18001 occupational safety system. This will guarantee competitive and safe operations for the company in a labour-intensive sector.

GOOD SERVICE GIVES THE CUSTOMER MORE FREEDOM

In the autumn of 2007, Are asked its customers in interviews to define their new needs in and expectations from property services. Careful consideration of customer needs enables Are to identify individual customers' special characteristics, which will facilitate the development and provision of the correct form of service. This way the company is able to support the customer's value chain with its services and produce tangible benefits for it.

■ With the progression of development projects related to *office and business premises*, some factors have been brought up which will distinguish Are on the market as a comprehensive service provider. Are actively seeks to provide its customers with energy and cost-efficient solutions that are required to meet the demands for the quality of services set by the users of premises.

Are's ways of working have been developed together with customers so that they also support a chain operating model, a process that requires the customer and the service provider to firmly commit to following joint ways of working. Central objectives include property conditions that are suitable for the customer's business, cost-efficiency and risk management.



■ The requirements of *production and technical facilities* are high, due to, among other things, regulations by the authorities. Maintaining optimal conditions in the technical premises of telecommunications operators and information technology companies is of utmost importance. The active equipment used in these premises requires strict supervision of indoor conditions in order for it to function without interruptions. Clean room environments in hospitals and hospital gas and clean water systems are of critical importance to patient safety. By outsourcing its operation and maintenance activities to Are, the customer is guaranteed, through the efforts of a single partner, the high-level expertise required for the maintenance of demanding premises and the availability of adequate resources.

Careful consideration of customer needs enables Are to identify individual customers' special characteristics. This will facilitate the development and provision of the correct form of service.

ENERGY-EFFICIENT PROPERTIES

Property owners have several reasons motivating them to develop their properties. Savings in maintenance costs, the leasability of premises, interior conditions and user satisfaction as well as environmental impacts are encouraging them to find new solutions. The efficiency of properties' energy consumption can be increased not only with the help of automatic systems, but by influencing users' attitudes. Supporting and instructing the caretakers and users of properties will be important development features in solutions during the coming years.

■ In *business and office premises*, energy efficiency can be increased in the use of heating, air conditioning, lighting and water. For the most part, the measures employed entail changes to usage times and set values. Measures requiring investments typically include the addition of heat recovery systems and gauging sensors and making changes to their programmes.

■ In addition to the above-mentioned measures, *production facilities* require the implementation of adequate air conditioning, the partitioning of service areas and solutions involving heat pumps. Considerable annual savings can be achieved in production facilities by increasing energy efficiency.

■ In *residential properties*, short and long-term renovation needs can be surveyed using condition assessments, which will make it easier to anticipate and budget for renovation projects.

These services are provided in co-operation with Are's Customer Solution Services.

OUTLOOK FOR 2008

The market situation in 2008 for Property Services appears to be good. Demand exists especially for comprehensive service solutions, and the owners of properties will require service providers to come up with new operating models. Well-kept premises are an important competitive factor as companies strive to boost their profile with high-quality premises. An adequately maintained working environment also promotes corporate security, having a significant impact on the uninterrupted flow of a company's production and on the achievement of profitability objectives. ■

CUSTOMER SOLUTION SERVICES

Are's Customer Solution Services provide energy-efficiency services that support the owners and users of the properties, require a high level of expertise and span the entire life cycle of a property.

MARKET SITUATION

During 2007, the public discussion about climate change and, consequently, energy consumption focused also on the energy efficiency of buildings. The EU and the Finnish authorities require the Finnish construction industry to employ energy-efficient building services solutions in its construction projects. Companies have identified the effects of various factors on energy consumption in their properties and business premises and acknowledged the environmental impacts they cause.

EVENTS IN 2007

In 2007, Customer Solution Services' operations were concentrated on energy services, properties' life cycle services, engineering and research and development activities.

