



ARE GROUP
ANNUAL REVIEW 2010

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Are Group

Are provides its customers with contracting, property and renovation services that cover the entire life cycle of a property. We are a pioneer in property wellness and building services. We offer comprehensive solutions for office, commercial and industrial premises and renovation services for residential properties.

With a workforce of 1,700 professionals, we serve customers throughout Finland and, via our subsidiary, in St Petersburg, Russia.

Our turnover in 2010 amounted to EUR 207 million.

Are is part of the Onvest Group.

For additional information, visit www.are.fi



The construction sector recovered in 2010 from the sharp decline it suffered the year before. Construction began to pick up slightly towards the end of the year, but the uncertainty in the European financial markets and a rise in interest rates are overshadowing the markets' growth outlook.

Are's turnover increased to EUR 207 million but our result was strongly negative.

The Property Services business area carried out a major project aiming at boosting the efficiency of internal operations, thanks to which its operations became profitable after a loss-making result in the previous year. The Industrial Services business area achieved a good result. The operations in Russia were once again profitable despite the challenging market conditions. On the other hand, the Building Services and Renovation business areas posted losses.

Are's order backlog grew well last year, and the year 2011 has started rather positively. We expect the market to grow moderately in all of our business segments. Renovation is forecast to enjoy higher growth than new construction.

We have made significant strategic organisations in Building Services Contracting and Renovation. Thanks to these, we expect our profitability to improve considerably compared with 2010. New services will strengthen Are's position as a pioneer in building services and generate growth for our innovative system products.

I would like to thank our customers, partners in cooperation and shareholders for their good cooperation and commitment to Are. I would also like to warmly thank our personnel who, despite significant changes, have continued their good work and maintained a good common spirit. I believe that the changes that have been made have been worthwhile and that, thanks to these changes, we will be able to serve our customers even better than before.

Aki Puska
President and CEO

Are continued to strengthen its position as a pioneer in building services and property wellness

- Last year, more buildings incorporating the Are Sensus energy efficiency system were sold and completed than ever before. One of the most significant new sites is a new energy-efficient office building in the Tapiola district of Espoo scheduled for completion in 2012. Two new office blocks have also been commissioned by Technopolis Plc, one in Helsinki and the other in Vantaa.
- The sewer pipe relining method used in Are's innovate plumbing renewal projects was awarded VTT certification by the VTT Technical Research Centre of Finland, and this has increased the acceptance and use of new plumbing renewal methods.
- Are completed a number of key data centre projects at sites around Finland, supplying specialist technologies needed for these demanding sites.
- SOK has commissioned the construction of a logistics centre in Sipoo which, upon completion, will become the largest in Finland. Are was selected to carry out the HEPAC work for the site.
- Ilmarinen chose Are to refurbish two major residential properties at the As Oy Hanuripolku site in Helsinki.
- In St. Petersburg, Are was chosen for a telecommunications, electrical and fire safety contract at the Tikhvin rolling stock plant, which is Europe's largest engineering construction project.
- Thanks to its diverse range of construction and renovation services and property services, Are was able to deepen and extend its collaboration with various long-standing customers.
- Are's cooperation with the City of Jyväskylä's Real Estate Services (Tilapalvelu) and Suomen Yliopistokiinteistöt Oy in the city was extended, bringing more active and diverse involvement.
- Are has been a partner of Rautaruukki for many years, carrying out electrification and instrumentation work and maintenance at the latter's Raahen plant. The process electrification and instrumentation work at the Masuuni 2 facility were started in December 2010.

