

Ilmarinen Annual Accounts 2007

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Economic development 2007

- During the final part of the year, economic growth slowed down, particularly in the U.S., where the mortgage credit crisis started to be reflected in the general economic environment. The growth of the world economy also slowed down, and ended up at about 4.5 per cent.
- Employment continued to improve rapidly in Finland and the average unemployment rate decreased to six per cent. The employment rate for 60–64 year-olds has rapidly increased from less than 25 per cent to 40 per cent.
- Global inflation settled at about 3.5 per cent, and in Finland and elsewhere in Europe inflation increased to close to 3 per cent.
- Both long-term and short-term interest rates increased, and the year turned out to be difficult for fixed-income investors, particularly due to the increase in credit risk premiums.
- Fluctuations in the investment markets increased in the second half of the year, but finally, the level of yield for the full year turned out to be moderate. There were great differences in yield between different stock markets. Particularly the performance of the Finnish stock market was good.

Development of the earnings-related pension scheme 2007 1(2)

- The reform of the regulations for investing pension assets which entered into force at the beginning of 2007, means that pension investors can seek higher returns on their investments. At the same time equity risk was transferred to be covered partially by the earnings-related pension scheme.
- Since 2007 the principle for calculating transfer to bonuses and rebates changed in relation with investment reform so that the maximum amount of transfer only depends on the company's absolute solvency and no longer on solvency in proportion to the risks of the company's investment portfolio. Cost-effectiveness also has an impact on bonuses and rebates.
- The legislation governing the assets covering technical provisions of pension institutions and the calculation of the solvency limit were reformed. As of the beginning of 2007, the classification of assets is made based on the actual risk when this differs from the risk estimated on the basis of the legal form of the investment.

Development of the earnings-related pension scheme 2007 **2(2)**

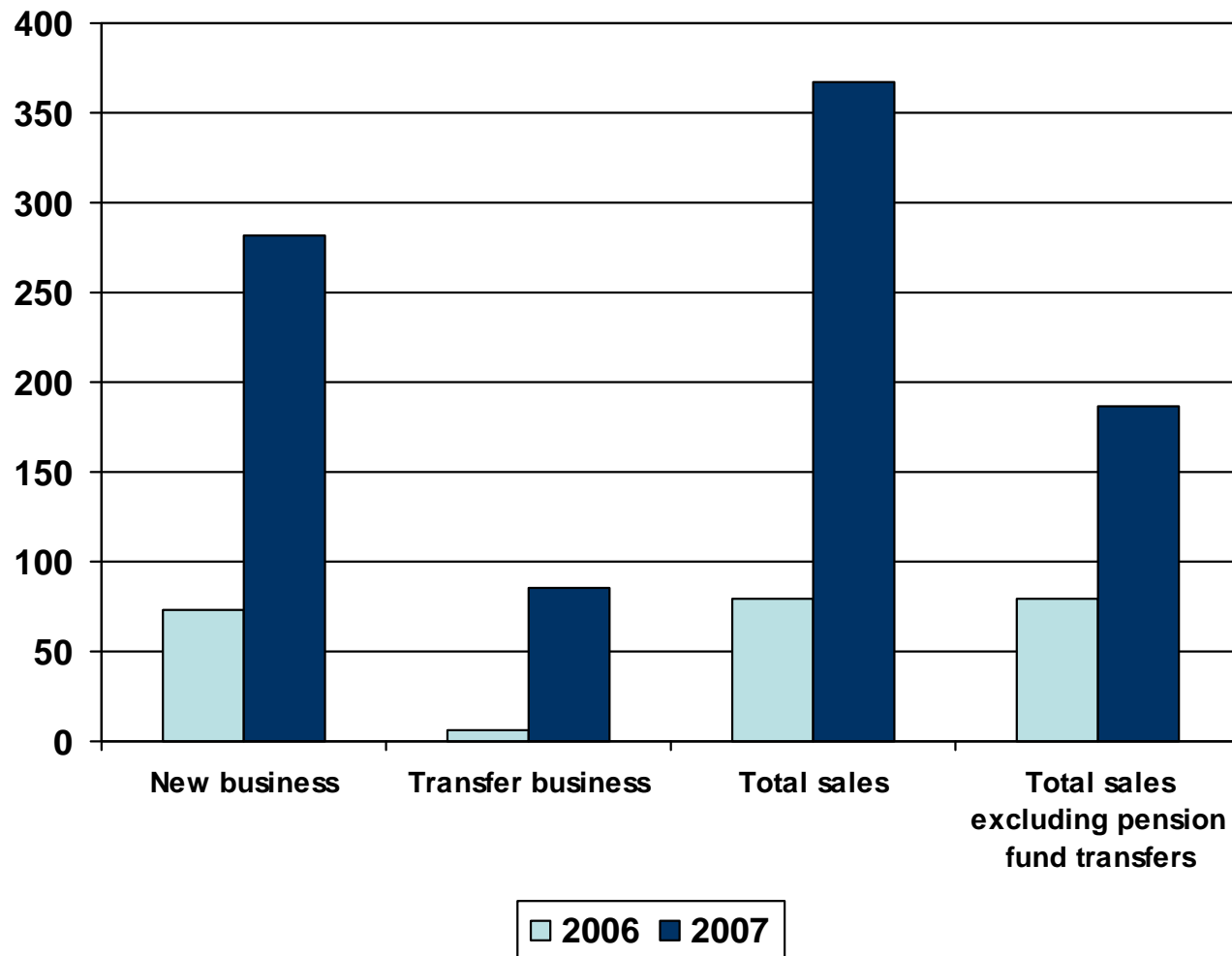
- The Employees' Pensions Act (TyEL), which entered into force at the beginning of 2007, replaced three previous employee pension laws. With its entry into force, the customers covered at the present time by TyEL and the Self-Employed Person's Pension Act (YEL) constitute a single joint competitive market for pension institutions.
- As of the beginning of 2008, the employee pension record will be sent annually to all individuals in the private sector who are covered by statutory earnings-related pension insurance. The main purpose of the pension record is to facilitate the checking of the register data but at the same time it also makes it easier to evaluate the level of pension that has already accrued and which will accrue in the future.
- On 11 January 2007, the Ministry of Social Affairs and Health published a report on the competitive conditions of the earnings-related pension scheme. Apparently a modest reduction in the regulation of technical bases will be made and in some respect changes towards company-specific technical bases would be possible. It is likely that the earliest year that company-specific technical bases would be applied is 2010.



