Annual Report
1999

1999

HYY GROUP

The HYY Group is a multibusiness, international corporate group in the service sector.

The HYY Group comprises the real estate owned by the Student Union of the University of Helsinki (HYY) and HYY Group Ltd, which is owned by the Union, plus the companies in which it has a majority holding.

The Group is active in the real estate, travel, catering and book businesses. Its Travel Group has business locations in seven countries. The other divisions operate in Finland.

The HYY Group's financial result for 2000 will be made public in March 2001.
The 2000 Annual Report will be completed at the beginning of May 2001.

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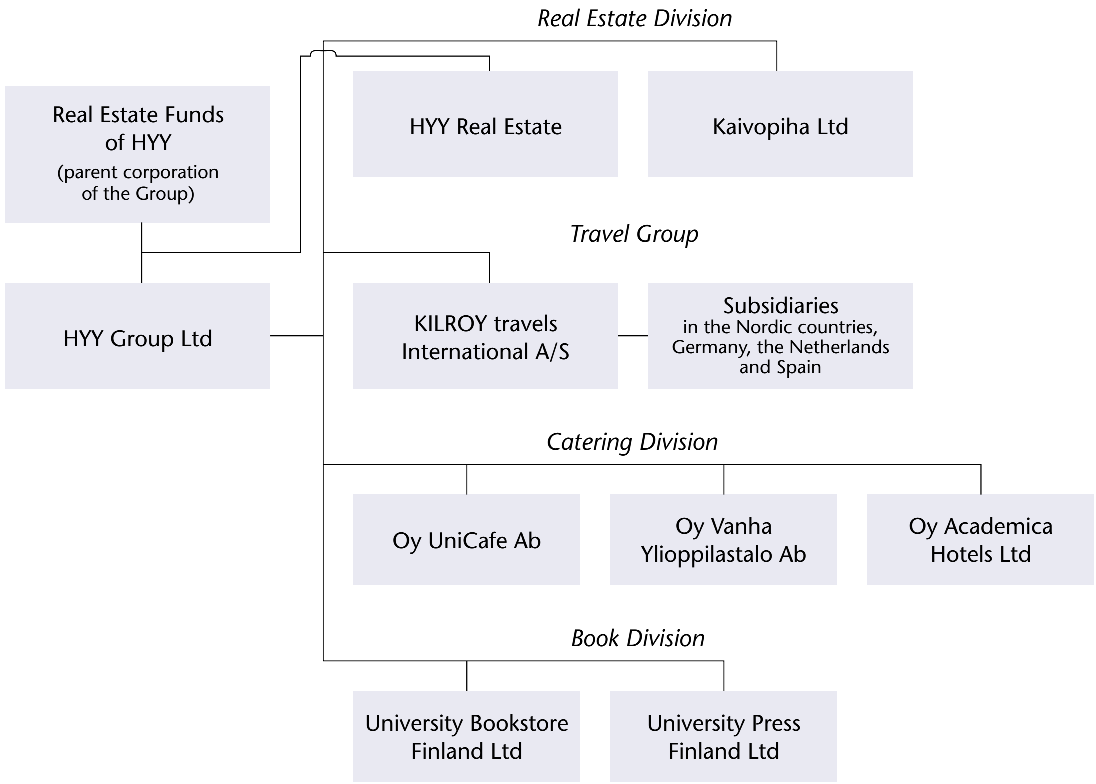
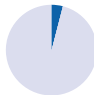
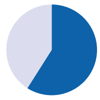
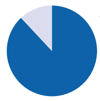
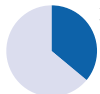
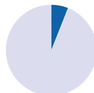
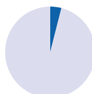
1999 IN BRIEF

- Net sales grew by 37% and amounted to FIM 1.35 billion. This year, too, growth was attributable to KILROY travels.
- Profit before extraordinary items and taxes was FIM 39 million.
- Gross investments totalled FIM 88 million.
- Return on investment was 21.0%; including capital gains from investments, the figure is 22.0%.
- Capital return was 28.9%; including capital gains from investments, the figure is 31.4%.
- The equity ratio exclusive of revaluations was 23.9%; including the potential revaluation of land areas allowed by the Accounting Act, the figure is 50.0%.
- Total assets were FIM 542 million. The difference between the balance sheet values and market values of real estate included in fixed assets was FIM 765 million.
- Proposed dividends amounted to FIM 13.5 million.

ORGANIZATION CHART 15 APRIL 2000



INTRODUCTION TO THE HYY GROUP'S OPERATIONS

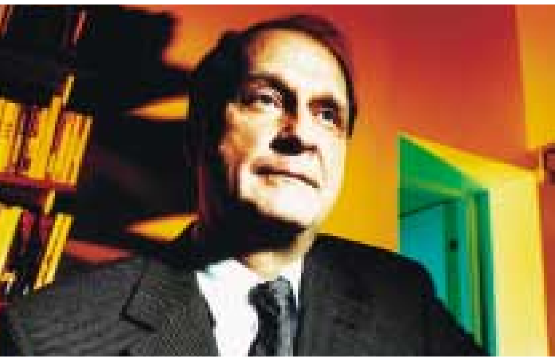
Field of business	*Unit*	*Operations*	*Location*	
REAL ESTATE DIVISION 	*The real estate of HYY*	Operations involving commercial premises, plus the maintenance of premises in support of the Student Union's mission.	The City Centre Property in the heart of Helsinki and the Leppäsuo Property in the Kamppi district of Helsinki.	Share of the Group's net sales:  4 % Share of the Group's result*):  59 %
	Kaivopiha Ltd	A company handling the management, leasing out and maintenance of HYY's properties. The company owns individual investment suites.	Business location: Helsinki. Investment suites in Finland.	
TRAVEL GROUP 	*KILROY travels subgroup*	A major European student and youth travel agency.	Business locations in Finland (6), Sweden (11), Norway (11), Denmark (11), the Netherlands (1), Germany (5) and Spain (1).	Share of the Group's net sales:  88 % Share of the Group's result*):  36 %
CATERING DIVISION 	*Oy UniCafe Ab*	A restaurant chain offering lunch, café, catering and take-away services. Its main customer groups are university students and staff.	23 restaurants in Helsinki	Share of the Group's net sales:  6 % Share of the Group's result*):  4 %
	Oy Gaudeamus Ab (Oy Vanha Ylioppilastalo Ab as of 4 April 2000)	A company providing restaurant and café services and entertainment events.	Activities at the Old Student House in Helsinki.	
	Oy Academica Hotels Ltd	A company engaged in the summer hotel business.	A summer hotel in the Kamppi district of Helsinki.	
BOOK DIVISION 	*University Press Finland Ltd*	Publisher of literature on the humanities, social sciences and technology.	Publishing houses Gaudeamus and Otatieto, Helsinki.	Share of the Group's net sales: 2 % Share of the Group's result*): 1 %
	University Bookstore Finland Ltd	Stationery and bookstore chain for the university community.	Three stationery and bookstores in the Helsinki Metropolitan Area.	

*) profit before taxes and extraordinary items

The profit target was met

The profit target set for 1999 by the Group's owner, before extraordinary items and taxes, was approximately FIM 35 million. Earnings came in at about FIM 39 million. Expressed in comparable terms as profit from ordinary operations after financing items, earnings were about FIM 12 million better than last year. The higher operating profit for 1998 included about FIM 25 million more in capital gains from investment activities than the operating profit for 1999.

The good earnings trend in both



the principal divisions continued. The Real Estate Division's rent profits continued to improve significantly. The Travel subgroup increased its earnings but its financial result would have been even better by a good margin if the foreign exchange risks related to its business operations had been managed as well as in previous years.
In operations geared towards the university communities, the combined earnings of the Catering and Book Divisions improved according to plan.

Realized capital return from revaluations

For a long time, the fundamental tenet of the Group's owner strategy has been that the main business divisions can record as returns any increases in market value at an appropriate time considering the companies' internal development and the trend in the investment markets.

Unrealized capital return from revaluations

In order to give a true and fair view, the Group has, for the fourth time, included in the notes to the financial statements the market values of its real estate and the changes in these values during the financial year, along with the income return, the capital return and the total return, all of which are calculated from the market values in accordance with the new national accounting formulas.

The annual positive capital return on HYY's real estate amounted to about FIM 76 million during the financial year. When calculating the capital return ratio based on revaluations, the investments that were capitalized during the year, totalling about FIM 37 million, must be deducted from the revaluation. This, combined with the fact that some rent income remained uncollected during the period when renovation investments were being carried out, decreased the total return on real estate from last year's figure of 13.6% to 9.3%. The decline in the net return on the City Centre Property from 5.6% to 5.0% was due to the fact that the market value of the City Centre Property, which is based on the market trend in new rentals of both commercial and office premises, rose at a faster rate than that of the tenant portfolio of rental agreements balanced over the term of rental. When the market rises at a fast pace, the return on the portfolio climbs more slowly than the market value, but over time also declines at a slower rate.

Backing the development of the new national accounting formulas is a very representative sample of Finnish property owners and real estate investment companies, who are likewise involved in the benchmarking of yields that is performed regularly with the aid of these formulas. It would be desirable for these indicators, which are calculated for the sake of comparability, to be published in annual reports more often than is customary these days.

Investments in properties

Spring 1999 saw the completion of renovation works at the Library Building, where the Helecon Information Centre was opened. The basic renovations and extensions to Building B of Domus Academica were completed. The two storeys of the Citytalo Building in the City Centre Property were given an entirely new commercial facelift. The replacement of the façade of the Old Student House was started up.

Growth in travel

The acquisition of Benns Rejser A/S and its associated company Benns Resor AB in spring 1999 increased the net sales of the KILROY travels subgroup by a third. The earnings trend of the acquired companies has exceeded expectations.

KILROY travels continued to grow, also by setting up new physical outlets. During the report year, four new outlets were opened in the Nordic countries and three were moved into larger premises. Telephone service still accounts for a significant share of net sales. KILROY strengthened its market share clearly in the Nordic countries and in Sweden in particular.

Further investments in basic IT capabilities and platform were made in connection with the multichannel strategy and the preparations for sales through the Internet. The responsibility for managing the final implementation of the e-commerce channel and the other business opportunities it may open up were handed over to the new management that came on board in November 1999.

Good development in the Catering Division

Oy UniCafe Ab, the market leader in university restaurants in the Helsinki Metropolitan Area, invests in its expansion with its own funds, too, contrary to established practices in its field of business. At the end of the year, three new business locations were opened. One of these, the new large restaurant in the Helsinki city centre, is Oy UniCafe Ab's flagship restaurant, representing a new kind of quality concept. Due to the investments and setting-up expenses, the company's result declined according to plan.

In 1986, Oy Gaudeamus Ab commenced restaurant activities in the festive and activity floors of the Old Student House. After carrying out conversion investments in 1998, the company achieved a good result last year in comparison with the restaurant business in general.

The profits from the Book Division's publishing activities were more in the nature of prestige rather than money. Books published during the report year received numerous awards, including the Tieto Finlandia award. The overhaul of bookstore operations progressed and the financial result improved, but remained in the red.

Prospects for the 2000 financial year

KILROY travels has launched a challenging development project, where e-commerce is playing an even greater role. During 2000, the various e-commerce or e-business models will be implemented in stages. New physical outlets will still be established. As part of its multichannel strategy, its telephone service will also be upgraded. Acquisitions that are in line with its strategy and partnership solutions for Internet sales are also options. In spite of the outlays on development, earnings are expected to improve on 1999.

In the Real Estate Division, the excellent market situation in the centre of Helsinki makes it possible to increase the rent levels of commercial and business premises when renewing agreements. Profits from rental operations are expected to improve from their level in 1999.

In the Catering Division, Oy UniCafe Ab is prepared to expand its operations into catering markets other than the University of Helsinki, especially in the educational segment in Helsinki Metropolitan Area. Oy Academica Hotels Ltd is still assessing alternative means of expanding operations.

The Book Division's companies will continue to adapt their operations with the primary goal of achieving the profit level and other target levels set by the owner of the Group.

The budgeted net sales for the entire Group in 2000 are about FIM 1.6 billion. The budgeted profit before extraordinary items and taxes is about FIM 45 million.

Acknowledgement

I would like to thank our customers, personnel and owners for making 1999 a good year.

The HYY Group took its first steps in the travel business in 1987 by acquiring companies in Finland and Denmark. Since spring 1987 I have had the pleasure of authoring a success story in the Nordic travel business with Managing Director and CEO Børge Faaborg – a story that in autumn 1991 was branded KILROY travels. Børge Faaborg has played an extraordinarily important role in the development of the Travel Group. He retired in November 1999, having turned 60, and passed on the duties of managing director to his successor, while continuing to serve on several of the Group's boards of directors in accordance with my wishes. I would like to extend my warmest thanks to him on behalf of HYY Group and myself.

Tapio Kiiskinen

On 12 November 1999, the President of the Republic of Finland bestowed the title and rank of titular commercial counsellor on Tapio Kiiskinen, the President and CEO of the HYY Group.

THE GROUND RULES OF THE GROUP'S OWNER

MANAGEMENT AND MAINTENANCE OF THE STUDENT UNION'S ASSETS

The general premise for the ownership of business operations by the Student Union of the University of Helsinki is to provide financial support for the performance of the real duties of the Student Union, as specified in the regulations of the Union. Another ground for ownership may also be the improvement and maintenance of essential services for the members of the Union if it can be shown that this makes it possible to achieve benefits compared with 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 safeguard the opportunities available to future generations of members. The purpose of business activities is, in all circumstances, to achieve higher profits in the long term than would be possible with risk-free investments. The maximum risk-taking capacity of the owner's business operations is defined conservatively, so that the ability of the Student Union of the University of Helsinki to handle its basic duties will not be jeopardized under any circumstances.

GENERAL PRINCIPLES OF BUSINESS OPERATIONS

Business and investment activities

The Group engages in business and investments with a long-term perspective, taking moderate risks, employing profit targets which are set for each division, and complying with business practices that are ethical and environmentally responsible.

