



ANNUAL REVIEW 2012



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**ARE IS A FORWARD-LOOKING, SERVICE-MINDED COMPANY** specialising in building services technology, and is currently celebrating its centenary. It offers life-cycle building services contracting and property maintenance services that ensure customers have energy-efficient premises and pleasant indoor conditions.

*We serve customers throughout Finland and also in Russia, via our St. Petersburg subsidiary. We have a staff of 1,250, and our turnover in 2012 amounted to EUR 173 million. Are is a Finnish family-owned company which is part of the Onvest Group.*



## Review by the CEO

**Are is a forward-looking company specialising in building services technology. As the property services business increases in importance, the focus of our operations is moving away from contracting and towards services.**

The operating result for 2012 improved on the previous year but did not reach the anticipated level. After we sold the Industrial Services Business our turnover decreased on 2011.

In 2012 we focused on enhancing efficiency and profitability. We intensified our offer calculation operations and contracting management. We also managed to considerably reduce the number of accidents and sick leaves.

Active customer orientation helped us boost our long-term customer relationships. We also received a number of major new contracts, such as the electrical contract for the tunnels in the west metro project, which is Are's biggest ever contract.

In 2012 we revised Are's strategy. Instead of growth, we will focus on improving profitability. The Property Services Business is our focus area, which means a mental change of direction for Are from contractor to service provider. Building Services Contracting continues to be our core competence, but it will be complemented with a growing number of service elements.

The market situation in the building industry is difficult to forecast, owing to the general economic conditions. However, thanks to our efficient offer activities and customer orientation, Are's order book is in good shape for the new year.

Are is a professional partner with the ability to meet the rising standards of property maintenance and to carry out projects according to the highest energy consumption requirements.

In 2013 we are celebrating Are's 100<sup>th</sup> anniversary with our customers and interest groups. Are is stepping into a new century with confidence.

I would like to express my sincerest thanks to all our customers, partners, owners and personnel for a year of successful cooperation.

**Heikki Pesu, CEO**



Photo: Mikko Käkälä

GROUP KEY FIGURES	2010	2011	2012
Turnover, EUR million	207	221	173
change, %	13%	6%	-22%
Invoicing, EUR million	202	221	177
change, %	10%	9%	-20%
Operating profit, EUR million	-12.1	-6.9	-5.1
% of turnover	-5.8%	-3.1%	-2.9%
Equity ratio, %	30	32	32
Order book on 31 Dec., EUR million	85	41	68
Personnel on 31 Dec.	1,781	1,683	1,251
Business locations	21	14	14

## Property Services, Are's future growth area

Are clarified its strategy in 2012 and the improvement of active customer cooperation and customer experience were defined as its central targets. Operations are carried out within the two business areas. Growth is focused on the Property Services Business, which is supported by Are's solid expertise in building services contracting.

In internal development, we concentrated our efforts on improving profitability, but our result was burdened in particular by the expenses incurred by former businesses. During the financial year, the gradual shutdown of Are Lining, a pipe relining and coating business, was set in motion.

A total of five new Sensus office buildings were constructed: one for Metsätapiola in Espoo, one for Sponda in Helsinki and three for Technopolis, one in Kuopio and two in Jyväskylä. These buildings highlight the Sensus system's energy efficiency and its suitability for very demanding architectural constructions.

Are signed a major contract with Länsimetro Oy concerning the electrical work for the length of track between Ruoholahti in Helsinki and Matinkylä in Espoo in the west metro project. In property maintenance and upkeep services, long-term contracts were made with customers such as Technopolis, Fennia and Schenker.

Are successfully carried out the installation of remotely readable electricity meters in households in Turku, Helsinki and Vantaa, and also in Lappeenranta, where the project continues in 2013. The project was carried out to a tight schedule.

Long-term customer relationships, in particular, are proof of Are's ability to find solutions for customers to meet their strategic goals. Are provides preventive maintenance services at the Jyväskylä campus of Suomen Yliopistokiinteistöt, which ensures the reliable operation of the premises. Are carried out extensive work for Asokodit to convert oil heating systems into ground source heat at 15 residential properties and developed a special funding model for the purpose.