Major projects in 2007 included the energy surveys of Asokodit right-of-occupancy homes, the optimisation of the energy consumption and interior conditions of Senate Properties' Wanha Lääni office building and the monitoring of modification work performed on electrical systems at Fortum Corporation's headquarters in Keilalahti.

The owners and users of properties will, in the future, require an increasing level of energy efficiency and good indoor air conditions in their premises. This was verified by the fact that two significant customers, namely Navitas II of Varkauden Taitotalo Oy and the Helsinki Ruoholahti technology centre of Technopolis Plc, procured the Sensus building services system in 2007.

ARE SENSUS – WISELY ENERGETIC

Are Sensus, which was developed by Are, is a comprehensive building services system that benefits property owners, the user of premises and the environment alike. In terms of investment costs, Sensus is a competitive option compared to traditional solutions and, in addition, it offers a substantial

savings potential in the cost of modification work and the consumption of increasingly expensive energy.

The energy saving system's low-energy centre controls all energy flows in a building and transfers heat and cool air from where these are excessive to places where they are required. Property owners benefit from the technological advantage of this industrially manufactured package, because it requires shorter installation times on the work site and thus ensures that the property can be taken into use more quickly. The system is suitable for new buildings and installation during renovation.

Are started the development of its Sensus system in 1996. The first system was put into service in 1999, after which it has been constantly developed. Before it was taken into use, the model's theoretical base was tested using calculations and simulations by the Helsinki University of Technology, the Lappeenranta University of Technology and the Royal Institute of Technology in Sweden. The Finnish Institute of Occupational Health performed the necessary measurements of indoor air.

THE ARESKO AGREEMENT PAYS FOR ITSELF

With the Aresco agreement, which was developed by Are, investments in energy efficiency are paid for by the savings achieved from lower energy consumption. The Aresco agreement is based on the international ESCO (Energy Service Company) concept. The Finnish government is pushing for the ESCO concept to become more widespread by granting substantial investment funding for it.

The renovation of air conditioning or heat recovery systems are among the most common investments in the improvement of a building's energy efficiency and the reduction of its operating costs. The adoption of new, renewable energy sources and the modernisation of building services systems are also possible. ■



WE TAKE RESIDENTS' DIFFERENT NEEDS INTO CONSIDERATION AND AIM TO AVOID CAUSING DISTURBANCES AT OUR RENOVATION LOCATIONS.

RENOVATION SERVICES

Are's Renovation Services offers extensive solutions, ranging from design to project management and implementation, for the renovation of business and office premises as well as residential properties.

MARKET SITUATION

According to the Renovation Strategy published by the Ministry of the Environment, about EUR 7 billion was spent in Finland on renovation in 2006, or the equivalent of about half of the amount invested in building construction. The same trend continued in 2007. It is estimated that about EUR 1.8 billion will be spent annually on the renovation of existing housing during the period between 2007 and 2015.

There was a record number of plumbing and sewerage overhauls planned for residential buildings during 2007. On the other hand, the market has not yet grasped the special characteristics of renovation, which differ from those of new building construction, as a result of which the start of several projects has been delayed.

BUSINESS OPERATIONS

Renovation Services was set up as a separate business area in the summer of 2007, and the turnover generated by the unit during the year in review totalled EUR 13.1 million. Profitability fell short of expectations due to delays in the start-up of operations and planned mergers and acquisitions.

To strengthen the business area, Are acquired all the shares of Rakennusliike Nykänen & Liukku Oy in April 2007. The company, which operates in the Pirkanmaa region, specialises in renovation. As part of the deal, all 35 employees working for the company became employed by Are under their existing contracts and the company's name was changed to Rakennus-Are Oy. In October 2007 Are's subsidiary acquired the business and the business name of Rakennusliike R Helander Oy, a company specialising in renovation and user-oriented modification work operating in the Greater Helsinki Area. In connection with the deal, Are employed the company's 25 personnel under their existing contracts.

