



**H Y Y G r o u p**

**A n n u a l R e p o r t**

**1 9 9 7**



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MAAMME - LAULU  
VÅRT LAND  
150

#### Cover picture:

*Eero Järnefelt 1863 - 1937, Flora Festival 1848.*

*Owned by Signe och Ane Jyllenberg stiftelse Foundation.*


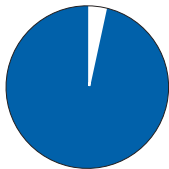

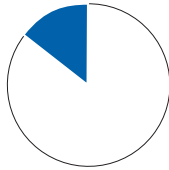

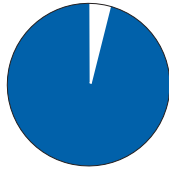

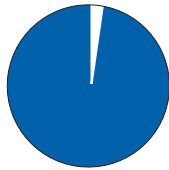
*The Finnish national anthem Our Land was sung in public for the first time at the Flora day celebration of Finnish students on May 1848.*

*The black-and-white photos convey the atmosphere at the 100<sup>th</sup> anniversary of the first singing of the Finnish national anthem, Our Land, in 1948.*

*The pictures on the back cover show the leading figures in the birth of the anthem: Fredrik Pacius, J.L. Runeberg, Fredrik Cygnaeus and Zachris Topelius.*

# Introduction to the HYY Group's Operations

The HYY Group consists of the real estate owned by the Student Union of the University of Helsinki plus the HYY Group Ltd. In terms of corporate operations, the Group is a multibusiness, international corporate group in the service sector.

Field of business	Unit	Operations	Locations	Share of Group net sales
<b>REAL ESTATE DIVISION</b> 	The Student Union's real estate	Commercial premises operations plus maintenance of business premises in support of the Student Union's mission.	The city centre property in the heart of Helsinki and the Leppäsuo property in the Kamppi district of Helsinki	 6%
	Kaivopiha Ltd	A company handling the management, leasing out and maintenance of the Student Union's buildings. The company owns individual commercial and residential suites.	Business location: Helsinki. Commercial and residential suites in Helsinki, Turku, Tampere, Jyväskylä and Oulu.	
<b>TRAVEL DIVISION</b> 	The KILROY travels subgroup	A major European student and youth travel agency.	Business locations in Finland (4), Sweden (7), Norway (7), Denmark (6), the Netherlands (1), Germany (5) and Spain (1).	 84%
<b>CATERING DIVISION</b> 	Oy UniCafe Ab	A restaurant chain providing lunches and café products, mainly for the students and staff of Helsinki University.	19 restaurants in Helsinki, mostly on university premises.	 7%
	Oy Gaudeamus Ab	A company producing restaurant, café and accommodation services and entertainments.	Restaurant Vanha and Hostel Academica, Helsinki	
<b>BOOK DIVISION</b> 	University Press Finland Ltd	Publisher of literature on the humanities, social sciences and technology.	Publishing houses Gaudeamus Kirja and Otatieto, Helsinki.	 3%
	University Bookstore Finland Ltd	Bookstore and stationery chain for the university community.	4 bookstore/stationery outlets in the Helsinki Metropolitan Area.	



*Our land, our land, our native land...*

## **Review by the President and CEO**

### **Profit target exceeded**

The operative profit target set for 1997 by the Group's owner, before taxes and accounting adjustments, including Group-level depreciation of goodwill, was approximately FIM 27 million. The actual, comparable profit for 1997 was approximately FIM 32 million. The profit was a distinct improvement on the previous year's figure.

A healthy trend in profits in both the principal divisions - Real Estate and Travel - was based to a marked extent on the strategic lines adopted and investments made in the early and middle years of this decade, which are now beginning to bear fruit. In no division was there a significant downturn in profits, although there were some minor setbacks prior to a revision of the operating policy.

### **Financial value added**

The Group has calculated the financial value added - a somewhat fashionable concept - to its owners in its reporting to the owner's administration for the past few years. When the accounting conventions are established and comparability is improved, this information can also be included in the annual report.

For the Group's most important division from the viewpoint of restricted equity, the Real Estate Division, the Group is now publishing for the third time the main changes in real estate capital values in an audited note to the financial statements. In 1997, the capital return of real estate, based on Finnish and international conventions, i.e., the positive change in value during the year, was some FIM 59 million. The total return from real estate in 1997,

comprising the income return from rental business and capital return calculated at capital values as at the beginning of 1997, was 12.7%.

### **Investments in real estate**

A renovation of the office facilities in the city centre property was largely completed during the year under review. A systematic programme of improvement in the commercial prospects of the building was launched during the year. Investments in the pedestrian underpass across Mannerheimintie, the main thoroughfare in central Helsinki will be completed during the current year along with a change in the business concept of Hansa House. The planning for other enhancements to the city centre property is proceeding in smooth cooperation with the city and with the neighbours. The Group's own investments in a major renovation have also begun in the Leppäsuo Property. More thoroughgoing commercial development is still dependent on the situation for planning permission in this district of Helsinki.

### **A challenging phase for the Travel Group**

In the Travel Group, the customers and needs are continuing to grow globally, in KILROY travels' market segment faster than the average for this industry. There will be significant changes in the technical structures of transacting business in the foreseeable future. The brand and added values will be of greater importance. KILROY has a challenging stage ahead of it in terms of management. The head start over leading competitors gained in recent years, particu-

larly through investment in information technology, will have to be exploited to its fullest extent in the years ahead. At the same time it is necessary to prepare, carefully but briskly, to move into a completely new stage. The HYY Group's parent organization has sufficient financial risk-taking capacity to handle KILROY's future development requirements even without bringing in new shareholders. The company's life cycle and its new stage of evolution may, however, justify a wider ownership and the dynamic use of the capital market.

### **Culture and competition in university communities**

The Book Division's publishing had a year of rising fame and prestige, and it was even praised for its cultural achievements. In financial terms, the profits are modest. However, its tireless persistence in the appreciation of quality and scientific substance has won enough of a response from paying customers to establish economic grounds for continuing in business.

The HYY Group embarked on bookstore business in the 1980s, making a splash in the marketplace. Competition, especially with imported scientific literature, failed to take root. The pricing and services were in accordance with this. The situation today has been totally transformed. In the traditional books business, competition over prices and service is a good thing for the customer. The recent shakeout will further stimulate this in the Helsinki Metropolitan Area and in university business. Electronic shopping is also excellently suited to selling books.

The University Bookstore has done its



housework and drawn its conclusions. The company will continue to concentrate - instead of on growth and bulk - on its genuine, permanent competitive advantages: its everyday presence in the lives of students and the rest of the university community.

The UniCafe company, together with its restaurants, competes within an open arena of competition with all the other major catering chains, and it gets no better financial benefits from its principals than its rivals. A competitive advantage in relation to its owner is that the parent company has refunded UniCafe's positive profit to it, with interest added, for almost a decade. In combination with the company's efficient operations, this has facilitated a lasting price advantage in competition. Since, to put it modestly, the quality of the products and services is at least as good as the competitors', only a shortage of suitable business premises has got in the way of faster growth.

### **Lightweight central administration**

It is important from the viewpoint of the Group's financial performance that the so-called central administration is kept as light as possible. The Group has few centralized functions other than those imposed by law. Even these usually take the form of a project or are dispersed in a network among the business units. Long-term benefits have been seen in centralizing internal banking services and their external money trading, as well as in registered regular customer systems.

### **An old owner with a fresh outlook**

The HYY Group's owner, the Student Union of the University of Helsinki, is 130 years old this year. Over the first 100 years, commercial operations consisted almost exclusively of real estate business. High-risk investments by different, bold generations using borrowed money. Financially marginal contributions to buildings used for social and cultural purposes have had an inspiring and encouraging impact in their time. However, the property obtained through the contributions has made a loss and continues to do so. The ownership of the donations and maintaining the activities related to them demand cash flow financing and successful business.

In the course of the past 30 years, the economic activities of the Student Union of the University of Helsinki have expanded into a multibusiness, international corporate operation. Showing the spirit of enterprise and taking reasonable risks. In external assessments commissioned by the Student Union as the owner, the success established by the HYY Group has been portrayed as moderate on average, even good or excellent at times and in certain sectors. The most recent assessment is the BAS rating, signed by three prestigious professors, which is referred to elsewhere in this annual report.

Especially in internationally profitable and desirable business, there is a chance of owner-related risks in addition to the ordinary risks of business life. It has been encouraging in the past few years to note that, in spite of the rotation in the owner's administration that is a natural part of an

organization of its kind, the Student Union as an owner has been able to act in a unified way, decisively and professionally to repel outside attempts to deflect the owner's decision-making process. In other respects too, the owner's decision-making has been invigorated since the system was reformed.

### **Prospects for the 1998 financial year**

KILROY travels' net sales are forecast to experience further growth ahead of the overall market's growth rate, and the net profit is also expected to improve.

Because of the high occupancy rate of the buildings, rental net sales will not grow substantially with the present portfolio of buildings. As a result of new and extended lease agreements, the net profit would improve and reach the peak levels of the late 1980s already in 1998 but for the drag on profits exerted by extensive renovations and alterations which will temporarily reduce rental income.

The combined financial result of the Catering and Book Divisions is forecast to be slightly in the black once again. Restructuring is being carried out in the Book Division, and this may reduce net sales but it is aimed at improving profitability.

The entire HYY Group's budgeted net sales for 1998 are roughly FIM 1.1 billion. The net profit is forecast to be on a par with the 1997 figure.

I thank our customers, personnel and owners for a good year in 1997.

