

Annual report of the HYY Group
1996

HYY GROUP



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What is the HYY Group?

The HYY Group consists of real estate owned by the Student Union of the University of Helsinki and the corporate group of HYY Group Ltd. In terms of its business operations, the Group is a diversified, international corporation in service industries.

General guidelines and aims for the ownership of business operations

The general guidelines for the ownership by the Student Union of the University of Helsinki of business operations is financial support for the performance of the real duties of the Student Union referred to in the regulations of the Union. Another ground for ownership may also be the improvement and maintenance of essential services for the members if it can be shown that this makes it possible to attain benefits compared to what is available on the open market.

The general aim of ownership is to preserve and care for the property of the Student Union so as to protect the opportunities available to future generations of members. The purpose of business activities is, in all circumstances, to be more profitable in the long term than risk-free investment. The maximum risk-taking capacity of business operations is defined conservatively so that the ability of the Students' Union of the University of Helsinki to handle its basic duties will not be jeopardized in any circumstances.



Profit target achieved

The targeted operative profit confirmed by the HYY Group's owner for 1996 before taxes and accounting adjustments, net of Group-level goodwill depreciation, was FIM 21 million.

The confirmed profit for 1996, in terms comparable to those of the targeted figure, was FIM 23 million. The book profit on the sale of one building, which was not included in the target, has been deducted from the profit for this comparison. In other words, the target was reached. Moreover, the profit was a modest improvement on the previous year's figure.

Most of the improvement in profits was contributed by KILROY travels, whose net sales grew dynamically on the whole. The Real Estate Division's profit did not yet improve, as had been forecast. The Catering Division, which mainly serves the university community, brought its profit back to the level set by the owner in principle, and the demand for services grew faster than had been forecast. The Book Division fell slightly short of its target.

Like a single kilometre on a marathon run

I have compared a business based on the criteria and principles of a main owner like the Student Union of the University of Helsinki and the management of such a business to running a marathon. Successive generations of students have a need for a steady, ongoing yield, a lasting ability to pay dividends. This demands high sensitivity to risks, meaning a relatively low profile, and this is something that limits short-term gains. The traditional values of the owner, and therefore of the Group, do not include speculation, sprinting in pursuit of fast profits. In the owner strategy document which has once again been confirmed by the Student Union, the aim of business operations is - along with the added values to be gained by the owner-customers in services run on free market economy lines - to achieve long-term financial added value for the owner in such a way as to protect the opportunities available to future generations of members. The aim of actual business operations is to be more profitable in the long term than risk-free investment.

Over what will soon be 28 years for me in a position of responsibility, the mission given by the owner and the profitability review period have been practically unaltered. There have been changes in tone and emphasis, but it has always been a marathon run. In order to examine a single year, therefore, it must be understood how the present situation has come to be, where we are headed, and at what rate we are heading for our targets.

In assessing the Real Estate Division, it is paradoxical that the problem is not one of the profit rate, which stands up well by Finnish standards for the field. The comparative problem concerns the biggest single investment project in the history of the Student Union, carried out in 1978-81, known as the Kaivopiha project, which succeeded only too well because of the exceptional state of the market at that time combined with good luck. The profits attained during the first half of the investment's commercial and financial life cycle cannot be repeated after the permanent structural change that has occurred in the market since then, even if it does continue to exceed the profit targets set by the owner on principle. A significant expansion in the profits of the Real Estate Division can only be achieved, if desired, through new, successful investments that increase capacity.

A younger division, the Travel Group, which was launched ten years ago, is backed by a build-up originally based (as it still is) on a carefully considered risk-taking policy. In the early years, the strategy was to use small stakes to buy out less successful student and youth travel agencies in the Nordic region, which where reorganized into the Danish KILROY travels subgroup in 1991. The subgroup has since expanded to other neighbouring areas in Europe. In spite of the basic considerations, the division has thrived and a steady stream of dividends and other income has been repatriated to Finland from Denmark, to a cumulative total which last year exceeded the capital invested in the subgroup. The risks of the Finnish parent company's commitment are all in capital, as no loans or guarantees are given. However, there will continue to be positive risks related to the net asset value and market value of KILROY travels shares. In respect of the profits ploughed back

into the company, its balance sheet is exceptionally strong by the standards of the travel industry, and because of this the net asset value of its shares is also solid. Furthermore, the market value of the shares, which is based on a prolonged and steady income level which is high by the standards of the industry, is at least three times that of the capital invested in them.

While KILROY travels is being built up, it has been an indisputable advantage that the company has had a clear, long-term, majority shareholder with roughly 90% ownership. This will also be an advantage in the years to come. In accordance with the Group's long-term operating methods, a mainly internal process to upgrade the operational standard will soon be started within the company. This process will eventually provide both the main owner and the minority owners with a better market mechanism for the shares. This is not a question of a speculative intention to sell shares. On the contrary, in its latest policy statement, the owner has plainly pledged long-term commitment to KILROY travels as a major owner. There are no significant needs in sight to increase the owners' risks in the next few years, either. However, investing in strategic efforts towards the size required for the company's lasting success and in upgrading information technology for its foreseeable business operations demand long-term preparation so that the company will be able to get venture capital, when the time is right, from other sources than its present owners, if they so decide.

We can do better

In all the divisions, but particularly in the units operating in the university community, we have resolutely invested over the past few years in people, skills, teamwork and tools. We are doing the right things. Demand for our services is mostly strong. Especially in UniCafe, we have already reached a new operational level in terms of quality, gaining directly positive feedback in the form of dynamic growth in demand. But we can do even better. In particular, the University Bookstore chain now has to show what it is made of after the recent investment's running-in stage. KILROY travels also has the capacity to achieve better results even as it is today.

Backed by developing owner-administration

In the 1995 owners' strategy document, it was decided on the basis of a proposal from the Board of Directors to reappraise and modernize the owner-administration model that had been in place since 1973. This was not because of the now more fashionable trend towards owner-administration; instead it was a development of the close integration of owners' decision-making with the corporate management which has long been the practice in the HYY Group, bringing procedures into line with a changed operating environment and a different corporate structure. The first assessment of the state of the Group and the owner-administration was made by a 'Committee of Professors' consisting largely of outside experts, who considered in their assessment that the success and condition of the Group was such that there was no acute reason or other need for radical changes.

However, the committee presented some ideas for further development. In the course of 1996 preparations were made, mainly by the Board and Representative Council of the Student Union, which led to some unanimously agreed changes at annual general meetings held in the spring of 1997. As a representative of the hired manage-

ment, I express my unalloyed satisfaction with these changes. Among the more significant changes is a reduction in the statutory rotation of members of the Board of Directors, together with a reduction in their numbers without loss of expertise, and the separation of the Finance Committee of the Board of Directors, which concentrates on the Student Union's operative finances, from the Group's Board of Directors. Certain duties formerly belonging to the Student Union's Representative Council have been transferred to the Group's Supervisory Board, which was established to reflect the make-up of the Representative Council. In conditions of intensified competition, this will facilitate the free communication of information incorporating business secrets in a responsible way between the respective main governing bodies which represent the owner.

1997

During the present year, net sales are expected to grow further, particularly in the Travel Group. In accordance with the Group's budgeted target, the net sales forecast for the Group as a whole are approximately FIM 920 million. In accordance with the long-term development process I have described above, the minimum profit

target is the level achieved in 1996. Now that the trend for the early months of the year is known, at the beginning of April, there is no reason to doubt this target will be reached.

I would like to thank our customers, whose age group and educational background constitute an ongoing challenge to development, especially in applying new technology.

I would like to thank the Group's personnel. Regular customer surveys indicate a substantial improvement in service quality in practically all units. Together we achieved the results set for us as a target by the owners.

Cooperation with the main owner of the Group - the Student Union and the owner-administration appointed by it - and with the minority shareholders of the subgroups has once again rested on a basis of trust, supporting the governance of the Group. I know that this praise will be spread widely among the Group's management and personnel.

Tapio Kiiskinen
President and CEO



The 33rd full
marathon run by
the Group's
President and CEO,
3 November 1996.

GENERAL PRINCIPLES OF BUSINESS OPERATIONS



The HYY Group engages in **business with a long-term perspective** with moderate risks, using profit targets set for each division, ethically, and with operating methods that show responsibility for the environment.

Business operations are to be kept simple, focused and specialized.

The Group has no need for expanding its net sales as an end in itself. Net profit and the cash flow from operations are more important than net sales.

The business divisions must be appropriately small or large for their field. The critical factor for growth, if there is to be any, is to reach or maintain the critical mass required for successful operations.

The Group management aims to harmonize the missions and limitations set and/or approved by the owner, strategic intents based on the business divisions' requirements, the

learning ability of the organizations, and individuals' commitment to change.

The traditional integration of owner governance and the Group management is accepted and utilized. The capacity for rapid decisions, essential for successful business, is maintained by anticipating trends and by forecasting future scenarios: by covering in advance limiting factors, risk facilities and authorizations.

The Group does not commit itself to a new field of business without relinquishing one of a similar class.

The Group's business divisions and units are rather conservative in taking financial risks, which must not, however, lead to passiveness. Companies that do well and generate added value for their owner are energetic in their business operations and in improving these. The Group accepts the occasional losses that may arise from dynamic busi-

ness operations, if they are proportionate to the gains made over an agreed period of time and if they are appropriate to the unit's risk-taking capacity.

When a decision is made by the Group on the distribution of profit, among the factors considered are the liquidity of the Group and the division in question as well as the need to safeguard future operations. No profit is distributed on the basis of the unrealized capital return of the Real Estate Division as this represents the prime risk buffer for the entire Group.

The Group is mindful of its environmental impact in its operations. The Group has a system for the management of environmental matters: an environmental programme, the implementation of which is monitored by means of an eco-accounting system and an environmental management system.

HYY GROUP

MAIN POINTS OF ECOLOGICAL MANAGEMENT

Since the beginning of the 1990s, the HYY Group has complied in its business activities with the high ideals of sustainable development. As a company in the service industry, the HYY Group aims to reduce indirect damage to the environment resulting from energy and water consumption, waste management, and the materials used for products and packaging as part of the production of services, and from transport.

The HYY Group's environmental programme was approved in autumn 1996. The environmental programme embodies the Group's environmental policy and goals for each division derived from the policy, as well as an environmental system including systems for green accounting, ecological auditing and ecomanagement. At the beginning of the year, the Econet, an environmental team with responsibility for carrying out the environmental programme, was launched.

An abbreviated version of the environmental programme in the form of an ecological brochure was distributed to representatives of the owners, the staff and the main partners. The aim of this is to elicit commitment by the staff to environmental work so as to make it an integral part of everyday actions. Communicating the HYY Group's environmental values also to customers and to partners not only upgraded the HYY Group's environmental image but also represented the first step towards the life-cycle assessment of service products. Shared environmental values by the staff, suppliers, partners and customers of the various parties in the HYY Group's business operations are important for optimizing environmental work. All employees are encouraged to take part in daily environmental work by means of in-house communications, incentives and training.