Technopolis, Innova 2, Jyväskylä

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**THE FINAL QUALITY OF OUR OPERATIONS** is measured by user satisfaction. An increasing number of companies consider energy efficiency to be an important criterion when choosing new premises,” says Business Area Director **Seppo Korhonen**, Are Property Services.

## Are supports the wellbeing of Technopolis properties

**A healthy building is energy efficient, pleasant for its users and profitable for its owner. Are's solutions take into account people, the environment and technology.**

Technopolis offers its customers flexible operational environments that combine business support services with modern premises. Approximately 23,000 people and almost 1,400 companies and organisations operate in Technopolis's premises in Finland, Russia and Estonia. Technopolis continuously develops the environmental friendliness and energy efficiency of its premises, since these criteria are becoming increasingly important for customers.

### ENERGY EFFICIENCY AND SUBSTANTIAL SAVINGS

Energy-efficient Are Sensus® building services technology supports pleasant user experiences, achievement of environmental targets and continuously high utilisation rates at the Technopolis premises. Are has already installed Are Sensus energy efficiency systems at seven Technopolis office buildings in Helsinki, Vantaa, Jyväskylä and Kuopio, and an eighth one is currently under way in Jyväskylä. The intelligent Are Sensus system utilises the building's internal and external free sources of energy, which considerably decreases the need for purchased energy. Moreover, Are Sensus reduces

the property's carbon footprint.

Are Sensus helped Technopolis Innova 2 to receive the esteemed LEED platinum status. Buildings receiving the LEED (Leadership in Energy and Environmental Design) rating consume less energy and indoor air is of higher quality than it is in conventional buildings.

### RELIABLE AND PLEASANT INDOOR CONDITIONS

Technopolis wants its properties to be managed comprehensively, cost-effectively and on a well-planned basis. By successfully anticipating needs, users are guaranteed reliable and pleasant indoor conditions in their rented premises. To achieve this, competence, continuous development of operations and service-mindedness are required from the company maintaining the premises.

Are is responsible for the upkeep of Technopolis properties in the Helsinki metropolitan area, Jyväskylä, Oulu and Tampere according to long-term goals that are defined together with the customer. Are monitors, controls and maintains the overall condition, indoor conditions and energy consumption of the premises. Furthermore, user-satisfaction surveys are continuously carried out at all the premises, which helps Are to maintain the properties and develop new methods.





Conceptual image of the Keilaniemi metro station

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**OUR GOAL IS TO BE A TRUSTED AND** competent building services partner for our customers. We continuously develop our Sensus system, which provides well-known benefits in new buildings. However, Sensus is also excellent for renovation projects in buildings with low room height, and we are expecting new customers in this area,” says Business Area Director **Pepe Perkiö**.

## Building Services Contracting

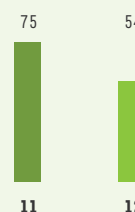
The profitability of Building Services Contracting improved significantly towards the end of the year, but the result remained a loss. In addition to low-margin projects, the result was weakened by nonrecurring expenses related to discontinued operations and business adjustment. Turnover amounted to EUR 54 million.

After the reorganisation carried out during the previous year, 2012 was a year of adjustment and establishment of new ways of operation. The development of more efficient operations became evident towards the end of the year through higher profitability and project margins. The order book was strengthened by efficient offer activities.

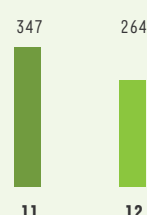
### KEY SUCCESSSES

- Two new Sensus buildings were completed for Technopolis in Helsinki and Jyväskylä. The Innova 2 office building in Jyväskylä, which utilises ground source heat, received the LEED platinum status. Technopolis also ordered Are Sensus systems for Innova 4 in Jyväskylä and Viestikatu 7 in Kuopio, which will be completed in 2013.
- Are was selected to carry out the HEPAC and electrical work for the Stockmann department store extension in Tampere.
- Are will carry out the electrical contracts for the tunnels and Keilaniemi metro station in the west metro project. The most extensive infrastructure project in Finland will be completed in 2015.
- Are will carry out the HEPAC and electrical installation contracts for Vantaan Energia's new waste-to-energy plant, which will be completed by early 2014.

