



**ARE**

**ANNUAL REVIEW 2015**

# ARE'S YEAR 2015

In 2015, we focused on integration of our operations and the development of a unified corporate culture after having bought Lemminkäinen's building services business in the previous year. We have made a big effort to harmonize our operating models and systems, and now we can say that the merger has been successfully completed. At the same time we have taken good care of our clients and have been involved in major projects around Finland.

## **Significant improvement in EBITDA**

Are's EBITDA continued to improve. However, the operating result was weakened by non-recurring items and amortisation of goodwill from a large acquisition realised in 2014. The biggest improvement was achieved in Building Services Contracting in Southern Finland, where we were involved in several large projects, such as the Western Metro Extension, or Länsimetro. We also managed to make an excellent result in Property Services. We have been able to increase the number of property maintenance contracts as well as the share of negotiated contracts in contracting services.

## **We succeed together with our clients**

Our clients have been satisfied with the cooperation with us, as demonstrated by client satisfaction surveys and the long history of cooperation. For Technopolis, for instance, we have already built nine Are Sensus® systems in their buildings, which is proof of the comfort felt by the occupants of Sensus-equipped buildings, as well as of the energy savings achieved. We have also extended many long-term maintenance service agreements in order to ensure flawless operation of our clients' properties.

## **Future outlook brightest in construction**

The year 2016 seems to be bringing some relief to the construction business. During this year, construction is expected to have an upward turn after four years of decline. Building services will follow, and we expect the number of orders to increase towards the end of the year, thanks to a few large projects and increased renovation activity. We believe that the demand for property maintenance services will remain stable.

In the public sector there are a lot of aging properties that need to be renovated. We intend to be involved in the development of public buildings to meet modern requirements in terms of, say, energy efficiency and environmental friendliness. In addition, systematic property maintenance can achieve significant cost savings in municipal buildings.

The past year has been a success, and I would like to thank our clients, partners and shareholders for their cooperation. Special thanks also to our employees for the well-managed projects and maintenance services as well as for the harmonization projects so successfully carried out beside our normal work.



**Heikki Pesu**  
President and CEO

\* The figures in the Annual Review are pro forma numbers.

# PROPERTY SERVICES

The net sales from Property Services amounted to EUR 176 million. Net sales in Finland increased by five per cent. The operating result remained good and was on the same level as in previous years. We succeeded well in serving our clients. Existing maintenance contracts were extended and new ones were signed, e.g. with industrial plants.

## Everybody profits from an intelligent operating model

We have expanded our Smart Maintenance approach to several client accounts during the past year. The benefits of this approach can already be seen. In 2013, we started to apply our Smart Maintenance scheme to Turku Technology Properties—with a total floor area of about 150,000 square metres—and, during the past year, operations have shifted from corrective repairs to planned predictive maintenance. By utilizing the property managers' expertise we have been able to tackle the root causes of problems. We will continue expanding the client base for the Smart Maintenance concept during the year 2016.

We will adopt Smart Control Room Services for which we will be utilizing data collected from the buildings and the so-called Internet of Things. By combining our strong technical maintenance know-how with the vast body of data from the Internet of Things, we can better anticipate and plan for future service needs and develop the properties consistently and cost-efficiently.

## A new mobile system supports customer service

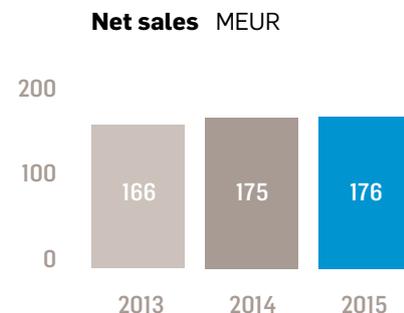
Last autumn we introduced a new mobile-based system for managing our resources. The system enables us to better manage our operations and to ensure a fast and flexible service for the client. The digital transition enables us to improve and enhance our internal processes.

## Good service contracts in Russia

During the year, we carried out a number of measures to improve profitability in Russia. We focused on service contract sales, with good success, particularly among Finnish clients. Our aim is to continue expanding our client base in St Petersburg.

## New service contracts

- Country-wide maintenance of Citycon's shopping centres.
- Extension to Nokia's maintenance services in Espoo.
- Country-wide maintenance of Niam's properties.
- Country-wide maintenance services for Halpa-Halli.
- Maintenance services for ST1 service station chain.
- Framework agreement on technical services for Valmet Technologies.
- Maintenance services for Senate Properties in Eastern Finland and Helsinki Metropolitan Area.
- Maintenance services for Technopolis in St Petersburg.
- Maintenance services for AmRest restaurant chain in St Petersburg.