In the foreseeable future, the consumption habits of people

will be increasingly affected by ethical and aesthetic values. It has already been found by surveys in the Nordic region that consumers' attitudes have made a clear transition from words to deeds. The proportion of the population taking a positive view of environmental issues (slightly over half the population) has not grown substantially, but their decisions on whether to buy are much more frequently influenced by environmental values. The HYY Group's owners' general principles of business operations are one response to the challenges of this trend. The environmental programme and its implementation have been made a key principle in the owner strategy document approved early in 1997. During the year ahead, the first environmental audit will be carried out within the Group as part of the continuous development of the environmental programme.



THE HYY GROUP

The HYY Group's net sales in 1996 were FIM 798.4 million. Net sales were up by 12%. Of the Group's net sales, 32% were generated in Finland and 68% originated in the other Nordic countries, Germany, the Netherlands, Spain and other parts of Europe.

The Group's return on investment was 17.1%. The profit before extraordinary items, appropriations and minority interest amounted to FIM 22.2 million. The book profit was FIM 14.7 million.

The HYY Group will distribute FIM 12.8 million out of the 1996 net profit to the Student Union of Helsinki University. The HYY Group covered FIM 1.8 million of the deficit arising from the social, cultural and operational premises of the Student Union, exerting a drag on its overall result. In addition, UniCafe distributed FIM 2.2 million to the members of the Student Union during the year as supplementary price support for student meals.

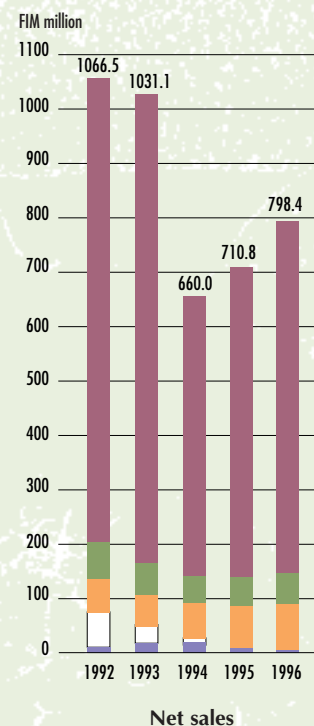
Formulas for key indicators

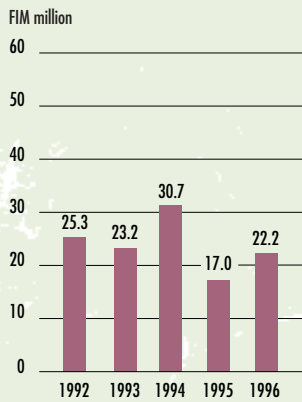
Overall result	Profit before extraordinary items, appropriations and taxes - taxes +/- exchange rate losses
Return on investments (ROI), %	$\frac{\text{Net profit} + \text{financing expenses} + \text{taxes} \times 100}{\text{Balance sheet total} - \text{noninterest-bearing liabilities (average)}}$
Return on equity (ROE), % if revaluation of land areas is realized 1)	$\frac{\text{Net profit} + \text{financing expenses} + \text{taxes} \times 100}{\text{Balance sheet total} + \text{revaluation contingency} - \text{noninterest-bearing liabilities (average)}}$
Equity ratio at book values, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{reserves} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Equity ratio, % if revaluation of land areas is realized 2)	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{reserves} + \text{revaluation contingency} \times 100}{\text{Balance sheet total} - \text{advances received} + \text{revaluation contingency}}$
Security ratio	$\frac{\text{Security value of the securable assets}}{\text{Interest-bearing liabilities with interest (or pledges, mortgages and other guarantees, if greater)}}$
Tied-up risk by division	Owner's total risk = equity and quasi-equity investments + loans granted + collateral provided as pledges and guarantees given

The key indicators are calculated in accordance with the conventions renewed in 1995 by the Finnish Committee for Corporate Analysis. The capital value and the annual capital return of the City Centre Property has been calculated in accordance with the conventions of the Finnish Institute for Real Estate Economics.

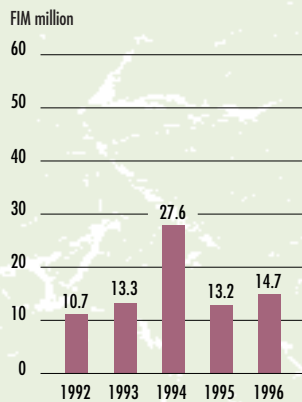
1) Net yield without forthcoming capital return at the beginning of the year, if revaluation had been realized at the end of the previous year. Does not indicate the realized overall result or return on investment.

2) The officially audited revaluation contingency according to the Finnish Accounting Act (materiality, consistency, tradability), is added to the shareholders' equity in the capital structure review.

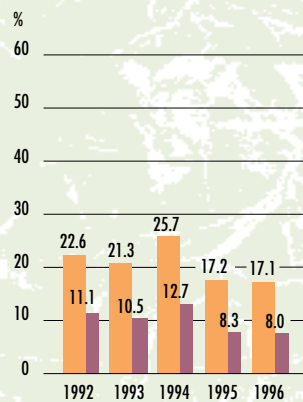




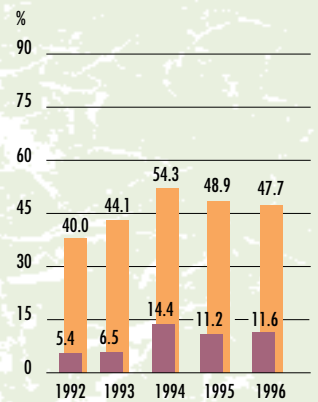
Profit before taxes, appropriations and extraordinary items



Overall result



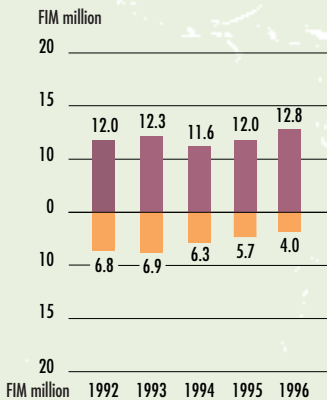
Return on investment, %



Equity ratio at book values, %

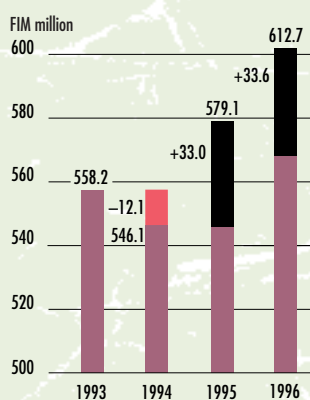
Equity ratio, allowing for revaluation contingency of land areas, %

Return on equity, %, if revaluation of land areas is realized 31.12.



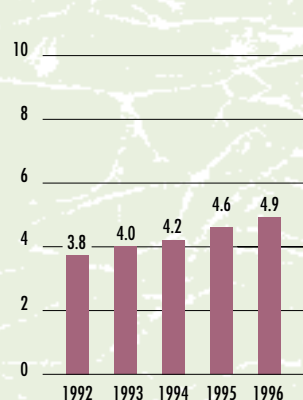
Dividends

- Dividend from HYY Group to Union's contingency reserve
- Support for Union members and operations exerting a drag on the Group's profit

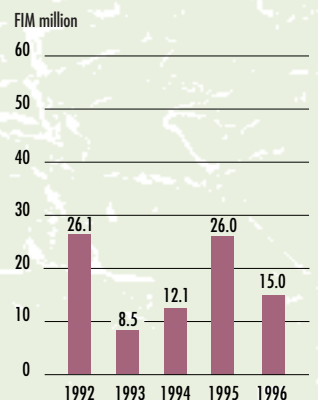


Capital value of City Centre Property and annual change in capital return

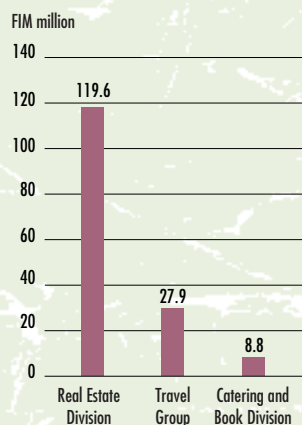
- Capital value
- Annual negative capital return
- Annual positive capital return



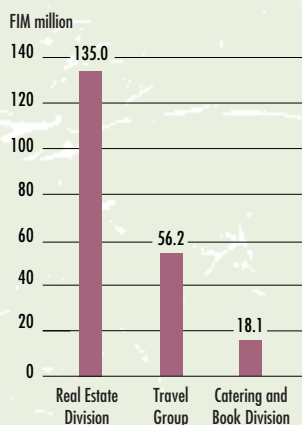
Security ratio



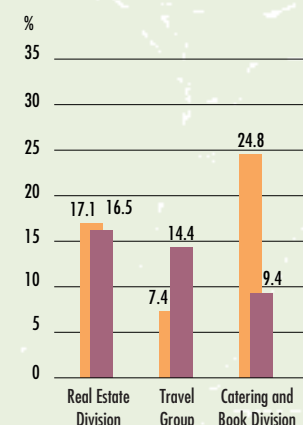
Net investments



Tied-up risk by division, 1996

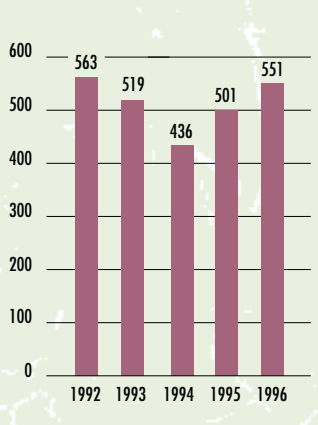


Invested capital by division, 1996



Return on investment (ROI) by division

- 1995
- 1996



Average number of employees

**REAL ESTATE
DIVISION**

**Yrjö Herva,
Director in charge
of the Real Estate**



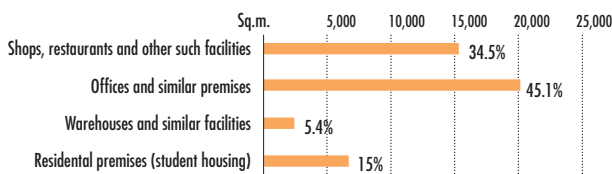
The Real Estate Division's business is long-term ownership of real property: investment in and development and maintenance of real estate and cooperative housing shares.

The Real Estate Division's service operations provide the various units of the Student Union and related organizations with premises in which to operate, as well as providing housing at affordable rents mainly for members of the Student Union.

