

ARE GROUP
ANNUAL REVIEW 2009

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The Are Group

Our operations promote healthier building environments.

The Are Group is one of Finland's leading contracting and property services companies. We offer all-embracing comprehensive solutions for properties of all types and for their entire life cycles:

New construction: building services solutions and contracting services

Existing buildings: maintenance, servicing and repair services

Renovation stage: renovation services

We serve customers throughout Finland and in St. Petersburg, Russia.

Are is part of the Onvest Group.



The effects of the economic downturn made 2009 a historically challenging year for us and for the entire sector. Never before in Finland has the total volume of new construction fallen so sharply over such a short period as it did in 2009.

The construction sector underwent a significant structural change during 2009, in which the volume of renovations grew to the same level as new construction.

The enterprise resource planning system that we introduced at the end of 2008 had an unfavourable impact on our efficiency during 2009. It also demanded particular patience from our personnel and external stakeholders. With modifications having been made, we believe that we will now be able to work more effectively.

Our turnover amounted to EUR 184 million. The financial result for the year was a loss. The figures presented are not, however, fully comparable with those of previous years, because on 1 January 2009 the Are Group switched over to a percentage-of-completion method of revenue recognition.

The demand for energy-efficient solutions was up significantly in 2009. There was also a sharper awareness of the importance of the indoor environments of properties. This is a question of healthy building environments, or 'build-

ing wellness', and involves harnessing the potential of the property and of technology to serve the building's occupants in the best possible way. The need for such integrated comprehensive solutions is also set to grow as a result of national targets for energy conservation.

We were the first major player in the Finnish property and construction sector to introduce innovative pipe coating and relining methods that can also be combined with conventional plumbing and sewerage overhaul systems.

The deep trough of the downturn is now behind us and it is time to turn our gaze to the future. Although we are not expecting any turnover growth in 2010, the consolidated result is expected to show an improvement on 2009.

I would like to convey my thanks to our personnel for their hard work and commitment to Are during 2009. My sincere thanks also go to all our customers and partners. We received encouraging and positive feedback from you during the year, and this has strengthened our team and our desire to develop further.

Aki Puska
President and CEO

Key achievements

Although a challenging year for Are, 2009 also featured a number of successes, reinforcing Are's position as a front runner in building services, property services and renovation services.

- Industrial Services, which is part of Are's Contracting Services, posted an excellent result, and Are's subsidiary in St. Petersburg experienced profitable growth for the second year running.
- Are won a public-sector construction project tender, in which the property's life cycle costs were taken into account. The project concerns the Kuopio Tax Office building, and the Are Sensus® system will be at the core of the building services constructed for the project.
- The S-Group ordered from Are the first carbon dioxide based retail store cooling system, for the S-Market Keilankanta store in Kuopio. The building services system uses renewable energy sources and energy released from the store's refrigeration equipment.

- The Are Group invested in developing new service solutions. The company was the first major building services provider to introduce the new sewer and service water pipe overhaul systems in Finland. Are's Plumbing Renewal service package makes use of the best conventional and internationally tried and tested pipe relining and coating methods.
- Are opened a new service location in Seinäjoki and obtained a significant electrical contract for the Y Building at Seinäjoki Central Hospital.
- Are acquired the construction business of Turun Rakennustimi Oy. The deal strengthens the Group's nationwide renovation service network, and preparations are being made for meeting an increase in the demand for renovations.

Group key figures

	2009	2008	2007	2006	2005
Turnover, EUR million	184	254	212	181	190
change, %	-28	20	17	-5	17
Invoicing, EUR million	184	249	224	182	183
change, %	-26	11	23	-0,5	10
Operating result, EUR million	-12,0	4,6	2,7	2,3	7,5
% of turnover	-6,7	1,8	1,3	1,2	4,0
Equity ratio, %	41	32	36	40	41
Order book on 31 Dec., EUR million	60	89	124	102	91
Personnel on 31 Dec.	1747	1862	1675	1552	1546
Business locations	25	25	27	24	31

Invoicing by business area

	2009		2008		2007	
	EUR million	% of Group total	EUR million	% of Group total	EUR million	% of Group total
Contracting Services	75	41	122	49	127	56
Property Services	70	38	79	32	64	29
Renovation Services	26	14	30	12	15	7
International Businesses	13	7	18	7	18	8

The figures presented for 2009 are not, however, directly comparable with previous years because on 1 January 2009 the company switched over to a percentage-of-completion method of income recognition. This explains EUR 41.6 million of the drop in turnover from the previous year.