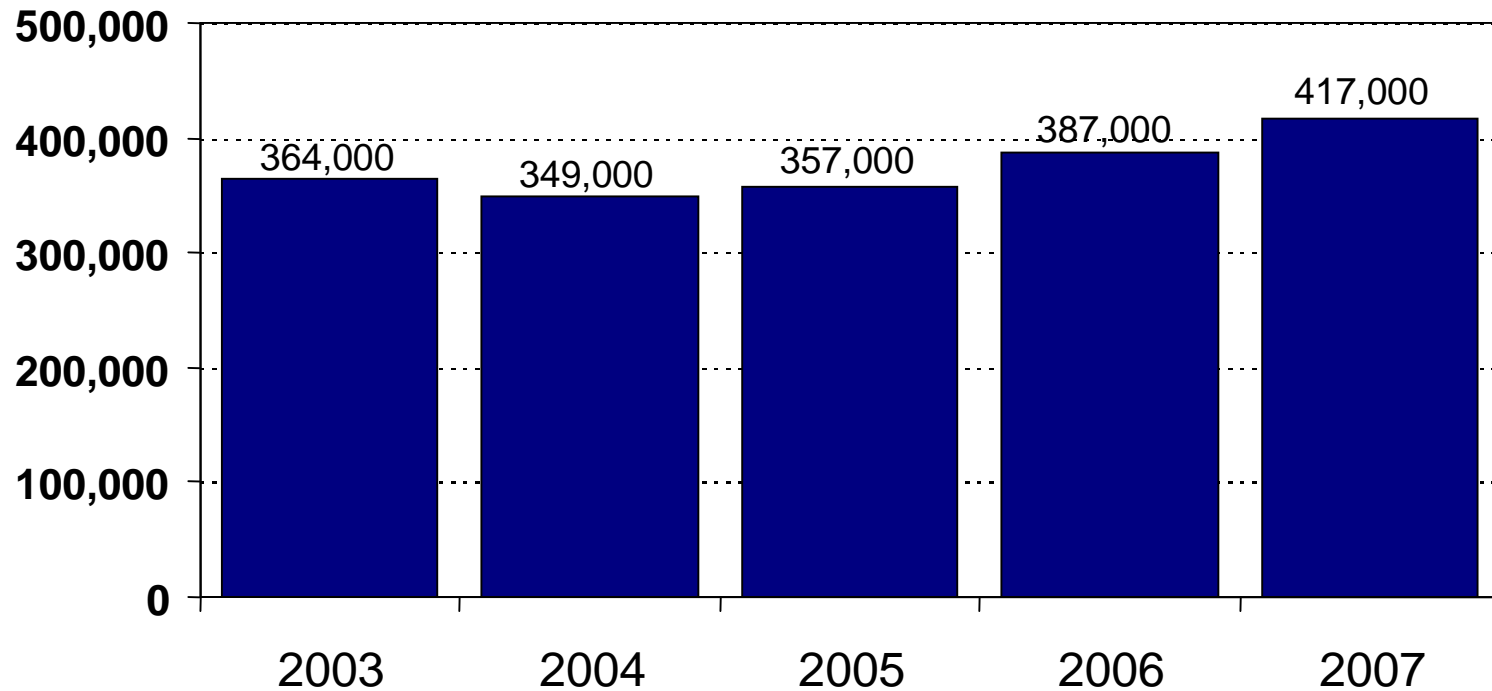
Key figures

	2007	2006	2005
Premiums written, EUR mill.	2,773	2,653	2,346
Turnover, EUR mill.	4,201	4,368	3,727
Number of employees insured under TEL/TyEL	417,000	387,000	357,000
Number of YEL policies	51,289	49,898	49,495
Pension payouts, EUR mill.	2,396	2,237	2,033
Wage bill under TEL/TyEL, total, EUR mill.	12,426	11,506	10,268
Reported incomes under YEL, EUR mill.	989	924	879
Technical provisions, EUR mill.	22,661	20,917	18,891
Balance sheet total at current value, EUR mill.	25,964	23,635	21,553

Sales result, EUR mill.