Investment-driven shareholdings

The company can, above and beyond its own business operations, act on an investment-driven basis as a major or influential shareholder (associated companies, sphere-of-influence companies) in businesses that fit in with the Group's values.

Net sales and net profit

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.

Critical mass

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

Management

The Group management aims to harmonize the missions and limitations set and/or approved by the owner, the strategic efforts based on the business divisions' requirements for successful operations, the learning capacity of the working community, and individuals' commitment to change.

Integration of decision-making

The traditional, close-knit integration of decision-making by the owner and the Group management is both accepted and utilized. The ability to take decisions quickly is essential for successful business, and this is maintained by anticipating development and forecasting future scenarios: by preparing in advance for the risk framework and Board authorizations.

Conservative risk-taking

The Group's business divisions and units are conservative in taking financial risks; this must not, however, lead to passivity. Companies that do well and generate added value for their owner take an active approach to their business operations and their improvement. The Group accepts the occasional losses that may result from dynamic business operations if these losses are proportionate to the gains made over an agreed period of time, and if they are appropriate to the risk-taking facility of the unit in question.

Taking the environmental perspective into consideration

The Group is mindful of the environmental impact of its operations. The Group employs a system for the management of environmental matters. The implementation of this environmental programme is monitored by means of an ecological accounting system and an environmental management system.

Distribution of profits

When the Group decides on the distribution of profits, it takes into account the liquidity of the Group or unit, 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 of the entire Group.

THE GROUP'S OWNER AND GOVERNANCE BY THE OWNER

The Student Union of the University of Helsinki (HYY) was founded in 1868. Today, the Union has about 30,000 members. All those who are studying for a Bachelor's or a Master's degree at the University of Helsinki are automatically members of the Student Union. Post-graduate students may also enrol as members of the Student Union. The Student Union can, in accordance with its regulations, also accept other university students as its members. The Student Union acts as a service and interest organization for its members.

The Student Union funds its operations with membership fees and revenues from the capital in the contingency fund; the capital in the fund comes from the profits distributed by the HYY Group. During the past few years, membership fees funded about one-third of operations, while the remaining two-thirds were funded with revenues from the contingency fund.

POWER OF DECISION AT THE STUDENT UNION AND THE HYY GROUP

Representative Council

The Student Union's highest power of decision is exercised by the Representative Council, whose 60 members are elected by the members of the Student Union in a proportional and general election which is held every second year. The Representative Council approves the HYY Group's owner strategy documents and thus sets the objectives and central targets of business operations. In addition, the Representative Council decides on the annual investment and risk framework of the Group's parent corporation, that is, the Real Estate Funds of HYY, basing its decision on the report submitted by the Supervisory Board. The Representative Council ratifies the annual target budget of the Group's parent corporation, that is, the Real Estate Funds of HYY, as well as decides on adopting the financial statements of the parent corporation and the granting of release from liability. The Representative Council both elects and dismisses the Student Union's financial manager and the auditors of the HYY Group's parent corporation, who also act as the auditors of HYY Group Ltd and its corporate group.

Board of the Student Union

The Representative Council elects the Board of the Student Union. The Board approves the proposals concerning the owner strategy documents of the HYY Group, the parent corporation's annual investment and risk frameworks and the target budget for real estate which will be submitted to the Representative Council. The Board of the Student Union holds the Annual General Meeting of HYY Group Ltd and elects the HYY Group's Supervisory Board, Board of Directors and the Real Estate Management Board. The Board of the Student Union has a term of office of one calendar year.

Supervisory Board of the HYY Group

The Supervisory Board acts as the Supervisory Board of the HYY Group and HYY Group Ltd. The Board of Directors of the HYY Group submits to the review of the Supervisory Board such matters as are significant to the entire corporate entity or concern its principles. The Supervisory Board gives reports or opinions on various final acts to the Representative Council and the Board of Directors of the Student Union. The Supervisory Board elects and dismisses HYY Group Ltd's President and CEO. The Supervisory Board's term of office is the period between Annual General Meetings, or about a year.

Board of Directors of the HYY Group

The Board of Directors of the HYY Group acts as the Board of Directors of the Group's parent corporation – the Real Estate Funds of HYY – and of HYY Group Ltd and its corporate group. About half of the members of the Board are elected from amongst the students who are members of the Student Union and the rest from amongst external professional trustees. The Chair is elected from the Board of Directors of the Student Union. The "student members", including the Chair, have the majority vote when they are unanimous. Professional members are elected for two-year terms, while the other members are elected for terms of one year.

The HYY Group's Auditing Committee

The regular auditors of the HYY Group's owner, the Student Union of the University of Helsinki, will, once they have given their consent, form the Group's Auditing Committee. The Chair will be the responsible Authorized Public Accountant appointed by the Group's Authorized Public Accountants. The Committee shall report to the Board of Directors of the HYY Group.

Members of the Student Union (30,000)
Representative Council of the Student Union (60)
Board of the Student Union (7 – 13)
Annual General Meeting
Supervisory Board of the HYY Group (12 – 18)
Board of Directors of the HYY Group (6 – 9)

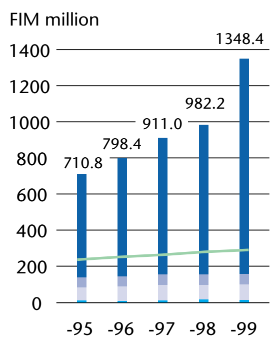
KEY INDICATORS 1995–1999

		1995	1996	1997*)	1998	1999
Net sales	FIM million	710.8	798.4	911.0	982.2	1348.4
Change	%	7.7	12.3	14.1	7.8	37.3
Personnel costs	FIM million	85.8	93.5	101.8	106.8	142.0
Personnel costs as a share of net sales	%	12.1	11.7	11.2	10.9	10.5
Result of operations **)	FIM million	17.0	22.2	28.1	49.8	38.7
Gross investments	FIM million	26.0	24.9	15.7	36.8	88.1
Gross investments as a share of net sales	%	3.7	3.1	1.7	3.7	6.5
Net investments	FIM million	26.0	15.0	9.7	-19.9	79.4
Total assets	FIM million	331.3	337.9	363.3	377.8	541.9
Shareholders' equity	FIM million	26.2	28.5	47.5	64.7	72.2
Fixed assets	FIM million	183.6	177.4	173.9	168.5	220.1
Liquid funds ***)	FIM million	105.4	124.3	148.2	170.7	272.3
Net debts	FIM million	102.7	105.7	55.0	-3.4	-20.8
Payment of dividends to minority shareholders	FIM million	1.1	0.3	0.2	0.7	2.2
Distribution of profits to the Student Union	FIM million	11.7	12.8	13.0	13.0	13.0
Direct distribution of profits, total	FIM million	12.9	13.1	13.2	13.7	15.2
Support for HYY's members and operations, which burdens the Group's financial result	FIM million	5.7	4.0	3.9	3.0	4.9
Return on investment excluding capital gains	%	17.2	17.1	18.9	19.1	21.0
Return on investment including capital gains	%	17.3	18.9	21.1	33.0	22.0
Return on equity excluding capital gains	%	40.8	36.2	36.7	21.0	29.0
Return on equity including capital gains	%	41.5	45.8	45.6	58.7	31.4
Equity ratio at book value	%	11.2	11.6	18.5	29.2	23.9
Equity ratio including potential revaluation of land areas	%	48.9	47.7	51.8	58.6	50.0
Return on equity (initial yield) if the revaluation of land is realized	%	8.3	8.0	8.9	9.2	10.6

*) The figures for 1997 have been converted to correspond to the new accounting practices introduced in 1998
**) Profit before extraordinary items and taxes
***) Cash in hand and at bank as well as securities included in financial assets

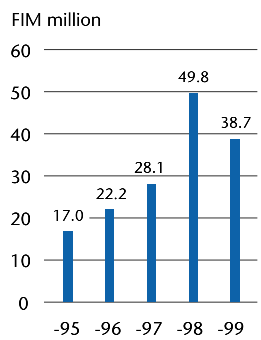
The formulas for the key indicators are presented on page 52.

Calculated in accordance with the conventions of the Finnish Committee for Corporate Analysis

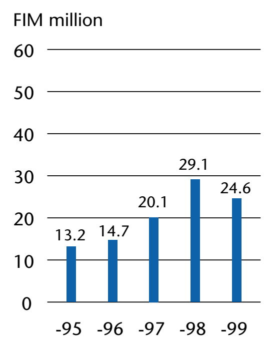


Net sales (FAS)

- Travel Group
- Real Estate Division
- Catering and Book Divisions
- Parent company
- The net sales of Finnish units are presented under the line

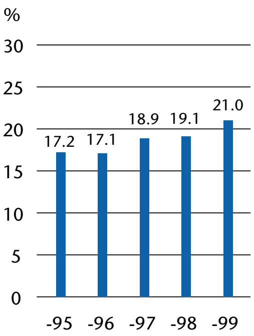


Profit before taxes and extraordinary items (FAS)

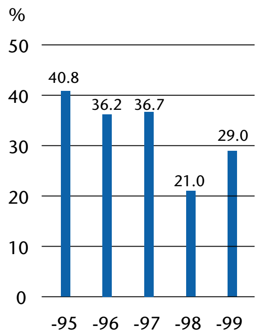


Overall result

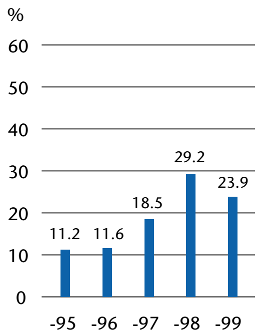
Calculated in accordance with the conventions of the Finnish Committee for Corporate Analysis



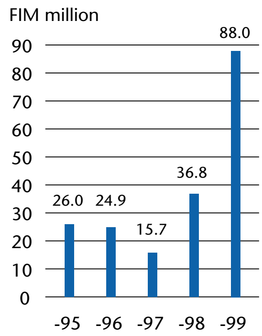
Return on investment, %



Return on equity, %

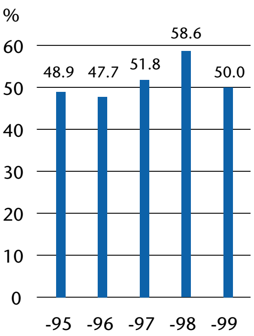


Equity ratio, %

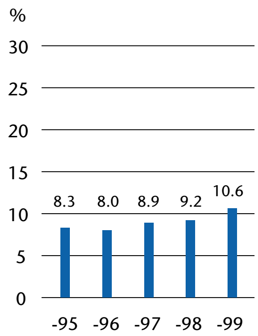


Gross investments

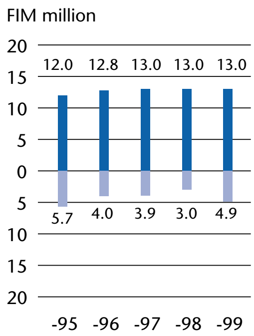
Other key indicators



Equity ratio including potential revaluation of land areas, %

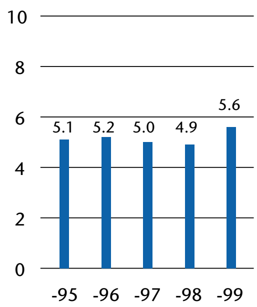


Return on equity (initial yield) if the revaluation of land areas is realized, %

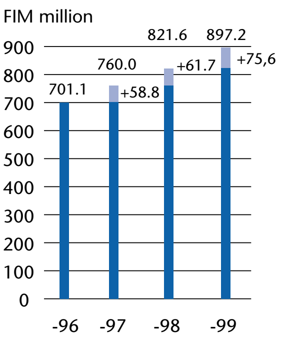


Dividends

- From the HYY Group to the Student Union's contingency fund
- Support for the Student Union's members and operations, which burdens the Group's financial result

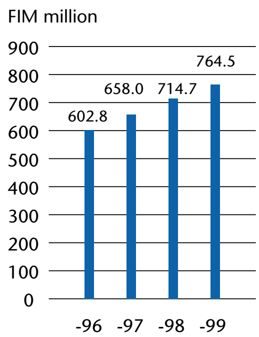


Security ratio

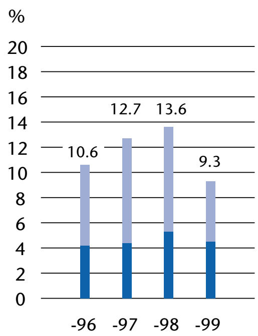


Market value of HYY's real estate and annual change in capital return

- Market value
- Annual change in capital return

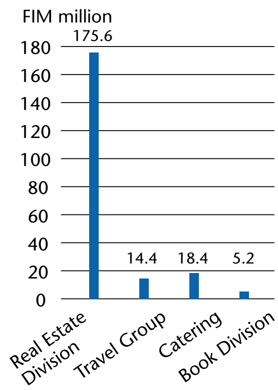


Difference between the market values and book values of the fixed assets in the balance sheet (real estate)



Total return on HYY's real estate

- Income return, %
- Capital return ratio, %
- Total return, %



Tied-up risks by division, 1999

INFORMATION ON PERSONNEL, 31 DECEMBER 1999

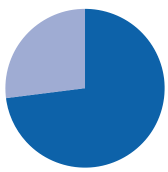
The HYY Group's personnel strategy

The aim of our personnel strategy is to ensure that the Group's various business units both have access to the right amount of competent and motivated personnel and have sufficiently low personnel turnover in terms of their operational target levels.

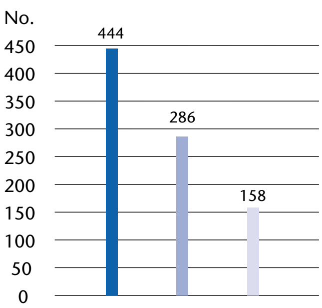
The implementation of the strategy is based on

- the openness of the management culture
- supporting and rewarding personnel for participating in activities and for their initiative
- treating personnel in a fair and equitable manner, with gender equality a given
- a compensation level that is appropriate in view of the tasks and results, and rewarding excellent work
- personnel training and development are based on the Group's values and the objectives of the business units
- taking the development needs and life situation of a committed employee into account

Distribution by gender



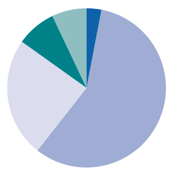
- Women................................ 73%
- Men..................................... 27%



Personnel turnover 1999

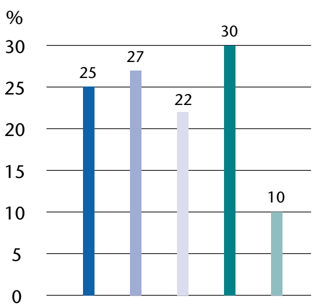
- Started in 1999
- Leaving the Group's employ in 1999
- Net increase

Distribution of personnel ages



The average age of the personnel was 30 years.