The most significant projects in 2007 included the plumbing and sewerage overhaul of As. Oy Koulukatu 5 in

Tampere, which was the first joint project to be carried out by Are and Rakennus-Are Oy, the major renovation of Nekala School, which is operated by the Facilities Management Centre of the City of Tampere, the renovation of Pitkäniemi Hospital and the plumbing and sewerage overhaul of Kontulan kiinteistöt Oy's Ostostie 5 property in Helsinki.

COMPREHENSIVE SERVICE PROVIDES THE FRAMEWORK FOR GOOD LIFE

A skilfully undertaken renovation helps maintain a property's value and improve its level of comfort. Renovation can have a significant effect on energy efficiency and can reduce a property's environmental impacts.

■ For *business and office premises*, Are offers all the services related to property development, ranging from condition assessments and improving a property's energy efficiency to the modernisation of electrical systems, integrated services networks and the conversion of a property so that it can be used for a different purpose.

■ In *residential properties*, Are carries out overhauls of plumbing and sewerage as well as the renewal of electrical systems, integrated services networks, ventilation systems and the renovation of bathrooms and kitchens.

ACTIVE START TO THE YEAR 2008

Are signed a co-operation agreement with NRG Nordic Renovation Group Oy at the beginning of 2008 in order to be able to offer different alternatives, such as close-fit relining with fold & foam plastic pipe, in the overhaul of plumbing.

In February 2008, the maintenance and renovation services of Lujapalvelu Oy were transferred to Are. In connection with the deal, 116 professionals stationed across Finland were transferred to the company's employ and the turnover of Renovation Services almost doubled. ■

INTERNATIONAL OPERATIONS

Are offers high-quality contracting, property maintenance and renovation services to international and local operators in the regions near Finland.

RUSSIA MARKET SITUATION

Investments and construction grew substantially in St. Petersburg and its vicinity. Competition for skilled labour has become tougher and payroll expenses are on the rise. International investors are creating demand for new forms of services, such as maintenance and renovation services.

BUSINESS OPERATIONS

The turnover of ZAO Are St. Petersburg was EUR 7.4 million. The company's result fell short of its target. At the end of the year, the order backlog stood at EUR 9.9 million.

The installation of electrical systems in the art storage facilities at the State Hermitage Museum in St. Petersburg was continued. The location is a demanding one, since the immensely valuable art treasures stored at the facilities require high levels of operating reliability from building services.

The most significant new projects in 2007 included third-stage electrical work for Nokian Tyres, as well as HEPAC, electrical and automation work and process plumbing at the parquet production facility of OOO Focus Wood.

The most important projects, in addition to the aforementioned new projects, also included Inlook Color and the Sokos Hotels in St. Petersburg.

OUTLOOK FOR 2008

The construction of logistics, office and production premises will continue its strong trend. Are will expand its offering to property maintenance and renovation services. Property owners operating in the region are interested in new technology related to properties,

which will provide good opportunities for the marketing of the Sensus building services system developed by Are.

ESTONIA AND LATVIA MARKET SITUATION

In Estonia and Latvia, the construction business was strong in the first half of 2007 but, towards the end of the year, there were signs that the market was overheating.

The increase in loan interest rates and the higher difficulty in obtaining loans have lowered the prices of properties and housing. Due to the higher level of wages and the increased difficulty in recruiting personnel, international operators have downsized their operations in the area and some have even discontinued them completely.

BUSINESS OPERATIONS

The turnover of AS Are in 2007 grew on the previous year, totalling EUR 6.6 million, but the company reported a loss.

The turnover of SIA Are Lat amounted to EUR 0.3 million, and its profitability was weak.

Among the significant projects completed in 2007 were the first and second stage ventilation and electrical work in the renovation of Tallinn Song Festival Arena, HEPAC, electrical and cooling work related to the contract at the business premises on Ehitajate tee 114, and the automation project included in the renovation of Kehra Paper Mill. AS Are's new customers in property services include among others Tehnopolis and Hotel Forum.