Employees insured under TyEL



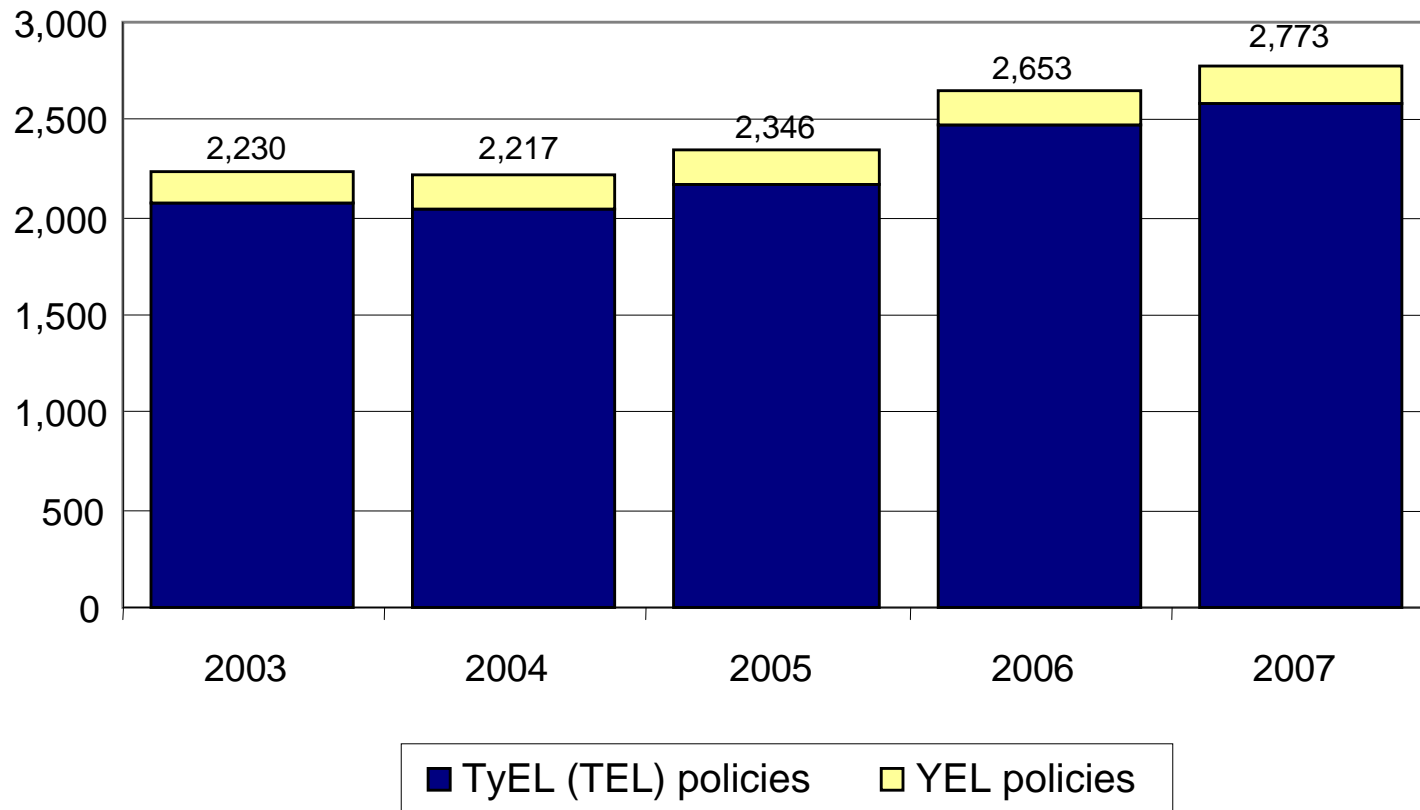
Before 2007 TEL insured