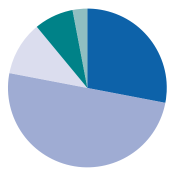
- under 20 years 3%
- 20 – 29 yrs 57%
- 30 – 39 yrs 24%
- 40 – 49 yrs 9%
- over 50 yrs 7%



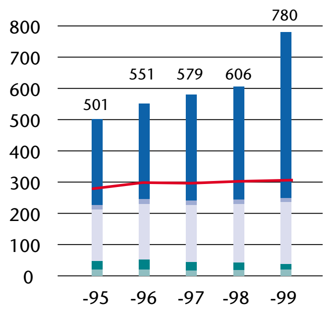
Turnover of permanent employees by division in 1999, % (personnel leaving the Group's employ / personnel at beginning of year x 100)

- Travel Group
- Real Estate Division
- Catering Division
- Book Division
- Parent company

Time of employment in the HYY Group



- under 1 year 28%
- 1 – 5 yrs 50%
- 6 – 10 yrs 11%
- 11 – 20 yrs 8%
- over 20 yrs 3%



Average number of employees in Finland/abroad, 1995 –1999

- Travel Group
- Real Estate Division
- Catering Division
- Book Division
- Parent company + others
- Personnel below the line were in Finland

Personnel communications, training and research are employed to guarantee that the Group's values and corporate culture are understood and accepted within all business units and at the different personnel levels. Two of the central aspects of the corporate culture are preparedness for changes and working together with others in the effort to reach the objectives at hand.

At the Group's management level, people are expected not only to have the personal characteristics required of successful managers and to develop them, but also to have the constant willingness and ability to commit themselves, in all honesty, to the Group's objectives, values and operating principles.

In addition to the information presented in this Annual Report, a more detailed separate Human Resource Report is available. To order, telephone +358 9 1311 4288 or email tiedotus@hyy.fi.

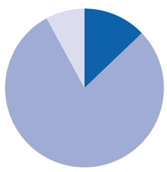
Information on the HYY Group's management

The average age of the HYY Group's management was 42 years.

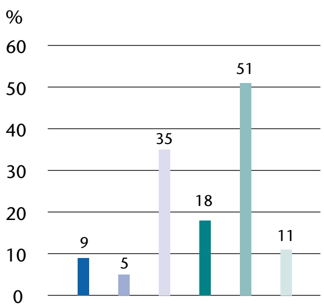
Of the directors, nine were women and 10 were men.

The directors' average time of employment with the Group was about nine years.

Educational level



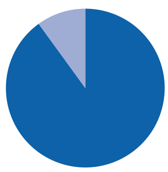
- Comprehensive school 13%
- Post-comprehensive degree 79%
- University degree 8%



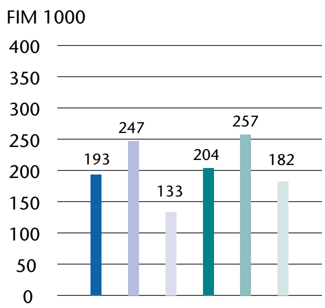
Personnel expenses as a share of net sales by division, 1999

- Travel Group
- Real Estate Division
- Catering Division
- Book Division
- Parent company
- Entire Group

Nature of employment



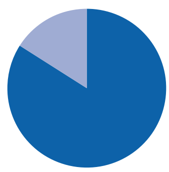
- Permanent 90%
- Temporary 10%



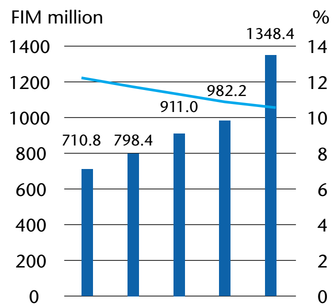
Personnel expenses per employee by division, 1999

- Travel Group
- Real Estate Division
- Catering Division
- Book Division
- Parent company
- Entire Group

Nature of employment



- Full-time 84%
- Part-time 16%



Personnel expenses as a share of net sales, 1995 –1999

- Net sales
- Personnel expenses as a share of net sales, %

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 Student Union and the companies in its Group.

Vice President Linnea Meder

Duties and basic aims

- Organizing the operational and corporate structure of the HYY Group and attending to its strategic management
- Attending to the financing of the HYY Group
- Producing internal services for the HYY Group
- Examining and developing new businesses
- Implementing centralized changes
- Divesting service and business units
- Long-term investment activities

Operations and net profit

HYY Group Ltd's net sales, which primarily comprise the Group's internal services, were FIM 10.0 million in 1999 (FIM 9.6 million in 1998). Other operating income, FIM 2.1 million, comprised capital gains on the sale of fixed assets as well as insurance compensation. The parent company posted a profit of FIM 0.5 million (FIM 19.9 million in 1998), after net financing income of FIM 2.6 million, FIM 1.2 million in Group contributions that were received and recorded in extraordinary items, and direct taxes amounting to FIM 0.4 million. The company's shareholders' equity as at 31 December 1999 was FIM 36.8 million (FIM 41.4 million in 1998), of which FIM 20.6 million was distributable funds included in non-restricted equity (FIM 25.2 million in 1998). In 1999, on the basis of the net profit for 1998, a dividend of 33% was paid on the share capital of FIM 15.0 million.

As internal services in 1999, the company attended to tasks related to the financial administration of its owner – that is, HYY – and its subsidiaries (excluding the KILROY travels subgroup) as well as acted as an internal corporate bank.

In addition, the company maintained the Group's information network and the related email system along with other software that is in shared use. The company also handled the UniCard smart card system's customer service, the system's clearing function, and the owner/loyalty customer marketing within the context of the UniCard system.

Research and development / UniCard

The HYY Group's own smart card, the UniCard, is meant to be used by the University communities and it includes payment and bonus card features. In spring 2000, there were almost 20,000 cards in use. The UniCard also doubles as a student card for the students of the University of Helsinki, and as an ID card for its personnel. The loyal customer system used in the card won the SESAMES award at the European Smart Card Industry Association Cartes ´99 international fair in Paris. In practice, the UniCard is the only functional and actively used smart card-based payment and loyal customer card in Finland. The UniCard is being developed so that in future it will be able to serve the needs of other university communities in Finland. The usage possibilities of the card are being upgraded with electronic ID, international student card and copy card features.

Near-term outlook

The company's net sales target for 2000 is about FIM 10.6 million.

The parent company's key objectives for 2000 are to coordinate the introduction of the euro within the Group and to give the best possible support for subsidiaries in the utilization of owner/loyalty customer marketing within the Group.

Key indicators for the Group's parent company

	1999	*1998*
Net sales, FIM million	**10.0**	9.6
Profit before taxes and extraordinary items, FIM million	**-0.3**	22.1
Invested capital, FIM million	**91.1**	108.6
Return on investment, %	**0.4**	8.5
Return on investment, including sales of investments, %	**2.4**	33.2
Gross investments, FIM million	**2.5**	4.9
Average personnel	**20**	19

Exemplary attention to environmental considerations is one of the HYY Group's core values. Environmental operations were started up in 1992. The first ecological accounts were drafted that same year. The environmental programme was approved in spring 1996 and its implementation is audited regularly.

Objectives of the HYY Group's environmental policy

We must be able to reduce environmental impacts, even of the Catering Division, although its major environmental impacts are indirect.

• *New technology*
In our investment decisions, we focus on energy savings, the durability and repairability of equipment, and the recycling of materials.

• *They who save, benefit*
We carefully measure the consumption of energy and other resources. They who waste, pay. They who save, benefit.

• *Training and awards*
We train our personnel constantly. The best green acts are rewarded on a regular basis.

• *Our daily bread*
Environmental considerations are part of our daily operations.

Ecological accounting system

Since 1992, we have employed an ecological accounting system that is used to track the realization of objectives. We have been one of the Finnish pilot companies in the use of this system. These objectives are set annually in the target budget of each business unit.

Separate ecological accounts have been drawn up concerning the HYY Group's environmental operations.

Ritva Kuuluvainen, Manager of Group Financing and Coordinator of Environmental Affairs

Environmental organization

An ecological network functions within the Group. It is responsible for the maintenance, management, training, communications and development of the environmental programme. In addition, a person responsible for environmental issues was appointed at each business site in autumn 1999. These persons are responsible for attending to environmental considerations within their own work unit, thereby assisting the line managers.

It pays to reward

The personnel are rewarded annually for initiative-taking in the management of environmental tasks. Rewards encourage positive thinking about the environment and communicate to the staff the importance of good management of environmental affairs. In the current year, eco-managers who have received orientation training and are dedicated to their tasks will receive a special pay increase with the aim of raising the status of this task at the Group's units.

The use of eco-electricity is one of the new focus areas

At the beginning of 2000, the Group's own units in its City Centre Property changed over to the use of eco-electricity, which is generated using renewable sources of energy. This alternative is also being offered to tenants.

Perfecting electronic communications and filing systems

The Group seeks to promote the efficient use of electronic communications with an accent on eco-efficient ways of working, including the output of messages. A special challenge is to put in place electronic voucher files and a virtual stockpile of books for the Group's publishing activities.

More organic products. Alternative products to be added to the assortment

UniCafe restaurants will see an increased use of organic products when organic meals are offered regularly once a month. By way of a special campaign, customers will be informed of organic products and their use at UniCafes. Alternative Trade products will be added to the product range.

Tasks and basic objectives

The Real Estate Division's business is to make long-term investments in real estate and premises, and to develop and maintain these investments. The running profits from business operations are primarily the result of the cash flow from the renting of business premises. Another return component is the change in their market value; this added value may periodically be recognized as revenue.

The Real Estate Division's service operations provide the activity units of the Student Union and related organizations with premises, and the division rents out reasonably-priced flats primarily to 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 the Library Building.

In addition to office premises, the Kaivopiha Commercial Building provides recreational and cultural services, entertainment and special shops. The commercial and office space available for lease amounts to some 26,800 m^2. There are about 65 tenants in the building.

The extensive premises reserved for the use of the Student Union and the organizations and corporations working under it are also located in the City Centre Property. These premises measure about 4,900 m^2 in all, including the Old Student House's above-ground restaurant and entertainment premises.

The Leppäsuo Property has student housing and 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 HYY Group's Catering Division. The Student Union also has student housing in the Haaga district of Helsinki.

In addition to the properties directly owned by HYY, the Real Estate Division also includes Kaivopiha Ltd, which is part of HYY Group Ltd's corporate group. Kaivopiha Ltd's main task is to attend to the facility management of HYY's real estate, the renting of facilities, building management and maintenance, and to do so with quality and cost-effectiveness. The company also owns, as investments, shares in Finnish residential and real estate corporations.

The Real Estate Division's profit target is to achieve an optimum long-term profit that is not only among the best in this field in Finland but is also based on sustainable business principles.

Operations and result

The market situation for business premises improved further, especially in the case of stores in prime commercial locations. In practice, the entire capacity of the HYY Group's rental premises was fully leased out. No major tenant changes took place. About 18% of the rental space in the Kaivopiha Property's tenant portfolio was accounted for by renewed agreements, and 8% by expired agreements.

In the general market for office premise rentals, only 20,000 m^2 was available for rent in the heart of Helsinki in autumn 1999. In all of Helsinki, the vacancy rate business premises declined from about three to two per cent. The paid vacancy rate of both commercial and residential premises was close to 100 per cent.

Yrjö Herva, Director of the Real Estate Division

Assistant Director Jukka Leinonen

The Real Estate Division's net sales were FIM 60.6 million, up 4% on the previous year. The net profit amounted to FIM 26.6 million, after FIM 7.2 million in planned depreciation, FIM 5.0 million in dividends from subsidiaries and FIM 5.4 million in net interest expenses. Earnings from the actual renting of business premises totalled FIM 23.3 million (FIM 21.5 million in 1998). Indirect taxes and real estate taxes amounted to FIM 4.8 million. The net profit exceeded the target.

Personnel

The average number of people working for the Student Union's real estate unit was four in 1999 (five in 1998), and Kaivopiha Ltd employed an average of nine people (nine in 1998).

Thus, the average number of personnel employed by the Real Estate Division was 13 in 1999 (14 in 1998).

Investments

The gross investments made by HYY's real estate unit amounted to FIM 36.1 million in 1999, and Kaivopiha Ltd's totalled FIM 1.0 million, meaning that the Real Estate Division's gross investments totalled FIM 37.1 million. Sales of Kaivopiha Ltd's cooperative housing shares came to FIM 5.5 million. The Real Estate Division's net investments thus totalled FIM 31.6 million. In 1999, investments comprised the refurbishing of properties, replacement and maintenance investments, and repairs related to the rental of premises.

Research and development

The division took part in the field's R&D in numerous development projects organized by the Finnish Institute for Real Estate Economics, together with major Finnish corporations owning real estate. In the customer-service benchmarking project, the Real Estate Division achieved the second-best overall grade out of 16 real estate owners. Other joint projects included the real estate yield and cost information projects and the real estate return index development project.

Near-term outlook

The Real Estate Division's net sales target for 2000 is FIM 65 million. Its profit target before extraordinary items and taxes is about FIM 24 million.

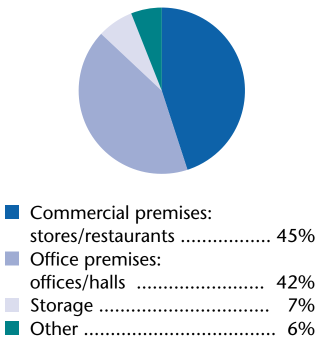
The excellent market situation makes it possible to raise rent levels for office premises when renewing agreements. Likewise, the market situation for commercial premises makes it possible to develop tenants as a group and to perform individual rent reviews.