Economic growth in Estonia and Latvia is expected to slow down. At the start of 2008, Are decided to discontinue its operations with its subsidiaries in the Baltic countries due to their weak profit performance. ■

INTERNATIONAL INVESTORS IN ST. PETERSBURG ARE CREATING DEMAND FOR NEW FORMS OF SERVICES, SUCH AS MAINTENANCE AND RENOVATION SERVICES.



DEVELOPMENT OF PERSONNEL

Are's objective is to maintain its status as a company with a high level of expertise that offers its personnel diverse development opportunities and its customers skilled and reliable service.

SITUATION ON THE LABOUR MARKET

During 2007, new collective agreements were signed in all the sectors represented by Are.

The new collective agreements were the Building Services Sector's Collective Agreement for the Electrical Installation Industry, the Collective Agreement of Technology Industries of Finland, the Building Services Sector's Collective Agreement for the HEPAC Industry and the Building Services Sector's Collective Agreement for Salaried Employees.

The availability of technical salaried employees posed challenges particularly in the Greater Helsinki Area. There was also a shortage of sprinkler and cooling equipment installers. In other areas of expertise, the company has managed to recruit personnel everywhere in Finland.

PLANNED TRAINING FORMS A BASIS FOR GOOD SERVICE

The diverse development work carried out with Are's personnel gained recognition when the Ministry of Education granted Are a Quality Award for its apprenticeship training programmes in 2007. Among the criteria for the selection were the long-term and systematic nature of training activities and their social responsibility.

Apprenticeships were increased substantially in 2007, with 25 new employees joining Are under an apprenticeship agreement. The company addressed the labour shortage experienced by the industry by, among other things, launching a sprinkler installer's training programme which aims at a basic diploma in building services. The experiences gained from the new training programme will be utilised when the National Board of Education revises the content of the national basic diploma.

The aim of training programmes is to support personnel's career development and their transfer to new tasks with Are. A total of 12 long training programmes lasting

over eight months were carried out during the year, with 159 Are employees participating in them (Chart 1).

As a completely new programme, Are started a work management training programme aiming at a vocational qualification in construction production. Its target group comprises project managers who have recently joined Are and installers being transferred to project management tasks.

Almost 700 man-days were used on short training programmes in 2007. Versatile precision training was organised during the year in different areas, including installation technology, supervisory work, cooling and access control systems, commissioning inspection measurements and contractual legal matters. In Property Services, significant investments were made in electrical occupational safety training.

GOOD WORKING ATMOSPHERE INCREASES EFFICIENCY

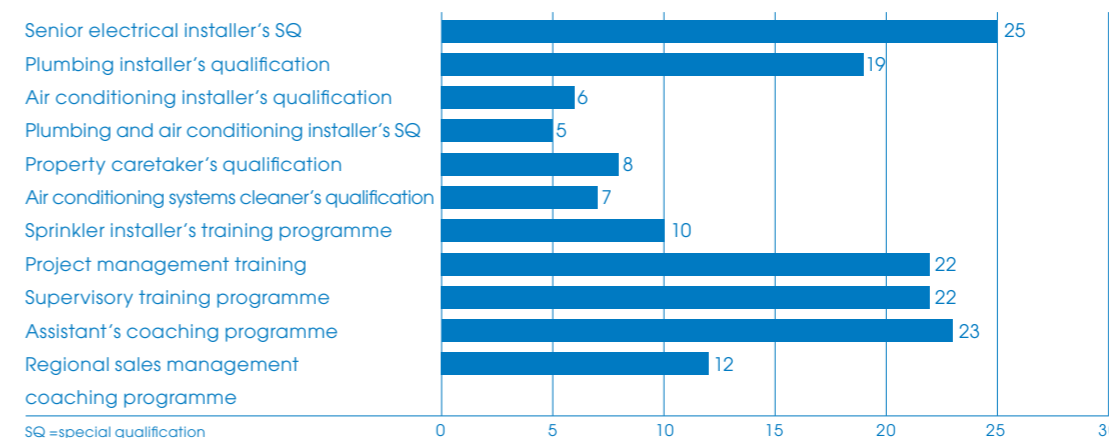
In September 2007, the company carried out a personnel survey, in which employees were asked to evaluate Are as a workplace. The survey's results were compared with those found in a survey carried out two years earlier, and measures implemented during the intervening period were clearly reflected as an improvement in workplace satisfaction. The personnel felt that communications and supervisory work had improved and that there was a good team spirit among employees. Areas which posed challenges included inter-department communications and co-operation. Development measures concerning these areas have been started and will be continued during 2008.