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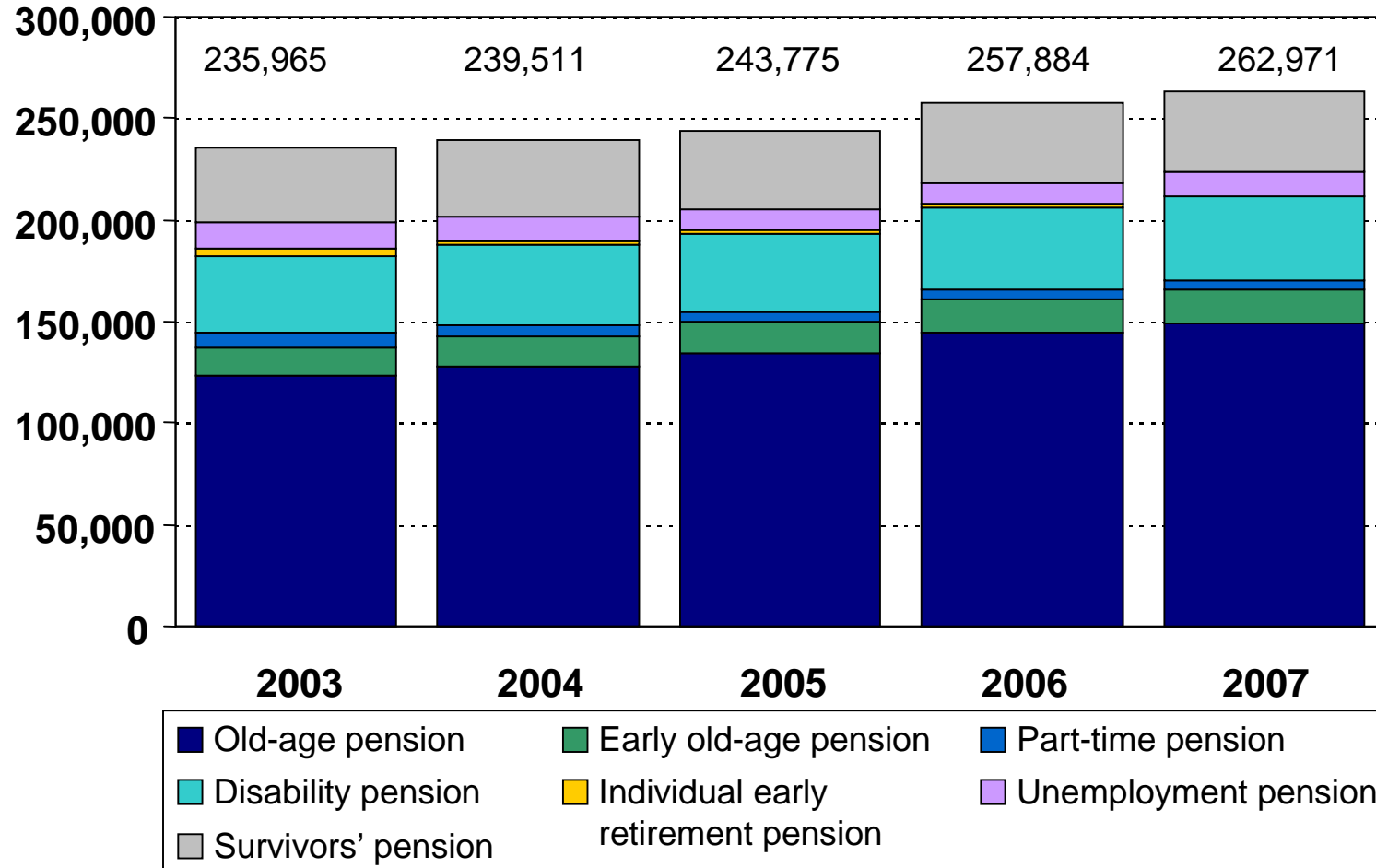
Premiums written

EUR mill.