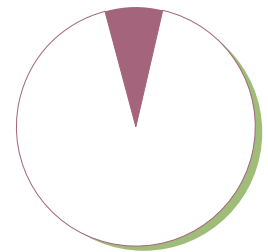
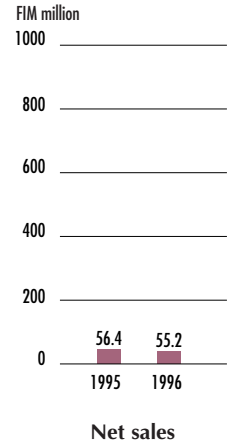
Most of the Real Estate Division's operations take place at the City Centre Property in the heart of Helsinki and at the Leppäsuo Property in the Kamppi district of Helsinki.

The City Centre Property includes the Kaivopiha Commercial Building, which provides services, experiences and specialist shops for leisure, entertainment and culture. The retail and office space available for lease on the open market is approximately 25,500 square metres. There are some 70 tenants in the building.

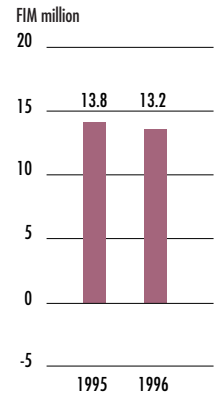
The City Centre Property also houses the premises of the HYY Group's owner, the Student Union of the University of Helsinki and related organizations and corporations, together amounting to approximately 4,800 square metres.



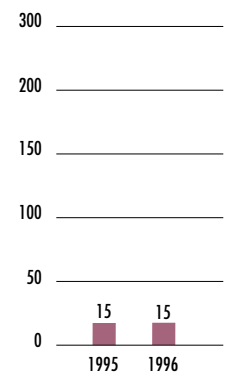
Real estate in Finland, spring 1997
Premises 44,548 square metres divided according to intended use



Share of the Group's Net sales, 7%



Profit before taxes, appropriations and extraordinary items



Average number of employees

Real estate division

REAL ESTATE

DIVISION

The Leppäsuo Property, Domus Academica and the Library Building have student housing as well as various facilities including a library and classrooms. The first two residential buildings of Domus Academica were completed in 1947, so Domus Academica will be celebrating its 50th anniversary in 1997.

The Real Estate Division also includes Kaivopiha Oy's office and residential building in the Lauttasaari district of Helsinki, apartments used for the Student Union's student housing in Ida Aalbergin tie in the Haaga district of Helsinki, and miscellaneous commercial suites and residential apartments in Turku, Tampere, Jyväskylä and Oulu.

The profit target for the Real Estate Division's operations is the optimum possible long-term profit, among the best in Finland, based on sustainable business values.

The Real Estate Division's net sales in 1996 totalled FIM 55.2 million and it had an average of 15 employees.



TRAVEL GROUP

Børge Faaborg,
Managing Director
and CEO of the
Travel Group.

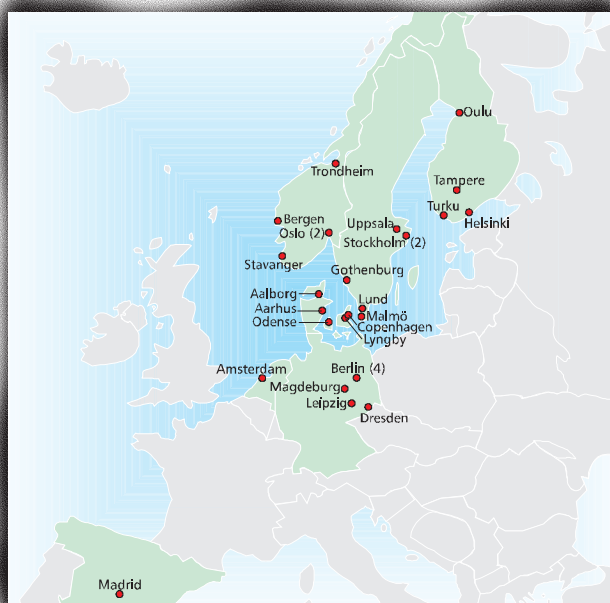


Børge Faaborg

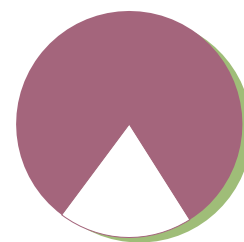
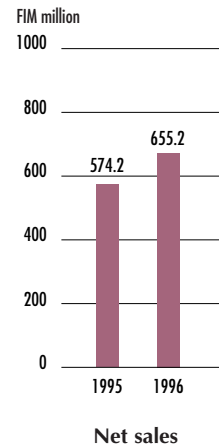
KILROY travels is a leading European travel agency for students and young people.

The KILROY travels subgroup offers independent young travellers an opportunity for individual, flexible, safe and inexpensive travel to the countries and destinations of their choice. KILROY's home market is the Nordic countries, with neighbouring markets in Germany and the Netherlands, supporting mar-

kets in the rest of Europe, and areas served through partnerships in other parts of the world. The incomparable price-quality ratio of the KILROY ticketing system and its global service concept are intended for young people aged 16 - 25 and for students aged 16 - 34. In the rest of its range, KILROY travels seeks to concentrate and develop profitable services for the same customer group on a contractual basis.



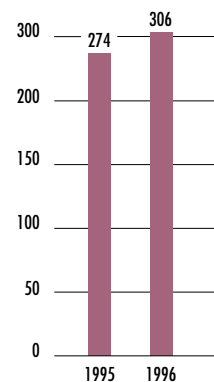
KILROY branches



Share of the Group's Net sales, 82%



Profit before taxes, appropriations and extraordinary items, after Group goodwill depreciation



Average number of employees

The objective is a reasonable distributable profit in the long term.

KILROY travels will continue to focus its operations on four principles: competition in a single niche comprising travel services for independent young travellers; building the name of KILROY travels on the

market into a synonym for inexpensive travel products for young people with added values that they perceive as important; the efficient exploitation of information technology as a key factor of success; harnessing the differentness of national subsidiaries and making it into a collective corporate culture for KILROY

travels, in which information, expertise and other competences are shared and developed jointly.

The Travel Group's net sales in 1996 totalled FIM 655.2 million. It had an average of 306 employees.



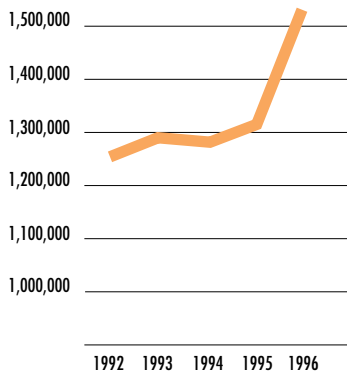
CATERING DIVISION

Assistant Director in charge of the Catering Division, Marjo Berglund, and Assistant Director of UniCafe, Liisa Lehtinen.



Liisa Lehtinen Marjo Berglund

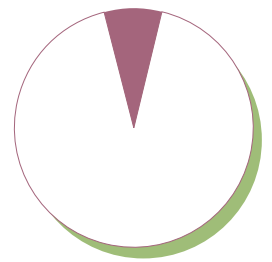
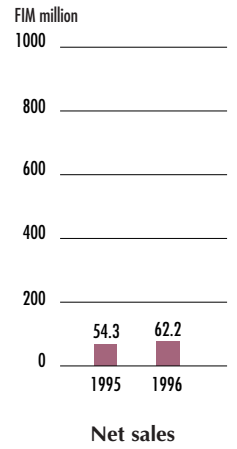
The companies of the Catering Division serve students, educational communities and their employees in the Helsinki Metropolitan Area and especially at the University of Helsinki. The companies may also operate separately in other market areas. In these cases, the aim is to support the basic mission financially and to maintain market-based efficiency.



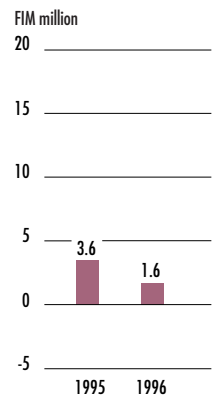
Number of student meals sold, 1992-96

The Catering Division comprises two companies, Oy UniCafe Ab and Oy Gaudeamus Ab.

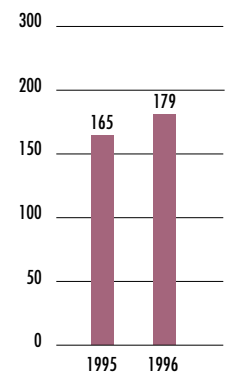
Oy UniCafe Ab's 19 restaurants serve the Helsinki Metropolitan Area and especially students and staff at the University of Helsinki by providing them with good, inexpensive food as well as café and party catering services. Every effort is made to produce services in a way that minimizes environmental impact. Efficient marketing and cost-effectiveness are based on chain operations. UniCafe develops its operations by means of a service brand-name and the values and success factors associated with it. The UniCafe restaurants are in premises at the University of Helsinki, with the exception of Ravintola Domus.



Share of the Group's Net sales, 8%



Profit before taxes, appropriations and extraordinary items



Average number of employees

Oy Gaudeamus Ab produces and sells restaurant, café, entertainment, renting and accommodation services. All the company's business operations take place in premises owned by the Student Union and the business philosophy is based on the overall concept of building usage.

Ravintola Vanha operates in the Old Student House. It engages in restaurant business, organizes programmes of

entertainment, and it rents out premises for private parties and provides catering services for them. The Old Student House also has an international newspaper and Internet café on the premises.

Hostel Academica is a low-price summer hotel operating from June to September. The hostel is in Domus Academica in the Leppäsuo Building. The Catering Division's profit target is to make a reasonable

return on the owner's investment and risk. In addition to its financial targets, the Catering Division also has targets for quality and values. The Catering Division is still one of the core businesses in which owner-administration expertise and initiative are of key importance.

The Catering Division's net sales in 1996 totalled FIM 62.2 million with an average of 179 employees.

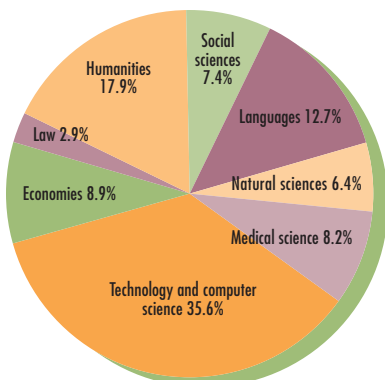


BOOK DIVISION

The Book Division's
Managing Director,
Aila Santanen



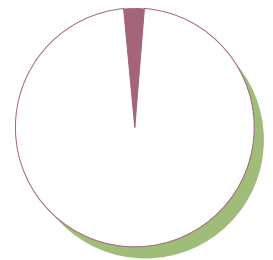
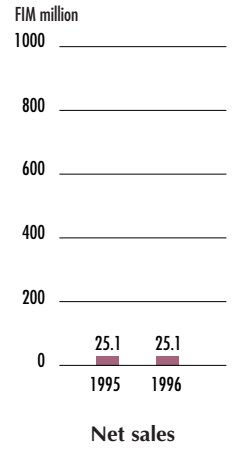
The Book Division primarily serves the needs of the University of Helsinki and other members of the Finnish science and education community, by publishing, by wholesaling, delivery and retailing of Finnish and foreign nonfiction and scientific literature, and by sales of accessories and the mediation of teaching handouts to supplement bookstore operations in a way that fits in with the stationery shop-type marketing channel.



