

*Annual Report 2004*

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## *Review by the CEO*

2004 was a good year for the HYY Group. Our operations went ahead steadily and even outperformed our expectations. We were able to focus on areas in which there was both the need and potential for improvement.

UniCafe was without a doubt the brightest star of our report year. This company, which runs 23 restaurants, served about two million healthy, low-cost student and personnel meals during the year. It significantly improved on its result for the previous year and achieved its financial objective well – that is, covering its costs and development outlays, so as to be able to effectively carry out its task of serving students. This it did, taking care of the students and personnel of the Greater Helsinki area, primarily those of our country's main university, by providing them with quality meals at a suitable price.

Of our other domestic operations, Hostel Academica had an excellent summer. It is in travellers' favour and occupancy rates were good, even with a larger capacity than has been usual in previous years. University Press Finland Ltd controlled its expenses well, selected the correct products and also achieved its targets in its demanding field of business, the publication of academic and scientific literature.

HYY Real Estate is our largest source of income by a clear margin. Its year was stable and the result remained good, although weakening slightly. Large-scale urban renewal plans have been drawn up for our neighbouring blocks in the centre of Helsinki. HYY Real Estate must have the foresight to harness these opportunities and carry out determined development work, if we are to retain our position as one of the best commercial areas in the centre of the capital.

The KILROY travels group, which represents our international operations, improved its result. There was a need for this, because 2003 was the only year in its history that our travel agency chain has shown a loss, albeit with only a very small deficit.

KILROY has been profitable for the Group. To date, we have gained profits of over EUR 15 million from our investment of EUR 3.9 million. This subgroup has been developed well and its corporate image is good. However, we have reviewed KILROY as an investment, and in the long run it is our intention to set up a new responsible owner structure for KILROY.

The HYY Group is in many ways a unique financial community, taking care of the task entrusted to it by its owner, the Student Union of the University of Helsinki. This task is to serve HYY members by providing it with student restaurants, academic and scientific literature, activity and association premises, and also to generate the finances required by the Student Union through its travel agency and other purely-for-profit business operations in the commercial area located in the heart of Helsinki.

The task we have been given has been a pleasure to carry out. Our decision makers – students of all generations from the University of Helsinki – must efficiently and rapidly apply themselves to making quite significant financial decisions. Even so, they show remarkable skill in making long-term plans that will safeguard our successful business operations for generations to come. The timeframe is long and the developmental outlook for many real estate projects is measured in years, even decades.

A review of the past year is the appropriate place for giving the thanks that are due: to our personnel, who have carried out their demanding tasks expertly and have shown that they are able to turn difficult situations around quickly; to our owners, for their sound and future-orientated decisions; to our customers, whose satisfaction is our most welcome reward; and to our many business partners, who have contributed to our success.

Linnea Meder



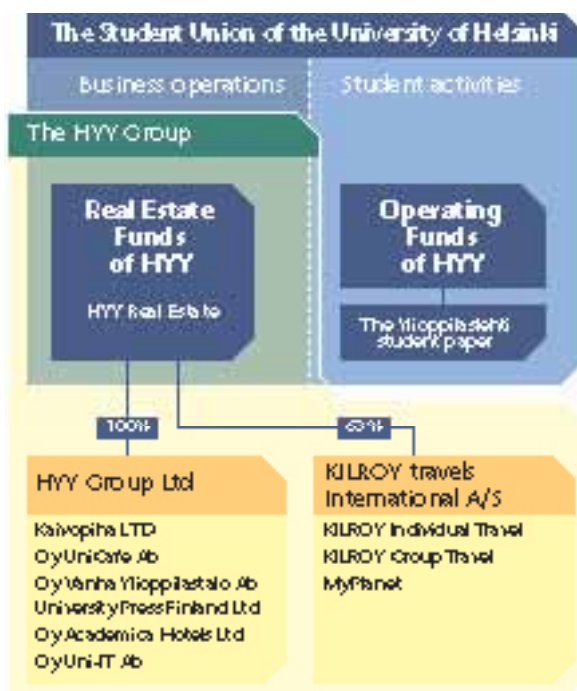
# The HYY Group

The HYY Group is the Student Union's preferred way of organizing its business operations. The Group's task is to conduct commercial business operations and provide services for students. Profits from business operations are distributed to the Student Union.

