



ARE GROUP
ANNUAL REVIEW 2011

LIST OF CONTENTS

- 3 Review by the President and CEO
- 4 2011 in brief
- 5 Healthy buildings
- 6 Building Services Contracting
- 7 Property Services
- 8 Industrial Services and Renovation Services
- 9 Are Russia
- 10 Personnel
- 11 Consolidated profit and loss account
- 12 Consolidated balance sheet
- 13 Management Team and Board of Directors
- 14 Contact information



ARE GROUP

Are provides its customers with contracting, property and renovation services covering the full property life cycle. It is an innovative leader in healthy buildings and building services. The company offers comprehensive solutions for office and commercial premises, and renovation services for residential properties.

Are serves customers throughout Finland and, via its subsidiary, in St. Petersburg, Russia.

Soon to celebrate its 100th anniversary, Are is a Finnish family company and part of the Onvest Group.

For more information, call the Are universal access number on +358 (0)20 530 5500.

www.are.fi



Photo: Mikko Käkelä

In 2011 we established the foundation for a new and stronger Are. We positioned ourselves closer to our customers and we renewed our organisation. Are is now more emphatically a building services company.



Are's operating result for 2011 was a considerable improvement on the previous year, but the Group's profitability problems continued. Our turnover for the year increased to EUR 221 million.

To improve our profit performance we have taken steps to enhance the appeal and consistency of our operations. In Building Services Contracting and in Property Services we carried out extensive internal development projects, and at the end of the year we sold our Industrial Services business. We transferred our Renovation Services units to Building Services Contracting and to Property Services, thereby making it easy for customers to obtain a wider range of services under these two remaining business areas.

We positioned ourselves several steps closer to our customers, with the aim of providing and even better service. In Building Services Contracting we switched over to a regional operating model.

Our closer customer orientation is also visible as an improvement in the quality of offers made to customers. We can provide cost-effective solutions that last the full life cycle of the property. One of these solutions is our energy-saving, environmentally friendly Are Sensus building services system. We have established a new project development unit with the key task of promoting the wider adoption of the Sensus system.

The changes introduced will ensure that 2012 is both successful and profitable. In addition, we are focusing strongly on supervisor skills, aiming to achieve better personnel leadership and improved customer relationship management. Our personnel have considerable skills and experience, and our personnel survey reveals that Are's personnel are committed to the company and enjoy their work.

The market outlook indicates that construction activity in Finland this year will be at about the level of 2011. Demand for maintenance and up-keep will continue to grow steadily. Construction in St. Petersburg, our main Russian market, is likely to remain fairly active.

In 2013 Are will celebrate its 100th anniversary. Our key strength is in building services – we have substantial expertise and considerable experience in this area. In our anniversary year we aim to be in peak condition.

May I express my sincere thanks to all our customers, partners and owners for a year of successful cooperation. I would also like to thank all our personnel for their good work during the year.

Heikki Pesu, *President and CEO*

GROUP KEY FIGURES	2009	2010	2011
Turnover, EUR million	184	207	221
change, %	-28	13	6
Invoicing, EUR million	184	202	221
change, %	-26	10	9
Operating profit, EUR million	-12.0	-12.1	-6.9
% of turnover	-6.5	-5.8	-3.1
Equity ratio, %	41	30	32
Order book on 31 Dec., EUR million	60	85	41
Personnel on 31 Dec.	1 747	1 781	1 683
Business locations	25	21	14



Are is now a stronger building services company and closer to its customers

Are focused its development effort on its core businesses, i.e. on Building Services Contracting and Property Services. We sold our Industrial Services business and merged Renovation Services into Building Services Contracting and Property Services.

- Are obtained a number of major new maintenance contract customers. These include Rautaruukki Corporation, which signed a contract for the upkeep of a number of its properties, and Suomen Yliopistokiinteistöt in Jyväskylä, which signed a new maintenance contract.
- Are developed a new operating and funding model for heating system replacements for its long-time customer, Asokodit. This allows Asokodit's homes to switch from oil to ground source heat.
- Are obtained a number of orders for properties requiring the Are Sensus energy efficiency system. The most significant of these include the Technopolis Innova 2 office building under construction in Jyväskylä, where the Sensus system is combined for the first time with ground source heat harvested with energy piles.
- Are was chosen as the building services supplier for Sponda Plc's new construction at Ruoholahti in Helsinki, which will incorporate the Are Sensus system.
- Are is in charge of the HEPAC work at Kuopio's new IKEA store. The store will be completed in summer 2012 as part of a shopping centre development at Matkus, Kuopio.
- Are sold its Industrial Services to the German company Bilfinger Berger, which specialises in such services. The Renovation Services units were transferred to Building Services Contracting and to Property Services. In Building Services Contracting we switched over to a regional operating model.
- The five-star hotel W St. Petersburg (Starwood International) was completed in St. Petersburg. Are's responsibilities in this project included the HEPAC work.