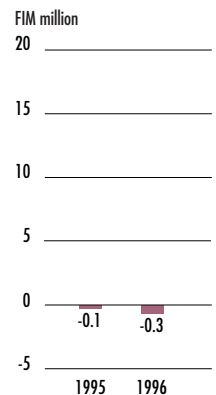
Book sales by University Bookstore (FIM), according to field, 1996

The Book Division comprises three companies. Oy Yliopistokustannus University Press Finland Ltd publishes literature in the fields of the humanities and social sciences as well as environment-related matter and current affairs literature under the name of Gaudeamus Kirja, while also publishing technical matter under the name of Otatiето. Gaudeamus Kirja published 38 new titles in 1996. Otatiето published 8 new titles and almost 30 reprints during the year.

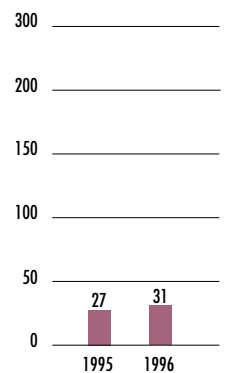
The general points of departure in publishing are to yield an adequate profit to the owners, to be important to the university and the scientific community, and to have a positive impact on the corporate image of the owners and the HYY Group.



Share of the Group's Net sales, 3%



Profit before taxes, appropriations and extraordinary items



Average number of employees

Oy Yliopistokirjakauppa University Bookstore Finland Ltd engages in bookstore and retail stationery business. The bookstores in the city centre, Porthania, Viikki and at the University of Art and Design, comprise the University Bookstore chain. They offer their customers scientific works and nonfiction as well as textbooks and course materials. Additionally, the bookstores sell accessories for studying, office equipment and computer consumables, and artistic materials as well as

other peripheral materials and services. The University Bookstore chain also acts as the retail outlet for the Book Division's own publishers. The University of Helsinki is a leading minority shareholder in Oy Yliopistokirjakauppa University Bookstore Finland Ltd with a 20% interest.

Oy Yliopistokirjakauppa University Bookstore Finland Ltd's subsidiary **Otatieto Oy** maintains sales of books and stationery as well as producing educational handouts for stu-

dents at Helsinki University of Technology and other, similar universities and colleges in Finland. The bookstore run by Otatieto Oy is also part of the University Bookstore chain.

The general point of departure for bookstore business is to generate an adequate profit for the owners.

The Book Division's net sales in 1996 totalled FIM 25.1 million and it had an average of 31 employees.



**THE GROUP'S
PARENT COMPANY,
HYY GROUP LTD**

**First Vice-president
Linnea Meder**



Linnea Meder

HYY Group Ltd owns and manages the companies in its corporate group in accordance with the general principles and guidelines laid down by its owner, the Student Union of the University of Helsinki. The company also produces and sells internal services to the companies in the Group and to the Student Union.

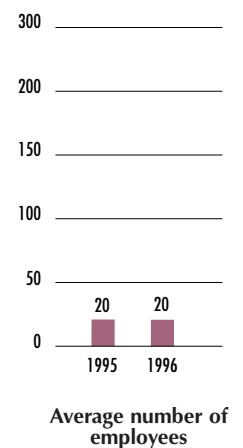
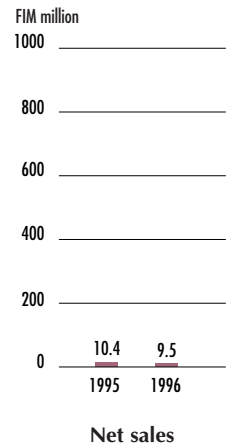
The parent company's duties and basic aims:

- The organizing of the operational and corporate structure of the HYY Group in a manner appropriate for the time in question, and its strategic management
- Attending to the financing of the HYY Group
- Producing internal services that

are cost-effective and competitive in terms of performance for the HYY Group

- Examining and development of new businesses, using the Group's risk-taking capacity or on behalf of the existing divisions, with a view to the possible creation of service or business units, with start-up backing where necessary
- The implementation of centralized changes related to the all-Group operational level or the corporate culture
- The divestiture of service and business units which do not fit in with the Group strategy and which have no prospects in the HYY Group
- Investment to support and/or complement the entrepreneurship handled by the companies.

HYY Group Ltd's net sales in 1996 totalled FIM 9.5 million with an average of 20 employees.



Parent Company

THE HYY

GROUP

SMART CARD

The HYY Group launched its own smart card project in autumn 1996. The aim is to produce a smart card for the entire University of Helsinki community and combining with it debit card and dividend card capabilities. In the first phase, the card will be offered to freshmen in autumn 1997 and thereafter to other students at the University of Helsinki and to other members of the university community.

As of autumn 1997, it will be possible to use the electronic-cash facility of the HYY Group smart card to pay for goods and services in all the Group's business locations, at the university's student libraries, and at the facilities of the Student Health Service Foundation in the Helsinki Metropolitan Area. The aim is to reduce the

need to handle small change and to speed up customer service. The card's dividend facility will secure a 2-5% dividend for the owner-customers (meaning all the members of the Student Union) and a 2% bonus for other registered regular customers. Dividend will accrue from any of the HYY Group companies and can be used in any HYY Group unit.

For the members of the Student Union, the HYY smart card will also replace the traditional Union card entitling the bearer to student discounts and other benefits. Incorporating the international ISIC card is also under discussion.

Collaboration at the University of Helsinki has been started with units interested in devel-

oping their operations with the help of the HYY Group smart card, with the students' convenience as the main purpose. Right from the start, the HYY Group smart card will incorporate a student identification for use as a University of Helsinki library card, which in the future will facilitate student enrolment and other routine operations.

The HYY Group smart card is to become a functional form of service capable of adapting to change. This means that the card and the system behind it will be capable of compatibility with national smart card systems and have the ability to be updated in line with a pan-European smart card standard.



ANNUAL REPORT OF THE BOARD FOR 1996

HYY GROUP

FINANCIAL STATEMENTS ACCORDING TO IAS

REAL ESTATE DIVISION

Outline of operations

The competitive situation for renting office premises in the centre of Helsinki continued to be very intense in 1996, although unit rental rates bottomed out. There is still heavy oversupply on the market for office premises (there is approximately 400,000 square metres of unoccupied rental office space in Helsinki. Report by Huoneistomarkkinointi estate agents, autumn 1996). According to the strategic policy, no discounts have been given on unit rents in the Kaivopiha Building; instead, the rental considered correct in the long term has been retained with the aim of maintaining the average rental margin of the building and optimizing its long-term yield. The paid occupancy rate of office premises, excluding those being refurbished, was roughly 96%. The paid occupancy rate of shops and similar business premises was close to 100% throughout the year.

The rental level of the residential premises of Domus Academica, taking into account the central location and the condition of the various buildings, was similar to the overall state of the market for student housing. At the end of 1996, a unanimous decision was made by the Student Unions' delegates to sell Domus Academica A-building to the Foundation for Student Housing in the Helsinki Region (HOAS) for major renovation and further building. HOAS will keep the building as a student residence. The decision to sell was based on the strategic policy and the related division of work between the Student Union and its principal regulator, the foundation chiefly concerned with student housing, which it established in 1969 and which it will continue to oversee in the future. The income-recognized capital gain on the sale of the building was approximately FIM 3.1 million.

Financial result

The Real Estate Division's net sales in 1996 amounted to FIM 55.2 million (as against FIM 56.4 million in 1995), being down by approximately 2% on the previous year's figure. The profit after FIM 6.7 million in planned depreciation, FIM 0.4 million in dividends from subsidiaries, FIM 8.7 million in net interest, and FIM 3.1 million in capital gains booked as extraordinary income in the real estate income statement, was FIM 16.3 million. Indirect tax and real estate taxes amounted to FIM 4.0 million. The result was close to the targeted figure and stands up well in comparison with the real estate business, especially in view of the loss-making nature of service real estate resulting from the owner's frame of reference and the interest expenses arising from investment.

Prospects for development

The Real Estate Division's net sales target for 1997 is some FIM 56 million. The targeted profit before taxes is about FIM 20 million, including capital gain from the sale of a plot of land which will be recognized as income in 1997.

The goal during 1997 is to lease out most of the office premises currently unoccupied in the City Centre Property at a market rent in appropriate proportion to the lease period and investments. However, improvements in the capacity utilization rate resulting from the depreciation and interest from increased levels of investment will not make themselves felt as a substantial improvement in profitability during the next few years.

The residential premises in Domus Academica, as a centrally located student residence, have no great capacity utilization rate problems at current levels of rent and housing benefit. It is intended to continue the alteration and major renovation of the residential premises in Domus Academica. In respect of the Library Building, instead of the risk-free leasing enjoyed by the owner in previous years, it will probably be necessary in the future to operate on the basis of a leasing agreement with conventional building owner/investor business and financing risks, which will necessitate an adequate overall rental yield to cover the capital costs of the renovation and annual expenses of the Library Building that the tenant is likely to demand.

THE TRAVEL SUBGROUP

Outline of operations

The owner of the Group has approved a strategy of dynamic growth and development, launched in 1995, with the aim of reaching critical mass by the year 2000. In this connection, more modest profit levels were also accepted in advance for the 1995-96 period.

During the 1995-96 period, the network of branch offices in the Nordic countries and Germany was expanded by a third and a subsidiary was started in the Netherlands in 1996.

During 1996, the JAMES travel agency system was adopted as a core competence. The development and introduction of the system, together with the training phase the latter involved, were a major challenge.

Growth through the Travel Group's own marketing channel in the Nordic countries was approximately 21%. In Germany, net sales were down by roughly 9%. Business was only getting under way in the Netherlands. In Spain, net sales were up by 3%. Sales outside these areas, i.e., agency sales, were further reduced.

Roughly 70% of net sales consisted of products based on the Travel Group's own concept. Air tickets generated 86% of net sales. The Travel Group's own branch office network accounted for 94% of net sales.

Financial result

Net sales in Finnish marks amounted to FIM 655.2 million (FIM 574.2 million in 1995), representing an increase in net sales of approximately 14%.

Calculated according to the business principle of prudence, the Travel Group's profit after entries of income and expenses, planned depreciation amounting to FIM 9.5 million and net financing expenses of FIM 2.4 mil-

lion, was FIM 7.5 million before taxes (1995 3.2 million). Depreciation includes FIM 2.5 million in goodwill depreciation according to Finnish accounting conventions. FIM 3.9 million was booked in taxes. The book profit after taxes is FIM 3.6 million in the black (1995: FIM 1.6 million), of which the minority interest is FIM +0.1 million (1995: FIM -0.2 million).