Tapio Kiiskinen

# The HYY Group

## \*BAS rating

*“The HYY Group, as a corporation aggregate, is exceptionally sound financially and its risk status is good.”*

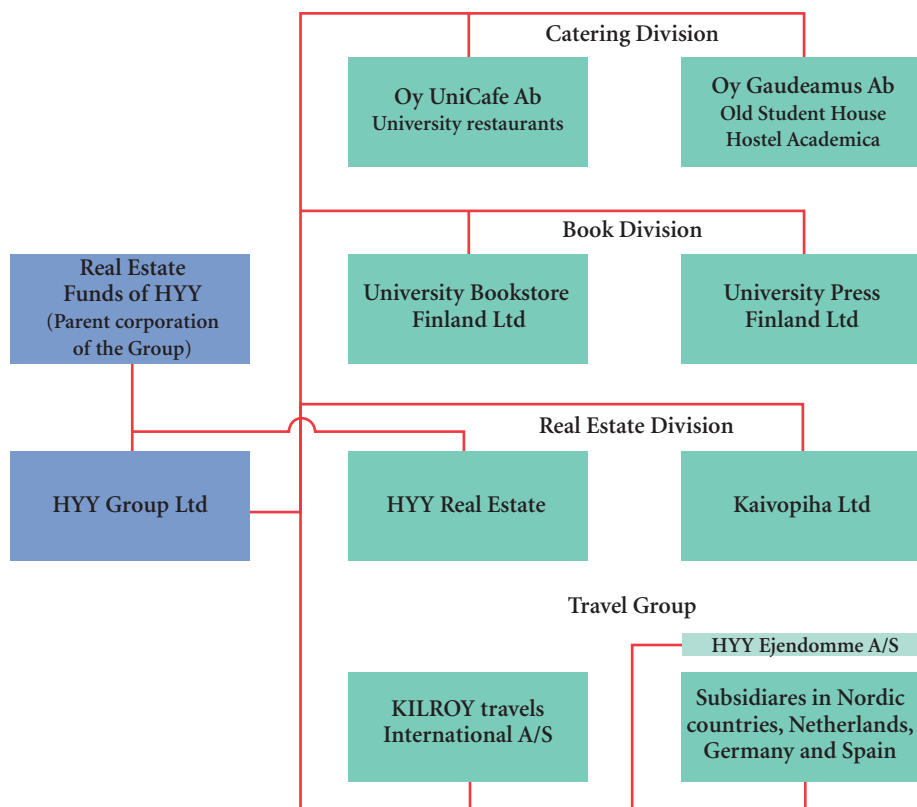
**T**he HYY Group’s net sales in 1997 were FIM 910.6 million. Net sales were up by 14%. Of the Group’s net sales, 29% was generated in Finland and 71% originated in the other Nordic countries, Germany, the Netherlands, Spain and other parts of Europe. The Group’s return on investment

was 18.2%. The profit before extraordinary items, appropriations and taxes amounted to FIM 28.1 million. The book profit was FIM 17.4 million.

The HYY Group will distribute FIM 13.0 million out of the 1997 net profit to the Student Union of Helsinki University. The HYY Group covered FIM

1.5 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 2.4 million to the members of the Student Union during the year in the form of supplementary price support for student meals.

## HYY Group



## \*Board Advisor Service

### **B.A.S. Oy:**

corporate rating for the HYY Group,  
29 October 1997.

Rating team:

Professor Arto Lahti

Professor Olli Martikainen

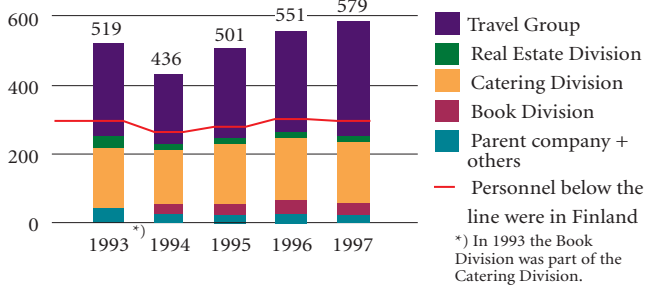
Professor Vesa Puttonen

# Information on the Personnel

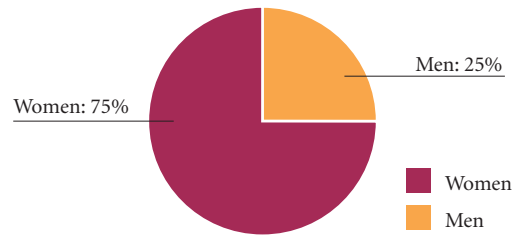
## Information on the management of the HYY Group

The average age of the HYY Group's management was 43. Of the directors, 8 were women and 8 were men. The average length of service of the directors in the Group was 12.3 years.

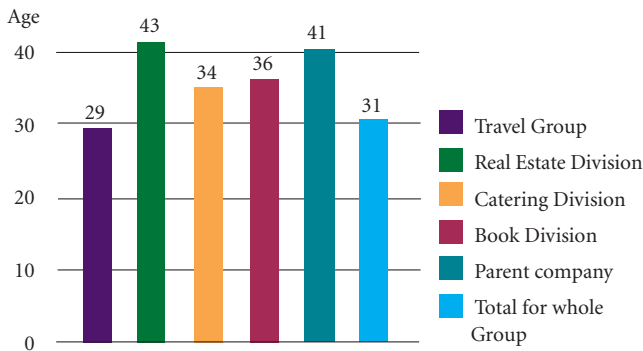
Average personnel in Finland/abroad 1993 - 1997



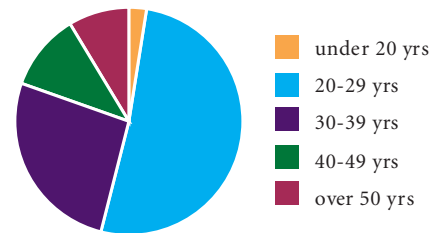
Distribution by gender, 31 December 1997  
(Including part-timers/hourly paid staff)



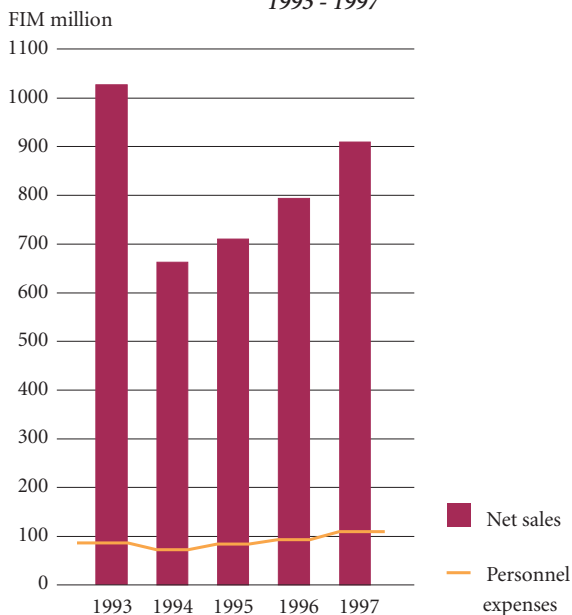
Average age of personnel, 31 December 1997  
(Including part-timers/hourly paid staff)



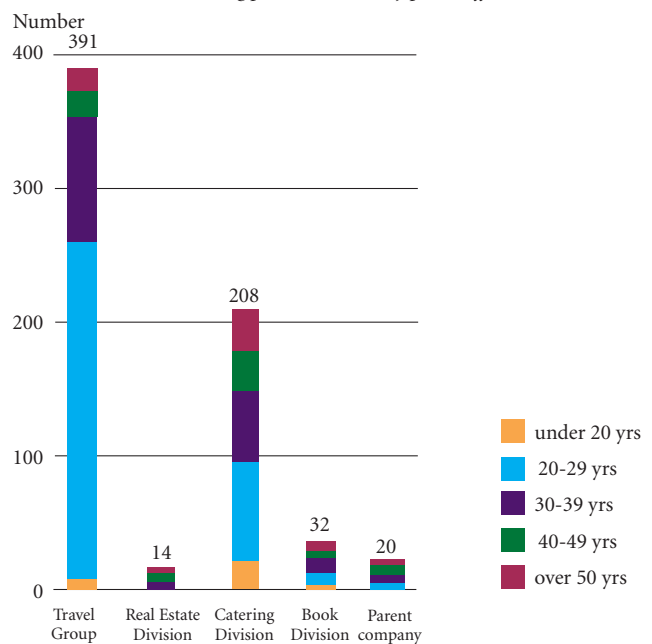
Distribution of personnel ages, 31 December 1997, whole Group  
(Including part-timers/hourly paid staff)



Trend in personnel expenses relative to trend in net sales, 1993 - 1997



Distribution of personnel ages by division, 31 December 1997  
(Including part-timers/hourly paid staff)



There were 110 part-timers/hourly paid staff, of whom KILROY travels employed 76. It is part of KILROY travels' business principles to employ students as part-time employees.