Photo: Sami Tirkkonen

Kuopio Tax Office building

“ENERGY SAVINGS AND SATISFIED USERS

*are important measures of success. Experiences with Are Sensus have been very favourable and we obtained a number of good orders last year, too,” says Are’s President and CEO, **Heikki Pesu.***

A healthy building is good for business

Healthy buildings are energy efficient and comfortable for their users. Are’s solutions take technology, people and the environment into account. The property will retain its value long into the future.

Are builds commercial and office premises that are user friendly and environmentally sound, and offers comprehensive upkeep and maintenance for these. The energy-smart Are Sensus® building services system makes use of free-energy and low-energy sources, which can considerably reduce the amount of energy that needs to be purchased or at least replace a significant proportion of it. The property’s carbon footprint will also be reduced. The Sensus system guarantees comfortable and draught-free indoor conditions.

The Sensus system is also constantly being further developed. For instance, renewable energy sources, such as energy piles and air source heat pumps, can be introduced at any time without having to modify the system.

SUBSTANTIAL SAVINGS

According to a recent comparison study Are Sensus can reduce the amount of heating energy consumed by up to 30% and the total amount of electricity consumed by 25%. Energy consumption at the Visio 2 office building in Pasila, which incorporates the Sensus system, is only about half of that in a conventional building. The results for the Kuopio Tax Office building, which was renovated by Are, have also been good: energy consumption is lower than before and the

indoor conditions are excellent. Sensus works well in such historically valued properties.

Savings and satisfied users are assured by active monitoring of the system. Are’s monitoring and optimisation services give accurate information on energy consumption and indoor conditions. In Jyväskylä, for example, Are is conducting optimisation work with the municipal authorities. The results have been good and the feedback positive, because information on matters such as the temperature of indoor air can be obtained easily and at little cost. Considerable savings have also been achieved at the Asokodit properties.

PLUMBING RENEWAL

Are’s Plumbing Renewal is first and foremost about the wellbeing of the building and its residents. We are the only company in Finland that can offer coating of service water pipes, sewer pipe relining, pipe replacement or any combination of these. Our comprehensive service includes joint planning, condition assessment of plumbing systems, and selection of the plumbing renewal method with the customer. We also handle project management and communication with residents. Plumbing renovations proceed on schedule and customers are kept regularly informed of progress through customer communications.



Photo: Mikko Harma

Pasilan Visio 2, office building

“THE BASIS OF OUR OPERATIONS IS SOUND

*and our technical expertise is very strong. The main goal in 2012 is to ensure that we post a profit. Are’s main competitive advantage lies in its Sensus system. In 2011, we obtained some excellent measurement results indicating the extent of savings and the great indoor conditions brought about with the Sensus system. The interest in Sensus keeps on growing,” says Business Area Director, **Pepe Perkiö.***

Building Services Contracting

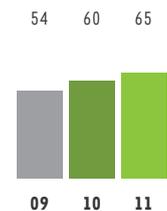
Profitability in Building Services Contracting was again weak. Lack of internal efficiency was a problem in project management, and the many low-margin projects contributed to the loss-making result for the business. Turnover amounted to EUR 65 million.

The year was marked by the Group’s reorganisation and the further development of its operations. A major internal development project was undertaken within the business. A new project development organisation was also set up, the aim of which is to expand the company’s knowledge of the market and to boost sales. The most important contracts completed were the building services and construction work for major data centre projects in the Helsinki metropolitan area, the HEPAC work for the Konecranes Plc reception building in Hyvinkää, and the electrical and heating and plumbing work at Mikkeli Prison.