Taken as a whole, the profit for 1996 was better than the targeted figure. An excellent trend in the Nordic countries would have led to an even better result if the reorganization of the German companies had progressed according to plan. Partly because of external market factors, but primarily due to internal factors, the financial result in Germany was unsatisfactory and restructuring action was intensified at the end of 1996. Also at the establishment stage was the Dutch company, which aims to go into business seriously in 1997, and which made a forecast loss.

According to the subgroup's Danish financial statements, KILROY travels' net sales in 1996 were approximately DKK 838.7 million. The profit before taxes and minority interest was DKK 13.2 million.

According to the subgroup's own financial statements, the shareholders' equity according to Finnish accounting and IAS conventions was FIM 47.3 million as at 31 December 1996 (1995: FIM 46.6 million), of which FIM 28.9 million was nonrestricted equity. On the basis of the net profit for 1995, a 20% dividend was paid in 1996.

Prospects for development

The Travel Group's target for net sales in 1997 is approximately FIM 770 million. The minimum targeted profit before Group depreciation, minority interest and taxes is approximately FIM 9 million.

In 1997, KILROY travels will concentrate on the full utilization of the personnel and information technology capabilities and the branch office network that have been the subjects of investment in recent years. The operational and organizational structure will be streamlined to correspond with and to guide the development of the market.

CATERING DIVISION

Outline of operations

For Oy UniCafe Ab, 1996 was a year of effort and qualitative change on the operational level. All personnel were trained in the new brand-name philosophy, and workgroups were initiated throughout the organization. The chain-based operating method was streamlined. During the year of business, a total of 1,513,642 student meals were sold, representing an increase of 17%. Roughly 354,000 other meals were sold. Sales by the café and party catering service were also up.

Of Oy Gaudeamus Ab's units, Ravintola Vanha's entertainments and renting out activities were at full capacity throughout 1996. The restaurant's capacity was sold out in practice, and it was the venue for 794 events in addition to normal restaurant business. Hostel Academica continued to operate in the D-building of

Domus Academica on Hietaniemenkatu. Its clientele consisted primarily of traditional holidaymakers, conference and sporting event visitors, and groups and families. The summertime occupancy rate was 84%.

Financial result

The Catering Division's net sales in 1996 totalled FIM 62.2 million (1995: FIM 54.3 million), up by almost 15% on the previous year. The profit after FIM 0.9 million in planned depreciation and FIM 0.8 million in net financing income was FIM 1.6 million in the black before accounting adjustments. As a whole, the division attained its profit targets set on principle.

The UniCafe restaurants did well against heavy competition in Helsinki. The Ravintola Vanha restaurant fell short of its profit targets although it substantially improved its profits compared with the previous year. The hostel's financial result was exceptionally good, as it had been the previous year.

Prospects for development

The Catering Division's net sales target for 1997 is approximately FIM 63 million. The targeted profit before taxes is approximately FIM 1 million.

UniCafe is continuing to build up a decisive distinction in competitive advantages over its competitors in the long term. Product concepts are being updated. The price/quality ratio is being further improved. Other added values associated with the brand name are being reinforced. The cost-effectiveness of chain-based operations is being utilized. The profit level will remain at the reasonable level decreed by the owner in the long term.

Gaudeamus will concentrate on rationalizing the overall operations of the Old Student House and on making a healthy profit. Hostel business will continue along the established lines.

BOOK DIVISION

Outline of operations

In order to improve further bookstore operations, the Group's bookstores and stationery shops were organized into a standardized University Bookstore chain in spring 1996 with the aim of achieving a higher profile and thus to win larger market shares among institutes of tertiary education and throughout the Finnish education sector. The University Bookstore chain comprises five units, two at the University of Helsinki campus in the city centre, and one each at Viikki, Helsinki University of Technology and the University of Art and Design.

The publishing houses of the HYY Group, Gaudeamus Kirja and Otatiето, continued the successful operations of previous years, with Gaudeamus Kirja concentrating on literature related to philosophy and the social sciences, the environment and current affairs, while Otatiето focused on technology literature. In the course of 1996, 46 new titles and 30 reprints were published. In addition to this, Otatiето Oy's Educational Duplication Unit produced teaching materials for use at Helsinki University of Technology.

Financial result

The Book Division's net sales in 1996 were FIM 25.1 million (1995: also FIM 25.1 million). The loss after planned depreciation of FIM 0.7 million and net interest of FIM 0.4 million was FIM 0.3 million before accounting adjustments. The financial result was slightly below the approved target set in advance.

Prospects for development

The Book Division's targeted net sales for 1997 are approximately FIM 33 million. The targeted profit before Group depreciation, minority interest and taxes is roughly FIM 0.4 million.

In the course of 1997, the University Bookstore's operations will be further strengthened in its role as the bookstore for the university community.

Of the university publishing units, Gaudeamus Kirja maintained its operations at the established level of previous years. The Otatiето publishing house is still the leading publisher of technology literature in Finland.

PARENT COMPANY

Outline of operations

In 1996, the company provided internal services related to the financial administration of its owner (the Student Union) and its subsidiaries with the exception of the KILROY travels subgroup.

As a result of divestiture and other factors, internal services have adapted over the years to a radically reduced demand for services. The decentralization of companies in Finland was completed to the maximum extent possible in 1996 without interfering unduly with internal supervision and without causing additional expenses or losses.

The Group's internal bank, which is run by the company, seeks to handle not only financing but also to guide the business units' operations in such a way as to enable them in the long term to influence the trend in their cash flow and its impact on earnings.

Financial result

HYY Group Ltd's net sales in 1996 totalled FIM 9.5 million (1995: FIM 10.4 million). The profit after planned depreciation of FIM 0.8 million, net financing expenses of FIM 2.9 million, Group contributions of FIM 1.6 million posted to extraordinary items and direct tax of FIM 0.7 million was FIM 2.9 million in the black.

Prospects for development

The parent company's net sales target for 1997 is approximately FIM 9.5 million. The supply and demand for centrally provided services this year will be on a par with last year's figures.

As a completed project, the parent company is responsible for the investment phase of the Group's dividend system/smart card project that got under way in 1996. Starting in autumn 1997, the parent company will administer on a centralized basis the joint management and clearing system required for the dividend system.

This will be done as part of the parent company's internal services.

THE WHOLE GROUP

The HYY Group's net sales in 1996 totalled FIM 798.3 million (1995: FIM 710.8 million), representing growth of roughly 12% on the previous year. The profit after FIM 16.1 million in depreciation on fixed assets and other long-term expenses, FIM 3.6 million in goodwill depreciation, FIM 3.4 million in net financing expenses, FIM 0.9 million in reserves disbursed for statutory and tax reasons, FIM 8.7 million in direct taxes, and FIM +0.2 million in minority interest, was FIM 14.7 million in the black (1995: FIM 13.4 million).

INVESTMENTS

Gross investment by division:

FIM million	1996
Real Estate Division	6.0 million
Travel subgroup	10.0 million
Catering Division	1.4 million
Book Division	0.9 million
Parent company	6.7 million
	<hr/>
	25.0 million

Capital expenditure on real estate focused largely on the renovation of office premises, as was the case in the previous year. Certain essential replacement investments were also made. Investments by other companies, including the Travel Division, chiefly concerned information technology systems and related purchases of software and hardware. The parent company once again invested in the Group's Finnish section of data networks, and a new e-mail system is now up and running at all business locations.

The Group's net investments calculated on an accruals basis, after FIM 10.0 million in sales of fixed assets, are FIM 15.0 million.

FINANCING

The cash flow generated by the Group's actual business operations was FIM 41 million in surplus. The cash flow financing fully covered the Group's cash-basis net investments at FIM 16 million, purchases of securities included in fixed and financial assets at FIM 7 million net, and approximately FIM 13 million in dividend paid to the Student Union's contingency fund.

The Group's domestic financing was managed on a centralized basis by the parent company's internal bank.

FIM 16 million was paid in instalments on the Group's long-term liabilities in accordance with the payment schedule, and FIM 18 million in debt was refinanced at lower interest rates. FIM 41 million in new debt was borrowed. The financial account limit used by the Group was reduced by FIM 6 million. The financial account limit used was FIM 1 million as at 31 December 1996. The reduction in the Group's other

long-term liabilities in the balance sheet is due to a redefinition and a change in accounting conventions, amounting to FIM 7 million, between the Student Union and the Group's internal bank.

A FIM 2 million increase in quasi-equity financing is associated with the start-up of KILROY travels Netherlands B.V.

The average weighted effective interest rate on loans of the Group's domestic section was 5.6% in 1996 (1995: 8.1%).

ECOLOGICAL STANDARDS FOR OPERATIONS

An Econet, started at the beginning of the year to support the line organization, was responsible for the implementation of the Group's environmental action. The Econet has eight members from the Group's various divisions and it is chaired by the Group's Environmental Coordinator. As one of its first jobs, the Econet is attending to the administrative approval of the environmental programme within the Group as well as its publication in the abbreviated form of a booklet. The Econet has also set guidelines for staff incentives and arranged an awards ceremony for ecological work in the Group. Communications on environmental work were streamlined by collaboration with the Group's communications department.

Environmental work in the units continued largely along the lines of previous years. On 1 January 1996, public waste management regulations came into force in the Helsinki Metropolitan Area. In particular, the sorting of wastepaper required new, more specific

instructions. Accordingly, the Econet drew up sorting guidelines for the units and for tenants in the Student Union's buildings, and the guidelines, together with paper banks, were distributed to the Group's offices. The Student Union's buildings increased the number of different waste collection banks at its sorting centre. At UniCafe, colourful biowaste instructions were produced to inform the customers. The Book Division began to standardize the presentation of ecological products on sale in the University Bookstore chain. In Gaudeamus, Hostel Academica had, for the first summer, five eco-rooms in which customers could sort their domestic waste.

PERSONNEL

The HYY Group had an average of 551 employees during the year under review (1995: 501). The increase in the payroll was due to the expansion of UniCafe operations in Finland and to the increase in the number of KILROY locations in the Nordic countries.