In connection with the changeover to the new income recognition method the EUR 6.9 million margin calculated on work in progress at the start of the financial year was transferred directly to shareholders' equity and is therefore not visible at all in the results for 2008 and 2009. Neither can the order book be compared directly with that for 2008.



Services to promote healthier building environments and energy efficiency

Are's aim is to provide solutions that enhance the wellbeing of people and the environment. Building services solutions can be used to influence significantly the energy efficiency and attractiveness of properties. When a building is well, it is also more productive and retains its value long into the future.

Are has both the technology and the expertise to support this 'building wellness' concept. Together these allow Are to provide advanced service solutions. New solutions are being developed in cooperation with international technology partners, universities and VTT Technical Research Centre of Finland.

In system products the main focus of development in 2009 was the Are Sensus® building services system application for different types of properties. In addition, in a number of cases new technological solutions have been found that improve the property's energy efficiency and reduce the environmental impact.

Are is also developing similar services for the needs of the retail trade. At the end of 2009 the company began to offer

as a commercial service the retail-trade CO₂ service package that it has developed. In this, the heating and cooling energy needed by a retail store is obtained from the ground and the air, and from the condensation heat generated by the store's refrigeration equipment. This has produced some very encouraging results in the Jounin kauppa store in Äkäslompola over a period of about two years. Introduction of the system was also begun at the S-Market Keilankanta store in Kuopio.

During 2009 the Are Group also launched a comprehensive Plumbing Renewal service, which combines the best of conventional plumbing renewal methods with internationally tested relining and coating technologies. Are was the first major building services provider in Finland to introduce the new methods for renovating sewerage and service water pipes. Are's customer-oriented package has been enthusiastically received on the market.

The OxyReduct fire prevention system was presented as an interesting new system product. This makes use of innovative technology to reduce the amount of oxygen in an enclosed space to a level where the outbreak of a fire is not possible. The oxygen level is nevertheless sufficient for personnel working in the space. This solution, developed by a German company, is already in use in many European countries.



Contracting Services

The turnover of Building Services Contracting was EUR 55 million. The result was also down year-on-year, amounting to a loss for the full year. This was a consequence of the reduced volume of new construction in Finland due to the economic downturn, which had a significant effect on Are's Building Services Contracting for 2009. The volume of commercial and office construction and industrial and warehousing construction in Finland, which are of central importance to the Are Group, fell by more than 40 per cent during the year. No significant revival in demand for Contracting Services is expected during 2010.

Key successes

- Installation of the Are Sensus system in the newly completed 'Visio 2' office property of insurance company Eläke-Fennia at Länsi-Pasila in Helsinki.
- Are was chosen to install a building services system in the Kuopio Tax Office building. At the core of the solution is the Are Sensus system. The assessment criteria used in the tendering emphasised the property's total life cycle costs over a 15-year period.
- Are is building a carbon dioxide based cooling system for the S-Market Keilankanta retail store in Kuopio.
- Are was chosen for the HEPAC contracting for the construction of a new central laboratory of approximately 6,000 square metres at Neste Oil's Porvoo refinery, and this was completed in spring 2010.



“The exceptionally rapid and sharp fall in the market weakened the Contracting Services result. We are not expecting any significant growth in 2010, as new production is forecast to grow only moderately. The most important goal we have set is to achieve a positive result in Building Services Contracting for 2010,” says Pekka Karppinen, Business Area Director, Contracting Services.

Industrial Services are part of Contracting Services

The turnover of Are's Industrial Services amounted to EUR 21 million. The result for Industrial Services was a profit. This was an outstanding achievement given the market environment, with order books being low at the start of 2009. The continuation of key customer accounts and maintenance agreements also creates a good base for Industrial Services in 2010, even though there are still considerable uncertainties in the general outlook for Finnish industry.