# Key Indicators

## 1993 - 1997

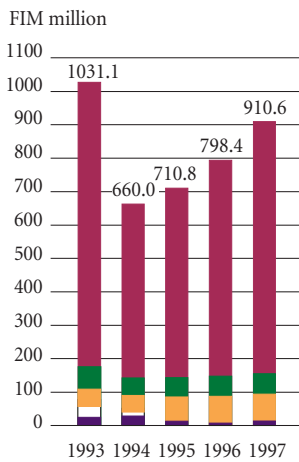
		1993	1994	1995	1996	1997
Turnover	FIM m	1030.1	660.0	710.8	798.4	910.6
Change	%	-3.4	-35.9	7.7	12.3	14.1
Personnel expenses	FIM m	92.4	73.3	85.8	93.5	104.1
Personnel expenses:net sales	%	9.0	11.1	12.1	11.7	11.4
Operating profit before depreciation	FIM m	52.9	54.4	38.5	45.3	48.5
Net earnings from operations <sup>1)</sup>	FIM m	23.2	30.7	17.0	22.2	28.1
Gross investments	FIM m	8.5	12.1	26.0	24.9	15.7
Gross investments: net sales	%	0.8	1.8	3.7	3.1	1.7
Balance sheet total	FIM m	353.9	312.2	331.3	337.9	363.3
Shareholders' equity	FIM m	18.5	28.7	26.2	28.5	45.9
Dividend payment to minority shareholders	FIM m	0.5	0.5	1.1	0.3	0.2
Distribution of profit to Student Union	FIM m	12.3	11.7	11.7	12.8	13.0
Direct distribution of profit. total	FIM m	12.8	12.2	12.9	13.1	13.2
Support for Student Union membership and activities at expense of Group profit	FIM m	6.9	6.3	5.7	4.0	3.9
Return on investment	%	21.3	25.7	17.2	17.1	18.2
Equity ratio at book values	%	6.5	14.4	11.2	11.6	18.2
Equity ration including potential revaluation of land areas	%	44.1	54.3	48.9	47.7	51.7
Return on equity if the revaluation is realized	%	10.5	12.7	8.3	8.0	8.6

<sup>1)</sup>Profit before extraordinary items, reserves and taxes

### Formulas for key indicators

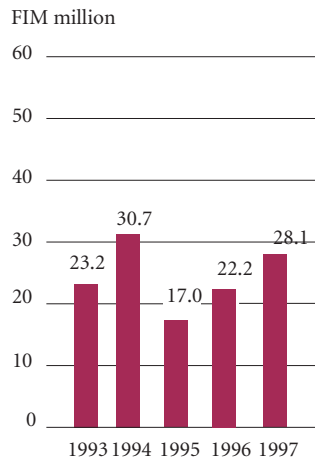
Overall result	Profit before extraordinary items, appropriations and taxes – taxes +/- exchange rate losses	The key indicators are calculated in accordance with the conventions renewed in 1995 by the Finnish Committee for Corporate Analysis.
Return on investment (ROI), %	$\frac{\text{Net profit} + \text{financing expenses} + \text{taxes} \times 100}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average)}}$	The capital value and the annual capital return of the main items of real estate have been calculated in accordance with the conventions of the Finnish Institute for Real Estate Economics.
Return on equity (ROE), % if revaluation of land areas is realized <sup>1)</sup>	$\frac{\text{Net profit} + \text{financing expenses} + \text{taxes} \times 100}{\text{Balance sheet total} + \text{revaluation contingency} - \text{Non-interest-bearing liabilities (average)}}$	<sup>1)</sup> Income return 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.
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 included, % <sup>2)</sup>	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{reserves} + \text{revaluation contingency} \times 100}{\text{Balance sheet total} - \text{advances received} + \text{revaluation contingency}}$	<sup>2)</sup> In the officially audited financial statements, the requirements for revaluation contingency under the Finnish Accounting Act (materiality, consistency, tradability), are added to the shareholders' equity in the capital structure review.
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	



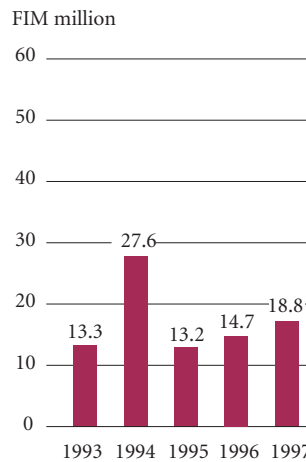


Net sales

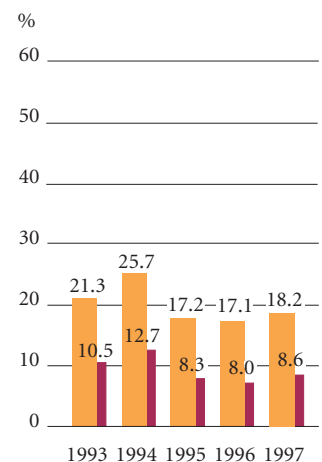
- Travel Group
- Real Estate Division
- Catering and Book Division
- Information Technology
- Parent company



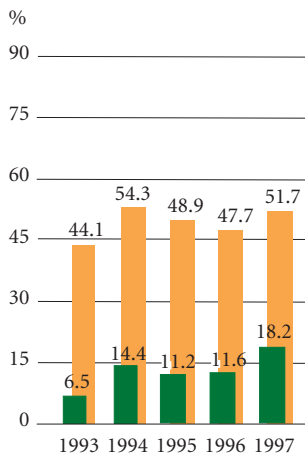
Profit before taxes, appropriations and extraordinary items



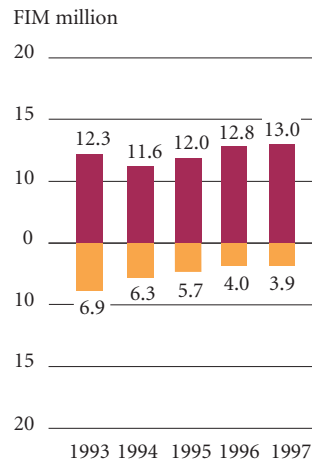
Overall result



- Return on investment, %
- Return on equity, %, if the revaluation of land areas is realized

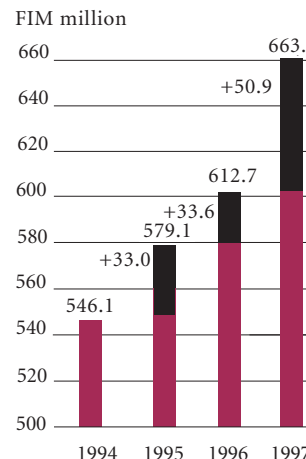


- Equity ratio at book values, %
- Equity ratio, allowing for revaluation contingency of land areas, %



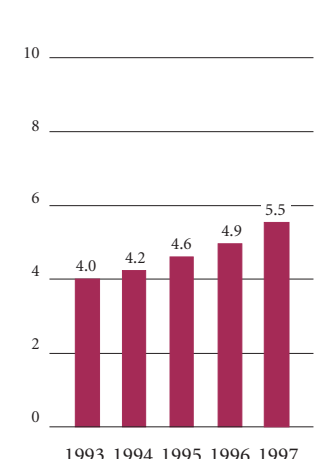
Dividends

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

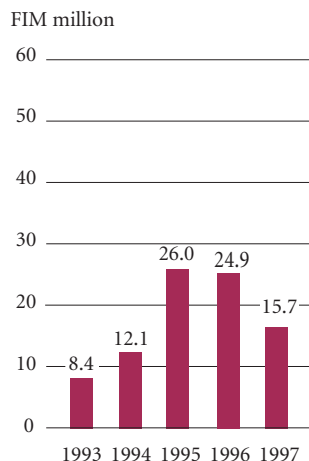


Capital value of Student Union's City Centre Property and its annual change in capital return

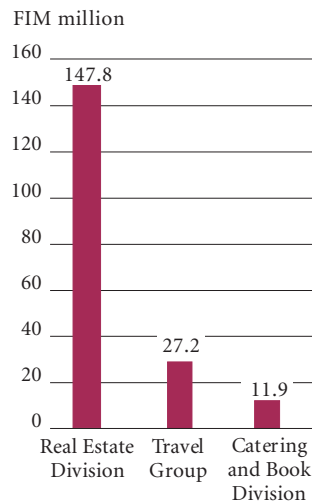
- Capital value
- Annual positive capital return



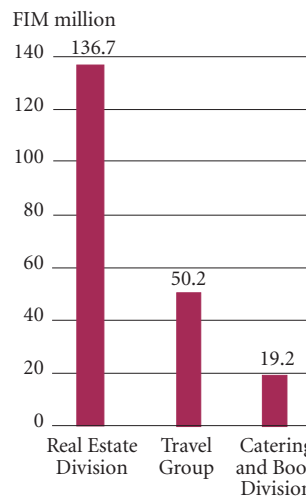
Security ratio



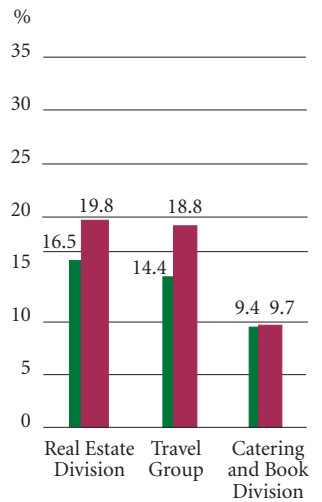
Gross investment



Tied-up risks by division, 1997



Invested capital by division, 1997



Return on investment, by division, %

- 1996
- 1997



*Oh, let her name ring clear!...*



## Real Estate Division

Yrjö Herva, Director in charge of the Real Estate Division (right)  
with Assistant Director Jukka Leinonen

**T**he Real Estate Division's business is long-term 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 Students' 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.

The City Centre Property stands in the heart of Helsinki and comprises the Kaivopiha Commercial Building and the premises used by the Student Union itself. In the Leppäsuo quarter of the Kamppi district is the Leppäsuo Property, which comprises Domus Academica and a library building.

The Kaivopiha Commercial Building provides services, experiences and specialist shops for leisure, entertainment and culture as well as office facilities. The commercial and office space available for lease amounts to some 25,500 square metres. There are some 70 tenants in the building.

A partnership concept has been applied successfully in the field of leasing business and investment in the past few years. Planning and carrying out investments jointly with major corporate customers has yielded good results. We have great expectations for the benefits of the concept. Partnership investments with tenants in commercial and office space are currently in progress.

Among the foremost tenant-part-

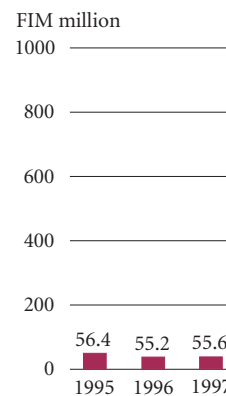
ners with premises in the commercial building are the Rautakirja Group's Suomalainen Kirjakauppa and Tiimari, three restaurants of the HOK Group's Helsinki Ravintolat Oy, the University Pharmacy, and the HYY Group's own KILROY travels agency.