#### TURNOVER, EUR MILLION



#### PERSONNEL ON 31 DEC.





Ilmarinen, the Helander building, Pohjoisesplanadi 31, Helsinki

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**WE WILL CONTINUE DEVELOPING OUR** services to meet customer expectations and to further increase customer satisfaction. We want to help improve the quality and reputation of property maintenance services in Finland,” says Business Area Director **Seppo Korhonen**, Property Services.

## Property Services

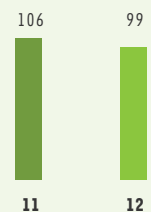
The turnover of Property Services totalled EUR 99 million. The financial result was good and improved considerably on the previous year in the building units in Tampere and Jyväskylä in particular.

Implementation of the new leadership and service model continued. The long-term goals of property maintenance are defined together with the customer and Are monitors, controls and maintains the property's overall condition, indoor conditions and energy consumption according to these targets. Thus reliable operation of premises can be guaranteed for the customer and property maintenance costs can be anticipated as extensively as possible. The success of the service is also measured with end-user satisfaction surveys.

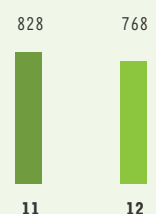
### KEY SUCCESSSES

- Are signed a maintenance contract according to the new property services model with Suomen Yliopistokiinteistöt in Jyväskylä.
- Cooperation with Technopolis was extended to cover comprehensive property maintenance in the Helsinki metropolitan area, Jyväskylä, Oulu and Tampere.
- Installation of remotely readable electricity meters was completed in Turku, Helsinki and Vantaa. Work in Lappeenranta will continue in 2013.
- Are signed a maintenance contract with Schenker on its properties in Finland.
- Are renovated Ilmarinen's historic Helander building in the heart of Helsinki and began the comprehensive renovation of two residential buildings in the Palikkapolku property.
- Are signed a maintenance contract covering twelve Fennia properties.

#### TURNOVER, EUR MILLION



#### PERSONNEL ON 31 DEC.





Airport City Business Centre, St. Petersburg

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**ARE HAS EXCELLENT REFERENCES** and expertise that will allow it to participate in international and local building projects as soon as the Russian market picks up,” says Managing Director **Seppo Kautto** of ZAO Are, Are’s subsidiary.

## Russia

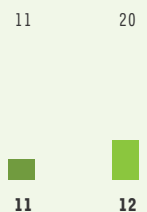
The turnover of Are’s Russian operations increased to EUR 20 million. The result was burdened by low-margin contracts completed during the year, and the result was a loss.

The Russian market remains expectant, but the construction of international industrial sites in particular is inactive. Are reorganised its Russian operations to better meet the needs of current operations, and the number of staff was reduced.

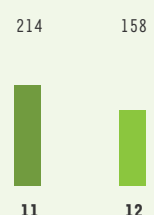
### KEY SUCCESSSES

- Long-standing cooperation with Nokian Tyres continued in a project that is significant for Are as a whole. Are was responsible for the electrical work and the pneumatic systems for the process pipework for the sixth extension phase of the Nokian Tyres manufacturing plant and warehouse.
- An extensive project launched in 2005 was completed at the art storage facilities and conservation centre of the State Hermitage Museum in St. Petersburg. Are carried out the electrical work and installed the fire, gas extinguishing and alarm systems and was also responsible for procuring and installing the demanding interior lighting solutions.
- Are carried out the electrical and process automation work in the extension of the Kraft Foods plant.
- Are was responsible for the HEPAC and electrical work at the Betset element plant.
- Are was awarded the air conditioning contract at the Unilever plant that will continue in 2013.
- Are carried out the HEPAC work at the Airport City Jupiter Business Centre.