Key successes

- Are succeeded in providing an excellent service to industrial customers in the Kotka area, where significant projects were undertaken for EUPEC Pipecoatings Finland and L&T Recoil.
- The Porin Prosessivoima Oy bio power plant was completed in the early part of the year. The Are Group was responsible for the plant's construction and process work, instrumentation, safety systems and heat tracing.
- During the year, Are was also involved in a number of fairly small contracts and projects and site maintenance at the construction site for Olkiluoto 3 (OL3), Finland's fifth nuclear power station. Are carried out, for instance, the OL3 construction site electrification work and was responsible on a 24/7 basis for ensuring the electrical needs were met.
- Are was a participant in the contracting work for wind turbines being built at Raahe.



It was great that we managed to exceed our target for the financial year. This was especially significant because we were operating in a very challenging market the whole year. We're optimistic about the future," explains Pekka Karppinen, Business Area Director, Contracting Services.

Property Services

Are's Property Services had a turnover of EUR 71 million. The result was a loss and was down year-on-year. The challenges associated with introducing the enterprise resource planning system were still felt by Property Services in 2009, contributing to the loss-making result.

Key successes

- HOK-Elanto and the Are Group signed an agreement for property maintenance covering a total of nine ABC Deli service stations in the greater Helsinki area.
- Are was chosen to supply the technical maintenance and servicing for the Forum shopping centre and office complex. Are is also responsible for Forum's customer service point.
- Are signed a major agreement for the provision of property maintenance and repair services for the companies of the Raisio Group, comprising both production units and office properties of the Group. The combined space of all these properties is approximately 600,000 cubic metres.



The demand for Property Services shrank by about 10 per cent, as property owners postponed smaller projects. During the second half of the year, we succeeded in improving our result, but for the full 12 months we made a loss," reports Seppo Korhonen, Business Area Director, Property Services.

Renovation Services

Finland underwent a significant structural change in 2009, when the total volume of renovations rose to the same level as the overall volume of new construction. The growth in renovations was in part attributable to the Government granting housing companies financial support of 10 per cent for renovation work. The turnover generated by Are's Renovation Services during 2009 totalled EUR 26 million. The result for the year as a whole was a loss. The growth outlook for Renovation Services in 2010 is good.

Key successes

- In 2009, Are acquired the construction business of Turun Rakennustiimi Oy. The deal meant the transfer of 42 renovation professionals to Are.
- Are presented its Plumbing Renewal concept, unique in Finland, involving a combination of the best conventional methods and internationally tried and tested coating and relining methods.
- Plumbing and sewerage overhaul projects in the greater Helsinki area succeeded well both financially and in terms of quality.



“ We were successful in strengthening Are's nationwide network for its Renovation Services during the year, and in launching our completely new service concept, Plumbing Renewal,” says Arto Turkulainen, Business Area Director, Renovation Services.





International Businesses

In St. Petersburg, the turnover of ZAO Are was EUR 12 million. The subsidiary's result was positive for the full year, although the result was affected by the exchange rate losses caused by the fall in the rouble's exchange rate. Are was successful in consolidating its position in the St. Petersburg area, and the company's property maintenance services started to grow well during the year.

Key successes

- Are completed a major electrical contract for the Pulkovo Sky Business Center being built next to St. Petersburg airport. The combined surface area of the complex's three buildings, each about 50 metres high, is approximately 76,000 square metres. Are is also providing the property maintenance services for the buildings.
- The multi-year electrical contract for Nokian Tyres' production plant in St. Petersburg was extended to cover 2009, when Are was involved in the electrification work for the plant's automation systems.
- Are was involved in the extensive HEPAC contract for the five-star Starwood Hotel under construction in the centre of St. Petersburg. The hotel is due to be completed in summer 2010. During the HEPAC contract for the hotel, Are signed a number of small additional agreements, for example concerning the property's automation systems.
- Are signed a cooperation agreement with Sponda Plc for property maintenance. With this agreement, Are is to provide the property maintenance services for the Onninen Group's distribution centre and head office facility in St. Petersburg.



The Russian economy experienced a very deep downturn in 2009, which also had a significant impact on our business. In view of this, we are especially pleased that we succeeded in turning in a profitable result in St. Petersburg. Our outlook for 2010 is reasonably good, even though our customers are still being cautious in their investment decisions,” explains Kari Sundqvist, Director, International Businesses.