# CONTRACTING SERVICES

The net sales from Building Services Contracting amounted to EUR 204 million. Profitability improved in particular in Southern Finland where there were several large projects underway. We further increased the proportion of negotiated contracts and were involved in many turnkey projects. The market situation is challenging and we are working very hard to improve our order backlog.

## Are Sensus® installed in the most energy-efficient premises in Finland

In Sponda's new office buildings in Helsinki we had an opportunity to contribute to the most energy-efficient premises in Finland. Last year, Estradi premises built for Kone Hissit Oy received Platinum-level LEED environmental certification. Our Are Sensus® system has, for its part, contributed to the energy-efficiency of the property. Energy simulations are increasingly carried out in energy-efficiency comparisons during the design stages.

## Alliance model and turnkey projects benefit all

During the year, Are participated in three major alliance projects: Rantatunneli in Tampere, Hiukkavaara multipurpose building in Oulu, and Kempele health care centre. Are's technology know-how has brought concrete savings for the projects. Close cooperation between the participants ensures that the projects stay on schedule.

In turnkey projects, Are adopts the responsibility for the building systems in the early design stages, which makes it possible to find the best and most cost-efficient solutions for each project well in time. For example, our turnkey project for the Satakunta University of Applied Sciences in Pori was a complete success. A good example of the high quality enabled by the turnkey model is the Ruusuipuisto project in Jyväskylä, commissioned by University Properties of Finland, for which we received an honorable mention. Ruusuipuisto is equipped with the Are Sensus® system.

## Cooperation is key in infrastructure projects

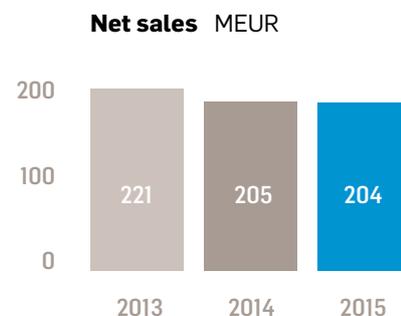
Large infrastructure projects involve working in harsh conditions. Such projects require specialist know-how and close cooperation between all the different operators on the construction site. During the past year, Are has been involved in nearly all major infrastructure projects around Finland.

## Comprehensive technical building systems projects

- [Hiukkavaara multipurpose building as an alliance project.](#)
- [Kempele health care centre as an alliance project.](#)
- [The Western Metro Extension: electrification of the entire line, lighting in the public premises, and HVAC works at several stations.](#)
- [Kuopio University Hospital Peko 1-2 HVAC project.](#)
- [Aronkylä school turnkey project in Seinäjoki.](#)

## Completed Sensus projects

- [Sponda's Ilmalanrinne and Estradi projects in Helsinki.](#)
- [Ruusuipuisto in Jyväskylä for University Properties of Finland.](#)
- [Technopolis G House in Vantaa.](#)



# ARE IS A GOOD EMPLOYER

For us, the year 2015 was a time for building a new, common corporate culture and creating common practices, after Lemminkäinen's technical building services business had been transferred to Are in the previous year. We reviewed our common operating models, introduced a common ERP system, streamlined our operations, and intensified cooperation both internally at Are and with clients and business partners.

## We have satisfied employees

For the first time, we carried out a personnel survey for Are employees. The results were positive. Throughout the company, people are satisfied with their jobs and their work. They regarded the activities of the workplace community as an asset. Improvement is needed in managerial supervision and to that end we have already launched projects and training. For example, in a project to improve everyday communication we have interviewed about 200 fitters, project managers and supervisors with the result that concrete practices improving the flow of information have already been implemented.

The company's turnover rate continued to decrease.

## Slight improvement in accident frequency rate

We did not quite reach our target for 2015 regarding the accident frequency rate, but we are going in the right direction and the frequency decreased. There occurred no serious injuries requiring retraining or replacement.

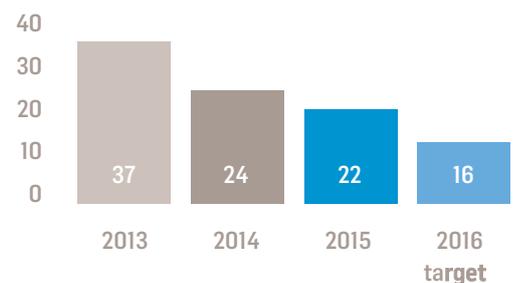
We have implemented a host of measures to reduce the number of accidents. The safety officers have made site visits and have received training and education in occupational safety and health matters. We have emphasized the importance of wearing personal protective equipment and have subscribed to a protective equipment locker service. To be able to learn from accidents, we include photographs in all accident reports.