The Student Union of the University of Helsinki has two parts:

- the Operating Funds of HYY, which looks after the interests of students and organizational activities
- the Real Estate Funds of HYY, which is responsible for business operations.

The HYY Group is a corporate group that conducts business operations in four divisions: real estate, restaurants, other companies and travel. The Student Union owns all of the companies operating in Finland in their entirety and 63 per cent of the international company KILROY travels International A/S.





## Objective

The HYY Group's objective is to provide financial support for the performance of the real duties of the Student Union.

The Group's business operations, solvency and profitability must safeguard the Student Union's

- independent and unaffiliated position
- opportunities to realize its ideals and serve its members.

Another basis for business operations may also be the development and maintenance of essential services for the members of the Student Union, if this way better benefits can be achieved compared with the open market.

## Core values

### *Humility*

before the principles and wishes of the Group's owner when these principles and wishes represent the views of the majority of the legally elected representatives.

### *Long-term approach*

Our aim is to be successful in the long run. We are moderate in both the setting of objectives and the taking of risks.

We accept that business operations involve the chance of failure. We learn from our mistakes.

### *Responsibility*

towards our customers, employees, partners and the environment. We keep our promises.

### *Openness*

Every member of the working community has the right – and the obligation – to access the information he or she needs.

We maintain open and equitable discussions. We release truthful information to the public.

### *Good conscience*

in all matters. The Group does not violate societal regulations or good codes of conduct.

# Introduction to operations



## DOMESTIC OPERATIONS



Share of the Group's net sales  
14%



Share of the Group's earnings  
86%

## Real Estate

**Operations** **HYY Real Estate** acts as a commercial property entrepreneur, keeping its eye on the long term by making sustainable and profitable investments in real estate, and offers activity and association premises to the Student Union.

HYY Real Estate owns the City Centre Property, which is located in the centre of Helsinki. It comprises the Kaivopihha Commercial Building, the Old Student House and the New Student House. HYY Real Estate also owns the Leppäsuo Property in Kamppi, which comprises the student residence Domus Academica and the Library Building, which is rented out to the Helecon information centre.

**Kaivopiha Ltd** manages, rents and maintains the properties of the Student Union.

**Net sales** EUR 11.9 million

**Profit**  
(before taxes and reserves) EUR 4.6 million

**Personnel**  
(average for the year) 10

**Events in 2004** Competition in the rental market tightened and the attractiveness of the city centre declined. **HYY Real Estate** engaged in long-term cooperation with tenants and handled the difficult situation well.

For the fourth year running, **Kaivopiha Ltd** was the most successful company in the real estate sector's customer survey. The substantial renovation of Building C of Domus Academica, which is part of the Leppäsuo Property, was completed.

Share of domestic net sales



44%

Share of domestic earnings



92%

Share of domestic net sales



50%

Share of domestic earnings



4%

## Restaurants

**Oy UniCafe Ab** offers lunch, café and festive services, primarily to the students and personnel of the University of Helsinki and other higher education institutions in the Greater Helsinki area. The chain has 24 restaurants in the Greater Helsinki area, and also the Gustus & Vera wine bar.

**Oy Vanha Ylioppilastalo Ab** offers a wide range of festive, meeting and event services at the Old Student House in Helsinki. Everyday meeting places are Keittiö lunch restaurant, Kuppila and the summer terrace.

EUR 13.3 million

EUR 0.2 million

176

**UniCafe** significantly improved on its result for the previous year by improving the efficiency of its procurements, optimizing the number of staff and streamlining its offerings. Seasonal variations in demand were evident in restaurant operations and the number of diners varied more from month to month than ever before. The company served about 2.0 million low-cost student and staff meals during the year.

**Restaurant Vanha** failed to reach its earnings target and ended up showing a loss. Autumn's successful festive service operations improved the result. The kitchen and festive services of the lunch restaurant Vanhan Keittiö attracted favourable attention.