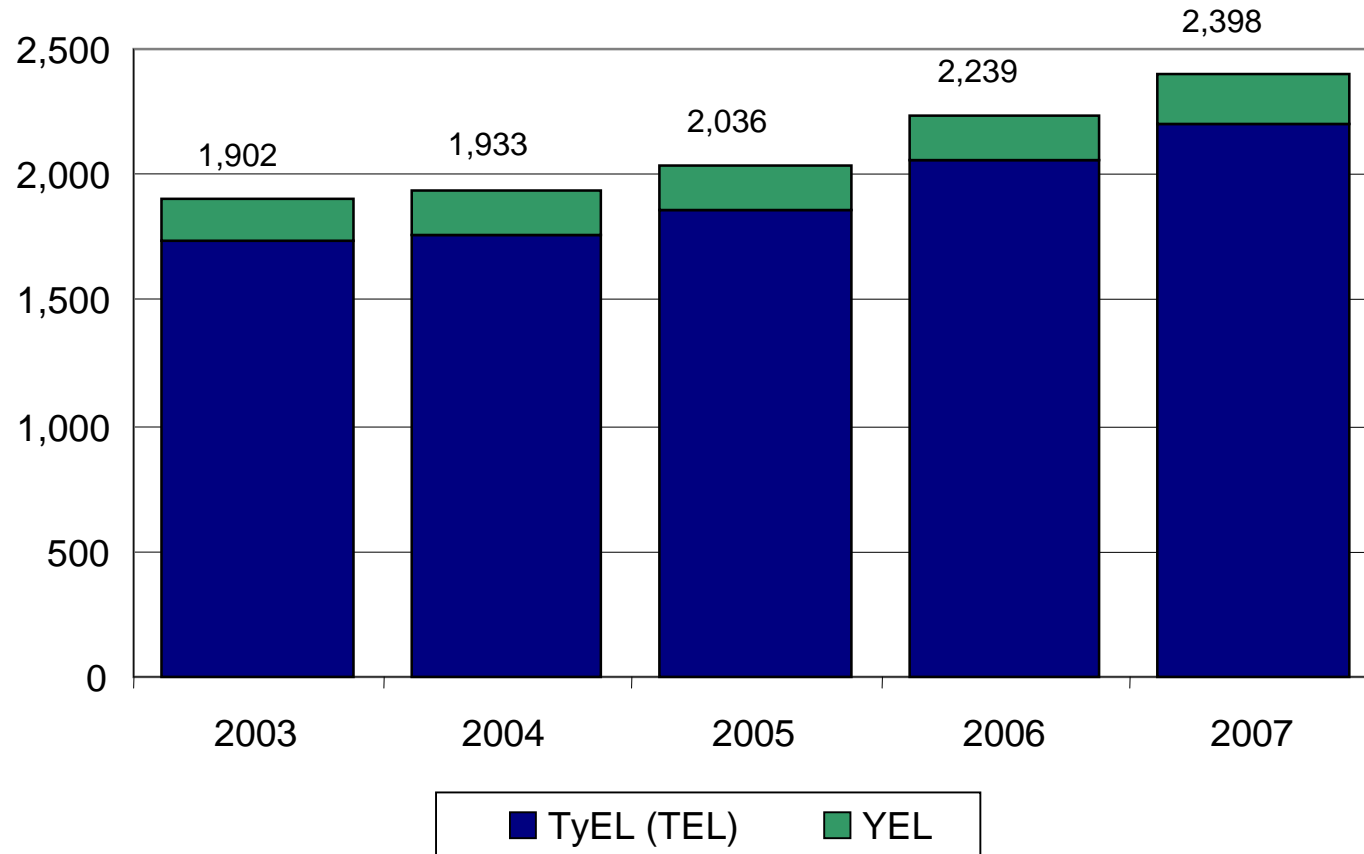
Pension payments, by type of pension

December 31



Benefits paid out

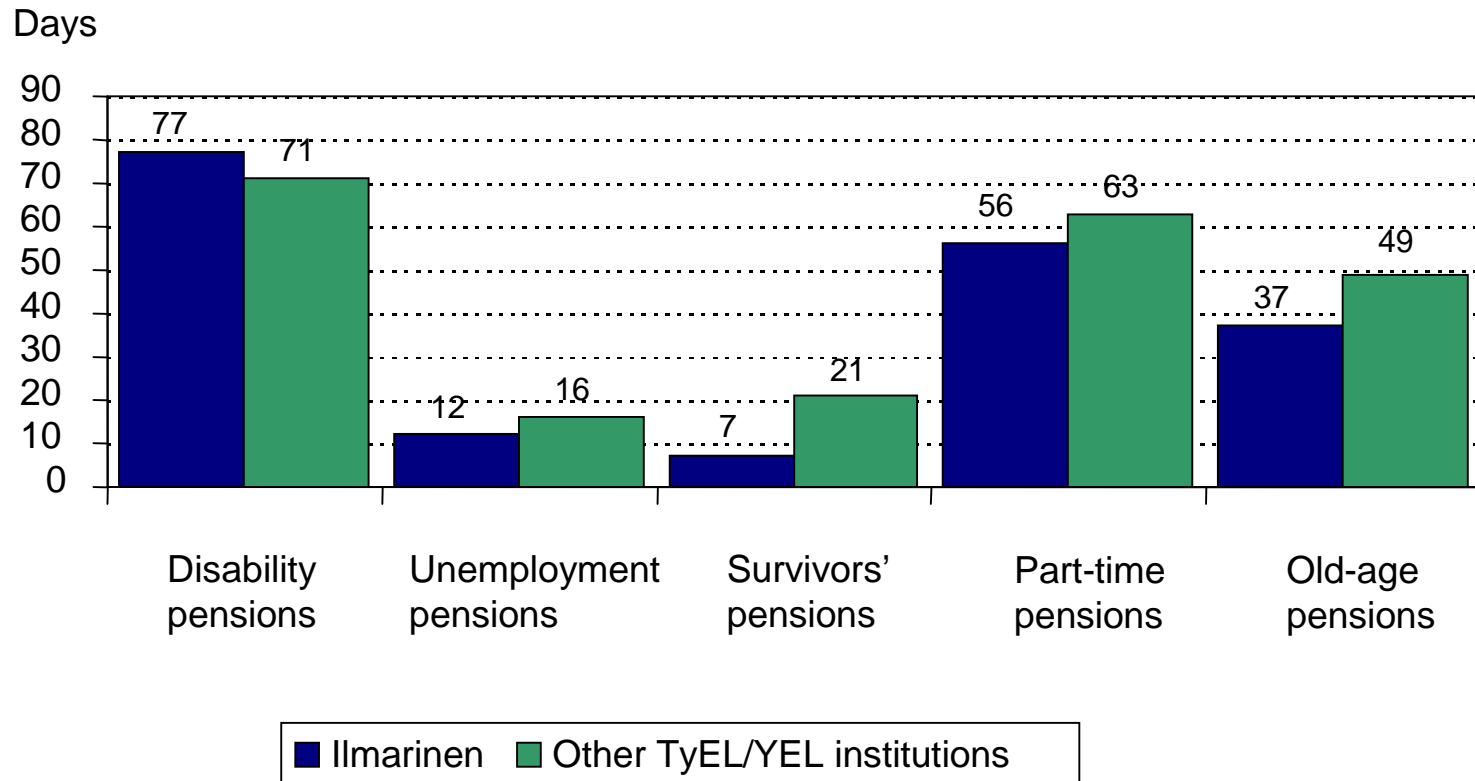
EUR mill.



Pension decisions by Ilmarinen

	2007	2006	Change %
New pension decisions			
• Old-age pension	5,328	5,142	3,6
• Early old-age pension	455	371	22,6
• Part-time pension	1,240	904	37,2
• Disability pension	5,979	6,112	-2,2
• Individual early retirement pension	0	7	-100,0
• Unemployment pension	2,913	2,678	8,8
• Survivors' pension	2,749	2,597	5,9
New pension decisions, total	18,664	17,811	4,8
Total	31,354	31,659	-1,0