Thanks to the excellent location of the property, the demand for residences in Domus Academica is constantly high. The Library Building has been permanently rented to the library of the Helsinki School of Economics and Business Administration.

Key indicators for the Real Estate Division

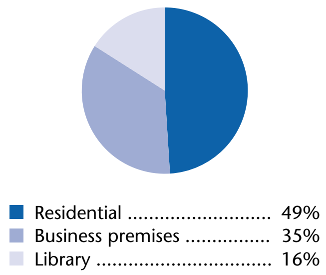
	1999	*1998*
Net sales, FIM million	**60.0**	58.4
Profit before taxes and extraordinary items, FIM million	**26.6**	20.6
Invested capital, FIM million	**162.0**	144.5
Return on investment, %	**21.1**	19.6
Gross investments, FIM million	**37.1**	22.5
Average personnel	**13**	14

Leasable area in the City Centre Property
by type of facility, 31 Dec. 1999



Leasable area: a total of 31,693 m^2

Leasable area in the Leppäsuo Property
by type of facility, 31 Dec. 1999



Leasable area: a total of 15,544 m^2

Tasks and basic objectives

The HYY Group's Travel Group comprises the KILROY travels subgroup. The parent company of the KILROY travels Group is the Danish company KILROY travels International A/S, in which Oy HYY-Yhtiöt Ab has a 56.5% holding of the shares and voting rights. The principal minority shareholder is Axcel Industri-Investor a.s. of Denmark, which has a 35% stake. KILROY travels International A/S is the sole owner of its subsidiaries in Finland, Sweden, Norway, Denmark, Germany and Spain. A minority shareholder in the subsidiary in the Netherlands is the insurance company Conservatrix N.V., which has a 49% interest. KILROY has a worldwide agreement-based service network that offers value-added services to travellers.

KILROY travels' task is to provide students and other youth aged 16–32 with travel services that have a good price-to-quality ratio, especially in air travel products, whilst delivering added value in line with the KILROY brand. The main customer group is Young Independent Travellers.

KILROY's market performance is based on five key requirements, which are referred to as MARCH: Market leadership, Availability, Relevance (meaning that KILROY's products, communications and personal service should be as significant and valuable as possible to our customers), Cost-effectiveness and Human resources that help us serve our customers better than anyone else.

Operations and net profit

The KILROY travels Group had net sales of FIM 1,190.9 million (DKK 1,489 million), an increase of 44% on the previous year. Net sales generated by Benns Rejser A/S:n and Benns Resor AB, which were acquired in 1999, were FIM 279 million (DKK 349 million). Net of the acquired companies, the growth in net sales was 10%. KILROY achieved a clear increase in its market share in the Nordic countries and in the Netherlands.

Mogens Jønck, Managing Director and CEO of the Travel Group

In the Nordic countries, new outlets were opened and the company moved into more spacious premises. Telesales grew further. Large outlays were made on information technology to serve all marketing channels, with an accent on sales over the Internet.

Of the products sold, about 80% consisted of air travel products, with ticket sales topping 906,000 in 1999, an increase of 7%. KILROY's own tickets accounted for about 65% of aggregate sales. KILROY has an agreement with more than 40 leading air carriers. With some airlines KILROY has a long-term strategic partnership agreement.

KILROY's pre-tax profit was FIM 15.8 million (FIM 10.3 million in 1998). Depreciation includes FIM 3.0 million in goodwill amortization. The result was nearly on budget. The main factors influencing earnings were the acquisition of the Benns companies, upgrading of the information technology platform, which resulted in one-off depreciation entries, as well as the materialization of certain foreign exchange risks at a level that differed from previous years.

The operational result in all the Nordic countries was good. The loss reported in Germany and the Netherlands diminished. The result in Spain was again positive.

Personnel

KILROY travels had an average of 532 employees in 1999 (362 in 1998). The distribution of employees by country is:

	1999	1998
Denmark	**253**	132
Norway	**88**	70
Finland	**56**	56
Sweden	**88**	65
Spain	**9**	8
Germany	**29**	26
The Netherlands	**9**	5
Total	**532**	362

Investments

KILROY travels' gross investments in 1999 totalled FIM 44.8 million. Outlays were made on new business locations and information technology.

Research and development

One of KILROY travels' key success factors is a good knowledge of its clientele and the ability to communicate with customers. Within the travel industry, an exceptionally large amount of KILROY's expenditures goes towards continually studying its customers and their needs as well as for regularly monitoring the brand awareness and the company's market share.

At the end of 1998 KILROY launched a challenging investment programme that will last about two years and which aims to create an information technology platform for a multichannel strategy, e-commerce, global electronic cooperation and Internet services. Expenditures related to this programme amounted to about FIM 24 million in 1999.

Near-term outlook

KILROY will continue its present rigorous customer segmentation, brand reinforcement and boosting of its market share in the operating countries it has chosen.

E-commerce in a more developed form will be started in spring 2000. Other alternatives for Internet business are under study. The availability of telephone service will be improved. New locations will be established, at least in the Nordic countries and the Netherlands. Acquisitions are also a possibility. Earnings in 2000 are expected to improve from the level in 1999.

Key indicators for the Travel Group

	1999	*1998*
Net sales, FIM million	**1190.9**	827.9
Profit before taxes and extraordinary items, FIM million (after amortization of Group goodwill)	**15.8**	10.3
Return on investment, FIM million	**55.9**	48.7
Return on equity, %	**29.6**	26.2
Gross investments, FIM million	**44.8**	9.3
Personnel, average	**532**	362

The business locations of the KILROY travels Group in spring 2000

Tasks and basic objectives

The Catering Division comprises Oy UniCafe Ab, Oy Gaudeamus Ab (Oy Vanha Ylioppilastalo Ab as of 4 April 2000) as well as Oy Academica Hotels Ltd.

The division's companies serve the students and educational communities and their employees in Finland, in the Helsinki Metropolitan Area and especially at the University of Helsinki. The companies may, when it is so decided, also operate separately in other market areas, utilizing the know-how and capabilities invested in their core tasks. The aim is to provide financial support for the core tasks and to maintain market-driven efficiency.

Marjo Berglund, Director of the Catering Division

The profit target is to achieve a reasonable profit in return for the owner's investment and risk-taking.

Operations and result

The Catering Division had net sales of FIM 75.3 million, up 10% on the previous year. Profit amounted to FIM 1.8 million, after FIM 1.3 million in planned depreciation and FIM 0.9 million in net financing income and before financial statement adjustments. The division achieved its profit targets.

Oy UniCafe Ab

At the end of 1999, Oy UniCafe Ab had 22 restaurants. Three new restaurants were opened during the report year. The constant growth in the popularity of UniCafe among students led the division to increase capacity in the vicinity of the city centre campus. In October 1999, a large new student restaurant was opened in Kaivopiha on the edge of the Ylioppilasaukio Square in the heart of Helsinki. However, the total number of student lunches did not increase compared with the previous year. This was due to the four-month renovation of the restaurant in the Main Building of the University, which is one of the largest UniCafe restaurants.

The building of the UniCafe service mark – i.e., its brand – continued according to plan. In 1999, a total of over 1.6 million student meals were sold at UniCafe restaurants. Oy UniCafe Ab's net sales were FIM 54.3 million and its profit before taxes and extraordinary items was FIM 0.1 million. The price level of UniCafe's student lunches remained at the same level for the eighth year in a row.

Oy Gaudeamus Ab

The operations of Oy Gaudeamus Ab's Restaurant Vanha were divided into three main areas: festive services, daily restaurant and café activities, and entertainment events. Festive services were the cornerstone of the profitability of Restaurant Vanha's operations, and the Student Union and the various organizations under it were equally important to it as customers as were companies and civic organizations. The Beercafe, which is open every day, consolidated its position among the beer-licensed restaurants of downtown Helsinki. The renovation of the façade of the Old Student House hindered its operations somewhat towards the end of 1999. The number and profitability of events within festive services grew significantly compared to previous years. Oy Gaudeamus Ab's net sales in 1999 were FIM 18.8 million and its profit before taxes and extraordinary items was FIM 1.0 million.

Oy Academica Hotels Ltd

As in previous years, Hostel Academica was based in Building D of Domus Academica on Hietaniemenkatu street. It housed 115 rooms, of which 23 were hostel rooms. The occupancy rate was 90% in the summer and people spent 16,979 nights in the hostel. The net sales of Oy Academica Hotels Ltd in 1999 were FIM 2.5 million and its profit before taxes and extraordinary items was FIM 0.4 million.

Personnel

	1999	*1998*
Oy UniCafe Ab	**163**	155
Oy Gaudeamus Ab	**32**	33
Oy Academica Hotels Ltd	**2**	*)
Total	**197**	188

*) 1998 is included in Oy Gaudeamus Ab's figures

Investments

Oy UniCafe Ab	FIM 2.9 million
Oy Gaudeamus Ab	FIM 0.6 million
Oy Academica Hotels Ltd	FIM 0.0 million
Total	FIM 3.5 million

Research and development

For the fourth year running, Oy UniCafe Ab has researched its customer and personnel satisfaction in a manner that is methodical, and which permits

the figures to be compared. The employees of the company have worked on current matters and functions at the UniCafe restaurants in six groups, which are referred to as "carrot teams". The skills required by the brand have been developed at the UniCafe Academy.

Near-term outlook

The prices of student lunches will be kept at their previous level for the ninth consecutive year – that is, the prices of student lunches will not be raised in 2000. The HYY Group's aid, i.e. special prices for students of the University of Helsinki, will be changed into a UniCard bonus in 2000. UniCafe is also prepared to expand its operations into other catering markets, especially in the educational segment in the Helsinki Metropolitan Area.

In 2000, the focus areas of Oy Gaudeamus Ab (Oy Vanha Ylioppilastalo Ab as from 4 April 2000) are maintaining its festive service activities at a high standard of quality, stimulating the activities of Beercafe and engaging in the organization of profitable events.

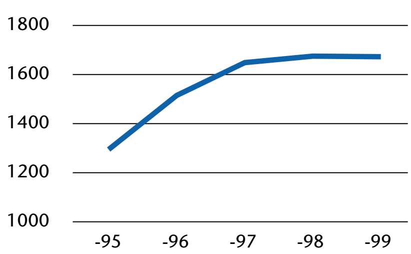
Oy Academica Hotels Ltd will strive to expand its summer hotel operations in 2001.

The Catering Division's net sales target for 2000 is FIM 88 million. The profit target before extraordinary items and taxes is FIM 1.4 million.

Key indicators for the Catering Division

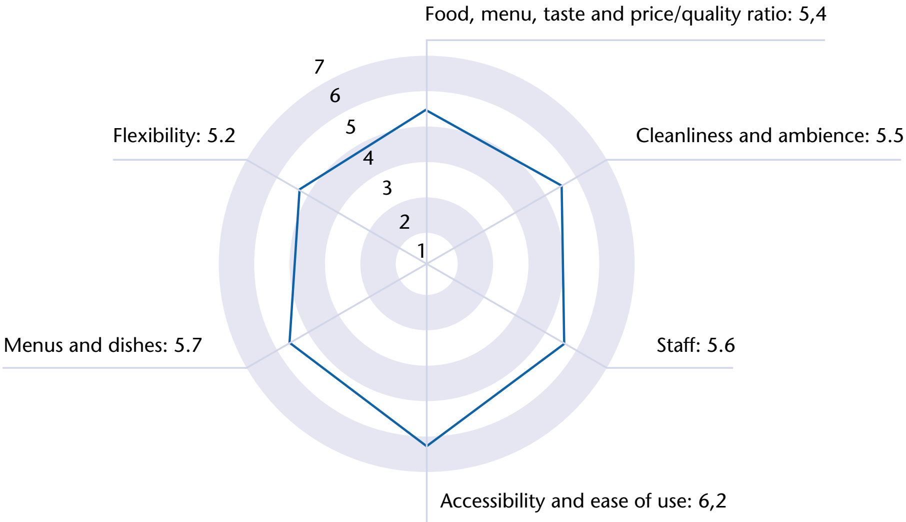
	1999	*1998*
Net sales, FIM million	**75.3**	68.6
Profit before taxes and extraordinary items, FIM million	**1.8**	0.5
Invested capital, FIM million	**16.0**	14.4
Return on investment, %	**11.6**	3.5
Gross investments, FIM million	**3.5**	2.7
Average personnel	**197**	188