The personnel committee composed of representatives of management and shop stewards convened four times during the year in review to discuss matters related to the development of operations and personnel satisfaction.

Are's employees actively participate in sports activities together and utilise the company's extensive training opportunities.



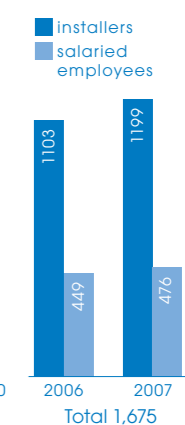
LONG TRAINING PROGRAMMES IN 2007



SQ = special qualification

Chart 1

NUMBER OF PERSONNEL ON 31 DEC. 2007



The development scheme for occupational capacity management, which had been started earlier, was continued. A new occupational health care agreement was signed in 2007. Its objective is to guarantee the entire personnel similar quickly accessible occupational health services, which are centrally controlled throughout Finland using a joint service concept.

Occupational safety is one of the most important indicators for measuring success in the industry. Are's objective is to significantly reduce accidents at the workplace during 2008. The Group Management Team appointed an Occupational Safety Officer for the Group who is responsible for centrally developing occupational safety and who reports regularly to the Group Management Team. ■

RESPONSIBLE FAMILY ENTREPRENEURSHIP FOR 95 YEARS

Our family business began its operations in February 1913. Our strong belief in our work, our commitment and our strong sense of responsibility still form a common link between entrepreneurship and ownership, just like 95 years ago. The owner and the company are responsible to the customers through products and services. The tracking of customer needs and the systematic development of the company are the only way to survive stiffening competition.

In a family enterprise, success is measured over a longer period of time than a few years' increase in value or quarterly stock exchange trends. This, however, does not mean that a family business should not be profitable. Are's operations are guided by the aim to remain competitive from one generation to the next. Profitability provides the best guarantee for this.

Entrepreneurship in the Onvest Group is in its fourth generation. Alfred and Olga Onninen were followed by the generation of Matti and Maikki Auriala (née Onninen). After them, the family was represented by Erkki J. and Anja Toivanen (née Auriala). The main shareholder of Onvest, Mrs Anja Toivanen, passed away on 15 August 2007, following a serious illness.

Today's generation is represented by siblings Maarit Toivanen-Koivisto and Marja Toivanen. Maarit Toivanen-Koivisto, M.Sc. (Econ.), is a member of the Board of Are

Group. She is also the Chairman of the Board and the President and CEO of Onvest Oy. Onvest Oy is owned by Maarit Toivanen-Koivisto and Onvest Board member, Marja Toivanen, and their children.

At Are, our values are based on family entrepreneurship.

Are's employees are there for the customer. Are's operations are based on long-term customer relationships and the success of our customers is important to us.

We work together. Emphasising co-operation and taking responsibility ensure Are's continuity.

Skilled Are employees are a resource. Professional skill forms part of our competitive edge and continuous development propels us forward.

Profitable operations guarantee success. Profitable business requires us to make sure we are competitive and to attend to our social obligations. ■



In memoriam
Anja Toivanen
3 October, 1927– 15 August, 2007

Martina Toivanen, Martti Koivisto, Henrik Koivisto,
Maarit Toivanen-Koivisto, Marja Toivanen,
Erik Toivanen, Maria Toivanen

FINANCIAL YEAR 2007

In 2007, the overall trend in the construction market was positive. The sector experienced growth particularly in the construction of business and office premises and industrial and logistics facilities. In the Greater Helsinki Area, the construction of housing was also brisk. The property services market maintained a stable trend. The renovation market grew on the previous year, but growth was hampered by a shortage of resources.