Among the main users of the office facilities are Finland Travel Bureau Ltd and Patria Industries, both Finnish companies, and international companies such as Akzo Nobel, Unibank and Berlitz International.

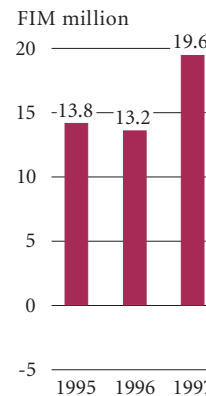
The City Centre Property also houses the substantial business premises occupied by the HYY Group's owner, the Student Union of the University of Helsinki and related organizations and corporations, comprising a total of approximately 4,800 square metres.

The Leppäsuo Property contains student housing as well as various facilities including a library and classrooms. Operations in the area take place in close partnership with the University of Helsinki, the Helsinki School of Economics and Business Administration, the Foundation for Student Housing in the Helsinki Region, and the UniCafe and Gaudemus units of the HYY Group's Catering Division. The Student Union also has student housing facilities in the Haaga district of Helsinki.

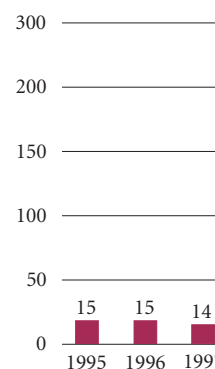
The Real Estate Division also includes Kaivopiha Ltd's office and residential building in the Lauttasaari district of Helsinki as well as miscellaneous commercial suites and residential apartments in Turku, Tampere, Jyväskylä and Oulu.



Net sales



Profit before taxes, appropriations and extraordinary items



Average number of employees



**\*BAS rating**

“The Real Estate Division enjoys excellent profitability in view of the yield relative to real restricted equity. The income return of leasing business, assessed in terms of the buildings’ capital value on the basis of productive value, would be merely satisfactory as yield in any other business than real estate. However, unrealized capital

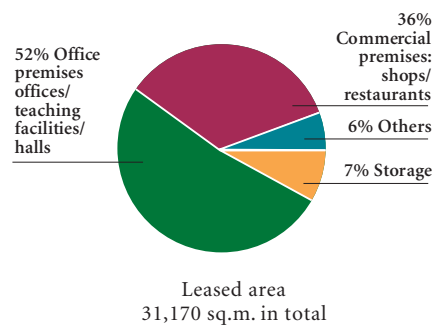
return constitutes an essential part of the overall return on real estate investment assessed in terms of capital values. It is also incontrovertible that the net worth of leasing operations is substantial and it has been expanded strategically with an expert investment-customer policy.”

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

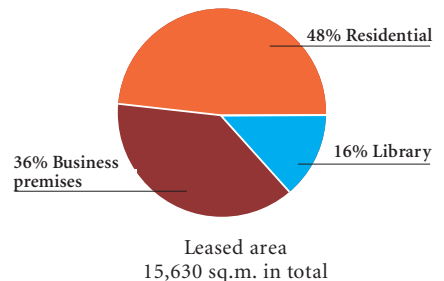
The Real Estate Division’s net sales in 1997 totalled FIM 55.6 million and it had an average of 14 employees.

*HYY Group Real Estate owned by Student Union*

Net leasable area in City Centre Property by type of facility, 31 December 1997



Net leasable area in Leppäsuo Property by type of facility, 31 December 1997



One of the biggest tenants in the Kaivopihä Commercial Building is Helsinki Ravintolat, whose Heartbreakers restaurant was opened in spring 1997. In the late autumn of 1998, Helsinki Ravintolat’s new 700-seater restaurant La Tour will open in Kaivopihä.





*No peaks against the heavens that stand...*

## Travel Group

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

**T**he branding of KILROY travels takes the basic functions of our travel and service products and combines these with the customers' emotional needs in a focused, credible and integrated way. The basic function of our main product - an airline ticket - is simple: it is a pass that entitles the holder to travel from one point to another. The emotional needs of KILROY travels' customers - to discover the world, to discover themselves, to encounter different cultures - are anything but simple. **Branding** is everything that KILROY travels adds to our products - an emotional universe where we offer our customers freedom to test their limits. KILROY travels' **branding** is a promise of value. What we sell is the delivery of that promise. There is no difference between what we sell and who we are.

KILROY travels' branding is supported by four cornerstones: Segmentation, Human Resources, Products and Information Technology.

### Segmentation

Our customer group consists of students and other young people aged 16 to 33. Tight segmentation lets us concentrate all our sales efforts, all our marketing and all our market research. This allows us to ensure continuing, efficient interaction with airlines and other suppliers who appreciate that we serve only this market segment. This in turn makes it possible to offer our customers the most attractive travel products.

### Human Resources

The growth of KILROY travels depends on securing and developing the necessary human resources within the KILROY travels Group. Moreover, the human factor is crucial to the branding process. The development of our people, the staff, is the process of achieving outstanding performance by enabling people to achieve and give their best.

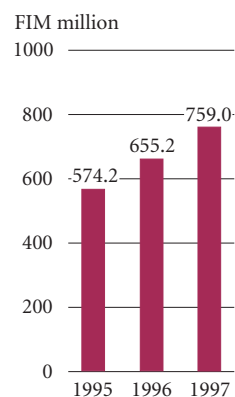
### Products

KILROY travels offers an assortment of travel products and related services. We choose them on the basis of quality, flexibility and customer demand. Concentration and development always take place around our customers' highest prioritized products. They are priced to be affordable in our market segment. Our products evoke in the customer the expectation of freedom, adventure and discovery.

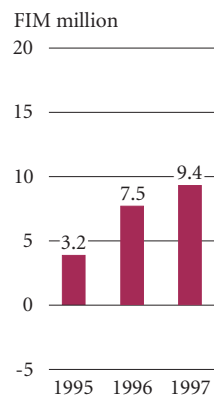
### Information Technology

IT is exploited for competitive advantage. The use of information technology is crucial to efficient service, better knowledge of the customers' needs, low costs and constantly improved market communications. All KILROY travels Group marketing activities are planned and executed with the aid of information supplied by the Group's IT resources.

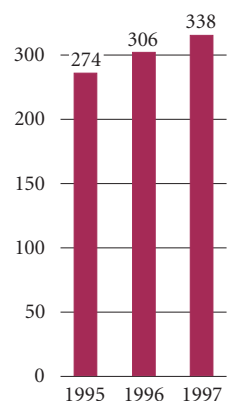
Our foundation, the **customers**, drive KILROY travels' business decisions across all functions of our Group.



*Net sales*



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



*Average number of employees*

Each cornerstone is individually important. Together, they add up to the promise we make to our customers every day: that when they buy a trip through KILROY travels, they buy more than a ticket - they buy a chance to discover and test their own limits.

The Travel Group's net sales in 1997 were FIM 759 million with an average of 338 staff.

**\*BAS rating**

*"KILROY's profitability has declined from its peak in 1994 for reasons including the costs of running in the new information technology system and substantial investments in opening up new markets. Profitability can be restored to excellent levels in the next few years if the strategic development action is successful as expected."*



*During KILROY travels' Crazy Days campaign in March 1998, the cheapest summer flights were sold and free trips were raffled. The campaign was a co-production by the Finnish, Swedish, Norwegian and Danish KILROY bureaus in collaboration with British Airways.*



No gentle dales or foaming strand...



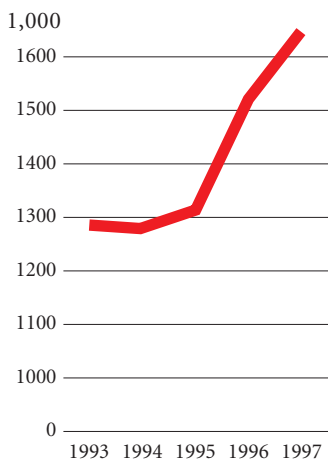
## Catering Division

Marjo Berglund, Assistant Director in charge of the Catering Division (right) with Assistant Director of UniCafe, Liisa Lehtinen.

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 mission financially and to maintain market-based efficiency.

### Oy UniCafe Ab

Oy UniCafe Ab's 19 restaurants serve inexpensive, tasty lunches as well as providing café and party catering services. Every effort is made to produce services in a way that minimizes environmental impact. The UniCafe service brand name is based on success factors and values applied to everyday operations. UniCafe's customers are young, highly educated adults. Most UniCafe restaurants are in premises at the University of Helsinki.



Number of student meals sold, 1993-97

### Oy Gaudeamus Ab

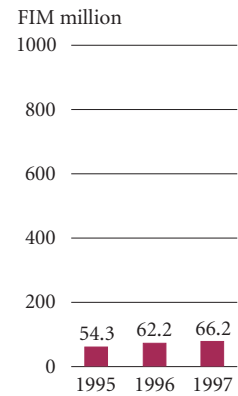
Oy Gaudeamus Ab produces and sells restaurant, café, entertainment, and accommodation services.

*Restaurant Vanha* operates in the Old Student House. It has a wide range of activities. Everyday operations consist of a brasserie and an international newspaper café. Almost every day, the Old Student House hosts a number of celebrations, conferences and private parties. On a more seasonal basis, events such as concerts and club meetings are held. In 1997 Restaurant Vanha played host to 719 events in addition to its restaurant business.

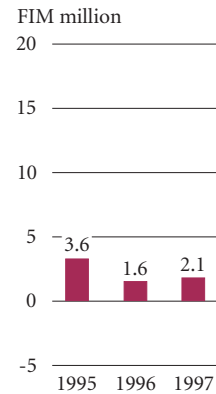
*Hostel Academica* is a low-price and popular summer hotel with 115 rooms. It operates from June to September. The hostel is in the Domus Academica building on Leppäsuonkatu.