**The HYY Group** Net sales EUR 189.7 million  
 Profit (before taxes and reserves) EUR 4.9 million  
 Personnel (average for the year) 651



#### INTERNATIONAL OPERATIONS



### Other Companies

**University Press Finland Ltd** publishes literature on the humanities, philosophy, social sciences and technology. Its imprints are Gaudemus and Otatiето.

**Oy Academica Hotels Ltd** functions as a summer hotel under the name Hostel Academica. It is located in Kamppi, Helsinki.

EUR 1.7 million

EUR 0.2 million

8

Notable books published by **University Press Finland Ltd** included *Stoalaisuus* (Stoicism, eds. Kaarakainen and Kaukua) and Norbert Elias' biography of Mozart entitled *Mozart - neron muotokuva* (Mozart - Portrait of a Genius). The Finnish translation of the Worldwatch Institute's *State of the World* (Maailman tila), was published in early 2004. The company's result was in the black.

**Hostel Academica's** newly expanded premises were in use for the first time. The addition of over one hundred rooms led to growth in net sales. The hostel's occupancy rate was over 80%. The company's result was excellent.

Share of domestic net sales



Share of domestic earnings



### Travel

**KILROY Individual Travel** offers travel services to locations all over the world to youth, students and the young at heart in Northern Europe.

**KILROY Group Travel** offers group travel services to selected locations in Europe and elsewhere for student and other groups in the Nordic countries who are travelling for educational, cultural and sports purposes.

**MyPlanet** specializes in individual and group travel that requires expertise and local connections. It offers trips from Scandinavia to Australia, New Zealand, Canada and the United States, as well as trips from Australia to the Nordic countries and Russia.

EUR 162.5 million

EUR 0.2 million

438

By removing the age restrictions from a significant share of its services, **Individual Travel** has expanded its customer base to encompass the young at heart traveller. The share of sales accounted for by flight tickets within Europe sold with no extra services included is sliding. Challenging travel and sales of added value services are growing in line with expectations. The operating result improved significantly, but still showed a loss.

**Group Travel's** operations have also been expanded to the other Nordic countries, in which KILROY's business model has great growth potential. Skiing holidays from Denmark to Austria, Norway and Sweden are sharply on the increase. Group Travel was significantly profitable.

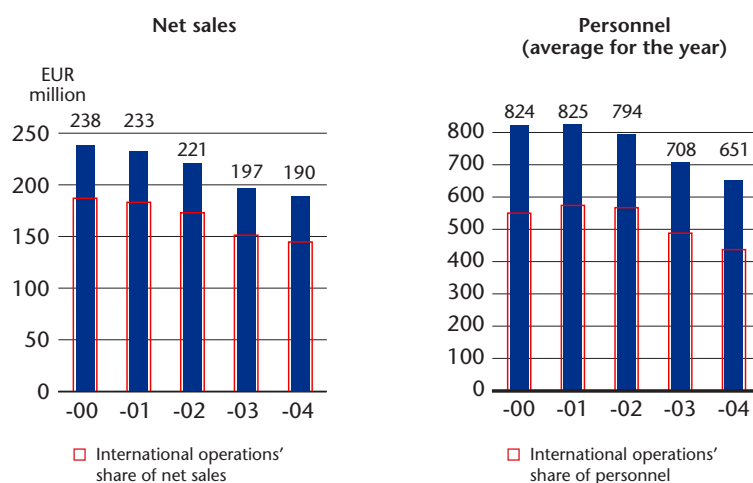
**MyPlanet** Friendship Society members numbered about 35,000 households in Scandinavia and Australia. MyPlanet increased its net sales during the year and had an excellent level of profitability.