Front runner in building services focuses on personnel skills

Are's personnel need to have a high level of technological and service expertise in this rapidly developing sector where there is a strong focus on customer service and on promoting healthier building environments (building wellness), and where the energy efficiency requirements are constantly becoming more stringent. The future success of Are will be based on working together and on the continuous development of professional skills.

At the end of the financial year the Are Group had a total of 1,747 employees, all skilled professionals, which was 115 fewer than a year earlier. The personnel reductions were mainly in Contracting Services and in Property Services. The Are Group's subsidiary in St. Petersburg grew significantly during 2009, and at the end of the year it employed 127 people. The acquisition of Turun Rakennustiimi Oy added 42 renovation professionals to Are's personnel.

Based on the workplace climate survey undertaken, Are's personnel were relatively satisfied. Development measures at Are in 2008 focused on supervisor skills and orientation. The personnel survey conducted in 2009 yielded improved scores in relation to the previous outcome. To further improve satisfaction the focus will next be on strengthening the cooperation between Are's different units and departments.

Occupational safety improved

Special attention is given at Are to monitoring and controlling occupational safety. Systematic monitoring shows that the occupational safety of Are employees improved in 2009 from the previous year. Occupational safety is constantly stressed in Are's personnel training and in the training programmes.

Are's customers require a high standard of occupational safety from Are's employees. During the year, unit-specific targets for reducing accidents were drawn up for all Are units. Success was achieved in eight units, which operated the entire year without any accidents. The target is to halve the number of occupational accidents overall in 2010 from the previous year's level. Any accidents that do occur are always investigated thoroughly.



Improving skills through vocational qualifications

Advances in technology and the ever tougher requirements in the sector demand a diverse range of professional skills from building services experts. In 2009, Are arranged training amounting to a total of 1,545 person days.

Are offered its personnel the chance to take part in both long-term training programmes and a variety of other training. During the year, 109 Are Group employees studied on a total of six Are Group vocational training programmes. These studies consist of various long-term training programmes aimed at further and specialist vocational qualifications in the property and construction fields.

In 2009, a total of 41 Are Group employees completed their vocational studies. Further vocational qualifications were obtained in training programmes dealing with building production and electrical installation, vocational qualifications in building maintenance technology were obtained in the sprinkler installer's training programme, and specialist qualifications were obtained in the leadership and electrician programmes. Are has traditionally also offered apprenticeship places for students.

The first two-year AreJet training course for those working in supervisory positions at Are was completed in 2009. Corresponding training aimed at a specialist qualification in management was begun in autumn 2009.

PROFIT AND LOSS ACCOUNT
AND BALANCE SHEET
2009

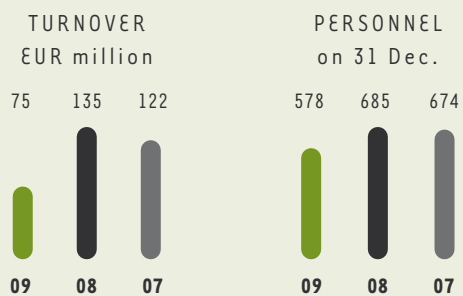


Consolidated profit and loss account

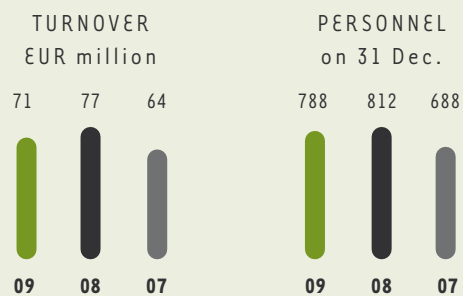
EUR million	2009	2008	2007
Turnover	183,6	253,5	211,9
Change in work in progress	-0,9	-4,4	10,6
Other operating income	0,1	0,1	0,0
Expenses	-189,6	-240,8	-217,1
Depreciation	-5,2	-3,8	-2,7
Operating result	-12,0	4,6	2,7
Financial income and expenses	0,0	0,1	0,2
Profit before extraordinary items	-12,0	4,7	2,9
Extraordinary items	5,4	0,0	0,0
Profit before taxes	-6,6	4,7	2,9
Direct taxes	0,5	-2,0	-2,0
Profit (loss) for the financial year	-6,1	2,7	0,9
Key indicators			
Operating profit, %	-6,7	1,8	1,3
Return on investment before taxes, %	-45,4	18,9	14,8
Equity ratio, %	40,8	31,9	36,1