Processing times of pension applications 2007

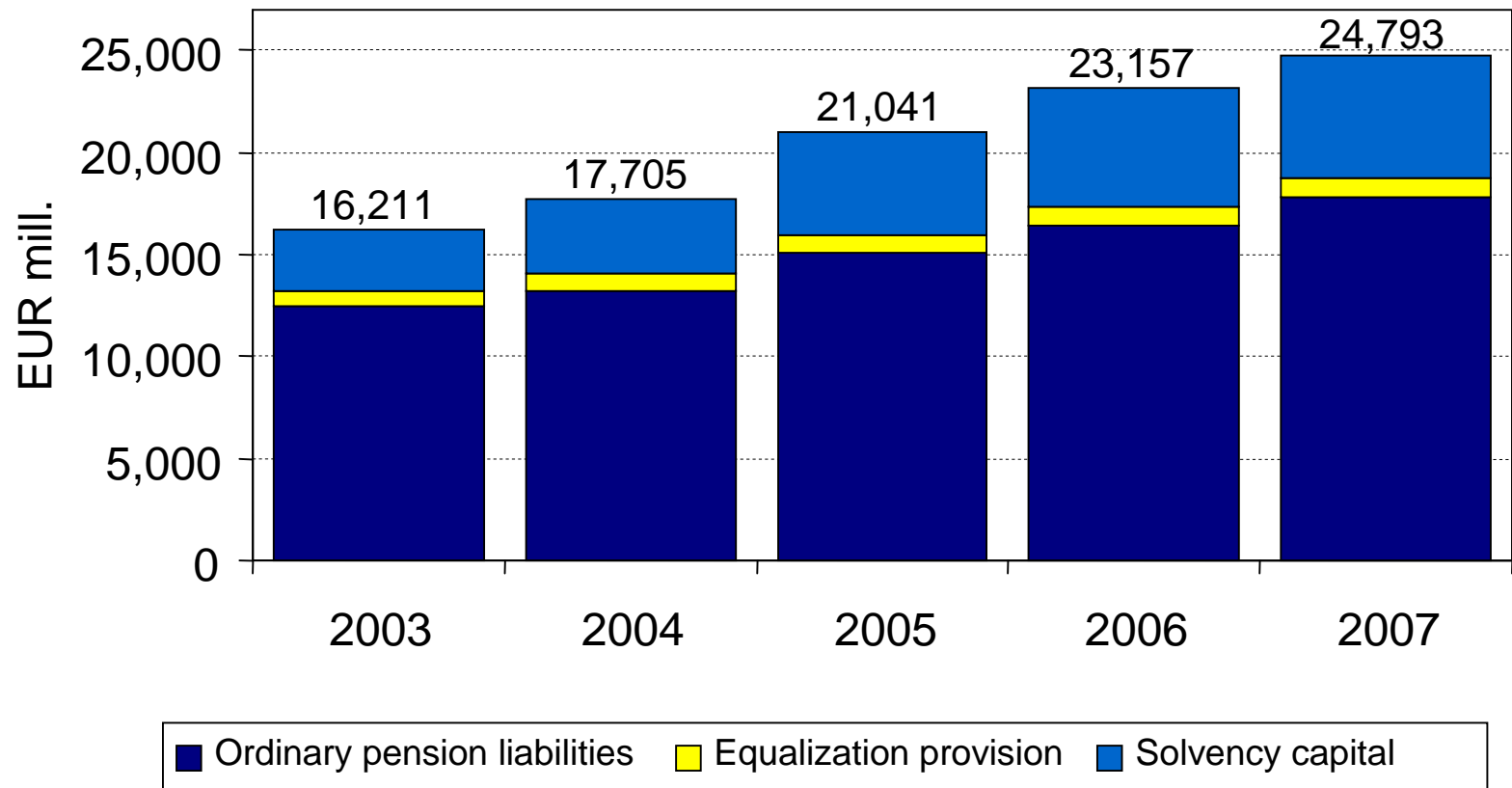


Source: The Finnish Centre for Pensions



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Ilmarinen's pension assets



Investment allocation

	2007		2006	2005	2004	2003
	EUR mill.	%	%	%	%	%
Loan receivables ¹⁾	1,239.3	5.2	5.0	5.1	6.3	8.8
Bonds ^{1) 2)}	8,611.1	36.4	45.2	49.2	49.6	49.0
incl. fixed-income fund	984.4	4.2	3.8	2.8	2.7	1.6
Other debt securities and deposits ^{1) 2) 3)}	447.2	1.9	0.7	1.9	3.0	2.3
Equities	11,200.7	47.3	39.4	34.0	29.9	25.1
Real estate ⁴⁾	2,165.3	9.2	9.8	9.8	11.1	14.8
incl. investment funds	249.3	1.1	0.6	0.2	0.1	0.0
Investment, total	23,663.6	100.0	100.0	100.0	100.0	100.0

On Dec. 31, 2007 the modified duration for bond portfolio was 4.35 ((4,21).

¹⁾ Accrued interest included

²⁾ From the fixed-income funds, long-term fixed-income funds are included in bonds and short-term fixed-income funds in other debt securities and deposits