# The HYY Group's key indicators 2000–2004

	2004	2003	2002	2001	2000
<b>Income statements and profitability</b>					
Net sales, EUR million	189.7	196.7	220.8	232.9	238.3
Change in net sales, %	-3.5	-10.9	-5.2	-2.3	5.1
Operating result	4.7	4.2	4.0	4.6	5.4
As a percentage of net sales, %	2.5	2.1	1.8	2.0	2.3
Profit before taxes and reserves	4.9	4.0	5.3	6.3	6.8
As a percentage of net sales, %	2.6	2.0	2.4	2.7	2.8
Net profit for the year	4.0	3.4	3.6	2.1	4.1
As a percentage of net sales, %	2.1	1.7	1.6	0.9	1.7
Return on equity (ROE), %	20.4	15.7	20.7	15.9	28.9
Return on investment (ROI), %	14.3	12.9	16.0	19.5	20.2
<b>Cash flow</b>					
Cash flow from operating activities *)	9.8	-3.0	1.4	8.0	12.4
Gross investments	7.1	5.9	4.0	7.3	6.8
As a percentage of net sales, %	3.7	3.0	1.8	3.1	2.9
<b>Balance sheet and solvency</b>					
Shareholders' equity	17.2	15.6	15.0	13.4	13.6
Minority interest	3.7	3.6	5.3	4.6	4.2
Liabilities	55.1	61.3	67.1	76.0	78.8
Total assets, EUR million	76.0	80.4	87.4	94.0	96.6
Interest-bearing debts, EUR million	18.5	23.4	20.2	19.1	20.7
Net debts, EUR million **)	-11.4	-9.1	-20.7	-26.4	-27.4
Net gearing	-0.5	-0.5	-1.0	-1.5	-1.5
Equity ratio at book value, %	37.5	29.9	30.6	26.4	25.9
Equity ratio including potential revaluation of land areas, %	61.6	54.7	54.6	51.3	50.3
<b>Personnel</b>					
Average number of personnel	651	708	794	825	824
Number of personnel at the end of the period	655	704	847	850	938
<b>Distribution of profits</b>					
Payment of dividends to minority shareholders	0.0	1.2	0.0	0.4	0.3
Distribution of profits to the Student Union, EUR million	2.5	2.4	2.4	2.4	2.3

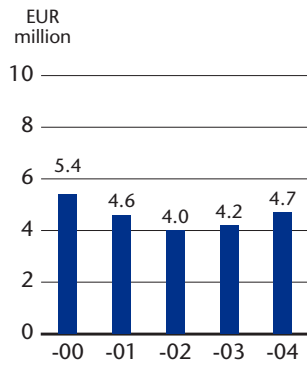
\*) Calculation method changed in 2003.

\*\*) Calculation method changed from previous years.

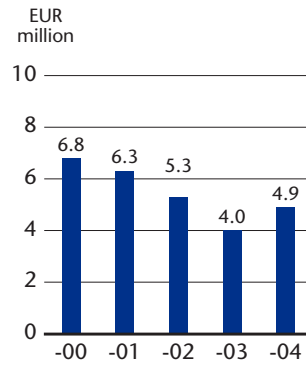




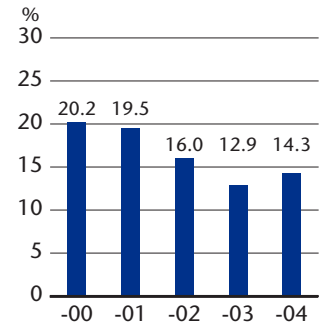
### Operating result



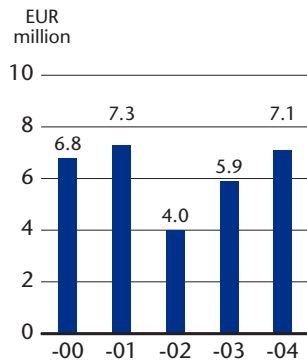
### Profit before taxes and reserves



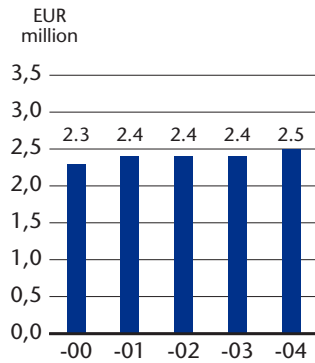
### Return on investment excluding capital gains from sales of investments, %