Key successes

- Are obtained a number of orders for properties requiring the Are Sensus energy efficiency system. The most significant of these included the Technopolis Innova 2 office building under construction in Jyväskylä, where the Sensus system is combined for the first time with ground source heat harvested with energy piles. This will further reduce the energy costs.
- Are was chosen as the building services supplier for Sponda Plc’s new construction at Ruoholahti in Helsinki, which will incorporate the Are Sensus system.
- Are is in charge of HEPAC work at Kuopio’s new IKEA store. The store will be completed in summer 2012, as part of a shopping centre development at Matkus, Kuopio.
- Tamro began a substantial expansion project at its Tampere-based pharmaceuticals distribution centre; Are is responsible for the ventilation, air conditioning and electrical contract.

TURNOVER, EUR MILLION



PERSONNEL ON 31 DEC.

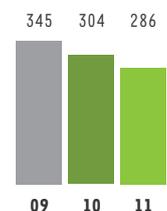




Photo: Minna Jalovaara

Kulma-Sarvis, Tampere

“IN PROPERTY SERVICES, DEMAND REMAINED

*good throughout the year, and our turnover was up by about 9% from the previous year’s figure. We succeeded in improving our profitability and efficiency by adopting new ways of working. Our entire personnel took part in development work, and we are continuing with this,” says Property Services Business Area Director, **Seppo Korhonen.***

Property Services

Property Services’ turnover increased to EUR 84 million. The result was up considerably year on year. The higher turnover was attributable to the addition of new customers and the closer cooperation forged with existing customers. The growth was especially high in the Seinäjoki, Jyväskylä and Oulu regions.

The improved result in Property Services was, in turn, based on the operating models introduced the previous year, which improved information flows, planning, resource control and reporting. With the aid of the new operating models and peer training programme the entire personnel are now actively involved in developing their own work and customer cooperation.

Key successes

- Are obtained a number of important new maintenance contract customers during 2011. These include Rautaruukki Corporation, which signed a contract for the upkeep of a number of its properties, and Suomen Yliopistokiinteistöt in Jyväskylä, which signed a new maintenance contract.
- Are developed a new operating and funding model for its long-time customer, Asokodit, under which Asokodit’s right-of-occupancy dwellings can switch easily from the use of oil to ground source heat.
- Are extended and strengthened its cooperation with various contract customers. OP-Pohjola and Scandic Hotels renewed their maintenance contracts with Are. In addition, Nokia Siemens Networks continued the contract for upkeep of its properties.
- Are was responsible for the installation of remotely readable electricity meters in households in Turku, Vantaa, Helsinki and Lappeenranta. These major contracts will be completed in 2012.

TURNOVER, EUR MILLION



PERSONNEL ON 31 DEC.



Industrial Services

Industrial Services posted a good result. Its turnover amounted to EUR 26 million.

Are took the decision to concentrate entirely on its core businesses, and at the end of 2011 it sold its Industrial Services to the German company Bilfinger Berger, which specialises in industrial services. The acquiring company is BIS Production Partner Oy, which is Bilfinger Berger's Finnish subsidiary. The deal resulted in Are ceasing operations in seven localities.

INDUSTRIAL SERVICES

TURNOVER, EUR MILLION

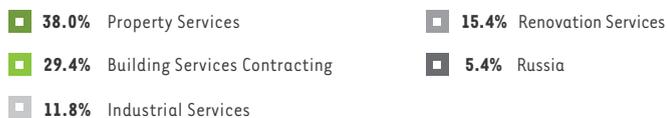
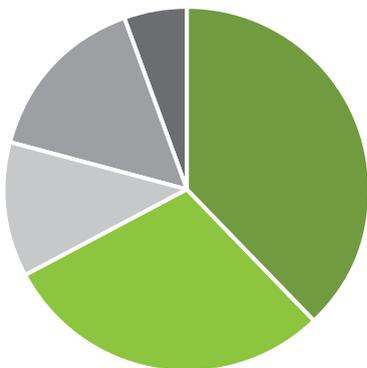


PERSONNEL ON 31 DEC.



BUSINESS AREAS %

by invoicing



Renovation Services

Profitability problems continued in Are's Renovation Services, and the result was a loss. Turnover amounted to EUR 35 million. Operations were discontinued in Kuopio and Oulu at the start of the year. At the end of the year the Turku unit was sold and the remaining units integrated with the core businesses.

Despite the reorganisation, renovation remains an important part of Are's services. Plumbing renewals continued as part of Building Services Contracting, while renovation continued as part of Property Services. Under the new operating model it is now easier for the customer to purchase an extensive service package from a single contact person.

RENOVATION SERVICES

TURNOVER, EUR MILLION



PERSONNEL ON 31 DEC.