Trend in personnel by division:

	1996	1995
DIVISION		
Real Estate Division	15	15
Travel Group	306	274
Catering Division	179	165
Book Division	31	27
Parent company HYY Group Ltd	20	20
Total for Group	551	501

IAS

COMPARISON OF FINNISH FINANCIAL STATEMENTS AND IAS

	1996	1995
Net profit for year in Finnish financial statements	14,674,813	13,369,622
Untaxed reserves	(926,156)	(3,118,012)
Previously booked pension expenses	479,139	537,612
Unrealized gains/losses on exchange rate, proportion for accounting period	1,102,124	2,736,114
Previous year's tax rectification	-	(989,040)
Net profit for year according to IAS	15,329,920	12,536,296
Shareholders' equity in Finnish financial statements	28,532,669	26,211,557
Unrealized losses/gains on exchange rates	(1,932,377)	(3,034,501)
Pension liability	(6,027,536)	(6,506,675)
Untaxed reserves	1,016,067	1,942,224
Shareholders' equity according to IAS	21,588,823	18,612,605

(Negative figures are in brackets)

HYY GROUP

INCOME STATEMENT

	1996	1995
Net sales	802,815,296	711,930,416
Expenses	(776,723,551)	(689,598,760)
Operating profit	26,091,745	22,331,656
Share of affiliated companies' profits	82,977	50,137
Financing income and expenses	(2,344,011)	(2,140,540)
Profit before taxes and minority interest	23,830,711	20,241,253
Taxes	(8,670,235)	(7,537,267)
Minority interest	169,444	(167,690)
Net profit for the year	15,329,920	12,536,296

(Negative figures are in brackets)

BALANCE SHEET

	1996	1995
Fixed assets and other long-term expenditure		
Material fixed assets	147,475,403	150,182,757
Stocks and shares, goodwill, immaterial rights and other long-term expenditure	25,486,456	28,807,792
Long-term loans receivable	4,484,721	4,456,016
	177,446,580	183,552,565
Inventory and financial assets		
Inventory	8,050,499	6,567,383
Receivables and advance payments	26,014,966	32,430,270
Cash and bank	111,003,513	103,480,953
Other liquid assets	13,322,154	1,924,618
	158,391,132	144,403,224
Current liabilities		
Advance payments and deferred liabilities	99,662,859	75,641,454
Instalments on long-term loans	14,503,550	14,701,532
Other short-term debts	66,749,059	79,447,354
	180,915,468	169,790,340
Net working capital	(22,524,336)	(25,387,116)
	154,922,244	158,165,449
Shareholders' equity	21,588,823	18,612,605
Minority interest	6,081,713	5,338,873
Long-term liabilities	127,251,708	134,213,971
	154,922,244	158,165,449

(Negative figures are in brackets)

CASH FLOW STATEMENT

(FIM 1,000)	1996	1995
ORDINARY OPERATIONS		
Cash inflow:		
From sales	808,630	700,788
Cash payments:		
Purchases	(598,074)	(505,980)
Wages and salaries	(95,017)	(85,108)
Other expenses	(64,633)	(56,755)
Interest	(4,341)	(4,667)
Taxes	(5,443)	(7,333)
	(767,510)	(659,843)
Net cash flow from ordinary operations	41,120	40,945
INVESTMENT		
Income from sale of operations	77	116
Investment loans, decrease	0	50
Income from sale of affiliated companies	(4,318)	(2,189)
Investment in subsidiaries	0	0
Investment in fixed assets	(12,102)	(27,227)
Net cash flow from investment	(16,343)	(29,250)
FINANCING		
Long-term liabilities, decrease	2,255	(11,007)
Quasi-equity financing, increase	1,776	300
Loans receivable and deposits, change	(375)	6 324
Income from sale of share investments	49	245
Securities included in fixed and financial assets, change	(7,480)	6,627
Dividends received	44	7
Dividends from affiliated companies	47	40
Dividends paid to minority shareholders	(290)	(998)
Dividends paid	(12,843)	(12,025)
Net cash flow from financing	(16,858)	(10 ,487)
Net change in cash assets	7,919	1,208
Cash assets on 1 January	103,480	101,128
Effect of exchange rate fluctuation	(395)	988
Effect of change in Group structure	0	156
Cash assets on 31 December	<u>111,003</u>	<u>103,480</u>

(Negative figures are in brackets)

ACCOUNTING CONVENTIONS

Scope

The consolidated financial statements of the Group include, in addition to the real estate owned by the Student Union of Helsinki University, the companies in which the parent organization directly or indirectly has over 50% of the voting rights.

All companies in which the direct or indirect shareholding of the parent organization is 20 to 50% are considered affiliated companies. However, the affiliated real estate companies have been excluded from the consolidated financial statements, because they have no effect on the Group's net profit and shareholders' equity.

Accounting conventions

The consolidated financial statements are given in Finnish marks, and they are based on the original acquisition costs. The book value based on the acquisition cost has been adjusted to the current market value, when necessary.

The financial statements have been prepared using acquisition accounting. Part of the difference between the subsidiaries' acquisition value and the balance sheet value at the time of the acquisition is presented in the fixed assets items, and the rest is shown as goodwill on which straight-line depreciation has been applied over five years. The proportion of the affiliated companies in the result is based on the equity method.

Intra-Group business transactions have been eliminated, and intercompany receivables and payables have been deducted in connection with relevant balance-sheet items.

Foreign currency translation

Foreign financial statements, receivables and payables denominated in foreign currency have been translated into Finnish marks according to the closing date rate.

The exchange rate gain generated by the translation of the share capital and nonrestricted equity has been netted out against the unrealized exchange rate losses of the corresponding loans. The unrealized exchange rate differences related to financing have been entered under the financing items of the income statement.

Net sales

The net sales comprise the sales revenue from products and services plus the earnings from rents from real

estate and usage charges, minus indirect taxes on sales and other adjustment items. The net sales include revenue from the disposal of fixed assets.

Cover for pensions and pension liabilities

The pensions and additional benefits of all the employees has been attended to through outside insurance companies. The parent organization's pension liability for employees already retired has been booked under long-term liabilities. The reduction in the pension liability has been entered in the income statement by crediting personnel expenses.

Valuation of inventories

The weighted average price or the probable selling price, whichever is the lower, has been used in the valuation of inventories. In the case of own production the price includes the direct labour and raw material cost arising from the production.

Valuation and matching of fixed assets

The values of fixed assets are based on the original acquisition prices. A depreciation plan has been used to calculate the depreciation on fixed assets. The depreciation periods based on the estimated useful lives are as follows:

Buildings and structures	25 - 40 years
Machinery and equipment of buildings	10 - 15 years
Equipment and furniture	2 - 5 years
Goodwill	5 years
Other intangible fixed assets	2 - 10 years

The value of land is nondepreciable.

Untaxed reserves

Finnish tax legislation permits a reduction in taxable income by allocating various reserves in the financial statements. The net profit in accordance with IAS has been calculated before the change in the specified reserves. These reserves are shown in the balance sheet as part of the shareholders' equity.

Deferred tax liability

A tax reserve has to be made according to the tax rate prevailing at the end of the accounting period in order to take into account the deferred tax liability. The tax liability contained in the reserves made is not materially significant, and running down the reserves will not affect tax liability.

NOTES TO THE INCOME STATEMENT
AND BALANCE SHEET (IAS)

	1996	1995
FIM 1,000		
Net sales by division		
Real Estate Division	58,305	56,447
Travel Group	655,632	574,160
Catering Division	62,351	54,302
Book Division	25,708	25,601
Others	819	846
	802,815	710,816
Expenses		
Expenses comprise the following items:		
Materials and supplies	582,352	517,386
Personnel expenses	93,492	85,263
Depreciation	19,680	16,694
Other expenses	82,764	70,704
Change in inventory	(1,565)	(448)
	776,723	689,599
Financing income and expenses		
Interest income	6,273	6,848
Interest expenses	(8,368)	(10,213)
Other financing income/expenses	(249)	1,225
	(2,344)	(2,140)

Taxes

The taxes in the income statement include corporate and other similar income taxes as well as real estate taxes that substitute for income tax. The tax liability included in the reserves will not fall due for payment in the future because they can be disbursed without tax implications.

	1996	1995
Fixed assets and depreciation		
Original acquisition price	8,795	9,759
Buildings and structures	189,718	189,023
Machinery and equipment for buildings	20,451	19,764
Machinery and equipment	62,909	54,988
Stocks and shares	7,228	11,913
Other tangible fixed assets	144	52
Other intangible fixed assets	15,143	11,982
Goodwill	322,173	312,305
Accumulated depreciation		
Buildings and structures	80,435	76,621
Machinery and equipment for buildings	15,471	13,889
Machinery and equipment	38,634	32,894
Other intangible fixed assets	6,775	5,115
Goodwill	149,210	133,315
Book value		
Land areas	8,795	9,759
Buildings and structures	109,283	112,402
Machinery and equipment for buildings	4,980	5,875
Machinery and equipment	24,275	22,094
Stocks and shares	7,228	11,913
Other tangible fixed assets	144	52
Other intangible fixed assets	8,368	6,867
Goodwill	9,890	10,028
	172,963	178,990
Untaxed reserves included in shareholders' equity		
Transition reserve	0	377
Accumulated difference between overall and planned depreciation	1,016	1,565
	1,016	1,942

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET (IAS)

	1996	1995
Long-term liabilities		
Loans from financial institutions	67,226	54,134
Foreign currency-denominated loans taken in Finland	26,511	32,534
Pension loans	26,079	36,169
Other long-term debt	29,177	26,293
	148,993	149,130
Instalments on loans	(21,741)	(14,916)
	127,252	134,214

Repayment schedule for long-term liabilities FIM 1,000

	1997	1998	1999-2001	2002->
Loans from financial institutions	7,147	5,508	26,992	26,097
Currency loans	5,531	4,487	16,493	0
Pension loans	1,826	1,698	4,413	18,143
Other loans	7,238	149	86	820
	21,741	11,841	58,347	45,821

The interest on loans denominated in Finnish marks is either based on the Bank of Finland's base rate or on a market rate of interest. The interest on currency loans is either fixed or a floating rate. The rate for pension loans is set in a decree issued by the Finnish government. At the end of 1996, the rate was 6%. In 1996, the average effective interest rate in Finland was 5.6%. mortgages and guarantees securing loans amounted to FIM 177.7 million.

Contingent liabilities

There were no guarantees related to operations. Guarantees given on behalf of other parties amounted to FIM 0.2 million.




	1996	1995
Shareholders' equity		
At start of period	18,613	20,936
Dividends to minority shareholders	(290)	(1,114)
Distribution of profit	(12,843)	(12,025)
Adjustments of goodwill	542	
Exchange rate fluctuation	237	584
Adjustment of previous years' profits		(1,136)
Net profit for the year	15,330	12,536
At year-end	21,589	18,613

THE SIGNATURES OF THE BOARD OF DIRECTORS AND THE PRESIDENT

Helsinki, 25 March 1997

  
Kimmo Kivelä Johanna Haltia Petteri Huovinen

  
Esa Iivonen Antti Kahri Otto Lehtipuu

  
Hannu Liekso Tatu Rauhamäki Minna Romppanen

  
Rabbe Sittnikow Vesa Syrjä Harri Tanhuanpää

  
Mika Ihamuotila Martti Johansson Pentti Laaksonen


Tapio Kiiskinen
President and CEO

REPORT OF THE AUDITORS

We have reviewed the accounts of HYY Group. These accounts have been adapted from the Company's consolidated statutory accounts, which have been prepared in accordance with Finnish accounting practice.