#### TURNOVER, EUR MILLION



#### PERSONNEL ON 31 DEC.







Telecommunications and security experts at Property Services in Jyväskylä

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**ARE'S GOAL IS TO BE KNOWN AS A** competent building services partner that creates added value for its customers. In order to achieve this, all personnel must continuously develop their skills and take a proactive attitude in which we keep our promises, take personal responsibility, support our colleagues and provide the customer with outstanding service,” says **Sari Kulmala**, Human Resources Director.

## Personnel

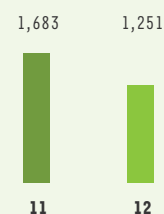
Are's human resources strategy was updated as part of the strategy process in which hundreds of Are employees participated. HR actions particularly focused on the improvement of supervisory work. Focused work to promote working capacity and occupational wellbeing, and to develop supervisory skills resulted in a significant reduction of sick leaves and occupational accidents.

Are's personnel decreased on the previous year. At the end of 2012, Are Group's personnel totalled 1,251 people, 1,100 of which were in Finland. The number of personnel decreased as a result of the divestment of businesses, adjustment measures due to the market situation in both businesses and the reorganisation of support functions.

Systematic development of the management of working capacity risks and occupational wellbeing was continued with practical measures, such as clarification of practices, improving guidelines and increasing orientation and information. In 2012, the number of occupational accidents and sick leaves decreased considerably on the previous year. Moreover, employee turnover reduced, which is proof of the level of dedication at Are.

Increasing the productivity of work is one of our central goals. In 2013, orientation, local occupational safety activities as well as personal goals and performance reviews in particular will be enhanced at Are. Good leadership and improved supervisory work are the primary ways of achieving these goals.

PERSONNEL ON 31 DEC.  
ARE GROUP



### A GOOD SUPERVISOR IS A ROLE MODEL

Leadership and development of supervisory work is one of Are's strategic focus areas. At Are, everyone is entitled to have a good, assertive and fair supervisor. Are employees work very independently at their customers' sites and on their projects. Therefore good supervisory work by immediate supervisors is very important and this also has an impact on everyone's motivation and commitment.

Last year a total of 170 supervisors and other employees with supervisory responsibilities participated in supervisor training. The aim of the training is to improve and create harmonised leadership practices at Are while also clarifying responsibilities and the role

of supervisors in the units. Training themes included working capacity and safety, recruitment, employment contracts and changes in employment relationships as well as anticipating and solving problems according to Are's early intervention model. The training will continue on the themes of orientation and guidance as well as personnel development and performance management.

In addition to training, Are has increased systematic communication of topical and important matters to supervisors which is something that is then introduced in their own organisations. HR professionals are responsible for training new supervisors to provide them with a good basis for success in people management.

**ARE AWARDS THE TITLE OF SUPERVISOR OF THE YEAR** for successful and exemplary work in tune with Are values. Area Director Markus Hämäläinen from Property Services was selected as the Supervisor of 2012.



Photo: Mikko Käkälä

Area Director Markus Hämäläinen, Property Services

<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b> EUR million	<b>2011</b>	<b>2012</b>
<b>Turnover</b>	<b>220.7</b>	<b>173.1</b>
Change in work in progress	1.4	-0.9
Other operating income	0.1	0.1
Expenses	-225.4	-174.0
Depreciation	-3.7	-3.4
<b>Operating profit</b>	<b>-6.9</b>	<b>-5.1</b>
Financial income and expenses	-0.4	-0.2
<b>Profit before extraordinary items</b>	<b>-7.3</b>	<b>-5.3</b>
Extraordinary items	8.2	2.5
<b>Profit before taxes</b>	<b>0.9</b>	<b>-2.8</b>
Direct taxes	-0.6	0
<b>Profit/loss for the financial year</b>	<b>0.3</b>	<b>-2.7</b>
<b>Key indicators (Are Group)</b>		
Operating profit, %	-3.1	-2.9
Return on investment, % before taxes	-33.5	-24.9
Equity ratio, %	31.5	31.9