Between our business areas and units there are still large differences in the accident frequency rate, and we are now taking the best practices across the business area and unit borders. We train our supervisors to address all safety breaches and we expect an investigation to be conducted into every accident. We have improved our personal protective equipment by adding bright colours and reflectors while also introducing new comfortable workwear. Our new information system for occupational safety and well-being, to be launched this spring, will help unit managers carry out their duties related to occupational safety and health better than before.

## Sick absences continued to decrease

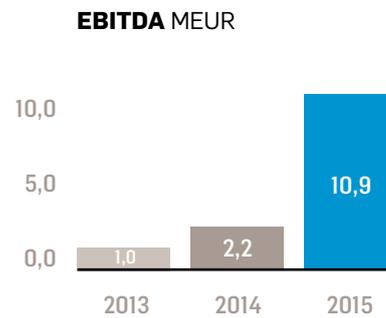
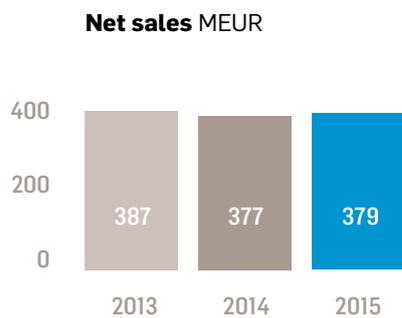
We take good care of our employees: the sick absence rate at Are has now decreased below five per cent. We have harmonized our practices for occupational health and well-being, and managers have already adopted the new practices. We have focused on early intervention, retraining and job modification. In the spring, we also harmonized our occupational health care practices, introducing a new health insurance scheme to ensure our employees' ability to work.

**Accident frequency rate**  
per million working hours

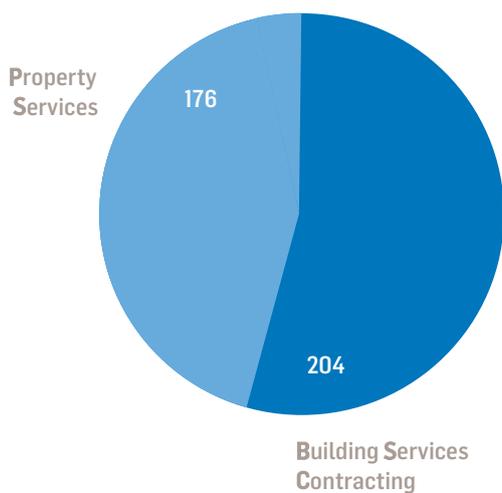


# KEY FIGURES

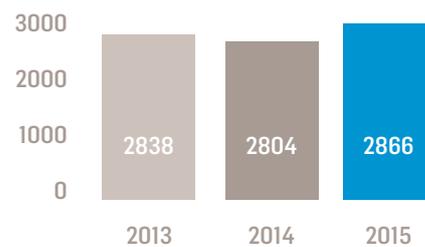
(PRO FORMA)



**Breakdown of net sales  
by business area MEUR**



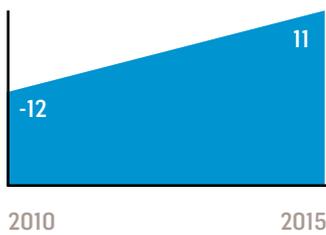
**Personnel on 31 December**



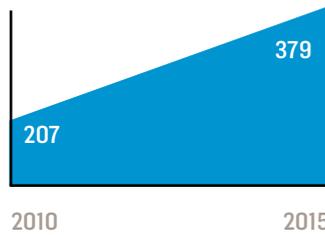
# STRATEGY WORK BRINGS RESULTS

At Are we have consistently worked for the implementation of our strategy and have set indicators and metrics for the various targets. In the long term, we have had significant results both financially and in terms of personnel well-being. These diagrams present reference values from 2010–2015, showing that we are on the right path.