- The Are Group's turnover grew according to plan, but international operations weakened profitability.
- The Group's order backlog at the close of the financial year was significantly higher than at the same time in the previous year.
- The turnover of the Building Services Contracting unit of Contracting Services increased on the previous year, but its profitability remained at the previous year's level. The turnover of Industrial Services retained the previous year's level, while its profitability was good. Industrial Services became a part of Contracting Services in September 2007.
- The turnover of Property Services grew and its profitability improved substantially, reaching a good level.
- Renovation Services was set up as a separate business area in the summer of 2007. Renovation Services fell short of its objectives for turnover and profitability due to delays in the start-up of operations and planned mergers and acquisitions.
- International operations generated a significant loss. The company decided to discontinue its business operations with its Baltic subsidiaries. In Russia, Are will expand its offering to property maintenance and renovation services.
- At the close of the financial year, the companies owned by Are were Kaksoisputki Oy, Putki-Sampo Oy, Rakennus-Are Oy and Rakennusliike R Helander Oy in Finland, ZAO Are St. Petersburg in Russia, AS Are in Estonia and SIA Are Lat in Latvia. In accordance with the merger plan for Kaksoisputki Oy, the company was merged with its parent company on 31 January 2008. In February 2008, the maintenance and renovation operations of Lujapalvelut Oy, along with the personnel employed by these operations (116 people), were transferred to Are.
- The Ministry of Education granted Are a Quality Award for its apprenticeship training programmes in 2007. Among the criteria for the award were the long-term and systematic nature of Are's training activities and their social responsibility.
- Development work on Are's quality and environmental systems was continued. In 2007, Industrial Services received an OHSAS 18001 certificate for its occupational safety system, complementing the certificates for its ISO 14001 environmental system and its ISO 9001 quality system, which had been obtained earlier. Det Norske Veritas granted Property Services certificates of compliance with the ISO 9001, ISO 14001 and OHSAS 18001 standards in July. In the next stage, the systems will be expanded to cover Contracting Services.
- The average number of personnel in 2007 was 1,656, an increase of 123 employees on the previous year.

| GROUP KEY INDICATORS | 2007 | 2006 | 2005 | 2004 | 2003 |
|-------------------------------|------|------|------|------|------|
| Turnover, EUR m | 212 | 181 | 190 | 162 | 131 |
| change, % | 17 | -5 | 17 | 24 | -17 |
| Invoicing, EUR m | 224 | 182 | 183 | 167 | 145 |
| change, % | 23 | -0.5 | 10 | 15 | -2 |
| Operating profit, EUR m | 2,7 | 2,3 | 7,5 | 0,6 | 2,7 |
| % of turnover | 1,3 | 1,2 | 4,0 | 0,4 | 2,0 |
| Equity ratio, % | 36 | 40 | 41 | 38 | 42 |
| Personnel, year end | 1675 | 1552 | 1546 | 1525 | 1634 |
| Order backlog year end, EUR m | 124 | 102 | 91 | 97 | 97 |
| Business locations | 27 | 24 | 31 | 32 | 29 |

| INVOICING BY BUSINESS AREA | 2007 | | 2006 | | 2005 | |
|----------------------------|--------|----|--------|----|--------|----|
| | milj.€ | % | milj.€ | % | milj.€ | % |
| Contracting Services | 127 | 56 | 109 | 60 | 120 | 66 |
| Property Services | 64 | 29 | 55 | 30 | 52 | 28 |
| Renovation Services | 15 | 7 | 3 | 2 | - | - |
| International Operations | 18 | 8 | 15 | 8 | 11 | 6 |