BUSINESS AREAS PRO FORMA %

by invoicing, incl. only continuing operations

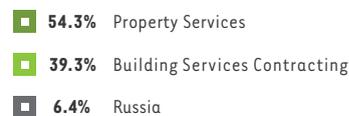
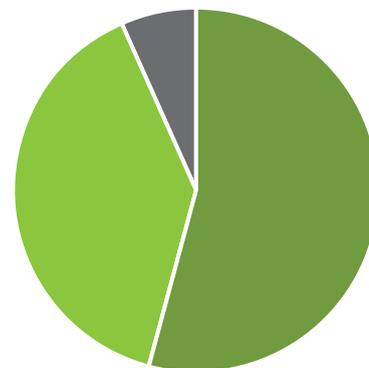




Photo: Are's image archive

Hotel W St. Petersburg

“CAUTION WAS EVERYWHERE and we obtained no major new orders. Future expectations are still positive, however. We have boosted awareness of Are, and energy efficiency targets are now gaining a foothold in Russia. The Are Sensus system is clearly attracting interest,” says Are’s President and CEO, **Heikki Pesu.**

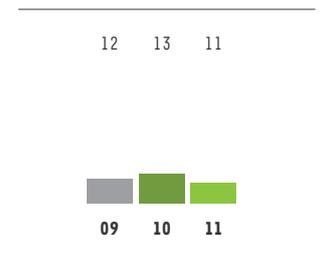
Russia

Turnover in Russia for Are’s subsidiary ZAO Are was EUR 11 million, and the result was a minor loss. Order books were below expectations, as no major new orders were obtained and some of the projects already prepared did not get started. The difficulties were related to the general economic situation in Russia, as a result of which the level of western investment did not pick up as hoped.

Key successes

- The five-star hotel W St. Petersburg (Starwood International) was completed. Are’s responsibilities included the HEPAC work.
- Are was selected as the telecommunications, electrical and fire safety contractor for the administrative building at the Tikhvin rolling stock plant, and the installation was completed successfully.
- Are was chosen to take charge of property management for the Sponda-owned Infor Future business centre. Work also continued at the Pulkovo Sky Business Center near St. Petersburg Airport.
- Are undertook its first energy audits in Russia. Energy-saving targets are now emerging on the Russian construction market, in the form of both audit requirements and renovation projects.

TURNOVER, EUR MILLION



PERSONNEL ON 31 DEC.

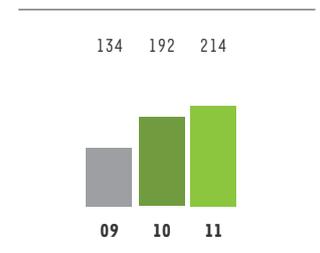
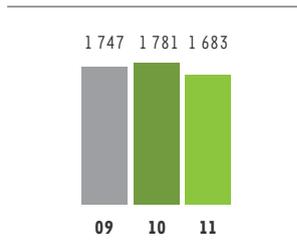




Photo: Antti Verkasalo

Eero Talasmäki and Paul Järvinen, As Oy Helsingin Hanuripolku 4-6

PERSONNEL ON 31 DEC.
ARE GROUP



“IT IS GRATIFYING THAT ARE’S EMPLOYEES ENJOY THEIR WORK and are interested in developing their skills further. There is a lot we can still do to improve our supervisory work, which is why we are continuing our supervisor training,” says Human Resources Director, **Sari Kulmala**.

Quality of supervision is one of Are’s competitive strengths

In 2011 the Are Group’s personnel totalled almost 1,700 people, of whom about 1,500 were employed in Finland. The focus was on promoting the working capacity and wellbeing of Are’s employees and on improving occupational safety. Supervisor training and support were also given special attention. According to the personnel survey undertaken, the majority of Are’s personnel are enthusiastic about their work.

A supervisor training programme lasting more than 12 months was launched at Are. The training involves almost 200 supervisors and others with supervisory responsibilities. It is designed to be practical and it focuses on common operating models for people management.

In Building Services Contracting, a major internal development project was undertaken in which common operating methods were redefined and supervisor training organised. A similar programme was undertaken a year earlier in Property Services.

Changes in working life and advances in technology require Are’s employees to have a wide range of professional skills. A considerable amount of training was arranged under Are’s vocational studies programme, which includes training for qualifications such as the Construction Industry Further Qualification, Electrician’s Further Qualification and the Specialist Qualification in Management.