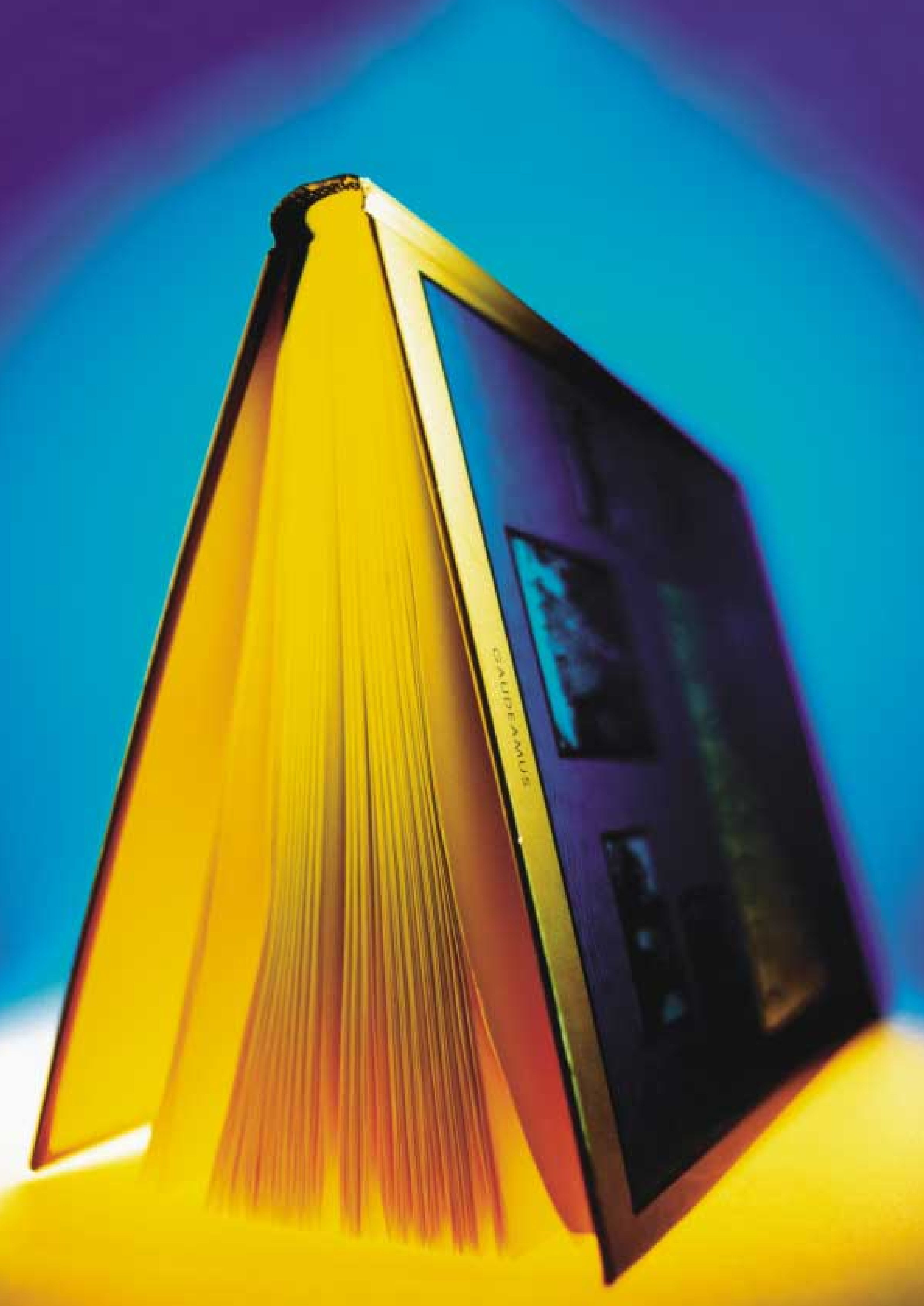
Number of student meals sold



UniCafe's customer satisfaction survey, November 1999

Scale: 7 excellent – 1 poor




GAUDEAMUS

Tasks and basic objectives

The Book Division primarily serves the needs of the members of the Finnish scientific and educational community by publishing books and by retailing Finnish and foreign non-fiction. Bookstore operations are supplemented by the sale of accessories.

The general basis of the Book Division's operations is to generate a sufficient profit for the owner.

Arja Kosonen, Assistant Director of the Book Division

Publishing operations are also geared towards increasing the prestige of the academic and scientific community and improving the owner's and Group's corporate image.

Operations and result

The Book Division's net sales were FIM 20.5 million, or 21% less than in the previous year. Excluding units that were wound down at the end of the previous year, the comparable net sales grew by about 10%. The profit was FIM 0.2 million after FIM 0.6 million in planned depreciation and FIM 0.3 million in net interest, and before accounting adjustments.

University Press Finland Ltd publishes literature on the humanities, social sciences, the environment and current affairs under the name of Gaudeamus, and literature on technology under the Otatieto imprint. In 1999, Gaudeamus published 34 new titles and 28 reprints. Otatieto published seven new titles and 43 reprints. The company's net sales in 1999 were FIM 6.3 million and its profit before taxes and extraordinary items was FIM 0.04 million. At the end of 1999, the company sold the University of Technology's teaching handout operations to Edita Oy. The net sales of the divested business amounted to FIM 1.5 million.

University Bookstore Finland Ltd is engaged in the bookstore and retail stationery business. The University Bookstore chain comprises the bookstores in Porthania, Viikki and at the University of Technology. With its stake of 20%, the University of Helsinki is a minority shareholder in University Bookstore Finland Ltd. The company's net sales in 1999 were FIM 14.6 million and it posted a loss of FIM –0.1 million before taxes and extraordinary items.

Near-term outlook

University Bookstore Finland Ltd has now modernized and standardized all of its three stores in line with the same operating model and each store acts as a speciality bookstore for the university faculties active in its area. The focus area is refining the chain concept further, developing institutional sales and boosting the efficiency of UniCard marketing.

University Press Finland Ltd's operations contracted following the sale of its teaching handout operations.

The Book Division's net sales target for 2000 is FIM 20 million and its profit target is FIM 0.2 million.

Key indicators for the Book Division

	1999	*1998*
Net sales, FIM million	**20.5**	26.0
Profit before taxes and extraordinary items, FIM million	**0.2**	-0.6
Invested capital, FIM million	**4.9**	6.1
Return on investment, %	**11.5**	-0.4
Gross investments, FIM million	**0.1**	0.2
Average personnel	**18**	23

FINANCIAL STATEMENTS, 31 DEC. 1999

BUSINESS ENVIRONMENT AND TRENDS

The travel industry and air travel in particular continued to grow in the European countries and market segment in which KILROY travels does business, with the exception of Norway. Total growth in KILROY's market segment in the Nordic countries amounted to about 6%. In Germany, the total market shrank slightly.

In the real estate business, the demand for business premises in Helsinki remained extremely brisk. Rents have continued to rise for many years. In 1999, this increase was even stronger than in previous years. In the case of new rental agreements, the median rent of commercial premises in the heart of Helsinki rose by about 27% from autumn 1998 to autumn 1999, which meant an increase of about 10% in the prevailing rent level. The corresponding increases in the rents of office premises were 12% and 7% (Kluuvi area). The number of unrented business premises was exceptionally low.

Demand has been especially stable in the case of business related primarily to university and educational communities.

NET SALES

The Group's net sales amounted to FIM 1,348.4 million, up 37.3% on the previous year.

The net sales of the Group's parent corporation and domestic companies accounted for 22% of the aggregate net sales. The remainder, 78%, came from the net sales of the Travel subgroup's foreign companies.

Net sales by division:

FIM million	***1999***	*1998*	*Change, %*
Real Estate Division	**60.6**	58.2	+4
Travel Group	**1,190.9**	828.2	+44
Catering Division	**75.3**	68.6	+10
Book Division	**20.5**	26.0	-21
Parent company: HYY Group Ltd *)	**1.1**	1.2	-8
TOTAL	**1,348.4**	982.2	+37

*) internal sales have been eliminated

DIVISIONS

Real Estate Division

The Real Estate Division's net sales were FIM 60.6 million, up 4% on the previous year. Net profit amounted to FIM 26.6 million, after FIM 7.2 million in planned depreciation, FIM 5.0 million in dividends from subsidiaries and FIM 5.4 million in net interest expenses. Earnings from the actual renting of business premises totalled FIM 23.3 million (FIM 21.5 million in 1998). Indirect taxes and real estate taxes amounted to FIM 4.8 million. The net profit exceeded the target.

The annual revaluation of the Group's primary real-estate holdings and the total return on real estate (net income return + revaluation income return), calculated at the market values, are presented in detail in the notes to the financial statements.

Travel subgroup

Denominated in Finnish markkaa, net sales amounted to FIM 1,190.9 million, up 44% on the previous year. KILROY travels increased further its market share and market leadership in the Nordic countries. In Germany, the business trend matched the trend in the aggregate market.

The Travel subgroup's profits were FIM 15.8 million before extraordinary items and taxes and after FIM 15.2 million in depreciation and FIM 3.7 million in net financing income (profits of FIM 10.3 million in 1998). FIM 6.3 million was booked in taxes. The result after extraordinary items and taxes and before minority interest was a profit of FIM 6.8 million (FIM 7.1 million in 1998). Minority interest totalled FIM +0.4 million (FIM +0.7 million in 1998). Profits fell slightly short of the target.

The results of all the Nordic and Spanish subsidiaries were clearly in the black. The earnings trend was

The Real Estate Division´s net sales and profit*) by division:

FIM million	***1999***		*1998*	
	Net sales	***Profit***	*Net sales*	*Profit*
HYY's real estate				
Corporate real estate	**48.0**	**24.6**	44.5	22.3
Service real estate	**12.1**	**-1.0**	13.1	0.1
Dividend income		**5.0**		0.8
Interest expenses of investment activities		**-0.3**		-0.8
Kaivopiha Oy	**4.3**	**-1.7**	4.2	-0.8
TOTAL	**60.6**	**26.6**	58.4	20.6

*) before extraordinary items and taxes

	1999	*1998*
Return on investment, %	**21.1**	19.6
Return on equity (initial yield), if the revaluation of land is added to shareholders' equity, %	**9.4**	8.2

The Travel Group´s net sales by company:

FIM million	*1999*	*1998*	*Change %[1]*
KILROY travels International A/S [2]	**8.6**	22.7	-62
KILROY travels Denmark A/S	**201.2**	182.9	10
KILROY travels Finland OY AB	**133.8**	126.3	6
KILROY travels Norway A/S	**213.4**	199.3	7
KILROY travels Sweden AB	**241.8**	198.6	22
KILROY travels Spain S.A.	**42.4**	50.0	-15
KILROY travels Germany GmbH	**37.3**	38.6	-3
KILROY travels Netherlands B.V.	**18.4**	9.3	97
Benns Rejser A/S [3]	**294.0**	-	-
NET SALES	**1,190.9**	827.9	44

[1] these percentages may vary when presented in the company's home currency
[2] parent company's sales to subsidiaries have been eliminated
[3] includes both Benns Rejser A/S and Benns Resor Ab

	1999	*1998*
Return on investment, %	***29.6***	26.2

particularly good in Sweden and Denmark as well as at Benns Rejser A/S, which was acquired at the beginning of the year. The financial result of the German company was still in the red, but improving. In the Netherlands, the financial result improved according to plan and the foundation for posting a profit in 2000 now exists.

The net sales of the subgroup's parent company, after the elimination of sales to subsidiaries, come from sales to the travel agencies acting as its agents outside its own territories. In line with the strategy, sales to agents have been decreasing.

According to the subgroup's Danish financial statements, KILROY travels' net sales were DKK 1,489 million. Profit before taxes and minority interest was DKK 21.1 million.

In the subgroup's own financial statements, drawn up according to Finnish Accounting and IAS conventions, shareholders' equity was FIM 49.1 million as at 31 December 1999 (FIM 46.1 million in 1998), of which FIM 30.4 million was non-restricted equity. On the basis of the net profit for 1998, a dividend of about 27% was paid on share capital in 1999, or approximately 65% of earnings after taxes.

Catering Division

The Catering Division had net sales of FIM 75.3 million, up 10% on the previous year. Profit amounted to FIM 1.8 million, after FIM 1.3 million in planned depreciation and FIM 0.9 million in net financing income, and before financial statement adjustments. The profit target was exceeded.

The UniCafe restaurants performed well in the generally tight competitive situation prevailing among personnel restaurants and educational institution restaurants in Helsinki, which is also affected by the fact that new international players have entered the market. There were 22 UniCafe restaurants at the end of 1999. Three new restaurants were opened during the report year. The rising popularity of UniCafe restaurants, especially among students, called for an increase in service outlets in the vicinity of the city centre campus. Investments were made on a new large student restaurant in the HYY Group's premises in the heart of Helsinki. It was opened in October 1999.

The prices of student lunches have not been raised for eight years. UniCafe restaurants are considerably cheaper than their competitors.
In addition to state subsidies, an additional discount of FIM 3 – 3.50/student/lunch could be earmarked for the student lunches of HYY members as a price leader discount, which in 1999 totalled FIM 3.3 million. Customer satisfaction surveys are conducted on a regular basis, and they indicate that customers are still highly satisfied with the price/quality ratio.

In Oy Gaudeamus Ab's operations, the earnings of Restaurant Vanha were excellent, and it met the targets that were set for it. The premises of Restaurant Vanha were renovated in 1998. 1999 was its first full year of operations under a new operating concept.

The hotel operations of the HYY Group were transferred to a new company in spring 1999, Oy Academica Hotels Ltd. The associated company Oy Gaudeamus Ab sold its lodging operations (Hostel Academica) to the company at the beginning of 1999. This was the first year of hotel operations for the company. Hostel Academica's earnings hit a record high and met all the targets that had been set for it.

The Catering Division´s net sales and profit*) by company:

FIM million	*1999*		*1998*	
	Net sales	***Profit***	*Net sales*	*Profit*
Oy UniCafe Ab	**54.3**	**0.1**	52.6	1.4
Oy Gaudeamus Ab	**18.8**	**1.0**	16.2	-0.9
Oy Academica Hotels Ltd [1)]	**2.5**	**0.4**	-	-
Elimination of intra-company sales / internal goodwill amortization	-	**0.2**	-	-
TOTAL	**75.3**	**1.8**	68.6	0.5

*) before extraordinary items and taxes

[1)] 1998 is included in Oy Gaudeamus Ab's figures

	1999	1998
Return on investment, %	**11.6**	3.5

Book Division

The Book Division's net sales were FIM 20.5 million, down 21.0% on the previous year. Other operating income primarily comprised the 1999 share of the capital gains on the sale of its teaching handout business. Profit amounted to FIM 0.2 million, after FIM 0.6 million in planned depreciation and FIM 0.3 million in net interest, and before accounting adjustments. Profit before the sale of business operations fell short of the target.

All of University Bookstore Finland Ltd's stores have been modernized and standardized in line with the same operating model and each store acts as a speciality bookstore for the university faculties active in its area. At the end of 1999, there were three University Bookstores. During the report year, one store was closed due to its poor location and loss-making result.

University Press Finland Ltd's earnings were in line with the targets set for it.