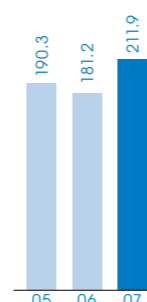
CONSOLIDATED PROFIT AND LOSS ACCOUNT

| EUR m | 2007 | 2006 |
|--------------------------------------|--------|--------|
| TURNOVER | 211.9 | 181.2 |
| Change in work in progress | 10.6 | 0.2 |
| Other operating income | | 0.3 |
| Expences | -217.1 | -177.3 |
| Depreciation | -2.7 | -2.1 |
| OPERATING PROFIT | 2.7 | 2.3 |
| Financing items and expences | 0.2 | 0.3 |
| PROFIT BEFORE TAXES | 2.9 | 2.5 |
| Direct taxes | -2.0 | -1.3 |
| PROFIT FOR THE FINANCIAL YEAR | 0.9 | 1.2 |

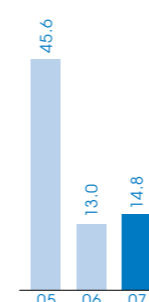
KEY INDICATORS

| | | |
|--------------------------------------|------|------|
| Operating profit, % | 1.3 | 1.2 |
| Return on investment before taxes, % | 14.8 | 13.0 |
| Equity to assets, % | 36.1 | 40.1 |

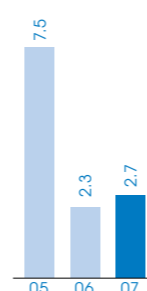
TURNOVER EUR m



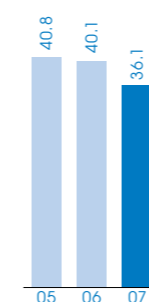
RETURN ON INVESTMENT, %



OPERATING PROFIT EUR m



EQUITY ON ASSETS RATIO, %



CONSOLIDATED BALANCE SHEET

| EUR m | 2007 | 2006 |
|----------------|-------|------|
| ASSETS | | |
| Fixed assets | 12.3 | 8.9 |
| Current assets | | |
| Inventories | 44.6 | 33.0 |
| Receivables | 31.8 | 27.8 |
| Liquid funds | 11.3 | 11.7 |
| | 100.0 | 81.4 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|----------------------------------|-------|------|
| Shareholders' equity | 20.4 | 19.5 |
| Obligatory untaxed reserves | 2.4 | 0.5 |
| Interest-bearing liabilities | 0.0 | 0.0 |
| Non-interest-bearing liabilities | | |
| Advanced received | 43.6 | 32.8 |
| Other | 33.6 | 28.6 |
| | 100.0 | 81.4 |

CONSOLIDATED CASH FLOW STATEMENT

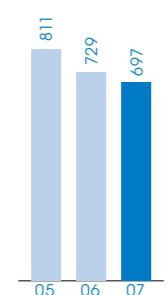
| | | |
|----------------------------|------|------|
| Cash flow from operations | 5.5 | 0.7 |
| Cash flow from investments | -6.0 | -4.4 |
| Cash flow from financing | 0.1 | -1.5 |
| Change in liquid funds | -0.4 | -5.2 |