DISTRIBUTION OF BUSINESS AREAS*

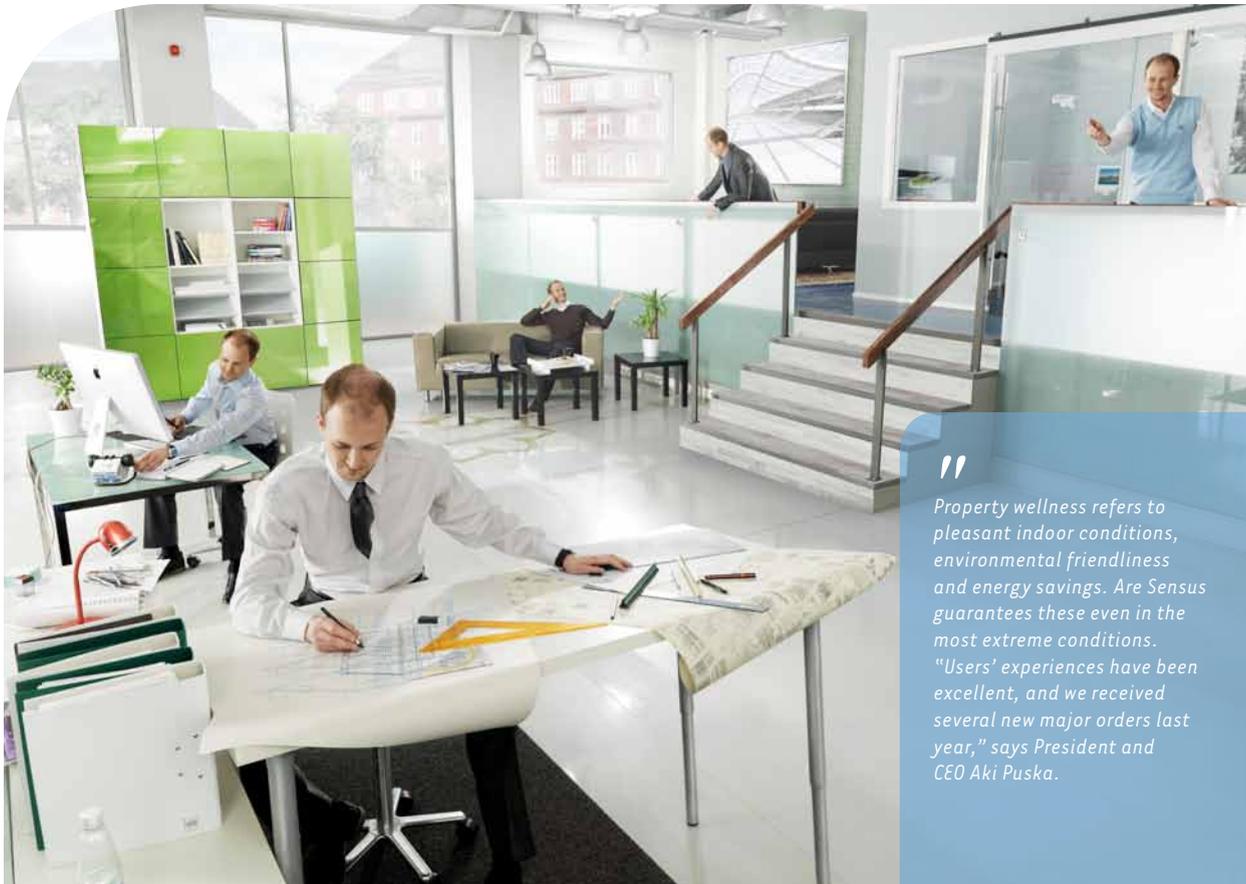


* According to invoicing

Group key figures

	2007	2008	2009*	2010
Turnover, EUR million	212	254	184	207
change, %	17	20	-28	13
Invoicing, EUR million	224	249	184	202
change, %	23	11	-26	10
Operating profit, EUR million	2.7	4.6	-12.0	-12.1
% of turnover	1.3	1.8	-6.5	-5.8
Equity ratio, %	36	32	41	30
Order book on 31 Dec., EUR million	124	89	60	85
Personnel on 31 Dec.	1 675	1 862	1 747	1 781
Business locations	27	25	25	21

* Are changed over to a new revenue recognition method as from the beginning of 2009, and therefore earlier figures are not comparable.



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Property wellness refers to pleasant indoor conditions, environmental friendliness and energy savings. Are Sensus guarantees these even in the most extreme conditions. “Users’ experiences have been excellent, and we received several new major orders last year,” says President and CEO Aki Puska.

Healthy buildings are pleasant to be in and energy-efficient

When a property is doing well, it is more productive, saves energy and retains its value long into the future. Advanced building services take people into consideration, too. Are’s solutions can be used to significantly influence the energy efficiency and attractiveness of properties.