The Book Division´s net sales and profit*) by company:

FIM million	*1999*		*1998*	
	Net sales	***Profit***	*Net sales*	*Profit*
University Bookstore Finland Ltd	**14.6**	**-0.2**	20.6	-0.5
University Press Finland Ltd	**6.8**	**0.0**	6.2	-0.2
Elimination of intra-company sales / Capital gains from sales of business functions	**-0.9**	**0.4**	-0.8	
TOTAL	**20.5**	**0.2**	26.0	-0.6

*) before extraordinary items and taxes

	1999	*1998*
Return on investment, %	**11.5**	-0.4

HYY Group Ltd and its corporate group

	1999	*1998*
Consolidated return on investment, %	**15.5**	10.9
Consolidated return on investment including capital gains from the sale of investment-driven fixed assets, %	**17.7**	35.9

The parent company HYY Group Ltd and its corporate group

(exclusive of the parent corporation of the HYY Group, the Real Estate Funds of HYY)

HYY Group Ltd's net sales, which primarily comprise the Group's internal services, were FIM 10.0 million, representing growth of 4% compared with the previous year. Other operating income, FIM 2.1 million, primarily comprised capital gains on the sale of investment-driven fixed assets. The parent company posted a profit of FIM 0.5 million after net financing income of FIM 2.6 million, FIM 1.2 million in Group contributions that were received and recorded in extraordinary items and direct taxes amounting to FIM 0.4 million. The company's shareholders' equity as at 31 December 1999 was FIM 36.8 million. The share of non-restricted equity accounted for by fully distributable funds was FIM 20.6 million. On the basis of the net profit for 1998, a dividend of 33% was paid in 1999 on share capital amounting to FIM 15.0 million.

Consolidated net sales amounted to FIM 1,295 million, representing growth of 39% compared with the previous year. Other operating income totalled FIM 4.8 million (1998: FIM 29.2 million). Operating profit came in at FIM 6.9 million (1998: FIM 27.8 million). The book profit was FIM 3.4 million (1998: FIM 18.1 million), after FIM 0.9 million in financing income, FIM -2.6 million in extraordinary items, FIM 6.7 million in direct taxes and a minority interest of FIM 2.7 million. The consolidated shareholders' equity as at 31 December 1999 was FIM 42.3 million, of which

FIM 27.0 million was distributable funds included in non-restricted equity.

CONSOLIDATED RESULT

The Group's profit before extraordinary items and taxes was FIM 38.7 million (FIM 49.8 million in 1998). The capital gains from investments made by the main divisions, which are included in the financial result, amounted to only FIM 3.2 million (FIM 28.9 million in 1998). Profits from the basic business operations after financing items were about FIM 11.7 million better than last year.

Operating profit came in at FIM 35.1 million (FIM 53.7 million in 1998).

A quasi-provision item amounting to FIM 2.6 million, which is due to the change in the accounting policy of the Danish KILROY travels subgroup, has been recorded under extraordinary items.

Return on investment exclusive of earnings from investment operations amounted to 21.0% (19.1% in 1998). Return on investment inclusive of earnings from investment operations amounted to 22.0 % (33.0% in 1998).

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 76 million, and is included in the notes to the financial statements rather than the income statement. The market value of the Student Union's real estate (the present-day value of net rental income receivable in the future) was about FIM 822 million at the beginning of the year and about FIM 897 million at year's end. The calculation of market values is based on a 6.70% total return requirement and a 95% occupancy rate. The income return of the real estate (net rental yield as a percentage of the market value at the beginning of the financial year) was 4.5% (5.3% in 1998). Premises that did not yield rental income due to basic renovations during the report year had an impact of about 0.3 percentage point on the average income return. The capital return ratio (change in the market value since the beginning of the year, expressed as a percentage) was 4.8% (8.3% in 1998). The total income return of the real estate was thus 9.3% in 1999 (13.6% in 1998).

INVESTMENTS

Gross investments by division:

Real Estate Division	FIM 37.1 million
Travel Group	FIM 44.8 million
Others	FIM 6.1 million
Total	**FIM 88.0 million**

The KILROY travels subgroup invested FIM 27.1 million in new subsidiaries. Investments in properties comprised refurbishing, replacement and maintenance, and repairs related to the renting of premises totalling FIM 36.1 million. Other investments, FIM 24.9 million, were allocated to the founding of new company sites, IT systems and related software and hardware acquisitions.

The Group's net investments totalled FIM 79.4 million after sales of fixed assets amounting to FIM 8.6 million.

FINANCING

Liquid assets at year's end totalled FIM 272.3 million (FIM 170.7 million in 1998). The Group's liquidity has been good. The net amount of the principal of interest-bearing loans at year-end was FIM 131.0 million (FIM 107.2 million in 1998). Net financing income amounted to FIM 3.7 million (net financing expenses of FIM 3.9 million in 1998).

The equity ratio at book values was 23.9% (29.2% in 1998). The audited potential revaluation of the Group's land areas, as given in the notes to the financial statements and figuring in solvency, leads to an equity ratio of 50.0% (58.6% in 1998).

The cash flow generated by the Group's ordinary business activities was a surplus of FIM 123.7 million. The Group's cash-based net investments were FIM 81.4 million. As at 31 December 1999, the weighted effective interest rate on the loans of the Finnish part of the Group was 4.8% (1998: 5.6%).

PERSONNEL

The HYY Group employed an average of 780 people during the report year, an increase of 174 employees on the previous year. The growth in personnel was primarily due to KILROY's acquisition of subsidiaries. Of the personnel, 304 were employed in Finland, 429 in the other Nordic countries and 47 elsewhere in Europe.

Trends in personnel, by division:

Division	***1999***	*1998*
Real Estate Division	**13**	14
Travel Group	**532**	362
Catering Division	**197**	188
Book Division	**18**	23
Parent company HYY Group Ltd	**20**	19
Group, total	**780**	606

GOING EASY ON THE ENVIRONMENT

In 1998, the HYY Group's ecological activities focused on clarifying the division of environmental tasks and the setting of objectives.

During the report year, a task description and orientation plan was specified for the ecological supervisors appointed at each site. A three-period joint training programme was started up for all of the Group's ecological supervisors during the education on recycling organized during the Energy Conservation Week. In the Catering Division, the green duties and development sites common to all the restaurants were defined in the orientation guide for UniCafe staff.

The setting of annual objectives for ecological activities was clarified in the autumn. While the actual budgeting of targets was being developed, each company was also given three key ecological goals, which were each expressed in a way that would allow their realization to be tracked.

At the end of the year, a decision was taken within the HYY Group to start purchasing "eco-electricity" for its own units active in the city centre properties in 2000, and to make this type of electricity available to tenants as an alternative. This decision aims to promote electricity generation that places a smaller burden on the environment.

EURO

In 1998, the HYY Group began preparations for the introduction of the euro. The Group's aim is to make a controlled changeover to the new currency. No decision has been taken as yet concerning the date when the euro will be adopted as the accounting currency.

PRESIDENT AND AUDITOR

Tapio Kiiskinen, M.Sc. (Econ.), was the President and CEO of the Group for the duration of the entire financial year.

KPMG Wideri Oy Ab, Authorized Public Accountants, were selected by the Representative Council of the Student Union to act as the auditors of the parent corporation, and they were likewise selected by the Annual General Meeting to act as the auditors of HYY Group Ltd and its corporate group in 1999.

OWNERSHIP OF THE GROUP

The Student Union of the University of Helsinki is a public sector entity having the right to autonomy. Its status is based on the Universities Act (645/1997) and the Student Union Decree; the latter was passed on 6 February 1998 on the basis of the Universities Act and entered into force on 1 August 1998. Under the rules ratified by the Student Union on the basis of the decree, the real estate funds that are owned by the Student Union, and which are subject to the Accounting Act, function as the parent company of a separate corporate body in the manner defined in the Accounting Act; that is, the real estate funds are the parent corporation of the HYY Group. The Real Estate Funds of HYY owns 100% of HYY Group Ltd's shares. HYY Group Ltd is the parent company of its corporate group. The HYY Group has a 100% or majority holding in all its subsidiaries.

Funds of the Student Union

The current funds required in the performance of the Student Union's purpose, as specified in the decree, are funds which are tied to the budget of the public sector entity, and as such are not subject to bookkeeping requirements on the basis of the Accounting Act. The regulations concerning the Student Union (the decree, the rules of the Student Union, financial rules) lay down rules concerning the Funds of the Student Union and its budget, accounting, financial statements and auditing. The Funds of the Student Union and the HYY Group are not consolidated. The Group's distribution of profits is performed as a transfer of funds from the parent corporation's non-restricted equity to the contingency fund of the Funds of the Student Union.

The operating costs of the Funds of the Student Union amounted to about FIM 16.4 million in 1999. Of this amount, FIM 0.8 million was covered with self-acquired funding, grants and income from collections, and FIM 5.4 million was covered with membership fees collected from the Student Union and FIM 0.6 million in interest on the contingency fund. The Student Union membership fee – FIM 180/member/semester – has remained unchanged since 1991. The FIM 9.6 million deficit of the Funds of the Student Union was covered with funds from the HYY Group's contingency fund, which had been enlarged by dividends.

On 31 December 1999, the Funds of the Student Union had a balance sheet total of FIM 15.0 million. Of this amount, FIM 0.7 million was accounted for by the capital in the member loan fund that was covered by the Funds of the Student Union, and FIM 10.1 million by shareholders' equity.

CHANGES IN THE GROUP STRUCTURE

No major changes took place in the Group's operational structure. In March 1999, the parent company of the subgroup, KILROY travels International A/S, acquired the shares outstanding of Benns Rejser A/S and Benns Resor AB in their entirety. At the end of the year University Press Finland Ltd sold the University of Technology's teaching handout operations to Edita Oy.

NEAR-TERM OUTLOOK

The KILROY travels subgroup has started up a challenging development programme, in which the role played by e-commerce has been brought even more to the fore. During 2000, the various operating methods involved in e-commerce will be implemented gradually. More actual outlets will be opened on the discretion of KILROY in the countries in which it currently does business. The development of telephone service will also be carried out as part of the multichannel strategy. Strategically appropriate acquisitions and particularly partnership solutions related to e-commerce are alternatives. In spite of the outlays on development, the financial result of the subgroup is expected to improve from its 1999 level.

In the case of the Real Estate Division, the excellent market situation in the centre of Helsinki makes it possible to raise rent levels for office premises when renewing agreements. Likewise, the market situation for commercial premises makes it possible to develop tenants as a group and to perform individual rent reviews. Earnings from rental activities are expected to improve on their level in 1999.

In the Catering Division, Oy UniCafe Ab will keep the prices of student lunches at the same level for the ninth year in a row – the prices of student lunches will not be raised in 2000. In addition to serving the University of Helsinki, UniCafe is prepared to expand its operations into other catering markets, especially in the training segment in the Helsinki Metropolitan Area. Oy Gaudeamus Ab's restaurant operations in the Old Student House are on a financially healthy foundation. Oy Academica Hotels Ltd is still examining alternative means of expanding its operations further.

The Book Division's companies will continue to adapt their operations with the primary goal of achieving the profit level and other target levels set by the owner of the Group.

The budgeted net sales for the entire Group in 2000 are about FIM 1.6 billion. The budgeted profit before extraordinary items and taxes is about FIM 45 million.

DIVIDENDS

According to the consolidated balance sheet, non-restricted equity amounts to FIM 54,974,252, of which distributable funds amount to FIM 50,353,427. According to the separate balance sheet of the Real Estate Funds of HYY, the fully distributable funds in non-restricted equity amount to FIM 23,854,938. The Board of Directors proposes that the Funds of the Student Union be paid a dividend of FIM 13,500,000, with the remainder being kept in the retained earnings account.

INCOME STATEMENT, IAS

IAS = International Accounting Standards

FIM	***1999***	*1998*
Net sales	**1 353 224 415**	**1 011 378 985**
Expenses	-1 318 105 145	-957 905 705
Operating profit	35 119 269	53 473 280
Financing income and expenses	3 560 711	258 611
Profit before taxes and minority interest	**38 679 981**	**53 731 891**
Taxes	-11 473 768	-10 013 611
Minority interest	-2 696 041	-47 222
Profit before extraordinary items	24 510 172	43 671 058
Extraordinary items	-2 638 779	-4 932 402
Net profit for the period	**21 871 393**	**38 738 657**

BALANCE SHEET, IAS

FIM	***1999***	*1998*
Fixed assets and other long-term expenditure		
Tangible fixed assets	167 157 377	139 612 691
Shares and participations, goodwill, immaterial rights and other long-term expenditure	48 701 990	24 512 879
Long-term loans receivable	4 252 836	4 330 131
	220 112 203	**168 455 700**
Inventory and financial assets		
Inventory	8 997 563	7 289 263
Receivables and advance payments	40 493 379	31 434 648
Cash at bank and in hand	198 767 222	142 654 386
Other liquid assets	73 509 232	28 005 685
	321 767 395	**209 383 982**
Current liabilities		
Advance payments and deferred liabilities	134 774 897	73 869 046
Instalments on long-term loans	8 124 325	6 491 920
Other short-term debts	176 966 290	107 848 994
	319 865 511	**188 209 960**
Net working capital	1 901 884	21 174 022
	222 014 087	**189 629 722**
Shareholders' equity	**72 224 251**	**64 719 864**
Minority interest	**19 530 840**	**17 085 223**
Non-current liabilities	**130 258 996**	**107 824 635**
	222 014 087	**189 629 722**

CASH FLOW STATEMENT, FAS AND IAS

FAS = Finnish Accounting Standards

FIM 1 000	***1999***	*1998*
Ordinary operations		
Cash inflow		
From sales	1 343 423	984 240
Cash payments		
Purchases	-971 141	-739 587
Wages and salaries	-144 055	-108 212
Other expenses	-95 560	-84 668
Extraordinary expenses	0	-6 688
Interest	3 294	-4 016
Taxes	-12 244	-11 564
	-1 219 705	-954 735
Net cash flow from ordinary operations	**123 718**	**29 505**
Investments		
Investment loans, decrease	77	116
Investments in associated companies	4 084	-850
Investments in shares	1 236	0
Investments in subsidiaries	-27 138	42 376
Income from sale of fixed assets	204	12 034
Investments in fixed assets	-59 832	-32 660
Net cash flow from investments	**-81 369**	**21 016**
Financing		
Non-current liabilities, decrease	19 760	-18 891
Quasi-equity financing, increase	409	40
Loans receivable and deposits, change	3 140	4 643
Securities included in fixed assets, increase	-42 389	-4 130
Dividends received	183	141
Dividends paid to minority shareholders	-2 282	-649
Distribution of profit	-13 000	-13 000
Net cash flow from financing	-34 179	-31 846
Net change in cash assets	8 170	18 675
Cash assets, 1 Jan.	142 654	124 370
Effect of exchange rate fluctuations	929	-334
Effect of changes in the Group structure *)	47 015	-57
Cash assets, 31 Dec.	198 767	142 654

*) The effect of changes in the Group structure comprises
the cash assets of acquired companies at the time of acquisition.