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.

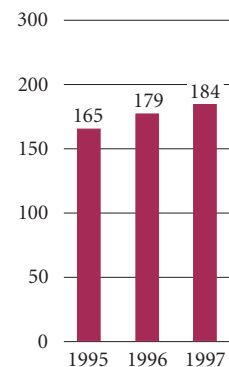
The Catering Division's net sales in 1997 totalled FIM 66.2 million with an average of 184 employees.



Net sales



Profit before taxes, appropriations and extraordinary items



Average number of employees

*UniCafe restaurants sold more than 1.6 million student meals priced between FIM 8.50 and 12.50 in 1997. Some 12,000 people eat at UniCafe restaurants each day. The picture shows the UniCafe Tiedepuisto in Viikki.*





Are loved as we our home revere...

## Book Division

Aila Santanen, Managing Director in charge of the Book Division

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, delivering and retailing 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.

### Oy Yliopistokustannus University Press Finland Ltd

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, as well as publishing technical matter under the name of Otatiето. Gaudeamus Kirja published 32 new titles in 1997. Otatiето published 12 new titles and 35 reprints during the year. The company also produces teaching handouts for the students of the University of Technology and other technological education institutes in Finland.

The general points of departure in publishing are to yield an adequate profit to the owners, to be important to the uni-

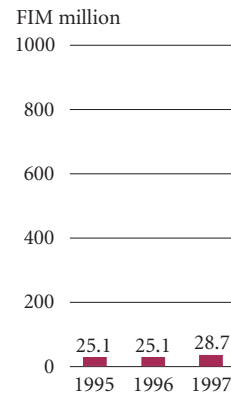
versity and the scientific community, and to have a positive impact on the corporate image of the owners and the HYY Group.

### Oy Yliopistokirjakauppa University Bookstore Finland Ltd

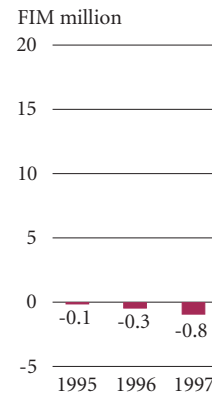
University Bookstore Finland Ltd engages in bookstore and retail stationery business. The bookstores in the city centre, Porthania, Viikki and at the University of Art and Design comprise the University Bookstore chain. They offer their customers scientific works and nonfiction as well as textbooks and 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 University Bookstore Finland Ltd, with a 20% interest.

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

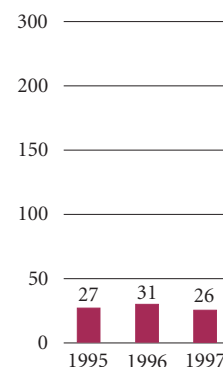
The Book Division's net sales in 1997 totalled FIM 28.7 million and it had an average of 26 employees.



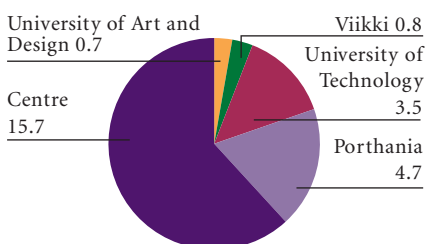
Net sales



Profit before taxes, appropriations and extraordinary items

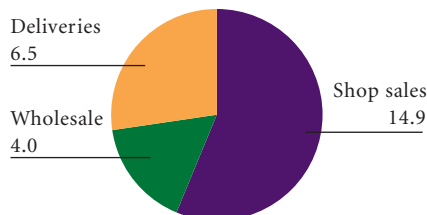


Average number of employees



University Bookstores

Distribution of net sales, 1997, FIM million



University Bookstore chain

Distribution of sales (0%), 1997, FIM million

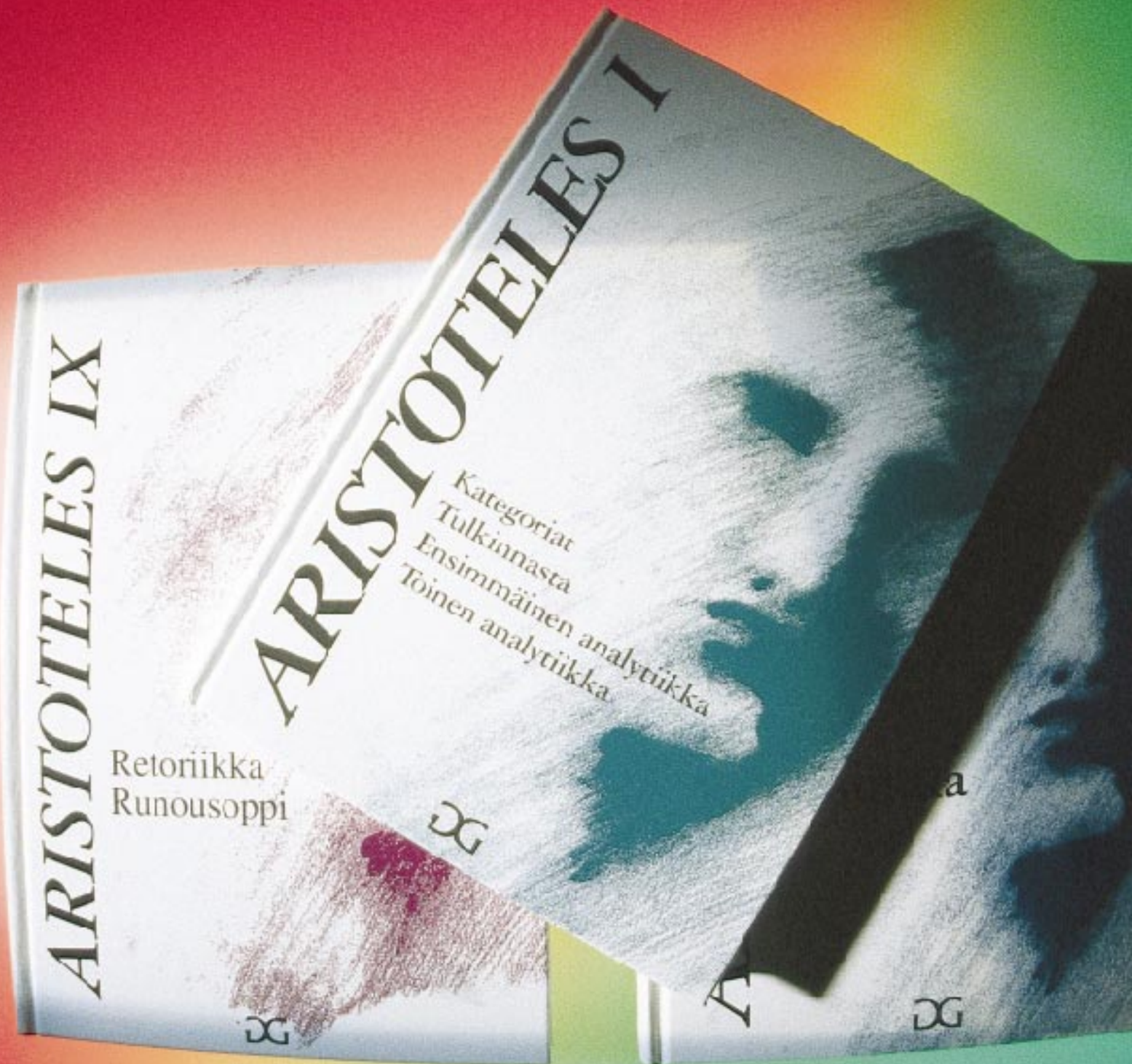


**\*BAS rating**

“The profitability of the bookstore operations is poor and, in order to improve it, it is necessary to carry out major structural changes in addition to streamlining operations.”



Aristotle is one of the founding fathers of European thought. With the third millennium approaching, his main works will soon have been translated into Finnish.





*The earth our sires held dear...*

## The Group's Parent Company, **HYY Group Ltd**

*First Vice-president Linnea Meder*

**H**YY 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 organizing 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 other divisions, with a view to the possible

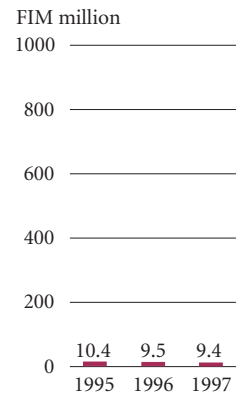
- creation of service or business units, with start-up backing where necessary
- The implementation of centralized changes related to the all-Group operational level or the corporate culture
- The divestiture of service and business units which do not fit in with the Group strategy or its structure and which have no prospects in the HYY Group
- Investment to support and/or complement an enterprise managed by the companies.

### The UniCard Smart Card

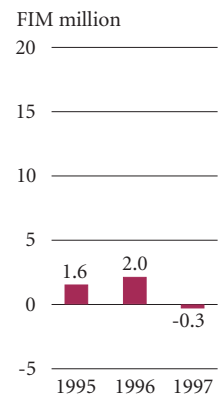
HYY Group Ltd is introducing a smart card designed for use in the university community. A pilot run of the UniCard was launched in spring 1998. The system will be enlarged in autumn 1998 with the aim of introducing the card into use throughout the university community in the Helsinki Metropolitan Area.

The UniCard combines a Student Union card with a library card and debit card. It also serves as a regular customer card for transactions with the HYY Group.

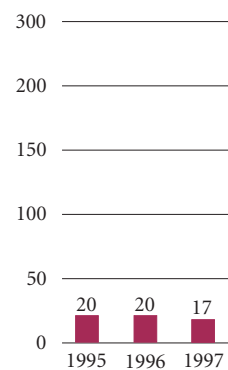
HYY Group Ltd's net sales in 1997 totalled FIM 9.4 million with an average of 17 employees.