Together with its partners, Are develops progressive service solutions that take technology, people and the environment into consideration. The energy-thrifty Are Sensus® system responds to both stricter energy-efficiency requirements and customers’ needs. In 2010, an air source heat pump was included for the first time in the already very versatile building services system. Technopolis ordered its fifth Sensus office building from Are, which also indicates the satisfaction of the users of the premises and the buildings’ tenants. The new office building in Espoo that will be completed in 2011 for Metsäliitto is, so far, the largest Are Sensus site.

Versatile monitoring and optimisation of energy consumption and interior conditions ensure that the users of the properties are satisfied. Are has cooperated extensively with the City of Jyväskylä’s Real Estate Services (Tilapalvelu) and Suomen Yliopistokiinteistöt Oy in the management of interior conditions and energy consumption at properties of various ages.

Are is also developing services for the needs of the retail trade. In the CO₂ solution, the heating and cooling energy needed by a retail store is obtained from the bedrock and the condensation heat generated by the store’s refrigeration equipment. Last year, this solution provided some new positive experiences at S-Market Keilankanta, which was completed in Kuopio.

Are’s Plumbing Renewal is the only service in Finland to offer coating of service water pipes, sewer pipe relining, pipe replacement or any combination of these. This means each customer can be offered the best possible solution in terms of technology, economy and resident comfort. In 2010, the VTT Technical Research Centre of Finland awarded VTT certification to Are’s sewer pipe relining method, which is used in plumbing renewals. A similar certificate is expected for the coating method in spring 2011.



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The operating environment was challenging throughout the year, as price levels remained low. The building services market began to recover, however, towards the end of the year, so the outlook for 2011 is brighter. There is slight growth in the horizon,” forecasts President and CEO Aki Puska.

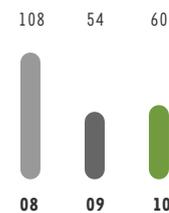
Building Services

The Building Services business area’s turnover was EUR 60 million. With many projects generating losses, the overall result was negative. However, the construction of commercial, office and industrial properties and warehouses experienced a growth of about 12 per cent. The positive trend is expected to continue in 2011.

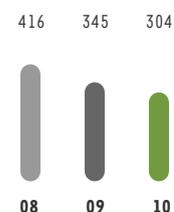
Key successes

- SOK selected Are to provide the HEPAC contract at its utility goods logistics centre in Sipoo. The extensive contract is worth a total of EUR 11 million. The centre will be completed in 2012.
- During the year, Are received several new orders for installing the Are Sensus system in office buildings. The most important of these were the HEPAC and electrical contract at the KOY Metsätapiola building in Espoo and the building services contracts for Technopolis in Vantaa and Helsinki.
- The most significant completed contracts were the ventilation and heating and plumbing work at Neste Oil’s central laboratory in Porvoo, the heating and plumbing contract at the Turku University Hospital and the ventilation and heating and plumbing contracts for Itella’s postal centre in Kuopio.
- Are carried out several building services projects for commercial properties, which included the S-Market Keilankanta store in Kuopio and the Prisma store in Forssa. Are is responsible for the electrical contract at the Palokka shopping centre in Jyväskylä, which is being enlarged, and the electrical and plumbing contracts at the Karisma shopping centre in Lahti.
- Are completed one and started two server centre projects, which are demanding technically and timetable-wise.
- Are is responsible for HEPAC, electrical and automation work in the major renovation of the historically valuable Paasitorni building in Helsinki and for providing a building services system at the new hotel to be constructed adjacent to the building.
- Finavia selected Are to provide the electrical and air conditioning contracts at Oulu Airport’s new terminal building, which will be completed in 2011.

TURNOVER, EUR MILLION



PERSONNEL ON 31 DEC.





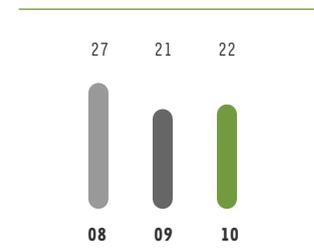
Industrial Services

Industrial Services generated a turnover of EUR 22 million, with once again, a very good result. During 2010, Are focused on serving its major industrial customers. Industrial Services is expected to maintain its good level of profitability in 2011. There are signs of new investments particularly in northern Finland.