INCOME STATEMENT, FAS

FIM	***1 Jan. – 31 Dec. 1999***	*1 Jan. – 31 Dec. 1998*
NET SALES	**1 348 394 334**	**982 216 100**
Other operating income	4 830 081	29 162 885
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-1 038 757 987	-735 416 807
Increase/decrease in inventories	1 743 941	-792 549
External services	-9 895 909	-8 200 917
Personnel costs	-141 971 452	-106 826 717
Depreciation and value adjustments	-24 885 097	-19 249 522
Other operating expenses	-104 338 641	-87 201 218
Total	-1 318 105 145	-957 687 731
OPERATING PROFIT	**35 119 269**	**53 691 254**
Financial income and expenses		
Income from investments in fixed assets	125 257	151 361
Other interest and financial income	10 120 076	7 085 088
Value adjustments of securities in current assets	-521 359	0
Other interest and financial expenses	-6 163 263	-11 129 985
Total	3 560 711	-3 893 537
PROFIT BEFORE EXTRAORDINARY ITEMS	**38 679 981**	**49 797 718**
Extraordinary items		
Extraordinary expenses	-2 638 779	-10 683 961
PROFIT BEFORE TAXES AND MINORITY INTEREST	**36 041 202**	**39 113 757**
Income taxes	-11 473 768	-10 013 611
Minority interest	-2 696 041	-47 222
NET PROFIT FOR THE YEAR	**21 871 393**	**29 052 925**

BALANCE SHEET, FAS

ASSETS

FIM	***31 Dec. 1999***	*31 Dec. 1998*
Fixed assets		
Intangible assets		
Intangible rights	1 104 225	1 103 140
Group goodwill	17 210 621	1 102 786
Other capitalized expenditure	25 526 417	12 424 156
	43 841 264	14 630 082
Tangible assets		
Land	4 804 295	4 804 295
Buildings and structures	121 650 400	96 726 312
Machinery and equipment of the buildings	8 489 383	8 491 987
Machinery and equipment	30 191 373	21 071 632
Other tangible assets	51 560	51 560
Advance payments and acquisitions in progress	1 970 366	8 466 905
	167 157 377	139 612 691
Investments		
Shares in Group undertakings	332 380	3 403 603
Receivables from Group undertakings	4 252 836	4 330 131
Other shares and participations	4 528 346	6 479 194
	9 113 562	14 212 927
Fixed assets, total	**220 112 203**	**168 455 700**
Current assets		
Inventories		
Completed products/goods	8 919 290	7 173 664
Advance payments	78 273	115 599
	8 997 563	7 289 263
Receivables		
Current		
Accounts receivable	19 852 798	16 750 029
Receivables from Group undertakings	77 295	2 045 500
Receivables from the owners	97 660	125 483
Loan receivables	5 600	16 211
Other receivables	0	580 000
Prepaid expenses and accrued income	20 460 026	11 917 425
	40 493 379	31 434 648
Securities included in financial assets		
Other shares and participations	393 156	4 446 812
Other securities	73 116 076	23 558 873
	73 509 232	28 005 685
Cash at bank and in hand	198 767 222	142 654 386
Current assets, total	**321 767 395**	**209 383 982**
Assets	**541 879 598**	**377 839 682**

BALANCE SHEET, FAS

LIABILITIES

FIM	***31 Dec. 1999***	*31 Dec. 1998*
Shareholders' equity		
Capital	17 250 000	17 250 000
Retained earnings	33 102 858	18 416 939
Net profit for the year	21 871 393	29 052 925
Shareholders' equity, total	**72 224 251**	**64 719 864**
Minority interest	**19 530 840**	**17 085 223**
Liabilities		
Non-current		
Loans from financial institutions	69 893 636	50 401 680
Pension loans	18 907 549	20 803 817
Debts to Group undertakings	0	160 000
Debts to the owners	12 710 000	9 190 000
Other debts	17 679 866	16 576 544
Imputed deferred tax liabilities	11 067 943	10 692 594
	130 258 995	107 824 635
Current		
Loans from financial institutions	6 228 058	4 528 192
Pension loans	1 896 267	1 963 728
Advances received	158 154 565	97 344 169
Accounts payable	118 770 716	59 784 935
Debts to Group undertakings	0	5 364
Debts to the owners	160 163	87 502
Other debts	18 811 725	10 504 825
Accrued liabilities and prepaid income	15 844 018	13 991 245
	319 865 511	188 209 960
Liabilities, total	**450 124 507**	**296 034 595**
Liabilities	**541 879 598**	**377 839 682**

COMPARISON OF THE FAS AND IAS FINANCIAL STATEMENTS

FIM	***1999***	*1998*
Net profit for the year in the FAS financial statements	**21 871 393**	**29 052 925**
Previously booked pension expenses	0	5 533 585
Unrealized gains/losses on exchange rates, share for accounting period	0	4 152 148
Net profit for the year according to the IAS financial statements	**21 871 393**	**38 738 657**
Shareholders' equity in the FAS financial statements	**72 224 251**	**64 719 864**
Shareholders' equity in the IAS financial statements	**72 224 251**	**64 719 864**

ACCOUNTING PRINCIPLES

Scope

The consolidated financial statements include all Finnish and foreign subsidiaries in which the parent corporation owns more than 50% of the voting rights either directly or indirectly.

Associated companies

Companies in which the Group has a direct or indirect holding of 20–50% are classified as associated companies. Associated real estate companies are not, however, included in the consolidated financial statements, as they have no effect on the Group's financial result or shareholders' equity.
At the end of the financial year, the Group had no associated companies with the exception of two associated real estate companies which fall outside the consolidated financial statements.

Accounting policies

The consolidated financial statements are presented in Finnish markkaa and the figures are based on the original acquisition cost. Book values based on the acquisition cost have been reduced to match the market value when necessary. The Group's internal business transactions, distribution of profit, receivables and liabilities have been eliminated in their entirety. There were no internal margins that had to be eliminated.

Intra-Group share ownership has been eliminated using the acquisition-cost method. The difference between the acquisition cost and shareholders' equity has been presented as Group goodwill, which will be depreciated over the period in which it has a financial effect. Five and ten years have been used as the depreciation periods.

In the income statement, minority interest has been stated separately as a share of the profit for the financial year, and in the balance sheet as a share of the shareholders' equity.

Items denominated in foreign currency

The income statements of foreign subsidiaries have been converted to Finnish markkaa at the average rate for the financial year, and the balance sheets at the rate on the closing date. Translation differences arising from conversion and the elimination of the shareholders' equity of foreign subsidiaries have been recorded in non-restricted equity. Receivables and liabilities denominated in foreign currency have been valued at the rate on the closing date.

Net sales

Net sales comprise capital gains from the sale of products and services, rental income from real estate operations and charges for consumption less indirect taxes and discounts and exchange rate losses related to accounts receivable, plus exchange rate gains related to accounts receivable.

Pensions and pension funding

The pension security of the employees of the Group's Finnish companies, including additional benefits, has been handled through external insurance companies. The pension arrangements of foreign subsidiaries have been handled in accordance with local practices.

Extraordinary items

Presented as extraordinary income and expenses are major non-recurring income and expense items that are not part of ordinary business operations or are related to the capitalization of a business that is being wound down. Recurring operating income and expenses are included in the items presented before operating profit.

Fixed assets and depreciation

Fixed assets are recorded in the balance sheet at the variable acquisition cost minus planned depreciation, which is calculated on a straight-line basis from the economically useful life of fixed assets.

The recommended useful life periods used in planned depreciation are:

Incorporation and adjusting expenses	3 years
Intangible rights	3–10 years
Group goodwill	5 years
Other capitalized expenditure	3–30 years
Buildings	30–40 years
Machinery and equipment of the buildings	5–15 years
Machinery and equipment	3–5 years

In line with the principle of material importance, which is part of generally accepted accounting practices, minor fixed assets – such as computers with an estimated economically useful life of under three years and mobile phones – have been recorded directly as annual costs. Land areas have not been depreciated. The securities included in fixed assets have been valued at the acquisition cost or, if their market value has permanently fallen, at the lower market value.

Other capitalized expenditure primarily includes the cost of the renovation of rental premises, where the depreciation period is the probable rental period at most. In the Real Estate Division, the other capitalized expenditure comprises such renovation costs of rented premises as have been agreed, during rent agreement negotiations, to be the responsibility of the landlord and whose effect has been accounted for when determining the rent. In those cases, the depreciation period is generally the duration of the rental period.

Separate information on the market values of fixed assets, their potential revaluation and collateral value is provided in the notes to the balance sheet. Information on capital return, or changes in value, during the financial year is presented separately in the notes to the income statement.

Current assets

Inventories have been valued using a weighted average price. In the case of self-manufactured products, the price includes the variable wage and raw material costs of production. The upper limit used in the valuation of inventory assets is the probable sale price and the probable acquisition cost.

Securities included in fixed assets are valued at acquisition cost or the probable sale price on the closing date.

Appropriations

Appropriations are those depreciation differences causing a change in the imputed deferred tax liability which is presented in the consolidated financial statements under the taxes for the financial year. In the consolidated balance sheet, accumulated appropriations have been divided into a tax liability and non-restricted equity.

Advances received

The bulk of the Travel subgroup's net sales is generated by the subgroup's air ticket system – a system which is unusual in the travel business – where customers pay a considerable amount in advance. Presented as advances received is the share of advance airfares paid by customers, who have the right to a refund, for which accounts receivable had not materialized between the subgroup and the airlines by the closing date, or a total of FIM 126.0 million (1998: FIM 86.6 million). The advances received are presented in current liabilities under the liabilities side of the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENT — ACCORDING TO IAS

FIM 1 000	***1999***	*1998*
NET SALES		
Net sales by division		
Real Estate Division	60 349	58 220
Travel Group	1 190 873	828 177
Catering Division	75 313	68 646
Book Division	20 525	25 982
Other	1 334	1 191
Total	**1 348 394**	**982 216**
Net sales by market area		
Finland	291 307	280 620
Other Nordic countries	940 146	568 906
Other European countries	114 904	130 554
Other	2 037	2 136
Total	**1 348 394**	**982 216**
OTHER OPERATING INCOME		
Capital gains from sales of investments in non-current fixed assets	3 196	28 942
Capital gains from sale of business functions	794	
Other	840	220
Total	**4 830**	**29 162**
AVERAGE NUMBER OF PEOPLE EMPLOYED BY THE COMPANY		
Real Estate Division	13	14
Travel Group	532	362
Catering Division	197	188
Book Division	18	23
Other	20	19
	780	**606**
In Finland	304	300
In other Nordic countries	429	267
In other European countries	47	39
	780	**606**

FIM 1 000	***1999***	*1998*
Depreciation and value adjustments		
Depreciation on tangible and intangible assets	21 810	16 604
Amortization of Group goodwill	3 075	2 645
	24 885	19 249
Financial income and expenses		
Income from long-term investments		
Dividend income	125	0
Other interest and financial income	10 120	7 085
Value adjustments of investments	-521	0
Interest and other financial expenses	-6 163	-6 977
Financial income and expenses, total	3 560	258
Extraordinary items		
Extraordinary items	-2 638	-4 930
Direct taxes		
Real estate taxes	2 302	2 375
Income taxes on ordinary operations		
For the current year	9 361	5 749
For the previous year	-18	-34
Change in the imputed deferred tax liability	-172	1 923
Total	11 473	10 013

FIM 1 000

The revaluation or the capital return of central Real estate which is included in the parent company's fixed assets but is not included in the income statement

	Market value 31 Dec. 1999	*Market value 31 Dec. 1998*	*Capital return (revaluation) 1999*	*Capital return ratio, %*
City Centre Property	767 090	715 968	51 121	5.1
Leppäsuo Property	130 301	105 670	24 461	3.0
Market value, total	897 221	821 638		
Capital return, total			75 582	
Average capital return ratio, %				4.8

In accordance with the accounting formula, the activated investment expenditure on construction works will be deducted in its entirety from the revaluation during its year of completion when calculating the capital return, as a result of which the capital return ratio of both properties is exceptionally low in 1999. The investment expenditure deducted from from the revaluation amounted to FIM 15.1 million for the City Centre Property and FIM 20.9 million for the Leppäsuo Property.

Total return of the central real estate

	Income return %		*Capital return, %*		*Total return, %*	
	1999	*1998*	***1999***	*1998*	***1999***	*1998*
City Centre Property	**5.0**	5.6	**5.1**	8.2	**10.1**	13.7
Leppäsuo Property	**1.0**	3.4	**3.0**	9.5	**4.0**	12.9
Average (weighted)	**4.5**	5.3	**4.8**	8.3	**9.3**	13.6

The effect on the income return of those premises that did not yield rental income due to basic renovation work during the financial year amounted to about 0.3 percentage point.

The income return is the net rental yield as a percentage of the market value at the beginning of the financial year.

The capital return ratio is the change in the market value as a percentage since the beginning of the year.

Total return = Income return + Capital return

The notes to the balance sheet present detailed information on the properties and the calculation of their capitalized values and yield in accordance with the formulas of the Finnish Institute for Real Estate Economics.