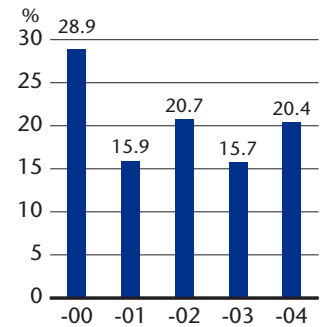
### Gross investments



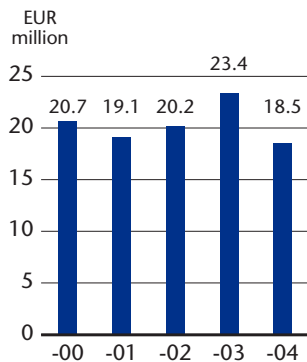
### Distribution of profits to the Student Union



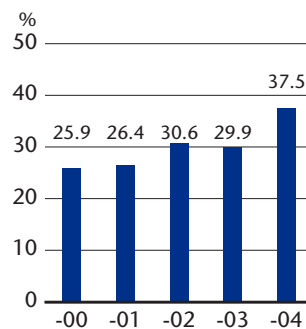
### Return on equity excluding capital gains from sales of investments, %



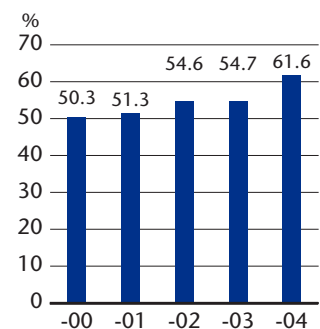
### Interest-bearing debts



### Equity ratio at book value, %



### Equity ratio including potential revaluation of land areas, %





# *Domestic Operations*

In Finland, the Group is active in the real estate, restaurant, lodging and publishing businesses. In 2004, domestic operations performed well and achieved their earnings target.

The HYY Group's net sales from domestic operations remained unchanged and totalled EUR 27.2 million. Pre-tax profit from domestic operations amounted to EUR 4.7 million, an improvement of EUR 0.2 million.

HYY Real Estate's year was stable and its result remained good, although weakening slightly.

The brightest star was Oy UniCafe Ab. This company, which runs 23 restaurants, served about two million low-cost student and personnel meals during the year, significantly improving on its result for the previous year. This increase was achieved by improving the efficiency of procurements, optimizing the number of personnel and streamlining its offerings. The result for the restaurant company Oy Vanha Ylioppilastalo Ab was slightly in the red.

University Press Finland Ltd achieved its objectives. Oy Academica Hotels Ltd's result was especially good. The company's net sales grew significantly following an increase in the number of rooms available.

In line with their role as companies providing internal services, HYY Group Ltd and Oy Uni-IT Ab supported the Group's operations and helped other companies to achieve their earnings targets.

HYY Group Ltd attended to financial, financing and payroll management, and group accounting matters. The company also functioned as an internal Group bank, was responsible for the Group's external and internal communications, and coordinated the Group's environmental and societal responsibilities.

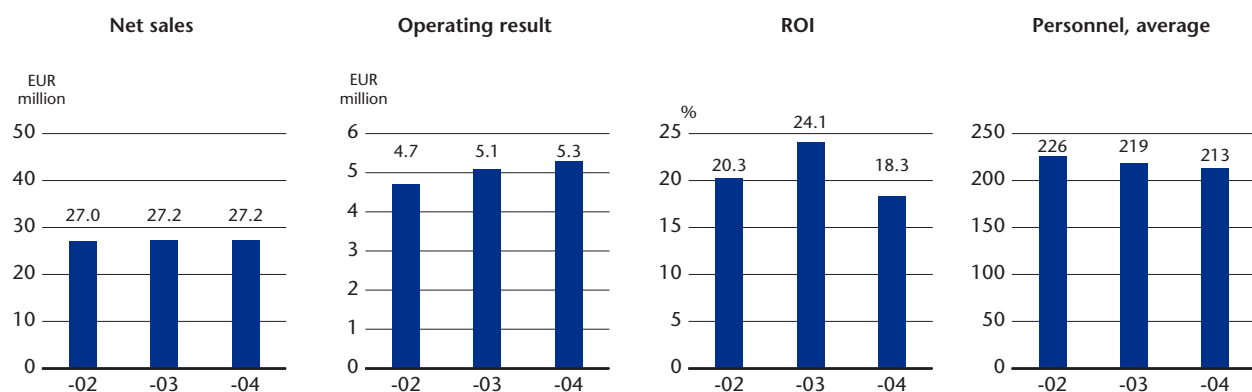
Oy Uni-IT Ab provided the companies belonging to the HYY Group with leasing, servicing, training, maintenance and development services for their telephone and information management systems. The company is also responsible for the UniCard smart card environment and its development work.