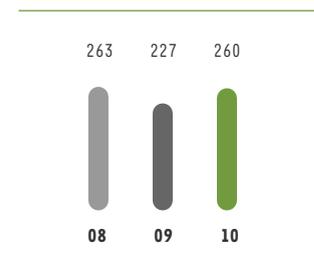
Key successes

- Are is one of the largest Finnish contractors at Olkiluoto 3, Finland's fifth nuclear power plant. For the fifth year running, Are was responsible for electrification work related to the construction site's maintenance.
- Rautaruukki continued its long-standing and close cooperation with Are in maintenance and repairs at its Raahen plant. Are is also responsible for providing building and process electrification and the instrumentation contract in the major renovation of the Masuuni 2 facility.
- Suomen Hyötytuuli Oy commissioned the construction of four new wind turbines in the wind farm located on the sea shore at Rautaruukki's Raahen plant. Are was responsible for connecting the new turbines to the power grid and delivering a complete switch station building. The new wind turbines will generate about 30 million kilowatt hours of electricity per year.

TURNOVER, EUR MILLION



PERSONNEL ON 31 DEC.





“ Demand remained good throughout the year and our turnover grew by about 8.5% over the previous year. Requests for tender concerning comprehensive services and energy savings, in particular, clearly increased during the year. It is great that we have succeeded in developing such services that our customers wish to deepen their cooperation with us,” says Seppo Korhonen, Director of the Property Services business area.

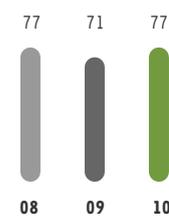
Property Services

Property Services’ turnover increased to EUR 77 million. The business area’s result was now profitable, a significant improvement on the previous year. The improved profitability came as a result of good planning, allocation of resources and monitoring, and rapid reaction. The result was also boosted by the profitability improvement and development programme implemented by the business area for almost the entire year.

Key successes

- Are succeeded in strengthening and deepening its cooperation with several long-standing customers. For example, cooperation with the City of Jyväskylä’s Real Estate Services (Tilapalvelu) and Suomen Yliopistokiinteistöt Oy in the city, which has lasted for several years, was extended, bringing more active and diverse involvement. The optimisation services, building services surveys and effective cooperation offered by Are helped partners to improve energy-efficiency and user comfort at school buildings and day care centres, among other places.
- Stockmann expanded its cooperation agreement with Are to cover its Tampere department store, too.
- Are signed a comprehensive services contract with Nokia for the maintenance of properties and outdoor areas in Salo.
- Are’s Property Services carried out data centre construction projects together with Are’s other business areas. Thanks to its extensive know-how, Are delivered comprehensive specialist technologies, such as UPS, automation, cooling, fire safety and security systems, to these sites, which are demanding technically and timetable-wise.
- Are supplied a demanding fire extinguishing system for the new Helsinki Music Centre.
- Are signed a contract for the maintenance of Reebok Arena, an ice rink located in Espoo.

TURNOVER, EUR MILLION



PERSONNEL ON 31 DEC.





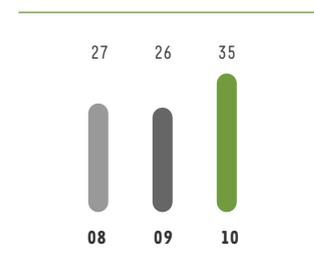
Renovation Services

Renovation Services’ turnover amounted to EUR 35 million. The result was a loss, having been burdened by several loss-making projects and problems with internal efficiency. The renovation market had a positive trend but the recovery of new construction limited growth. In 2011, Are’s Renovation Services are expected to achieve a positive result.