*Net sales*



*Profit before taxes, appropriations and extraordinary items*



*Average number of employees*

...The flowers in their buds that grope...



*Group Environmental Coordinator,  
Financial Manager Ritva Kuuluvainen*

## The Ecological Quality of Operations

The main points of the HYY Group's ecological management in 1997 comprised the implementation of the environmental programme approved in 1996, in accordance with the general principles of business operations. The aim is to reduce the indirect environmental impacts typical of a service industry company, arising from energy and water consumption, waste disposal, the materials used in producing services and packaging, and transport.

Of statutory obligations, the general regulations on waste disposal of the Waste Management Act apply to the HYY Group. An ecological event was held at the Student Union's city centre property at Kai-vopiha in August, the aim of which was to inform the tenants of the waste disposal arrangements for the building. Advice was given on sorting wastepaper into office

paper and other types for recycling. Partnering us in the event were the Helsinki Metropolitan Area Council and Paperin-keräys Oy, a paper recycling company.

One of the paramount aims of the HYY Group is to reduce consumption of energy and water and to use them more efficiently. The HYY Group took part in the energy conservation week arranged by the Ministry of Trade and Industry's Information Centre for Energy Efficiency Motiva in October. The conservation week is something new in the corporate world. The HYY Group was among the first 15 companies to take part, and it is participating along with eight other companies in a study assessing the effect of the conservation week. During the week, the personnel and the business, organizational and residential tenants of the Student Union's buildings were provided with a wide

variety of information on more efficient ways to use energy, particularly electricity. An energy conservation day held by the Ministry of Trade and Industry and Motiva was arranged at the Old Student House.

The auditing prescribed by the administration system for the environmental programme was carried out in the summer for the first time. On the basis of auditing visits made to the business locations of the various divisions, combined with the performance of the environmental management system, procurement systems and ecological accounting system, a review was made of the current status of environmental protection in the HYY Group. It was noted in the summary that very considerable progress has been made in the environmental friendliness of practical work of all divisions. Further clarification of questions of responsibility for environmental affairs was recommended for the constant improvement of environmental friendliness, as were obtaining environmental reports from business partners and increased training for the staff.

The Econet, which is in charge of organizing the HYY Group's environmental affairs, has integrated the hoped-for improvements from the auditing into its action plan for 1998.

*The HYY Group was one of the first companies to take part in the Energy Conservation Week held by Motiva, the Information Centre for Energy Efficiency, in October 1997. Motiva's Energy Conservation Day was held at the Old Student House in the spirit of a sit-in.*

Photo: Adolfo Vera, source Motiva



# The Ground Rules of the Group's Owner

... And higher yet some day shall ring The patriot-song we sing.

## General guidelines and aims for the ownership of business operations

The general premise for the ownership of business operations by the Student Union of the University of Helsinki is financial support for the performance of the real duties of the Student Union specified 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.

## General principles of business operations

The HYY Group engages in business with a long-term perspective with mod-

erate 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 to boost 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 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 efforts based on the business divisions' requirements, the learning capacity of the working community, and individuals' commitment to change.

The traditional, close-knit integration of decisions by the owner 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 preparing in advance for limiting factors, risk scenarios and authorizations.

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

The Group's business divisions and units are 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 business 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 (capital yield) 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.

*The 150<sup>th</sup> anniversary celebration for the national anthem, Our Land, reached its climax at the main national event on Flora day, 13 May 1998, at Kuntähti Field. The picture shows Ulla Kuisma and Anu Piilola of the Student Union celebrating Flora Day in 1997.*

## The Owner of the Group

Student Union membership (30,000)

Representative Council (60)

Board of the Student Union (7 - 13)

Annual general meeting

HYY Group Supervisory Board (12 -18)

HYY Group Board of Directors (6 - 9)



The Student Union of the University of Helsinki was founded in 1868. Today, the Union has roughly 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 Representative Council elects the Board of the Student Union, which in turn appoints the HYY Group's Supervisory Board and Board of Directors.

### FINANCIAL STATEMENTS ACCORDING TO INTERNA- TIONAL ACCOUNTING STANDARDS (IAS)

#### BUSINESS CLIMATE AND TRENDS

The travel industry, particularly air travel, continues to grow briskly in Europe, including the countries and segments in which KILROY travels does business, except for Germany. KILROY travels substantially increased its market share and its market leadership in the Nordic region. Owing to a change in the operational structure, its market share in Germany declined slightly. KILROY travels' market share grew a little in Spain and the Netherlands.

In the Real Estate Division, demand in the market for business premises in central Helsinki continued to pick up in 1997. The prevailing levels of rent went up markedly, especially for commercial premises, and demand for business premises in good locations clearly outstripped supply. The proportion of vacant office space is at its lowest at any time in the 1990s. The overall increase in rents for office space has been moderate. The rental occupancy rate and pricing of the HYY Group's city centre property has corresponded to the general trend. Most of the office premises in the Kaivotalo building, which was built in 1955, have been modernized in recent years during a period of lower rents and lower-priced construction costs in the last economic downswing. During 1997, major international and Finnish corporate tenants have moved into renovated premises in the city centre property.

Long-term contract extensions were also made with key tenants during the year.

In business related primarily to university and educational communities (UniCafe, Gaudeamus, University Bookstore, University Press) the units of the HYY Group maintained or slightly increased their market share.

#### NET SALES

The Group's net sales in 1997 were FIM 910.6 million (FIM 798.4 million in 1996). Net sales were up by 14%.

Of the Group's net sales, 29% was generated in Finland and 71% abroad.

#### DIVISIONS

##### Real Estate Division

The Real Estate Division's net sales in 1997 were FIM 55.6 million (1996: FIM 55.3 million), an increase of roughly 1% on the previous year's net sales. The net profit, after FIM 5.8 million in planned depreciation, FIM 2.0 million in dividends received from subsidiaries, FIM 7.1 million in net interest, and FIM 3.9 million in capital gains booked as extraordinary income in the real estate income statement, amounted to FIM 23.5 million. The profit from actual rental of business premises was FIM 18.8 million (1996: FIM 14.2 million). An income amendment applied to previous years arising from a change in accounting procedures has also been posted to extraordinary items. Direct taxes and real estate taxes totalled FIM 4.3 million. The net profit exceeded the target.

##### Travel subgroup

In cash terms, the net sales totalled FIM 759.0 million (1996: FIM 655.2 million), representing an increase of approximately 16% on the previous year's figure.

Calculated according to the business principle of prudence, the Travel Group's profit was FIM 9.4 million after entries of income and expense, planned depreciation amounting to FIM 9.2 million and net financing income of FIM 1.1 million and before taxes (1996: FIM 7.5 million). Depreciation includes FIM 2.5 million in depreciation of goodwill according to Finnish accounting conventions. FIM 5.3 million was booked in taxes. The profit after taxes and before minority interest was FIM 4.1 million (1996: FIM 3.6 million). Minority interest amounted to FIM +0.6 million (1996: FIM +0.6 million).

In all, the 1997 profit was once again better than the target. In spite of investments in new business premises in Norway and Sweden, which exerted a drag on profits in the short term, the trend in profits was good, especially in Norway but also in other Nordic countries. In Germany, focusing on the clientele and working methods in line with the KILROY concept was continued with greater intensity, which further reduced net sales in the short term but improved the prospects for profitability. Largely for reasons of labour law, an operational restructuring has taken more time than expected and the unit still posted a loss, although a smaller one. In the Netherlands, efforts were consciously devoted to building up the market position and to the operational framework, and healthy profits are only expected of this

in the years ahead. The Spanish company posted a profit.

According to the subgroup's Danish financial statements, KILROY travels' net sales in 1997 were approximately DKK 955.0 million. The profit before taxes and minority interest was DKK 15.4 million.

In the subgroup's own financial statements according to Finnish accounting and IAS conventions, shareholders' equity was FIM 50.5 million at year-end (1996: FIM 47.3 million), of which FIM 31.9 million was nonrestricted equity. On the basis of the net profit for 1996, a 10% dividend was paid in 1997.

### Catering Division

The Catering Division's net sales in 1997 were FIM 66.2 million (1996: FIM 62.6 million), an increase of 6% on the previous year's figure. The profit after FIM 1.0 million in planned depreciation and FIM 0.6 million in net financing income was FIM 2.1 million. As a whole, the division achieved its profit targets set on principle.

The UniCafe restaurants did well against heavy competition in Helsinki. Restaurant Vanha fell short of its profit targets. The hostel's financial result was exceptionally good, as it had been the previous year.

### Book Division

The Book Division's net sales in 1997 were FIM 28.7 million (1996: FIM 28.5 million), up by roughly 1%. The loss was FIM 0.8 million after FIM 0.9 million in planned depreciation and FIM 0.5 million in net interest. Depreciation includes FIM 0.3 million in depre-

ciation on goodwill. The costs of bringing a challenging investment in information systems on line during the year exerted a nonrecurring drag on University Bookstore Finland Ltd's profits.

### Parent company

HYY Group Ltd's net sales in 1997 were FIM 9.4 million (1996: FIM 9.5 million). The profit was FIM 1.0 million after FIM 0.9 million in planned depreciation, FIM 1.1 million in net financing income, and Group contributions received plus capital gains on the sale of shares in affiliated companies in a terminated division, booked under extraordinary income, together totalling FIM 3.0 million, as well as FIM 0.3 million in direct taxes (1996: FIM 2.9 million).

HYY Group Ltd's consolidated shareholders' equity was FIM 26.4 million at year-end (1996: FIM 26.7 million), of which FIM 11.4 million was nonrestricted equity. In 1997, a 13% dividend was paid on the 1996 profit.