Helsinki 9 April 1997

In our opinion the accounting policies used in this adaptation are in accordance with International Accounting Standards (IAS).

KPMG WIDERI OY AB



Reino Tikkanen
Authorized Public Accountant

THE OWNER OF THE GROUP

The Student Union of the University of Helsinki was founded in 1868. Today, the Union has over 30,000 members. The members of the Union are studying for Bachelor's or Master's degrees at the University of Helsinki. Postgraduate students are also eligible to join the Union.



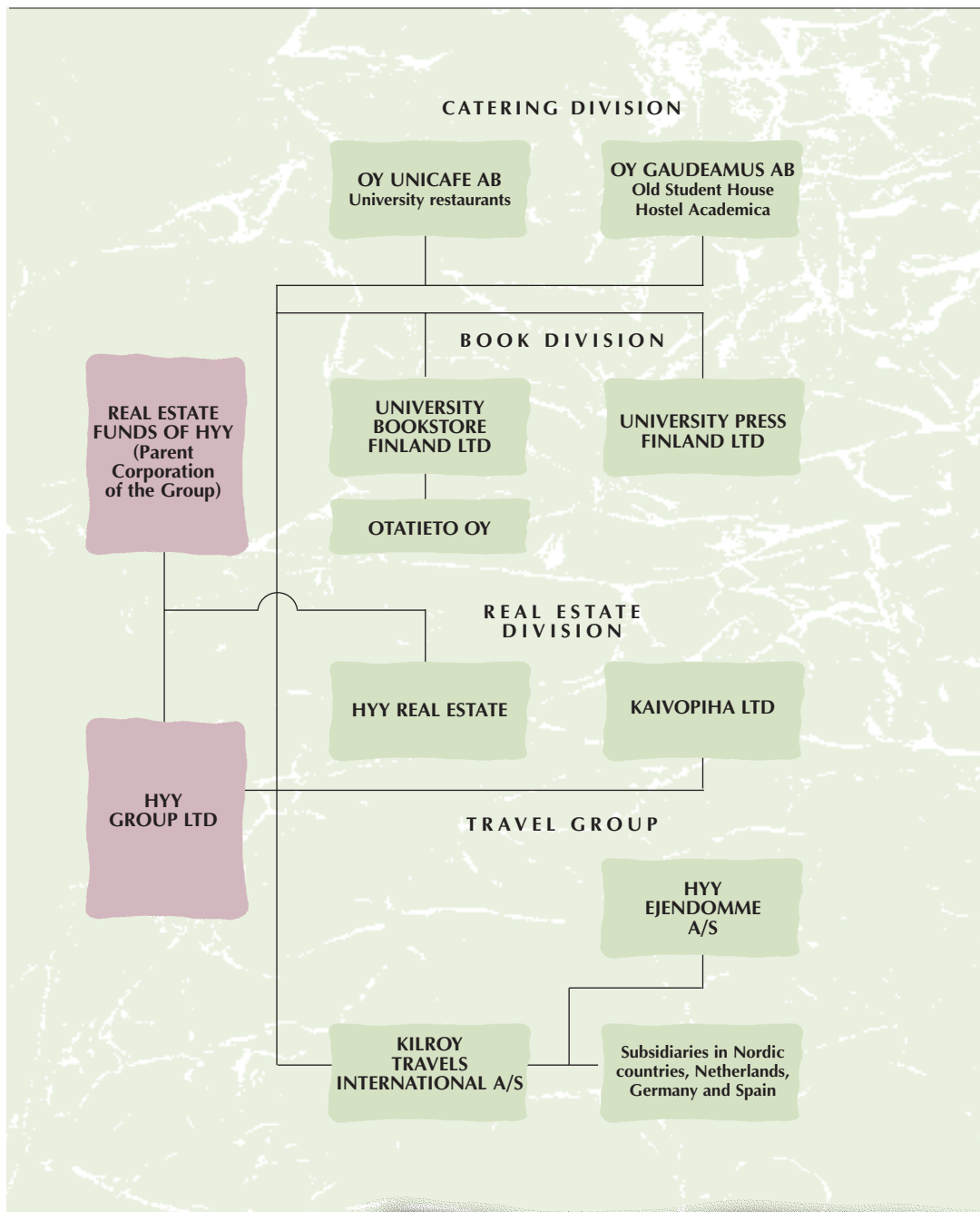
The Union lobbies on behalf of the students' interests and provides its members with a wide range of services. It also serves more than 200 organizations operating within its sphere of influence. The Student Union charges a membership fee which entitles the member to a personal Union card. The Union card entitles the bearer to reductions on public transport, in theatres and from a number of companies. The Student Union's own membership services include subsidized meals, free legal aid, short-term emergency loans, a subscription to the Ylioppilaslehti student magazine, and a student diary. The Student Union finances its operations with its membership fees and with the profits distributed by its business operations.

The Student Union's first building of its own, the Old Student House, was completed in 1870 and the next, the New Student House, followed in 1910. Today these premises are an integral part of central Helsinki along with the commercial buildings constructed in the 1950s and 1980s. The Student Union also owns other commercial, educational and residential properties as well as shares in cooperative housing.

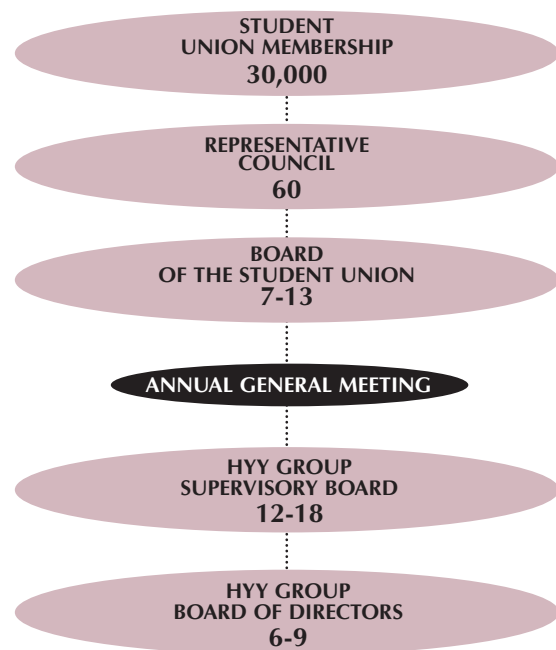
Supreme authority in the Student Union is wielded by a

Representative Council of 60 delegates elected every two years. The Council elects the Board of the Student Union, which in turn appoints the HYY Group's Supervisory Board and Board of Directors.

In April 1997, a long-prepared for and unanimously agreed on reform of the HYY Group's owner administration was implemented. A new body was set up, the Group's Supervisory Board, which took over some of the tasks of the Representative Council of the Student Union. Also, the number of members on the Board of Directors was lowered and their statutory rotation was reduced, and the Finance Committee of the Board of the Student Union dealing with the Union's financial affairs was separated from the Group's Board of Directors.



10 April 1997



The Owner of the Group

ADMINISTRATION, 1 APRIL 1997

REPRESENTATIVE COUNCIL OF THE STUDENT UNION

Chairman of the Student
Union
Jaakko Hietala

Deputy Chairpersons
Sari Sarkomaa
Mikko Myller

Members
60 members of the Student
Union, elected at a general
election for a two-year term

BOARD OF THE STUDENT UNION

Chairperson
Pia Majonen
Deputy Chairman
Kari Kesseli

Members:
Tommi Björklund
Harri Hiekkänen
Annika Holmström
Petteri Huovinen
Sami Hyryläinen
Kimmo Kivelä
Heli Lantta
Kimmo Luoma
Ida Mielityinen
Visa Paajanen
Minna Vierikko

Secretary General of the
Student Union
Janne Laine

SHAREHOLDERS' COMMITTEE OF SUBGROUP

KILROY travels International
A/S

Chairman
Harri Tanhuanpää

Members
Antti Kahri
Janne Laine
Hannu Liekso
Mikko Myller
Magnus Fors
Odd Wilhelmsen
Bernhard A. Petersen
Lone Lund—Rasmussen

Personnel representatives
Merete Thaysen
Tuija Kuha
Peter Kruger
Lone Christensen
Christine Friis
Christina Quick

BOARDS OF

DIRECTORS

1 APRIL 1997

BOARD OF DIRECTORS OF THE HYY GROUP

Chairman
Kimmo Kivelä
Deputy Chairman,
Otto Lehtipuu

Members
Johanna Haltia
Petteri Huovinen
Esa Iivonen
Antti Kahri
Hannu Liekso
Tatu Rauhamäki
Minna Romppanen
Rabbe Sittnikow
Vesa Syrjä
Harri Tanhuanpää

Professional members
Mika Ihamuotila
Martti Johansson
Pentti Laaksonen

Personnel representative
Kaisa Siitonen

BOARD OF DIRECTORS OF KILROY travels International A/S

Chairman
Tapio Kiiskinen
Deputy Chairman
Linnea Meder

Members
Gerner Andersen
Kurt Skovlund
Tatu Rauhamäki

Personnel representative
Christine Friis



Board of Directors of the
HYY Group

HYY GROUP EXECUTIVE MANAGEMENT, 1 APRIL 1997

HYY GROUP	REAL ESTATE DIVISION	TRAVEL GROUP
<p>Tapio Kiiskinen President and Chief Executive Officer Chairman of the Board of Directors, Travel Group and Book Division Finance Director of the Student Union</p> <p>Linnea Meder First Vice-president of the HYY Group HYY Group Ltd Oy UniCafe Ab Oy Gaudeamus Ab Corporate Finance and Internal Auditing</p>	<p>Yrjö Herva Director Kaivopiha Ltd Student Union's real estate</p> <p>Jukka Leinonen Assistant Director Technical and building superintendent operations</p> <p>CATERING DIVISION</p> <p>Marjo Berglund Assistant Director Oy UniCafe Ab Oy Gaudeamus Ab</p> <p>Liisa Lehtinen Assistant Director Oy UniCafe Ab</p> <p>BOOK DIVISION</p> <p>Aila Santanen Managing Director of the Book Division Oy Yliopistokustannus University Press Finland Ltd Oy Yliopistokirjakauppa University Bookstore Finland Ltd Otatieto Oy</p>	<p>Børge Faaborg Managing Director and Chief Executive Officer of KILROY travels International A/S Managing Director of HYY Ejendomme A/S</p> <p>Claus H. Madsen Director of Finance KILROY travels International A/S</p> <p>Dagmar Thomsén Director of Commercial Services KILROY travels International A/S and Managing Director of KILROY travels Netherlands B.V.</p> <p>Claus H. Hejlesen Managing Director KILROY travels Germany GmbH and Managing Director KILROY travels Denmark A/S</p> <p>Leena Dahl-Mäkinen Managing Director Oy KILROY travels Finland Ab</p> <p>Siri-Lill Stensby Managing Director KILROY travels Norway A/S</p> <p>Monica Murphy Managing Director KILROY travels Sweden AB</p> <p>Luis Almonacid Managing Director KILROY travels Spain S.A.</p>