NOTES TO THE BALANCE SHEET ACCORDING TO IAS

FIM 1 000	***1999***	*1998*
Assets and depreciation		
Original acquisition cost		
Land	4 804	4 804
Buildings and structures	207 118	172 607
Machinery and equipment of the buildings	16 773	13 095
Machinery and equipment	76 063	62 636
Shares and participations	4 861	9 883
Other tangible assets	2 022	8 518
Other intangible assets	41 294	25 264
Goodwill	32 670	13 489
	385 605	310 296
Cumulative depreciation		
Buildings and structures	85 468	75 881
Machinery and equipment of the buildings	8 284	4 603
Machinery and equipment	45 872	41 564
Other intangible assets	14 663	11 737
Goodwill	15 459	12 386
	169 746	146 171
Book value		
Land	4 804	4 804
Buildings and structures	121 650	96 726
Machinery and equipment of the buildings	8 489	8 492
Machinery and equipment	30 191	21 072
Shares and participations	4 861	9 883
Other tangible assets	2 022	8 518
Other intangible assets	26 631	13 527
Goodwill	17 211	1 103
	215 859	164 125
Provisions included in shareholders' equity		
Accumulated difference between total depreciation and planned depreciation	4 621	3 015

FIM 1 000	***1999***	*1998*
MARKET VALUES OF FIXED ASSETS[1)] INSOFAR AS THEY SIGNIFICANTLY DEVIATE FROM THE BOOK VALUES		
City Centre Property	767 090	715 968
Mannerheimintie 5		
Kaivokatu 10		
Aleksanterinkatu 23		
Land area: 8,984 m², Building area: 38,141 m²		
Commercial and office premises		
Leasable area: 31,693 m², Parking places: 70		
Leppäsuo Property	130 131	105 670
Leppäsuonkatu 9		
Hietaniemenkatu 14		
Land area: 6,882 m², Building area: 18,570 m²		
Residential, library and commercial premises		
Leasable area: 15,544 m², Parking places: 65		
Market value, total	897 221	821 638
Equivalent book value, total	132 718	106 968
Difference between market values and book values	**764 503**	**714 670**

The combined market value of other real estate as well as real estate and premises based on share ownership equals at least their combined book value, which is FIM 6,274,230.

[1)] In accordance with the formula of the Finnish Institute for Real Estate Economics, the market value has been calculated as being the present value of future net rental income returns. The market values as at 31 Dec. 1999 have been calculated on the basis of a 6.70% total required return and a 95% occupancy rate. The total required return is based on the 1999 interest on the government's 10-year bonds, 4.70, with an added risk premium of 2.00%. The previous year's market values have been calculated on the basis of a corresponding 6.78% total return and a 95% occupancy rate.

Revaluation contingency of fixed assets (land areas)

The plot of the city centre property (the Kaivopiha Commercial Building), which is owned by the parent corporation of the Group and has a land area of 8,984 m² and building rights (commercial and office premises) of 38,141 m². meets the Finnish Accounting Act's requirements for revaluation contingency. The usable taxable value of the plot was FIM 211,303,680 in 1999. The balance sheet value of the plot as at 31 December 1999 was FIM 4,229,570. Using the cost of the building rights of commercial and office plots in the district as the reference value, the value of the plot exceeds its taxable value. The revaluation contingency indicated in the notes to the financial statements as at 31 December 1999 is FIM 200,000,000.

Security value of the securable assets

The security value (market value – realization reserve) of the securable assets in the Group's fixed assets is about FIM 770,000,000. At least 30% of the market value of each asset item has been used as a realization reserve. Included in the securable assets are not only the Finnish real estate, housing shares and cooperative housing shares, but also the value of the holding in KILROY travels International A/S. The calculation also includes a lesser amount of marketable Finnish securities. Liabilities allocated to securable assets, i.e. mortgages and pledges, amounted to a total of FIM 101,442,024 on 31 December 1999.

Shares and participations	*Group's holding, %*	*Parent corporation's holding, %*
Group companies		
HYY Group Ltd	100.0	100.0
Oy Gaudeamus Ab	100.0	
Oy UniCafe Ab	100.0	
University Bookstore Finland Ltd	80.0	
University Press Finland Ltd	100.0	
Kaivopiha Oy	100.0	
Oy Academica Hotels Ltd	100.0	
KILROY travels International A/S	56.5	
KILROY travels Denmark A/S	56.5	
Benns Rejser A/S	56.5	
Benns Resor AB	56.5	
KILROY travels Finland OY AB	56.5	
KILROY travels Germany GmbH	56.5	
KILROY travels Norway A/S	56.5	
KILROY travels Trondheim A/S	28.3	
KILROY travels Sweden AB	56.5	
KILROY travels Spain S.A.	56.5	
KILROY Invest A/S	56.5	
KILROY travels Netherlands B.V.	28.8	
Associated companies		
Kiinteistö Oy Kehitystalo	25.0	

FIM 1 000	***1999***	*1998*
Shareholders' equity		
At the beginning of the period	64 720	40 957
Dividends paid to minority shareholders	-2 208	-652
Advance distribution of profit	-13 000	-13 000
Change in booking principles	-	-548
Exchange rate fluctuations	841	-774
Net profit for the period	21 871	38 738
At the end of the period	72 224	64 720
Non-current liabilities		
Loans from financial institutions	76 122	54 930
Pension loans	20 804	22 768
Other non-current debts	41 458	40 220
	138 384	117 918
Instalments on loans	-8 125	-10 093
	130 259	107 825

Repayment plan for non-current liabilities

	2000	*2001*	*2002 – 2004*	*2005–>*
Loans from financial institutions	6 108	6 228	29 666	24 981
Pension loans	1 896	1834	5 167	11 907
Other loans	3 637	8 612	5 877	2 941
	11 641	16 674	40 710	39 829

OTHER NOTES

FIM 1 000	***1999***	*1998*
Collateral granted, contingent liabilities and other liabilities		
Liabilities for which real estate mortgages have been granted as collateral		
Pension loans	20 804	19 384
Mortgages granted	22 390	21 790
Loans from financial institutions	50 402	34 694
Mortgages granted	54 280	34 890
Other debts	20 236	18 737
Mortgages granted	40 579	25 579
Mortgages granted as collateral, total	117 249	82 259
Liabilities for which shares have been pledged as collateral		
Loans from financial institutions	719	0
Book value of pledged shares	788	0
Guarantees on behalf of others	11	34

SIGNATURES

Signatures of the Board of Directors and the President and CEO of the HYY Group and HYY Group Ltd.

Helsinki, 22 March 2000

Jukka Nohteri
Chairman

Hannes Saarinen

Sari Havukainen

Nora Malin

Jukka Pajarinen

Mika Ihamuotila

Kerstin Rinne

Harri Tanhuanpää

Tapio Kiiskinen
President and CEO

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has examined the 1999 financial statements and consolidated financial statements of the HYY Group and HYY Group Ltd as well as the auditors' reports and consolidated auditors' reports, and has not found any such defects in them as would give cause for comments. The Supervisory Board is thus in favour of the adoption of the financial statements, and is in accord with the Board of Directors' proposal on the distribution of profits.

Helsinki, 4 April 2000

For the Supervisory Board,

Tatu Rauhamäki
Chairman of the Supervisory Board

AUDITORS' REPORT

To the Representative Council of the Student Union of the University of Helsinki

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the President and CEO of the Real Estate Funds of HYY (the parent corporation) and the HYY Group, which is formed by the Real Estate Funds, HYY Group Ltd and its corporate group, for the financial year from 1 January to 31 December 1999. The financial statements, which include the report of the Board of Directors, the consolidated and parent corporation income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit, we express an opinion on these financial statements and on the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement preparation. The purpose of our audit of the administration has been to examine that the members of the Board of Directors and the President and CEO have complied with the rules of the Student Union and the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent corporation result of operations, as well as of the company's financial position. The financial statements, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the President and CEO of the parent corporation can be discharged from liability for the period audited by us. We support the proposal made by the Board of Directors on how to deal with the earnings for the financial year.

Helsinki, 24 March 2000

KPMG WIDERI OY AB

Reino Tikkanen
Authorized Public Accountant

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 24 March 2000

KPMG WIDERI OY AB

Reino Tikkanen
Authorized Public Accountant

AUDITORS, 1999

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
- KILROY travels International A/S

THE HYY GROUP'S AUDITING COMMITTEE, 1999

Reino Tikkanen, Chairman,
Authorized Public Accountant
Erkki Helaniemi
Rauno Välimaa
Hanna Leskinen
Tero Metsärinta

FORMULAS FOR THE KEY INDICATORS

Calculated in accordance with the conventions of the Finnish Committee for Corporate Analysis

Overall result	Profit before taxes and minority interest - taxes +/- adjustment of exchange rate differences
Return on investment (ROI), %	$\frac{\text{Net profit + financing expenses + taxes x 100}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}}$
Return on equity, %	$\frac{\text{Net profit x 100}}{\text{Shareholders' equity (average)}}$
Equity ratio, %	$\frac{\text{Shareholders' equity + minority interest + reserves x 100}}{\text{Balance sheet total - advance payments}}$

The key figures have been calculated in accordance with the conventions of the Finnish Committee for Corporate Analysis, which were renewed in 1999.

Other key indicators

Return on equity, % if revaluation of land areas is realized [1]	$\frac{\text{Net profit + financing expenses + taxes x 100}}{\text{Balance sheet total + revaluation contingency - non-interest-bearing liabilities (average)}}$
Equity ratio, if revaluation of land areas is included, % [2]	$\frac{\text{Shareholders' equity + minority interest + reserves + revaluation contingency x 100}}{\text{Balance sheet total - advance payments + revaluation contingency}}$
Security ratio	$\frac{\text{Security value of the securable assets}}{\text{Pledges, mortgages and other guarantees}}$
Market value of real estate	The discounted present value of the net rental income receivable in the future.
Income return	Net rental income as a percentage of the market value of real estate at the beginning of the financial year.
Capital return	Change in the market value as a percentage of the market value at the beginning of the year. Investments activated during the report year are deducted from the change in the market value.
Total return	The sum of the income return and the capital return for the report year
Tied-up risk by division	Owner's total risk = equity and quasi-equity investments + loans granted + collateral provided as pledges and guarantees given

The market value, annual capital return and total return of the main items of real estate have been calculated in accordance with the conventions of the Finnish Institute of Real Estate Economics.

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

[2] In the officially audited financial statements, the requirements for a revaluation contingency under the Finnish Accounting Act are added to the shareholders' equity in the capital structure review.

ADMINISTRATION AND BOARDS OF DIRECTORS

22 MARCH 2000

REPRESENTATIVE COUNCIL OF THE STUDENT UNION

Chair of the Student Union
Veera Mustonen

Deputy Chairs
Mikko Myller
Elina Ussa

Members
The Student Union has 60 members who are chosen by general election for a two-year term.

BOARD OF THE STUDENT UNION

Chair
Esa Perkiö

Deputy Chair
Elina Moisio

Members
Olli Aalto
Michael Forsström
Camilla Granholm
Matti Hirvola
Jussi Huovila
Janne Impiö
Markus Leskinen
Saara Maalismaa
Jukka Nohteri
Tanja Remes

SUPERVISORY BOARD OF THE HYY GROUP

Chair
Tatu Rauhamäki

Deputy Chair
Johanna Haltia-Tapio

Members
Olli Aalto
Tommi Björklund
Timo Fager
Sebastian Gripenberg
Harri Hiekkanen
Petteri Huovinen
Perttu Iso-Markku
Esa-Pekka Keskitalo
Kari Kesseli
Anna-Mari Kilkkinen
Riina-Riikka Kuparinen
Minna Mehtälä
Tanja Remes
Minna Romppanen
Niko Simola
Taneli Vuori

BOARD OF DIRECTORS OF THE HYY GROUP

Chair
Jukka Nohteri
a member of the Board of Directors since 1999

Deputy Chair
Hannes Saarinen
a member of the Board of Directors since 1999

Members
Sari Havukainen
a member of the Board of Directors since 1999

Nora Malin
a member of the Board of Directors since 1999

Jukka Pajarinen
a member of the Board of Directors since 2000

Expert members
Mika Ihamuotila
Executive Director, Head of Asset Management at Mandatum Bank and a member of the Management Group
a member of the Board of Directors since 1996

Kerstin Rinne
Sanoma-WSOY Oyj, Director in charge of legal affairs and planning
a member of the Board of Directors since 1999

Harri Tanhuanpää
Oy Rettig Ab, Cash Manager
a member of the Board of Directors since 1993

Personnel Representative
Kaisa Siitonen
a member of the Board of Directors since 1997

BOARD OF DIRECTORS OF KILROY TRAVELS INTERNATIONAL A/S

Chair
Tapio Kiiskinen

Deputy Chair
Christian Frigast

Members
John Dueholm
Børge Faaborg
Nora Malin
Claus Warming
Odd Wilhelmsen

Personnel Representative
Robert Doeleman

Board of Directors of the HYY Group:
Mika Ihamuotila, Sari Havukainen, Harri Tanhuanpää, Jukka Nohteri, Hannes Saarinen, Nora Malin, Kerstin Rinne, Jukka Pajarinen, Kaisa Siitonen

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22 MARCH 2000

HYY GROUP

Tapio Kiiskinen
President and Chief Executive Officer
Finance Director of the Student Union
Employed by the Student Union and the HYY Group since 1969

Linnea Meder
Vice President
HYY Group Ltd
Corporate Finance and Internal Auditing
Managing Director of the Book Division
Employed by the Student Union and the HYY Group since 1973

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Director
Kaivopiha Ltd
Employed by the HYY Group since 1990

Jukka Leinonen
Assistant Director
Kaivopiha Ltd
Technical and building superintendent operations
Employed by the HYY Group since 1995

CATERING DIVISION

Marjo Berglund
Director
Oy UniCafe Ab
Oy Vanha Ylioppilastalo Ab
Oy Academica Hotels Ltd
Employed by the HYY Group since 1992

Liisa Lehtinen
Assistant Director
Oy UniCafe Ab
Employed by the HYY Group since 1978

TRAVEL GROUP

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Managing Director and Chief Executive Officer
KILROY travels International A/S
Employed by the HYY Group since 1999

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Director, Corporate Financial Services
KILROY travels International A/S
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Employed by the HYY Group since 1999

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Michael Kirk-Jensen
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Åsne Trommald
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Luis Almonacid
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Monica Murphy
Country Manager
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BOOK DIVISION

Arja Kosonen
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University Press Finland Ltd
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