### CONSOLIDATED RESULT

The Group improved its profits. The profit before extraordinary items, change in reserves and taxes was FIM 28.1 million, up by FIM 5.8 million on the previous year's figure. The profit exceeded the budget target for the financial year confirmed by the Student Union of the University of Helsinki as owner.

The operating profit before and after depreciation improved. Operating profit before depreciation was FIM 48.5 million (FIM 45.3 million in 1996) and FIM 29.9 million after depreciation (FIM 25.6 million in 1996). The operat-

ing profit before and after depreciation includes FIM 3.9 million in capital gains from the sale of the Real Estate Division's fixed assets, booked as continuing other income from business operations. The capital gains from the sale of the same individual building, spread over two years, was FIM 3.1 million in 1996. The return on investment at book values (net of capital gains on sales of fixed assets) was 18.2% (17.1% in 1996).

The audited figure for the unrealized capital return or change in value of the Student Union's real estate for the financial year, calculated by the Finnish Institute for Real Estate Economics, was approximately FIM 59 million. The capital value of the Student Union's real estate (the present-day value of net rental income receivable in the future) was roughly FIM 701 million at the start of the year and some FIM 760 million at year-end. The calculation of capital values is based on a 7.95% total return requirements and a 95% occupancy rate. The income return of the real estate (net rental yield as a percentage of the capital value at the beginning of the financial year) was 4.4%. The capital return ratio (change in the capital value as a percentage since the beginning of the year) was 8.4%. The total return of the real estate in 1997 was therefore 12.8%.

### INVESTMENTS

#### Gross investments by division:

Real Estate Division	FIM 9.1 million
Travel Group	FIM 5.2 million
Others	FIM 1.4 million
	<hr/>
	FIM 15.7 million

Investments in real estate were allocated to the modernization of existing capacity. Investment in other respects was mainly allocated to information technology systems and purchases of related software and hardware.

The group's net investments totalled FIM 9.7 million after sales of fixed assets amounting to FIM 6.0 million.

## FINANCING

Liquid assets at year-end totalled FIM 149.0 million (compared with FIM 125.1 million in 1996). The Group's liquidity was good. The net amount of the principal of interest-bearing loans at year-end was FIM 126.9 million (FIM 143.2 million in 1996). Net financing expenses were FIM 1.8 million (FIM 3.4 million in 1996).

The equity ratio at book values was 18.2% (11.6% in 1996). The audited potential revaluation of the Group's land areas as given in the notes to the financial statements, figuring in solvency, is 51.7% (47.7% in 1996).

The cash flow generated by the Group's actual business operations was FIM 50.2 million in surplus. The cash flow financing thus fully covered the Group's cash-basis net investments at FIM 9.7 million.

The average weighted effective interest rate on the principal of the Group's loans was 5.7% in 1997 (5.6% in 1996).

## PERSONNEL

The HYY Group had an average of 579 employees, which was an increase of 28 over the previous year. The increase in

### *Trend in personnel by division:*

Division	1997	1996
Real Estate Division	14	15
Travel Group	338	306
Catering Division	184	179
Book Division	26	31
Parent company HYY Group Ltd	17	20
<b>Total for Group</b>	<b>579</b>	<b>551</b>

staff was due to growth in the business of the UniCafe company in Finland and to increases in the number of branches of the KILROY companies in the Nordic region. Of the personnel, 294 were in Finland and 285 in other countries.

## ECOLOGICAL STANDARDS FOR OPERATIONS

The main points of the HYY Group's ecological activities in 1997 consisted of carrying out the environmental programme approved in 1996. The goal is to mitigate the indirect environmental impact typical of the companies in the Catering Division. Auditing as prescribed by the management system for the environmental programme was carried out in 1997 for the first time. The summary of the audit noted that considerable progress had been made on the practical level in all divisions. The audit recommended further clarification of questions of responsibility for environmental affairs, obtaining environmental reports from business partners, and increased environmental training for the staff.

## OUTLOOK FOR THE 1998 FINANCIAL YEAR

Particularly as a result of expansions to the Nordic network of business location and the upgrade of sales information systems, KILROY travels' net sales are forecast to continue to grow faster than the overall growth of the market and better profits are also forecast.

Because of the high occupancy rate of the real estate, rental net sales will not grow substantially with the present real estate capacity. Because of new and extended rent agreements, the net profit would have improved in 1998 to the peak level of the 1980s in real terms but for a temporary drag on profits from missing rental income during current and forthcoming extensive renovations and alterations to Hansa House and the Library Building.

The combined net profit of the Catering and Book Divisions is forecast to be slightly in the black once again. Restructuring is being carried out in the Book Division, and this may reduce net sales but is aimed at boosting profitability.

The budgeted net sales for the entire Group in 1998 is roughly FIM 1.1 billion. The net profit is forecast to be an improvement on the 1997 figure.



**1997**  
**IAS Financial Statements**  
**HYY Group**

**INCOME STATEMENT**

	<b>1997</b>	<b>1996</b>
Net sales	915,390,711	802,815,296
Expenses	(885,039,512)	(776,723,551)
Operating profit	30,351,199	26,091,745
Share in affiliated companies' profits	0	82,977
Financing income and expenses	(1,252,346)	(2,344,011)
<b>Profit before taxes and minority interest</b>	<b>29,098,853</b>	<b>23,830,711</b>
Taxes	(10,011,601)	(8,670,235)
Minority interest	144,492	169,444
Profit before extraordinary items	19,231,744	15,329,920
Extraordinary items	208,523	0
<b>Net profit for the year</b>	<b>19,440,266</b>	<b>15,329,920</b>

Negative figures are in brackets.

**BALANCE SHEET**

	<b>1997</b>	<b>1996</b>
<b>Fixed assets and other long-term expenditure</b>		
Material fixed assets	147,787,631	147,475,403
Stocks and shares, goodwill, immaterial rights and other long-term expenditure	21,707,077	25,486,456
Long-term loans receivable	4,407,426	4,484,721
	<b>173,902,134</b>	<b>177,446,580</b>
<b>Inventory and financial assets</b>		
Inventory	8,071,429	8,050,499
Receivables and advance payments	31,787,850	26,014,966
Cash and bank	124,370,330	111,003,513
Other liquid assets	23,808,659	13,322,154
	<b>188,038,268</b>	<b>158,391,132</b>
<b>Current liabilities</b>		
Advance payments and deferred liabilities	92,170,936	99,662,859
Instalments on long-term loans	13,174,488	14,503,550
Other short-term debts	91,550,596	66,749,059
	<b>196,896,020</b>	<b>180,915,468</b>
<b>Net working capital</b>	<b>(8,857,752)</b>	<b>(22,524,336)</b>
	<b>165,044,382</b>	<b>154,922,244</b>
Shareholders' equity	40,956,709	21,588,823
Minority interest	6,189,233	6,081,713
Long-term liabilities	117,898,439	127,251,708
	<b>165,044,382</b>	<b>154,922,244</b>

Negative figures are in brackets

## CASH FLOW STATEMENT

(FIM 1,000)

	1997	1 996
<b>Ordinary operations</b>		
Cash inflow:		
From sales	907,713	812,378
Cash payments		
Purchases	(675,198)	(601,264)
Wages and salaries	(105,479)	(95,017)
Other expenses	(61,323)	(65,153)
Interest	(2,312)	(4,379)
Taxes	(13,165)	(5,443)
	(857,476)	(771,258)
<b>Net cash flow from ordinary operations</b>	<b>50,237</b>	<b>41,120</b>
<b>Investment</b>		
Investment loans, decrease	39	77
Income from sale of affiliated companies	1,573	0
Investment in subsidiaries	(37)	(4,318)
Income from sale of fixed assets	4,000	3,980
Investment in fixed assets	(15,300)	(16,082)
<b>Net cash flow from investment</b>	<b>(9,725)</b>	<b>(16,343)</b>
<b>Financing</b>		
Long-term liabilities, change	(11,096)	2,255
Quasi-equity financing, increase	395	1,776
Loans receivable and deposits, change	(8,103)	(375)
Income from sale of share investments	299	49
Securities included in financial assets, change	(10,243)	(7,480)
Dividends received	20	4
Dividends from affiliated companies	32	47
Dividends paid to minority shareholders	(228)	(290)
Advance on distribution of profit	0	(12,843)
<b>Net cash flow from financing</b>	<b>(28,924)</b>	<b>(16,858)</b>
<b>Net change in cash assets</b>	<b>11,589</b>	<b>7,919</b>
Cash assets on 1 January	111,003	103,480
Effect of exchange rate fluctuations	1,778	(395)
<b>Cash assets on 31 December</b>	<b>124,370</b>	<b>111,003</b>

Negative figures are in brackets

## COMPARISON OF FINNISH AND IAS FINANCIAL STATEMENTS

	1997	1996
<b>Net profit for year in Finnish financial statements</b>	<b>17,420,583</b>	<b>14,674,813</b>
Untaxed reserves	984,207	(926,156)
Previously booked pension expenses	493,951	479,139
Unrealized gains/losses on exchange rates, proportion for accounting period	541,525	1,102,124
<b>Net profit for year according to IAS financial statements</b>	<b>19,440,266</b>	<b>15,329,920</b>
<b>Shareholders' equity in Finnish financial statements</b>	<b>45,880,871</b>	<b>28,532,669</b>
Unrealized losses/gains on exchange rates	(1,390,852)	(1,932,377)
Pension liability	(5,533,585)	(6,027,536)
Untaxed reserves	2,000,275	1,016,067
<b>Shareholders' equity in IAS financial statements</b>	<b>40,956,709</b>	<b>21,588,823</b>

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. At the end of the accounting period, the Group had no affiliated companies with the exception of two unconsolidated real estate affiliates.

### 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 reduced 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.

### Items denominated in foreign currency

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 a 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 other income from business operations derived from the disposal of fixed assets.