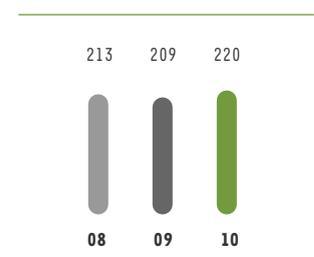
Key successes

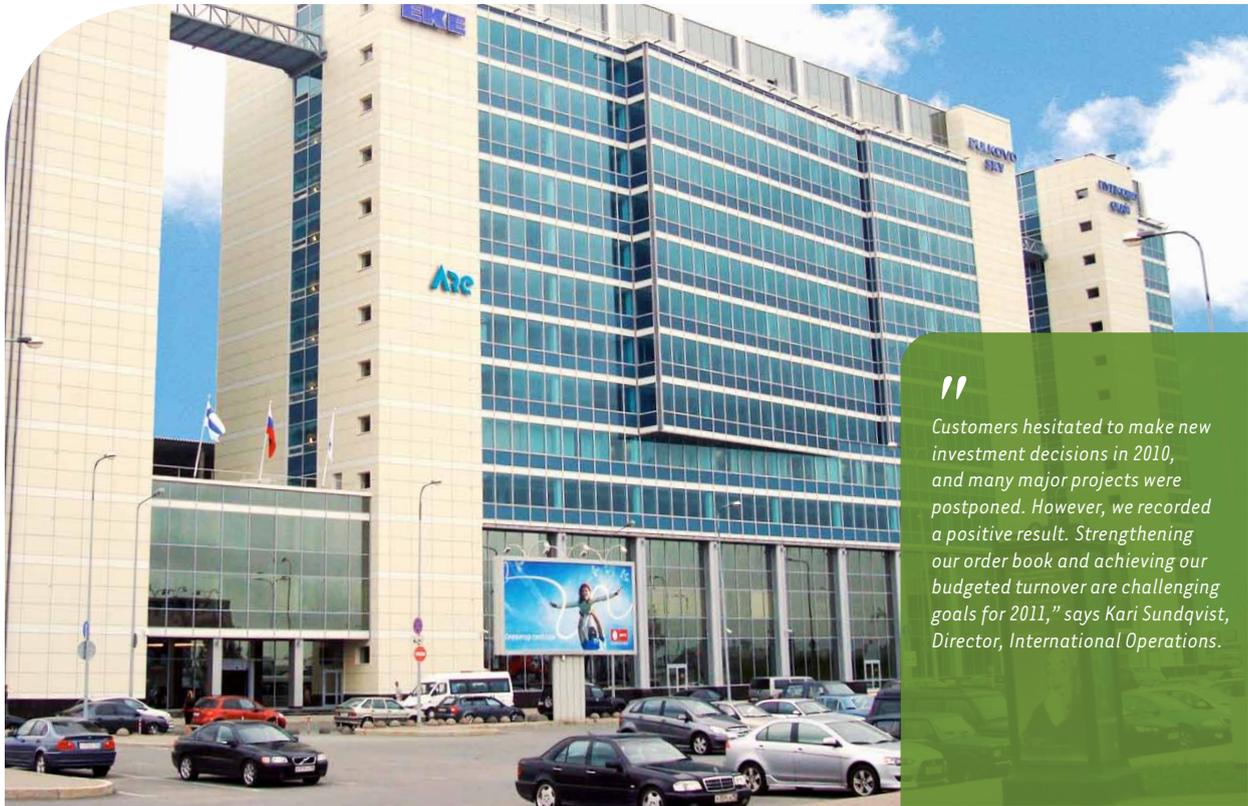
- Ilmarinen Mutual Pension Insurance Company selected Are as the lead contractor for the major renovation of the As Oy Hanuripolku property in Helsinki. The interiors of the two residential buildings will be renovated entirely and their energy efficiency will be improved significantly. The renovation is slated for completion by the end of 2011.
- Several sewer pipe relining and service water pipe coating projects were carried out. Are’s sewer pipe relining method was awarded VTT certification, which increased orders. Are expanded its sewer pipe relining operations also in Tampere.
- SATO-koti selected Are to provide the major renovation contract at a site located on Sähköttäjänkatu in Helsinki. The contract will utilise the new pipe relining method as well as the traditional plumbing renewal method. Meanwhile, Asunto Oy HUS selected Are to carry out the coating of service water pipes at a residential property located on Ehrensivärdintie in Helsinki. In addition, Are replaced some of the main pipes using the traditional plumbing renewal method.
- Are carried out several major renovations at leased premises owned by the City of Helsinki.
- Are also completed data centre renovation projects, which were demanding technically and timetable-wise.

TURNOVER, EUR MILLION



PERSONNEL ON 31 DEC.





“
Customers hesitated to make new investment decisions in 2010, and many major projects were postponed. However, we recorded a positive result. Strengthening our order book and achieving our budgeted turnover are challenging goals for 2011,” says Kari Sundqvist, Director, International Operations.