The Group will publish its first societal responsibility report. It will cover operations in Finland in 2004 and deal with financial and social responsibilities and the key indicators for environmental responsibility.

The report Responsible Operations 2004 is available in English on group's net pages [www.hyy.fi](http://www.hyy.fi)

# Domestic key indicators 2002–2004

	2004	2003	2002
<b>Income statements and profitability</b>			
Net sales, EUR million	27.2	27.2	27
<i>Change in net sales, %</i>	0.2	0.6	2.2
Operating result	5.3	5.1	4.7
<i>As a percentage of net sales, %</i>	19.3	18.8	17.5
Profit before taxes and reserves	4.7	6.1	4.0
<i>As a percentage of net sales, %</i>	17.3	22.3	14.6
Net profit for the year	4.0	5.3	3.2
<i>As a percentage of net sales, %</i>	14.6	19.5	12.0
Return on equity (ROE), %	27.8	43.9	31.5
Return on investment (ROI), %	18.3	24.1	20.3
<b>Cash flow</b>			
Cash flow from operating activities	6.3	7.1	5.3
Gross investments	5.4	2.9	1.1
<i>As a percentage of net sales, %</i>	19.8	10.7	4.1
<b>Balance sheet and solvency</b>			
Shareholders' equity	15.1	13.5	10.6
Liabilities	20.0	21.9	20.5
Total assets, EUR million	35.1	35.5	31.1
Interest-bearing debts, EUR million	12.6	17.9	13.8
Net debts, EUR million	11.2	14.4	12.8
<i>Net gearing</i>	0.7	1.1	1.2
Equity ratio at book value, %	43.5	38.6	34.9
Equity ratio including potential revaluation of land areas, %	71.8	69.3	69.7
<b>Personnel</b>			
Average number of personnel	213	219	226
Number of personnel at the end of the period	217	215	230





## INTERNATIONAL OPERATIONS

# Travel

## KILROY - taking you to the world

The KILROY travels Group's Individual Travel and Group Travel units offer travel services to locations all over the world to youth, students and the young at heart.

KILROY's MyPlanet subgroup specializes in trips for those of all ages from Scandinavia to Australia, New Zealand, Canada and the United States, and also from Australia to the Nordic countries and Russia. KILROY is without doubt the best known and most used travel agency in its own customer group in the Nordic countries and the Netherlands. MyPlanet holds a similar position in Scandinavia and Australia.

The parent company of the KILROY travels Group is the Danish KILROY travels International A/S, in which the HYY Group owns 63 per cent of the shares. The business units of the KILROY Group have sales companies in all the Nordic countries and in the Netherlands. MyPlanet has sales companies in Denmark, Sweden, Norway and Australia.

Of the net sales of the KILROY travels Group, over half come from travel services offered to individual KILROY customers (Individual Travel), about one-fifth from group trips (Group Travel) and about one-quarter from MyPlanet. The majority of MyPlanet's sales are still generated by trips for individual customers, but group trips are a new growth market.

Individual Travel's main clientele comprises 16 to 35 year-olds who are typically students or entitled to specially priced tickets. During the past few years, age restrictions were removed from a significant number of services and the customer group has expanded to encompass the young at heart traveller. Individual Travel's business operations are divided into two units: the Online unit, which focuses largely on sales of short-haul and point-to-point flight tickets and related travel services within Europe, and the Explorer unit, which specializes in sales of customized products requiring personal service.