### **Research and development expenses**

Research and development expenses are invariably credited or charged to income in the year in which they arise.

### **Cover for pensions and pension liabilities**

The pensions and additional benefits of all the Group's employees have 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**

A weighted average price has been used in the valuation of inventories. In the case of own production the price in-

cludes the direct labour and raw material cost arising from the production. The probable disposal price is the upper limit for the valuation of inventory goods.

### **Valuation and matching of fixed assets**

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

- Buildings and structures 30 - 40 years
- Machinery and equipment of buildings 10 - 15 years
- Equipment and furniture 3 - 5 years
- Goodwill 5 years
- Other intangible fixed assets 3 - 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.

### **Hidden 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 hidden tax liability. The tax liability contained in the reserves made so far is not materially significant, and running down the reserves will not affect tax liability.

### **Extraordinary items**

Extraordinary items consist of items which are exceptional to ordinary business operations, such as capital gains on the sale of affiliated companies in a terminated division and expenses allocated to previous years plus profit adjustments arising from permanent changes in accounting conventions.

## NOTES TO THE INCOME STATEMENT AND BALANCE SHEET (IAS)

FIM 1,000

	1997	1996
<b>Net sales by division</b>		
Real Estate Division	59,207	58,305
Travel Group	759,365	655,632
Catering Division	66,322	62,351
Book Division	30,376	25,708
Others	1,213	819
	<b>915,391</b>	<b>802,815</b>
<b>Expenses</b>		
Expenses comprise the following items:		
Materials and supplies	683,992	582,352
Personnel expenses	103,569	93,492
Depreciation	18,684	19,680
Other expenses	78,809	82,764
Change in inventory	(14)	(1,565)
	<b>885,040</b>	<b>776,723</b>
<b>Financing income and expenses</b>		
Interest income	5,885	6,273
Interest expenses	(6,485)	(8,368)
Other financing income/expenses	(651)	(249)
	<b>(1,252)</b>	<b>(2,344)</b>
<b>Extraordinary items</b>		
Extraordinary income	1,139	0
Extraordinary expenses	(931)	0
	<b>209</b>	<b>0</b>

### Taxes

The taxes in the income statement include corporate and other such income taxes as well as municipal tax on real property, which substitutes for income tax. The marginal tax liability included in about half of the reserves, being approximately FIM 0.2 million, will not become payable in the near future. Other reserves can be disbursed without tax implications.

<b>Fixed assets and depreciation</b>		
<b>Original acquisition price</b>		
Land areas	8,733	8,795
Buildings and structures	201,075	189,718
Machinery and equipment of buildings	10,067	20,451
Machinery and equipment	55,187	62,909
Stocks and shares	6,787	7,228
Other tangible fixed assets	709	144
Other intangible fixed assets	18,598	15,143
Goodwill	17,797	17,785
	<b>318,953</b>	<b>322,173</b>
<b>Cumulative depreciation</b>		
Buildings and structures	89,829	80,435
Machinery and equipment of buildings	3,918	15,471
Machinery and equipment	34,236	38,634
Other intangible fixed assets	10,007	6,775
Goodwill	11,468	7,895
	<b>149,458</b>	<b>149,210</b>

Book value				
Land areas	8,733			8,795
Buildings and structures	111,246			109,283
Machinery and equipment of buildings	6,149			4,980
Machinery and equipment	20,951			24,275
Stocks and shares	6,787			7,228
Other tangible fixed assets	709			144
Other intangible fixed assets	8,591			8,368
Goodwill	6,329			9,890
	169,495			172,963
<b>Reserves included in shareholders' equity</b>				
Accumulated difference between overall and planned depreciation	2,000			1,016
<b>Long-term liabilities</b>				
Loans from financial institutions	65,561			67,226
Foreign-currency denominated loans taken in Finland	21,557			26,511
Pension loans	25,402			26,079
Other long-term debt	41,237			29,177
	132,200			148,993
Instalments on loans	14,301			(21,741)
	117,898			127,252
<b>Repayment schedule for long-term liabilities</b>				
<i>FIM 1,000</i>	<b>1998</b>	<b>1999</b>	<b>2000-2002</b>	<b>2003-&gt;</b>
Loans from financial institutions	6,554	3,974	15,663	17,813
Currency loans	4,542	17,015	0	0
Pension loans	2,078	2,003	5,606	15,715
Other loans	1,127	3,610	22,583	3,621
	14,301	26,602	43,807	37,149

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 1997, the rate was 5.5%. In 1997, the average effective interest rate in Finland was 5.7%. Mortgages and guarantees securing loans amounted to FIM 162.2 million.

#### Contingent liabilities

There were no guarantees related to operations. Guarantees given on behalf of other parties amounted to FIM 0.1 million.

<b>Shareholders' equity</b>	<b>1997</b>	<b>1996</b>
<b>At start of period</b>	<b>21,589</b>	<b>18,613</b>
Dividends to minority shareholders	(228)	(290)
Advance distribution of profit	-	(12,843)
Adjustments of goodwill	-	542
Exchange rate fluctuation	156	237
Net profit for the year	19,440	15,330
<b>At year-end</b>	<b>40,957</b>	<b>21,589</b>

## Signatures and Report of the Auditors

### Signatures of the Board of Directors and the President

Helsinki, 31 March 1998



Petteri Huovinen  
Chairman



Kimmo Kivela



Pentti Laaksonen



Johanna Haltia



Otto Lehtipuu



Harri Tanhuanpää



Mika Ihamuotila



Hannu Liekso



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.

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

Helsinki, 1 April 1998  
KPMG WIDERI OY AB



Reino Tikkanen  
Authorized Public Accountant

# Administration and Boards of Directors, 31 March 1998

## Representative Council of the Student Union

*Chairman of the Student Union*

Jaakko Hietala

*Deputy Chairpersons*

Sari Sarkomaa

Veijo Åberg

*Members*

60 members of the Student Union,  
chosen by general election for a  
2-year term

## Board of the Student Union

*Chairperson*

Heli Lantta

*Deputy Chairperson*

Anu Piilola

*Members*

Ossi Heinänen

Sanna Hellström

Petteri Huovinen

Miska Kuhalampi

Panu Laturi

Antti Lauri

Riikka Nisula

Jan D. Oker-Blom

Minna Romppanen

Niko Simola

## Supervisory Board of HYY Group Ltd

*Chairman*

Tatu Rauhamäki

*Deputy Chairman*

Rabbe Sittnikow

*Members*

Kai Haarma

Sami Heistaro

Esa Iivonen

Marko Janhunen

Niko Lehtonen

Pia Majonen

Nora Malin

Kyösti Niemelä

Anna Parpala

Anu Piilola

Teppo Raininko

Minna Romppanen

Risto Savolainen

Vesa Syrjä

Ellen Vogt

Pentti Laaksonen

Hannu Liekso

Harri Tanhuanpää

*Personnel representative*

Kaisa Siitonen

## Board of Directors of KILROY travels International A/S

*Chairman*

Tapio Kiiskinen

*Deputy Chairperson*

Linnea Meder

*Members*

Gerner Andersen

Kurt Skovlund

Kimmo Kivelä

*Personnel representative*

Merete Thaysen

## Board of Directors of the HYY Group

*Chairman*

Petteri Huovinen

*Deputy Chairman*

Otto Lehtipuu

*Members*

Johanna Haltia

Mika Ihamuotila

Kimmo Kivelä

*The HYY Group's Board of Directors*



*Photo: Jussi Aalto*



# **HYY Group Executive Management, 31 March 1998**

## **HYY Group**

*Tapio Kiiskinen*

President and Chief Executive Officer  
Chairman of the Boards of Directors,  
Travel Group and Book Division  
Finance Director of the Student Union

*Linnea Meder*

First Vice-president of the  
HYY Group  
HYY Group Ltd  
Corporate Finance and Internal  
Auditing

## **Real Estate Division**

*Yrjö Herva*

Director  
Kaivopiha Ltd  
Student Union's real estate

*Jukka Leinonen*

Assistant Director  
Kaivopiha Ltd  
Technical and building superintend-  
ent operations

## **Travel Group**

*Børge Faaborg*

Managing Director and Chief Execu-  
tive Officer of KILROY travels Inter-  
national A/S

Managing Director of  
HYY Ejendomme A/S

*Carsten Clemmensen*

Director, Corporate Financial Services  
KILROY travels International A/S

*Dagmar Thomsén*

Director, Corporate Commercial  
Services  
KILROY travels International A/S

*Arnar Thorisson*

Director, Corporate IT & Business  
Development  
KILROY travels International A/S

*Henrik Bjørn-Hansen*

Country Manager  
KILROY travels Denmark A/S

*Leena Dahl-Mäkinen*

Country Manager  
OY KILROY travels Finland AB

*Claus H. Hejlesen*

Country Manager  
KILROY travels Germany GmbH

*Åsne Trommald*

Country Manager  
KILROY travels Norway A/S

*Luis Almonacid*

Country Manager  
KILROY travels Spain S.A.

*Monica Murphy*

Country Manager  
KILROY travels Sweden AB

## **Catering Division**

*Marjo Berglund*

Assistant Director  
Oy UniCafe Ab  
Oy Gaudeamus Ab

*Liisa Lehtinen*

Assistant Director  
Oy UniCafe Ab

## **Book Division**

*Aila Santanen*

Managing Director of the Book  
Division  
University Press Finland Ltd  
University Bookstore Finland Ltd

## **A u d i t o r s**

*KPMG Wideri Oy Ab*

Real Estate Division  
Book Division  
Catering Division  
HYY Group Ltd

*KPMG C. Jespersen,*

*KPMG Wideri Oy Ab*

Travel subgroup KILROY travels  
International A/S

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## Catering Division

### Oy UniCafe Ab

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#### Restaurants

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##### Eläinmuseo

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##### Fysiikka

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