International operations

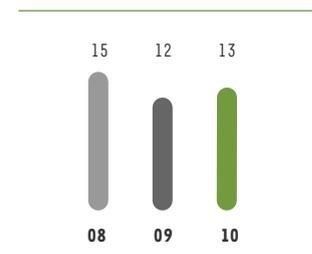
Are’s turnover from international operations was EUR 13 million in 2010. The result was positive, even though the company did not reach its goals for growth. The uncertainty in the European financial market impeded market growth. The high availability of office space in the St. Petersburg area has in part delayed major investment decisions, but Are carried out many smaller projects as well as additional projects related to previous contracts.

Energy-saving goals are beginning to show up in the Russian construction market, increasing the need for such measures as energy audits and renovation projects. Are’s goal is to sell the first Are Sensus site in St. Petersburg in 2011.

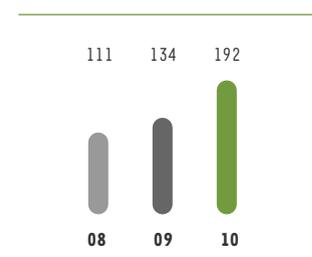
Key successes

- Outsourcing property maintenance services is still a new operating method in Russia. Are succeeded in securing significant property maintenance contracts, which also serve as important references. These include the Pulkovo Sky office complex, located close to the St. Petersburg airport.
- Are was selected as the telecommunications, electrical and fire safety contractor for the Tikhvin rolling stock plant. The Tikhvin industrial property is the largest engineering construction project in Europe.
- Are is also responsible for reinstalling a cooling system for Philip Morris’ Izhora tobacco factory and installing air conditioning systems for two new workshops. Izhora is one of Philip Morris’ largest factories worldwide.
- In late 2010, Are contributed to the finishing work at the new Stockmann department store in St. Petersburg.
- Are continued to contribute to electrical work and new construction at the art storage facilities and conservation centre of the State Hermitage Museum in St. Petersburg.

TURNOVER, EUR MILLION



PERSONNEL ON 31 DEC.



Continuous learning is the key to success

Are aims to be a trailblazer in customer service and property wellness. Continuous learning is required from all employees because of increasingly strict energy-efficiency requirements and advances in building services technology. Are's future success will be based on the continuous maintenance and improvement of professional competencies as well as collaboration and good supervisory skills.

At the end of 2010, the Are Group employed 1,781 people, which marks an increase of about 2 percent compared to 2009. The number of employees grew in Industrial Services, Renovation Services and Russian operations. Building Services Contracting and Property Services saw a decrease in employees. At the end of the financial year, ZAO Are in St. Petersburg employed 188 people, 83 of whom were temporary workers.

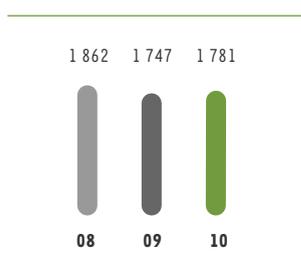
In late 2010, Are launched a development project related to working ability management and well-being at work. The project is supported by a collaboration model created with occupational healthcare and insurance companies. The development project focuses on such aspects as early intervention and preventive occupational healthcare. In addition, for many years now, Are has carried out consistent and focused work to further develop supervisory and leadership skills within the company.

Improved safety

Are pays special attention to occupational safety, which has improved through systematic monitoring and training. Customers also require of Are a high level of safety, and the company has introduced reward schemes in collaboration with customers to promote occupational safety.

During 2010, Are set unit-specific goals for all of its business units for reducing occupational accidents. Property Services recorded the largest decrease in accidents in 2010 compared to the previous year. The theme of occupational safety was strongly present in everyday business operations, such as production meetings.

PERSONNEL ON 31 DEC. 2010
Are Group



Increased competence through training

Technological advances and increasingly strict sector-specific requirements call for diverse and versatile expertise from building services professionals. Are continued to provide extensive training for its employees, with more than 1,800 training days in 2010. The training was more precisely targeted than in the previous year.

During 2010, a total of 78 employees completed one of Are's vocational qualification programmes. These include a special vocational qualification in management as well as vocational qualifications in construction and electrical installation. In addition, 15 employees completed their vocational studies in different fields, such as building services technology, property management, cooling equipment installation and automation installation.

The Are Group also offered special training in occupational safety, hot work, first aid, contractual legal matters and special issues related to electrical work. More than 400 employees were trained to use the AreWare enterprise resource planning system.