Personnel survey indicates high commitment

A personnel survey was carried out at Are at the end of the year. According to the survey results, Are’s employees are committed to their work and regard Are as a good employer. Most of the respondents are enthusiastic about their work, know their job well and feel that it is of value.

Active attention has been given to occupational safety issues over the past few years, and this is evident in the survey responses, too. Personnel are aware of the safety risks, have studied them and do not approve of taking occupational safety risks. The assertiveness of supervisory work, such as intervening in problems and resolving them speedily, or giving feedback, are aspects that can be further improved.

Development of supervisory work will continue actively in 2012. The results of the personnel survey will be used to good effect in the continued development of Are’s operations. Each unit will list its strengths and the areas in which it can improve, and will devise an action plan on the basis of these.

Consolidated profit and loss account

EUR million



	2010	2011
Turnover	207.4	220.7
Change in work in progress	-0.6	1.4
Other operating income	0	0
Expenses	-214.9	-225.3
Depreciation	-4.0	-3.7
Operating profit	-12.1	-6.9
Financial income and expenses	-0.2	-0.4
Profit before extraordinary items	-12.3	-7.3
Extraordinary items	8.0	8.2
Profit before taxes	-4.3	0.9
Direct taxes	0.8	-0.6
Profit/loss for the financial year	-3.5	0.3
Key indicators (Are Group)		
Operating profit, %	-5.8	-3.1
Return on investment, % before taxes	-56.2	-33.5
Equity ratio, %	29.7	31.5

Consolidated balance sheet

EUR million



	2010	2011
Assets		
Fixed assets	9.2	5.5
Current assets		
Inventories	2.1	3.3
Receivables	50.5	54.8
Liquid funds	2.9	1.2
	64.7	64.8
Liabilities		
Shareholders' equity	18.2	18.5
Obligatory reserves	1.4	2.0
Interest-bearing liabilities	0	0
Non-interest-bearing liabilities		
Advances received	3.2	5.9
Other	41.9	38.4
	64.7	64.8
Consolidated cash flow statement		
Cash flow from operations	-13.8	-7.9
Cash flow from investments	3.6	-0.1
Cash flow from financing	10.8	6.3
Change in liquid funds	0.6	-1.7

MANAGEMENT TEAM

Photos: Mikko Käkälä



FROM LEFT:

SEPPÖ KORHONEN,
Business Area Director,
Property Services, with Are
since 2007

SARI KULMALA,
Director, Human Resources,
Human Resources and Com-
munications, with Are since
2010

HEIKKI PESU,
President and CEO, with Are
since 2011

PEPE PERKIÖ,
Business Area Director, Build-
ing Services Contracting, with
Are since 1998

PERTTU KÄHÄRI,
Financial and IT Administra-
tion, with Are since 2009

BOARD OF DIRECTORS



FROM LEFT:

TEIJA ANDERSEN,
M.Sc. (Agr. & For.), EMBA,
appointed Board member
as of 7 March 2012 (not in
picture)

JOUKO KETOLA,
Industrial Counsellor,
Board member since
2002

ILKKA KOIVISTO,
M.Sc. (Tech.), Director,
Corporate Development,
Onvest Oy, Board member
since 2011

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

MAARIT TOIVANEN-KOIVISTO,
vuorineuvos, President of
Onvest Oy, Board member
since 2000, Board Chairman



Contact information

Are's universal access number: +358 (0)20 530 5500

E-mail: firstname.lastname@are.fi

Head office

Vantaa Kaivokselantie 9, FI-01610 Vantaa / P.O. Box 160, FI-01611 Vantaa
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Regional offices

Jyväskylä Ohjelmakaari 10, FI-40500 Jyväskylä / P.O. Box 85, FI-40101 Jyväskylä
Kuopio Mestarinkatu 5, FI-70700 Kuopio / P.O. Box 1071, FI-70701 Kuopio
Lahti Väinämöisentie 6, FI-15170 Lahti / P.O. Box 152, FI-15101 Lahti
Oulu Jääsalontie 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

Lappeenranta Harapaisentie 55, FI-53500 Lappeenranta
Pori Satakunnankatu 23 A, FI-28130 Pori
Rovaniemi Sipolantie 2, FI-96100 Rovaniemi
Salo Joensuunkatu 7, FI-24100 Salo
Seinäjoki Tehtaantie 6, FI-60100 Seinäjoki / P.O. Box 163, FI-60101 Seinäjoki

Subsidiaries

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