The Online unit sells its products solely over the Internet. The Explorer unit's customer contacts are also primarily made on the Internet, but the actual deal is most often made at one of the agencies or over the phone, where customers are served by staff who are well-versed in challenging travel services.

In line with KILROY's strategy, and also partly as a consequence of the continued decrease in the unit price of flight tickets, the share of net sales accounted for by short-haul flight tickets sold with no extra services included is sliding. Demanding travel and sales of added value services are growing in line with the expectations. Increasing the relative share of sales from added value services has been, and still is, a key factor in increasing



Customer contacts are primarily made on the Internet, but the actual deal is most often made at one of the agencies or over the phone, where customers are served by staff who are well-versed in challenging travel services.

A well-known brand,  
loyal customers, personnel expertise  
and technology investments  
create the foundation for success.

profitability. As a consequence of the price war between traditional and low cost carriers, even in direct Internet sales of tickets in Europe, selling short-haul flight tickets with no extra services included is only profitable over the Internet, if then.

In 2004, Internet sales of flight tickets in KILROY's European business countries grew by about 50 per cent.

Group Travel is the market leader by a considerable margin in Danish group trips made by upper secondary schools, vocational education institutions and universities. Business operations have also been expanded to the other Nordic countries, where KILROY's business model has great growth potential. As a result of an acquisition made in 2003, skiing trips from Denmark to Austria, Norway and Sweden are sharply on the increase.

MyPlanet's customers are mainly 35 to 65 year-old adults who are well educated, have good incomes and are interested in the culture of the destination country. Membership in MyPlanet's Friendship Societies creates a close-knit community, providing added value services to travellers thanks to the many activities initiated by Society members. Purchase of a trip entails services in the Friendship Society of both the traveller's home country and their destination. There is an annual fee for membership, which covers the whole household and is

a foundation for loyal customer programs. In 2004, about 35,000 households were members in MyPlanet's Friendship Societies in Scandinavia and Australia. On average, a MyPlanet customer spends in euros about ten times more on his or her trip compared to the average KILROY Individual Travel customer.

Key indicators for the Travel group	2004	2003	2002
Net sales, EUR million	162.5	169.5	193.8
Change in net sales, %	-4.1	-12.5	-6.2
Operating result, EUR million	0.3	-0.4	0.5
As a percentage of net sales, %	0.2	-0.3	0.3
Profit before taxes and reserves, EUR million	0.2	-0.5	1.4
As a percentage of net sales, %	0.1	-0.3	0.7
Net profit for the year, EUR million	0.0	-0.4	0.4
As a percentage of net sales, %	0.0	-0.2	0.2
Return on equity (ROE), %	7.1	-6.6	6.7
Return on investment (ROI), %	7.1	-2.3	10.8
Gross investments, EUR million	1.6	3.0	2.9
As a percentage of net sales, %	1.0	1.8	1.5
Average number of personnel	438	489	568
Personnel at the end of the year	438	489	617



### Scope and profitability of operations

The net sales of the KILROY travels Group amounted to EUR 162.5 million in 2004, down 4 per cent on the previous year. Net sales declined due to the strategy review and the pruning of Individual Travel's operational structure in 2003-2004. Group Travel achieved its target as planned, that is, net sales on the same level as in the previous year. MyPlanet continued to increase its net sales. The Group's profit before taxes amounted to EUR 0.2 million, an improvement on the previous year in spite of exceptional non-recurring expenses. Individual Travel was in the middle of transformation of the business model and, although its operating result also improved significantly, was still loss-making. Group Travel's profitability was satisfactory and MyPlanet's excellent.

The travel industry's market calmed down in 2004 after several difficult years. The drop in price level slowed and there were no unusual global disturbances that significantly affected the markets.