Leadership and supervisory development continued to be important strategic focuses for Are in 2010. The first group of employees completed Are's special vocational qualification programme in management, and the second group continued its studies. More than 130 employees received training in supervisory skills as part of the development programme for Property Services. In addition, 25 employees in supervisory positions participated in a training programme on inspiring leadership.

Consolidated profit and loss account

EUR million



	2009	2010
Turnover	183.6	207.4
Change in work in progress	-0.9	-0.6
Other operating income	0	0
Expenses	-189.5	-214.9
Depreciation	-5.2	-4.0
Operating profit	-12.0	-12.1
Financial income and expenses	0	-0.2
Profit before extraordinary items	-12.0	-12.3
Extraordinary items	5.4	8.0
Profit before taxes	-6.6	-4.3
Direct taxes	0.5	0.8
Profit (loss) for the financial year	-6.1	-3.5
Key indicators (Are Group)		
Operating profit, %	-6.5	-5.8
Return on investment before taxes, %	-45.4	-56.2
Equity ratio, %	40.8	29.7

Consolidated balance sheet

EUR million



	2009	2010
Assets		
Fixed assets	12.2	9.2
Current assets		
Inventories	2.4	2.1
Receivables	37.7	50.5
Liquid funds	2.3	2.9
	54.6	64.7
Liabilities and shareholders' equity		
Shareholders' equity	21.7	18.2
Obligatory reserves	1.2	1.4
Interest-bearing liabilities	0	0
Non-interest-bearing liabilities		
Advances received	1.4	3.2
Other	30.3	41.9
	54.6	64.7
Consolidated cash flow statement		
Cash flow from operations	9.2	-13.8
Cash flow from investments	-7.7	3.6
Cash flow from financing	-4.0	10.8
Change in liquid funds	-2.5	0.6



Management Team

From left:

Arto Pohjonen
Business Area Director, Renovation Services,
with Are since 15 November 2010

Sari Uusitupa
Director, Sales and Marketing,
with Are since 2007

Pekka Karppinen
Business Area Director, Industrial Services,
with Are since 2008

Aki Puska
President and CEO, with Are since 2007

Kari Sundqvist
Director, International Operations and
Business Development, with Are since 2007

Sari Kulmala
Director, Human Resources, with Are since 16 August 2010

Arto Turkulainen
Business Area Director, Life-Cycle Services,
with Are since 2002

Perttu Kähäri
CFO, with Are since 2009

Seppo Korhonen
Business Area Director, Property Services,
with Are since 2007

Board of Directors



From left:

Mika Seitovirta
M.Sc. (Econ. & Bus. Adm.), Board member from 2009 to 3 March 2011

Jouko Ketola
Industrial Counsellor, Board member since 2002

Maarit Toivanen-Koivisto
Vuorineuvos, President of Onvest Oy,
Board member since 2000, Board chairman

Veli-Pekka Jokiniva
B.Sc. (Econ.), Board member from 2000 to 8 March 2011

Board members since 8 March 2011:

Ilkka Koivisto
M.Sc. (Tech.), Director, Corporate Development, Onvest Oy

Kimmo Lautanen
M.Sc. (Econ. & Bus. Adm.)



Contact information

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Lahti Väinämöisentie 6, FI-15170 Lahti / P.O. Box 152, FI-15101 Lahti
Oulu Jäasalontie 17, FI-90400 Oulu
Tampere Kuoppamäentie 11, FI-33800 Tampere / P.O.Box 814, FI-33101 Tampere
Turku Fiskarsinkatu 2, FI-20750 Turku

Service locations

Jämsä Kauppakatu 12, FI-42220 Kaipola
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
Porvoo Urakoitsija-alue, FI-06850 Kulloo / P.O. Box 14, FI-06101 Porvoo
Raahe Pajuniityntie 43, FI-92120 Raahe
Rauma Tikkalantie 1, FI-26100 Rauma
Rovaniemi Sipolantie 2, FI-96100 Rovaniemi
Salo Joensuunkatu 7, FI-24100 Salo
Seinäjoki Tehtaantie 6, FI-60100 Seinäjoki
Tornio Kemintie 25 h 2, FI-95420 Tornio

Subsidiaries

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