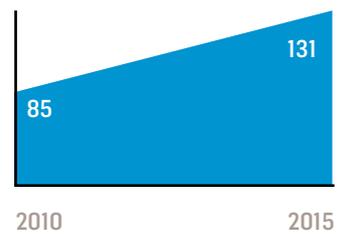
**EBITDA MEUR**



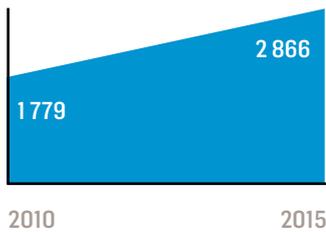
**Net sales MEUR**



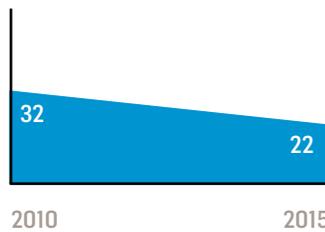
**Order backlog MEUR**



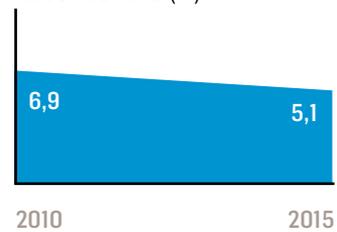
**Personnel**



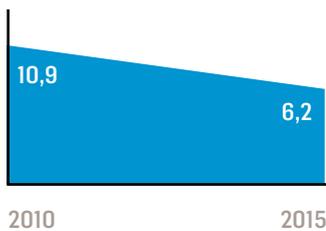
**Accident frequency rate**



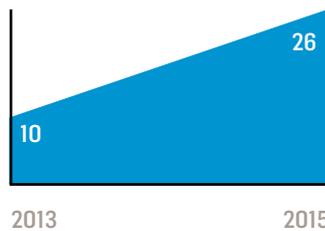
**Sickness and injury absence rate (%)**



**Turnover rate (%)**



**Negotiated contracts (%)**



# MANAGEMENT BOARD AND BOARD OF DIRECTORS



Management Board on 31 December 2015

**Sari Kulmala**

HR Director  
Management Board  
member since 2010

**Heikki Pesu**

CEO  
Management Board  
member since 2011

**Vesa Hakkarainen**

Business Area Director  
Building Services Contracting,  
Southern Finland  
Management Board  
member since 2015

**Laura Kekarainen**

CFO  
Management Board  
member since 2013

**Seppo Korhonen**

Business Area Director  
Property Services  
Management Board  
member since 2007

**Jarmo Liimatainen**

Business Area Director  
Building Services  
Contracting,  
Central Finland  
Management Board  
member since 2014

**Lauri Leskinen**

Management Board  
member since 2014

**Petri Alapelto**

Business Area Director  
Building Services  
Contracting,  
Northern Finland  
Management Board  
member since 2014



Board of Directors on 31 December 2015

**Timo Kohtamäki**

Lic.Sc. (Tech.)  
Board member  
since 2015

**Kimmo Lautanen**

M.Sc. (Econ. &  
Bus.Adm.)  
Board member  
since 2011

**Teija Andersen**

M.Sc. (Agr. & For.),  
eMBA  
Board member  
since 2012

**Maarit Toivanen-Koivisto**

Holder of honorary  
title vuorineuvos  
Board member  
since 2000  
Chairwoman of the  
Board since 2009

**Ilkka Koivisto**

M.Sc. (Tech.)  
Board member  
since 2011

**Jouko Ketola**

Industrial  
Counsellor,  
M.Sc. (Tech.)  
Board member  
since 2002

# CONTACT

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## Are main office

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## Offices

Helsinki	Fabianinkatu 8, 00130 Helsinki
Hyvinkää	Hakakalliontie 7, 05460 Hyvinkää / Koneenkatu 8, 05830 Hyvinkää
Hämeenlinna	Kantolankatu 7, 13110 Hämeenlinna
Joensuu	Parrutie 1, 80100 Joensuu
Jyväskylä	Ohjelmakaari 10, 40500 Jyväskylä
Kerava	Jäspilänkatu 18, 04250 Kerava
Kokkola	Tervahovintie 2, 67101 Kokkola
Kotka	Valajantie 5, 48230 Kotka
Kouvola	Kanervistontie 46, 45200 Kouvola
Kuopio	Itkonniemenkatu 29 E, 70500 Kuopio
Lahti	Väinämöisentie 6, 15170 Lahti
Lappeenranta	Moreenikatu 4, 53810 Lappeenranta
Lohja	Pysäkkitie 14, 08680 Lohja
Oulu	Jääsalontie 17, 90400 Oulu
Pori	Kuriirintie 8, 28430 Pori
Riihimäki	Teollisuuskatu 28, 11100 Riihimäki
Rovaniemi	Koskikatu 27 B 203, 96100 Rovaniemi
Seinäjoki	Välkkilänkatu 7, 60120 Seinäjoki
Tampere	Kuoppamäentie 11, 33800 Tampere
Turku	Juhana Herttuan puistokatu 21, 20100 Turku
Vaasa	Olympiakatu 3 B, 65100 Vaasa
Valkeakoski	Tehtaankatu 7, 37630 Valkeakoski
Ylivieska	Ratakatu 22, 84100 Ylivieska
Äänekoski	Yrittäjänkatu 2, 44100 Äänekoski

## Are in Russia

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