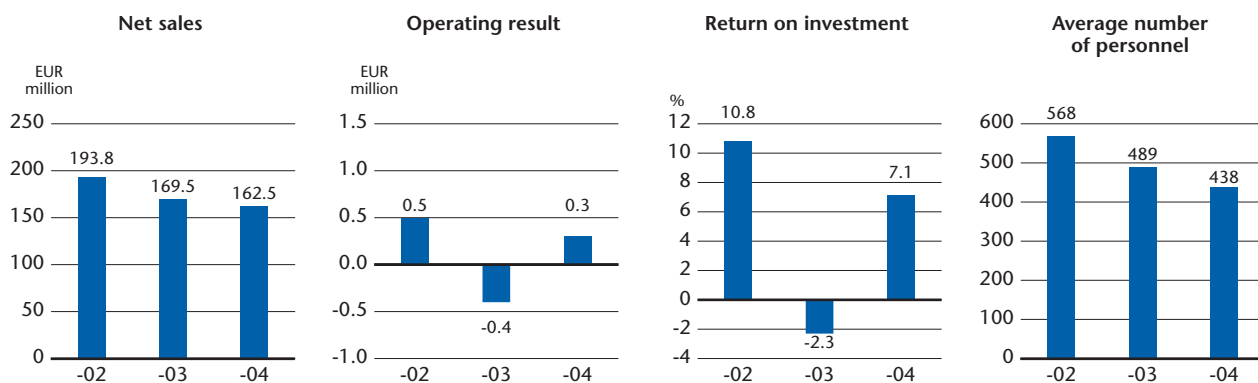
However, the price war continued to be fierce. A drop in price level in KILROY's business countries consumed the positive effect from the increase in the number of travellers, so that there was no substantial change in the total market value. The number of travellers generally returned to pre-2001 levels.

### Near-term outlook

In 2005, growth in net sales is expected in the KILROY travels Group and especially in the MyPlanet subgroup. Profitability in all units is also expected to develop favourably.

Individual Travel's core challenge for the future is to increase net sales using its new business model, which has been overhauled during the last few years. Group Travel's target is to retain its strong market position in Denmark and to continue growth in Sweden, Norway and Finland. MyPlanet's most significant growth prospect is travel from Australia to the Nordic countries and Russia. At the beginning of 2005, MyPlanet Australia Pty.Ltd acquired all the shares of its previously associated company Bentours International Pty.Ltd. The acquisition will already have a favourable impact on MyPlanet's result in 2005.

Awareness of the KILROY brand is high, as is customer loyalty. This, coupled with the revised business model, consolidation of staff expertise and the full-scale harvesting of technology investments, will lay a good foundation for success even in markets undergoing sweeping changes.



## EXECUTIVE MANAGEMENT

### *HYY Group's Executive Management in Finland*



**Linnea Meder**, born 1947  
Group's Chief Executive Officer  
Financial Director of the Student Union  
Employed by the Student Union  
and the HYY Group since 1973



**Marjo Berglund**, born 1964  
Financial and IT Director  
Deputy to the CEO  
Employed by the HYY Group since 1992



**Yrjö Herva**, born 1961  
Director, Kaivopiha Ltd, HYY Real Estate  
Deputy to the CEO in real estate matters  
Employed by the HYY Group since 1990



**Arja Kosonen**, born 1964  
Director, Oy UniCafe Ab  
Employed by the HYY Group since 1991



**Jukka Leinonen**, born 1957  
Assistant Director, Kaivopiha Ltd  
Employed by the HYY Group since 1995



**Kati Salmivaara**, born 1964  
Assistant Director, Corporate Communications,  
Oy Academica Hotels Ltd  
Employed by the HYY Group since 1988

### *KILROY travels*

#### *Chairman and Executive Management*



**Tapio Kiiskinen**, born 1947  
Executive Chairman  
KILROY travels International A/S  
MyPlanet International A/S  
Employed by the HYY Group from 1969–2002



**Claus H. Hejlesen**, born 1962  
Cand. jur., Managing Director and CEO,  
KILROY travels International A/S  
Employed by the HYY Group from 1990–2002,  
and since 2005



**Anne-Marie Hertz**, born 1958  
Managing Director, Individual Travel  
Employed by the HYY Group since 2000



**Annelise Dam Larsen**, born 1956  
Managing Director, MyPlanet  
Employed by the HYY Group since 1999



**Allan Qvist**, born 1970  
Managing Director, Group Travel  
Employed by the HYY Group since 2001



**HYY**  
**GROUP**

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