AUDITORS

REAL ESTATE DIVISION • BOOK DIVISION • CATERING DIVISION • HYY GROUP LTD
KPMG Wideri Oy Ab

TRAVEL SUBGROUP KILROY TRAVELS INTERNATIONAL A/S
KPMG C. Jespersen, KPMG Wideri Oy Ab

BUSINESS LOCATIONS

REAL ESTATE DIVISION

KAIVOPIHA OY
City Real Estate Kaivopiha
PO Box 1099, Mannerheimintie 5 C
FIN-00101 HELSINKI
Tel. +358-9-1311 4250
Fax +358-9-1311 4306
www.kaivopiha.fi

Kaivopiha Service Office
Kaivotalo, Kaivokatu 10 C
FIN-00100 HELSINKI
Tel. +358-9-1311 4250
Fax +358-9-601020

Domus Academica Dormitory Office
PL 1099, Mannerheimintie 5 C
FIN-00101 HELSINKI
Tel. +358-9-1311 4258
Fax +358-9-1311 4306
www.hyy.fi/domus

HYY Ejendom AS
Skindergade 28
DK-1159 COPENHAGEN K

TRAVEL GROUP

KILROY travels International A/S

Head Office
Knabrostaede 8
DK-1210, COPENHAGEN K
Tel. +45-33-480 700
Fax +45-33-480 777

KILROY travels Denmark A/S

Skindergade 28
DK-1159 COPENHAGEN K
Tel. +45-33-110 044
Fax +45-33-323 269

Lyngby Torv 6
DK-2800 LYNGBY
Tel. +45-45-887 888
Fax +45-45-887 398

Pantheonsgade 7
DK-5000 ODENSE C
Tel. +45-66-177 780
Fax +45-66-179 872

Fredensgade 40
DK-8100 AARHUS C
Tel. +45-86-201 144
Fax +45-86-202 205

Østeraagade 23
DK-9000 AALBORG
Tel. +45-99-35 11 00
Fax + 45-98-11 1497

OY KILROY travels Finland AB

Kaivokatu 10 D
FIN-00100 HELSINKI
Tel. +358-9-680 7811
Fax +358-9-651 528

Tuomiokirkonkatu 36
FIN-33100 TAMPERE
Tel. +358-3-223 0995
Fax +358-3-222 1338

Eerikinkatu 2
FIN-20100 TURKU
Tel. +358-2-273 7500
Fax +358-2-273 7540

Pakkahuoneenkatu 8
FIN-90100 OULU
Tel. +358-8-372 720
Fax +358-8-379 615

KILROY travels Germany GmbH

Head Office
Hardenbergstrasse 9
(Charlottenburg)
D-106 23 BERLIN
Tel. +49-30-310 0040
Fax +49-30-312 6975

KILROY travels Germany, Reisen für Jugendliche und Studenten GmbH

August-Bebel-Str. 5
D-04275 LEIPZIG
Tel. +49-341-303 090
Fax +49-341-303 0930

Augustusplatz 9
D-04109 LEIPZIG
Tel. +49-341-211 4240
Fax +49-341-960 5152

Ernst Lehmannstr. 19
D-391 06 MAGDEBURG
Tel. +49-391-561 9589
Fax +49-391-561 9699

Zellescher Weg 21
D-01217 DRESDEN
Tel. +49-351-4720 864
Fax +49-351-472 0866

KILROY travels Germany - ARTU Berliner Gesellschaft für Studenten- und Jugendreisen mbH

Hardenbergstrasse 9
(Charlottenburg)
D-106 23 BERLIN
Tel. +49-30-310 0040
Fax +49-30-312 6975

Georgenstrasse
(Mitte)
D-10117 BERLIN
Tel. +49-30-2016 5900
Fax +49-30-204 3724

Takustrasse 47
(Dahlem)
D-141 95 BERLIN
Tel. +49-30-831 5094
Fax +49-30-832 5376

Nollendorfplatz 7
(Schöneberg)
D-10777 BERLIN
Tel. +49-30-216 3091
Fax +49-30-215 9221

KILROY travels Netherlands BV

Singel 413-415
NL-1012 WP AMSTERDAM
Tel. +31-20-524 5100
Fax +31-20-524 5151

KILROY travels Norway A/S

Nedre Slottsgate 23
N-0157 OSLO
Tel. +47-23-102 310
Fax +47-22-332 102

Universitetssentret
Box 54, Blindern
N-0313 OSLO
Tel. +47-22-853 240
Fax +47-22-853 239

Parkveien 1
BOX 113, Studiesentret
N-5027 BERGEN
Tel. +47-55-326 400
Fax +47-55-328 866

Breigata 11
N-4006 STAVANGER
Tel. +47-51-89 5550
Fax +47-51-89 5225

Jomfrugata 1
N-7011 TRONDHEIM
Tel. +47-73-502 290
Fax +47-73-502 294

KILROY travels Spain SA

Hilarion Eslava 18
E-28015 MADRID
Tel. +34-1-544 7021
Fax +34-1-544 1345

KILROY travels Sweden AB

Box 7144, Kungsgatan 4
S-103 87 STOCKHOLM
Tel. +46-8-234 515
Fax +46-8-101 693

Universitetsvägen 9
(Allhuset, Frescati), Box 50004
S-104 05 STOCKHOLM
Tel. +46-8-160 515
Fax +46-8-153 321

Berzeliigatan 5
S-412 53 GOTHENBURG
Tel. +46-31-200 860
Fax +46-31-164 739

Klostergatan 14
S-222 22 LUND
Tel. +46-46-151 210
Fax +46-46-188 330

Engelbrektsgratan 18
S-211 33 MALMÖ

Bredgränd 3
S-75320 UPPSALA
Tel. +46-18-130 090
Fax + 46-18-130 095

BOOK DIVISION

Oy Yliopistokustannus University Press Finland Ltd

Publisher
Gaudeamus Kirja
PO Box 1099, Mannerheimintie 5 C,
7th floor
FIN-00101 HELSINKI
Tel. +358-9-1311 4280
Fax +358-9-1311 4317

Publisher
Otatieto
PO Box 1099, Mannerheimintie 5 C,
7th floor
FIN-00101 HELSINKI
Tel. +358-9-1411 4280
Fax +358-9-1311 4317

Oy Yliopistokirjakauppa University Bookstore Finland Ltd

University Bookstore Centre
Yliopistonkatu 5
FIN-00100 HELSINKI
Tel. +358-9-6689 2620
Fax +358-9-6689 2660
E-mail: yliopistokirja@hyy.fi
www.yliopistokirja.fi

University Bookstore Porthania
Yliopistonkatu 3
FIN-00100 HELSINKI
Tel. +358-9-622 3363
Fax +358-9-629 610

University Bookstore Viikki
University Departments in Viikki
FIN-00710 HELSINKI
Tel. +358-9-376 732
Fax +358-9-347 4660

University Bookstore
University of Art and Design
Hämeentie 135 D
FIN-00560 HELSINKI
Tel. +358-9-7563 0248
Fax +358-9-7563 0000

Otatieto Oy

University Bookstore Helsinki
University of Technology
Otakaari 1 F
FIN-02150 ESPOO
Tel. +358-9-468 2160
Fax +358-9-455 1312

Teaching handouts
Sähkömiehentie 3
FIN-02150 ESPOO
Tel. +358-9-468 3118
Fax +358-9-455 3020

CATERING DIVISION

Oy Unicafe Ab

Office
PO Box 1099, Mannerheimintie 5 C
FIN-00101 HELSINKI
Tel. +358-9-1311 4271
Fax +358-9-1311 4346
www.unicafe.fi

RESTAURANTS

Domus
Hietaniemenkatu 14
FIN-00100 HELSINKI
Tel. +358-9-454 3538

Eläinmuseo
Pohj. Rautatiekatu 13
FIN-00100 HELSINKI
Tel. +358-9-191 7407

Fysiikka
Siltavuorenpenger 20
FIN-00170 HELSINKI
Tel. +358-9-191 8322

Kasvitiede
Kaisaniemenranta 2
FIN-00170 HELSINKI
Tel. +358-9-191 8668

Kumpula
PO Box 55 (A.I. Virtasen aukio 1)
FIN-00014 HELSINKI
Tel. +358-9-1914 0109

Käsityö
Helsinginkatu 34
FIN-00530 HELSINKI
Tel. +358-9-191 7051

Ladonlukko
Latokartanonkaari 9, A-building
Viikki Departments
FIN-00710 HELSINKI
Tel. +358-9-708 5042

Meilahti
Haartmaninkatu 3
FIN-00290 HELSINKI
Tel. +358-9-421 8775

Metsätalo
Fabianinkatu 39
FIN-00170 HELSINKI
Tel. +358-9-622 4562
+358-9-191 7603

Nilsia
Nilsiankatu 3
FIN-00510 HELSINKI
Tel. +358-9-1914 0960

Opettajain kahvila
Ratakatu 6
FIN-00120 HELSINKI
Tel. +358-9-191 8108

Porthania
Yliopistonkatu 3
FIN-00100 HELSINKI
Tel. +358-9-622 4202
+358-9-1912 2558

Päärakennus
Fabianinkatu 33
FIN-00170 HELSINKI
Tel. +358-9-622 4563
+358-9-1912 2407

Ruskeasu
Kytösuoentie 9
FIN-00300 HELSINKI
Tel. +358-9-1912 7429

Tiedepuisto
Viikinkaari 9
FIN-00710 HELSINKI
Tel. +358-9-7085 9526

Vallila
Teollisuuskatu 23-25
FIN-00510 HELSINKI
Tel. +358-9-708 44291

Valtiotiede
Unioninkatu 37
FIN-00170 HELSINKI
Tel. +358-9-191 8836

Vuorikatu
Vuorikatu 20
FIN-00100 HELSINKI
Tel. +358-9-622 4369

Yliopiston kirjasto
Unioninkatu 36
FIN-00170 HELSINKI
Tel. +358-9-1912 2748

Oy Gaudeamus Ab

Ravintola Vanha
Mannerheimintie 3
FIN-00100 HELSINKI
Tel. +358-9-656 263 / Brasserie
+358-9-260 9223 / Office
Fax +358-9-1311 4236
www.vanha.fi

Hostel Academica
Hietaniemenkatu 14
FIN-00100 HELSINKI
Tel. +358-9-1311 4334
Fax +358-9-441 201
www.hyy.fi/hostel.htm

PARENT COMPANY

HYY Group Ltd

Group management and
internal services
PO Box 1099, Mannerheimintie 5 C
FIN-00101 HELSINKI
Tel. +358-9-1311 4225 / Number
information
Fax +358-9-131 14306
www.hyy.fi



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