<b>CONSOLIDATED BALANCE SHEET</b> EUR million	<b>2011</b>	<b>2012</b>
<b>Assets</b>		
Fixed assets	5.5	3.8
Current assets		
Inventories	3.3	1.6
Receivables	54.8	45.1
Liquid funds	1.2	2.2
	<b>64.8</b>	<b>52.7</b>
<b>Liabilities</b>		
Shareholders' equity	18.5	15.9
Obligatory reserves	2.0	2.1
Interest-bearing liabilities	0	0
Non-interest-bearing liabilities		
Advances received	5.9	3.1
Other	38.4	31.7
	<b>64.8</b>	<b>52.7</b>
<b>Consolidated cash flow statement</b>		
Cash flow from operations	-7.9	4.9
Cash flow from investments	-0.1	-9.6
Cash flow from financing	6.3	5.7
Change in liquid funds	-1.7	1.0



# 100 years of Finnish growth and development

The Are Group is one of the largest companies in Finland within its areas of operation. Are is part of the Onvest Group, which has a hundred years of history behind it. Creating prosperity and wellbeing has been our preoccupation throughout.

## 1913



On 19 February 1913, a businessman named Alfred Onninen established a plumbing business in Turku that operated under the name A. Onninen. In 1927 the focus of operations was transferred to Helsinki and the Onninen Plumbing Company was established.

The company expanded into the wholesale trade in the 1920s, and by 1930 this had overtaken the contracting work. After the Second World War the company began to build a network of business locations all across Finland.

## 1920



## 1950

Municipal engineering became part of Onninen's business in the 1950s, followed by ventilation and air conditioning in the 1960s.

The 1970s saw Onninen enter the electrical business and engage in deliveries to industrial clients and project exports. The company also began to expand internationally.



## 1970

## 1990

### ONVEST

Major corporate acquisitions were made in the 1990s. Are Group, an established and reputable electrical company from central Finland, became part of the Onninen cluster of companies. The end of the century saw the formation of the Onvest Group and a clear differentiation of operations: all installation and maintenance work was to be undertaken by Are and the wholesale operation by Onninen. The ecological energy efficiency system Are Sensus® was launched.

The President and CEO of Onvest, Maarit Toivanen-Koivisto, became the Chairman of the Board of Directors of Are in 2009. Are has continued to actively develop its business in the new millennium. From building services contracting, Are has expanded into both property services and renovation services.



## 2000

## 2013



In 2013, Are and the entire Onvest Group are celebrating the family company's first 100 years.

## Management team

Photo: Mikko Käkälä



FROM LEFT:

PERTTU KÄHÄRI,  
CFO, with Are since 2009

PEPE PERKIÖ,  
Business Area Director,  
Building Services Contracting,  
with Are since 1998

HEIKKI PESU,  
CEO, with Are since 2011

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

SARI KULMALA,  
Director, Human Resources  
and Communications,  
with Are since 2010

## Board of directors

Photo: Mikko Käkälä



FROM LEFT:

JOUKO KETOLA,  
Industrial Counsellor,  
Board member since 2002

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

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

TEIJA ANDERSEN,  
M.Sc. (Agr. & For.), EMBA,  
Board member since 2012

## Contact information

**ARE'S UNIVERSAL ACCESS NUMBER: +358 (0)20 530 5500**

E-mail: [firstname.lastname@are.fi](mailto:firstname.lastname@are.fi)

### HEAD OFFICE

**Vantaa** Kaivokselantie 9, FI-01610 Vantaa / P.O. Box 160, FI-01611 Vantaa  
Property Services, 24 h stand-by, tel. +358 (0)20 530 5700

### 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  
**Seinäjoki** Tehtaantie 6, FI-60100 Seinäjoki / P.O. Box 163, FI-60101 Seinäjoki

### SUBSIDIARIES

**Airmec Oy** Rajakuja 5, FI-01230 Vantaa, tel. +358 9 720 6870  
**Are Lining Oy** Kaivokselantie 9, FI-01610 Vantaa / P.O. Box 160, FI-01611 Vantaa

**ZAO Are St.** Vnukovskaya Street 2, Business Center Pulkovo Sky, Office B501,  
196210 St. Petersburg, Russia  
tel. +7 812 611 0915



[www.are.fi](http://www.are.fi)