Contracting Services

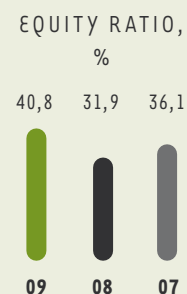
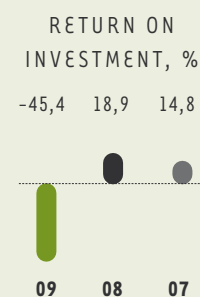
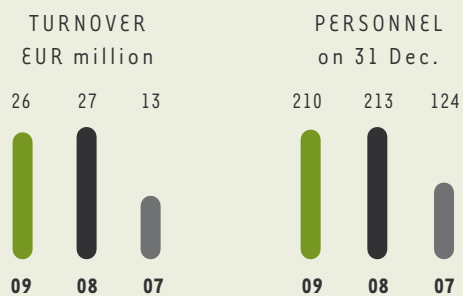
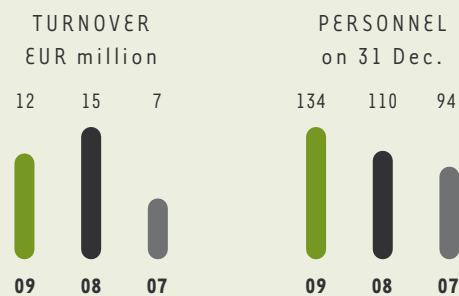


Property Services



Consolidated balance sheet

EUR million	2009	2008	2007
Assets			
Fixed assets	12,2	15,5	12,3
Current assets			
Inventories	2,4	38,3	44,6
Receivables	37,7	51,6	31,8
Liquid funds	2,3	4,8	11,3
	54,6	110,2	100,0
Liabilities and shareholders' equity			
Shareholders' equity	21,7	22,2	20,4
Obligatory reserves	1,2	1,5	2,4
Interest-bearing liabilities	0,0	8,1	0,0
Non-interest-bearing liabilities			
Advances received	1,4	40,6	43,6
Other	30,3	37,8	33,6
	54,6	110,2	100,0
Consolidated cash flow statement			
Cash flow from operations	9,9	-8,2	5,5
Cash flow from investments	-3,0	-5,2	-6,0
Cash flow from financing	-9,4	6,9	0,1
Change in liquid funds	-2,5	-6,5	-0,4

**Renovation Services****International Businesses**



Management Team

From the left:

Aki Puska

President and CEO, at Are since 2007

Perttu Kähäri

CFO, at Are since 2009

Merja Hokkanen

HR Director, at Are since 2006

Kari Sundqvist

Director, International Businesses and Business Development, at Are since 2007

Satu Juvonen

Marketing and Communications Director, at Are since 2007

Arto Turkulainen

Business Area Director, Renovation Services, at Are since 2002

Seppo Korhonen

Business Area Director, Property Services, at Are since 2007

Pekka Karppinen

Business Area Director, Contracting Services, at Are since 2008

Sari Uusitupa

Director, Sales, at Are since 2007

Board of Directors

From the left:

Jouko Ketola

Industrial Counsellor, Board member since 2002

Veli-Pekka Jokiniva

B.Sc. (Econ.), Board chairman from 2001 until 14 April 2009, Board member since 2000

Mika Seitovirta

M.Sc. (Econ. & Bus. Adm.), Board member from 2 November 2009

Maarit Toivanen-Koivisto

Honorary title of Vuorineuvos, President of Onvest Oy, Board member since 2000, Board chairman from 15 April 2009

Tor-Erik Sandelin (not pictured)

Director, Board member from 2006 until April 2010



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Rovaniemi Sipolantie 2, FI-96100 Rovaniemi
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Tornio Kemintie 25 h 2, FI-95420 Tornio
Vaasa Strömberg puistotie 13, FI-65320 Vaasa
Ähtäri Ostolantie 14, FI-63700 Ähtäri

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