CONTRACTING SERVICES

TURNOVER EUR m

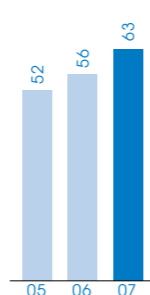


PERSONNEL DEC. 31

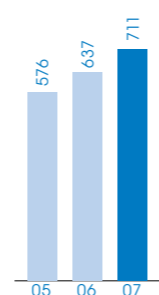


PROPERTY SERVICES

TURNOVER EUR m

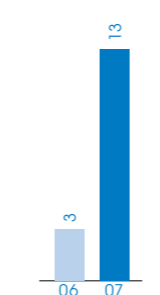


PERSONNEL DEC. 31

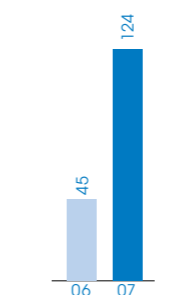


RENOVATION SERVICES

TURNOVER EUR m

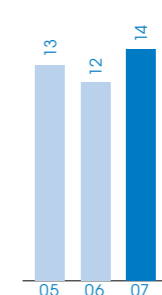


PERSONNEL DEC. 31

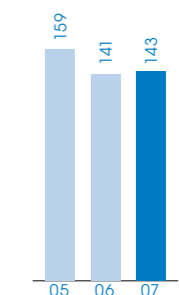


INTERNATIONAL OPERATIONS

TURNOVER EUR m



PERSONNEL DEC. 31



BOARD OF DIRECTORS



BOARD OF DIRECTORS from left to right:

Tor-Erik Sandelin
member of the Board since 2006,
Director

Maarit Toivanen-Koivisto
member of the Board since 2000,
Managing Director of Onvest Oy

Veli-Pekka Jokinen
Chairman of the Board since 2001,
member of the Board since 2000,
Director, Investment, Onvest Oy

Jouko Ketola
member of the Board since 2002,
Industrial Counsellor

MANAGEMENT TEAM



MANAGEMENT TEAM at the back from left:

Sari Uusitupa, Director,
Sales and Service Concept Management,
has served Are Group since 2007

Aki Puska, President and CEO,
has served Are Group since 2007

Jorma Rajamäki, CFO,
has served Are Group since 1995

Timo Savimäki, Business Area Director,
Contracting Services, has served Are Group since 1996
(As of March 17, 2008, **Pekka Karppinen** started as
Business Area Director, Contracting Services)

Arto Turkulainen, Business Area Director,
Renovation Services,
has served Are Group since 2002

in front from left:

Satu Juvonen, Marketing and Communications Director,
has served Are Group since 2007

Seppo Korhonen, Business Area Director,
Property Services, has served Are Group since 2007

Merja Hokkanen, HR Director,
has served Are Group since 2006

CONTACT INFORMATION

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Property Services 24 h stand-by, tel. +358 (0)20 530 5700

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Kuopio Mestarinkatu 5, FI-70700 Kuopio, PO Box 1071, FI-70701 Kuopio

Lahti Väinämöisentie 6, FI-15170 Lahti, PO Box 152, FI-15101 Lahti

Oulu Jääsalontie 17, FI-90400 Oulu

Tampere Kuoppamäentie 11, FI-33800 Tampere, PO Box 814, FI-33101 Tampere

Turku Fiskarsinkatu 2, FI-20750 Turku

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Kotka Jumalniementie 3, FI-48600 Kotka

Lappeenranta Harapaisentie 55, FI-53500 Lappeenranta

Leppiniemi Hietaniementie 12, FI-91430 Leppiniemi

Pori Satakunnankatu 23 A, FI-28130 Pori

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Raahe Pajuniityntie 43, FI-92120 Raahe

Rauma Tikkalantie 1, FI-26100 Rauma

Rovaniemi Sipolantie 2, FI-96100 Rovaniemi

Salo Joensuunkatu 7, FI-24100 Salo

Tornio Kemintie 25 h 2, FI-95420 Tornio

Vaasa Kupariportti 9, FI-65320 Vaasa

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PREFABRICATION PLANT

Nurmijärvi Teollisuustie 2-8, FI-01800 Klaukkala

The following Are employees are presented in the Annual Review: front cover Jukka-Pekka Kokkonen, page 4 Tommi Kenttälä, pages 5 and 7 Mika Auvinen, pages 8 and 10 Teemu Saario, page 12 Markku Marjomaa, page 17 photo on the left (from left to right) Corinna Fagerström, Raake Kelkka, Sirpa Huhtamäki, Terhi Hurme, page 17 photo on the right: Kai Aarnio, Kimmo Valtonen, Keijo Salonen, Esa Miellikäinen, Pasi Enberg, Rainer From, Jouni Snygg, Satu Jaakonaho, Tero Muona, back cover Teemu Saario and Jyrki Mikkonen.



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