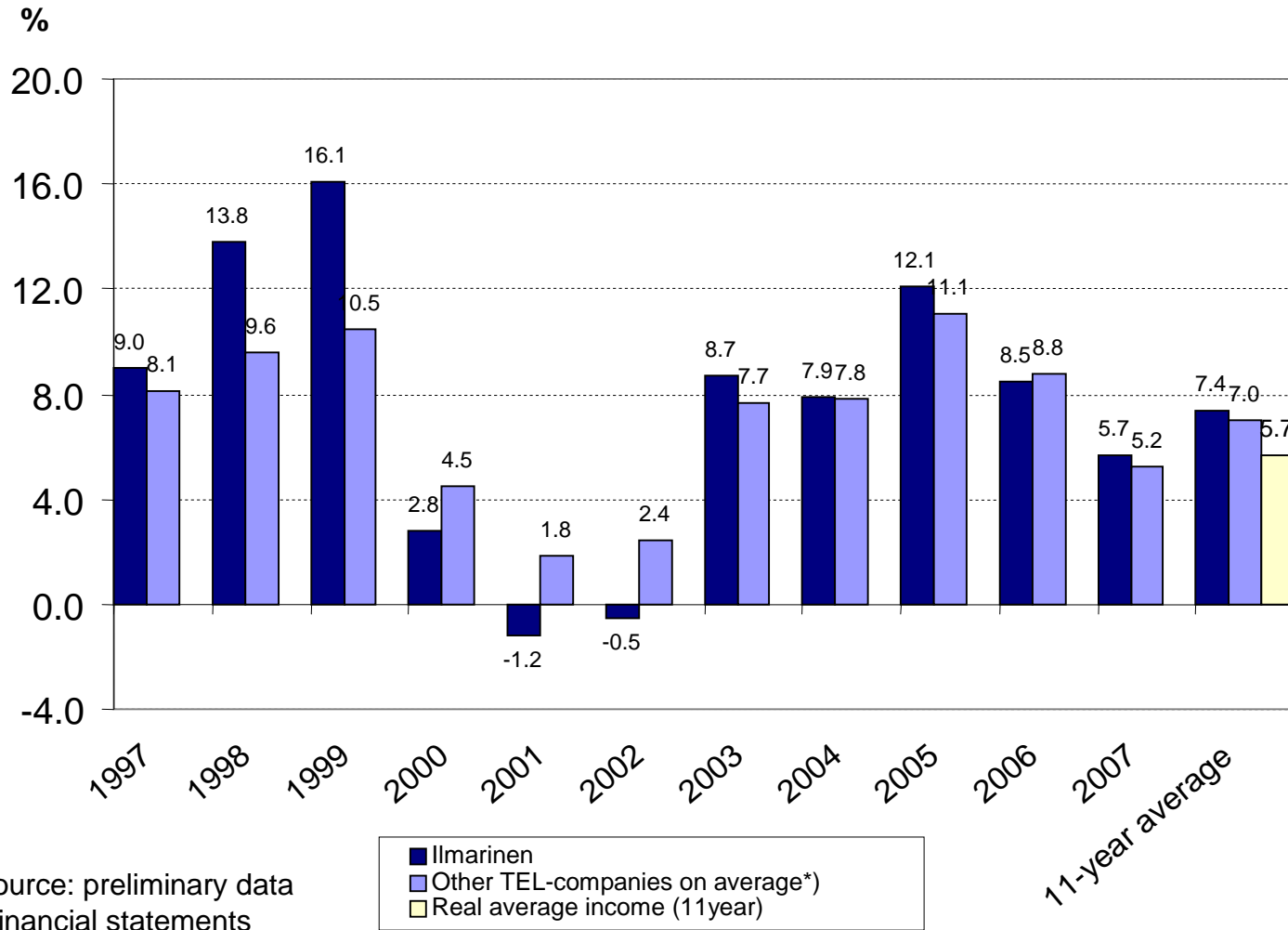
³⁾ Including deposits classified as investments on the balance sheet

⁴⁾ Including the investment fund shares and investments in comparable joint ventures that invest in real estate and real estate undertakings.

Net investment income, at current value 2007

	Net income EUR mill.	Capital employed EUR mill.	ROCE, %				
			2007	2006	2005	2004	2003
Loan receivables	51.5	1,137.2	4.5	4.4	4.6	4.7	4.6
Bonds	194.8	9,831.6	2.0	1.0	4.3	7.0	5.1
incl. fixed-income funds	13.3	991.4	1.3	9.1	4.3	11.9	21.9
Other debt securities and deposits	17.4	439.2	4.0	3.8	4.5	1.4	1.8
Equities	898.1	9,899.4	9.1	20.3	30.7	13.4	22.1
Real estate	185.5	1,957.5	9.5	7.3	4.7	3.6	5.2
incl. real estate funds	24.0	165.1	14.5	11.2	10.3	-4.0	
Investment, total	1,347.2	23,265.0	5.8	8.6	12.1	7.9	8.8
Unallocated income, charges and other operating expenses	-22.2	23,276.1	-0.1	0.0	0.0	0.0	-0.1
Investment income, total	1,325.0	23,276.1	5.7	8.5	12.1	7.9	8.7

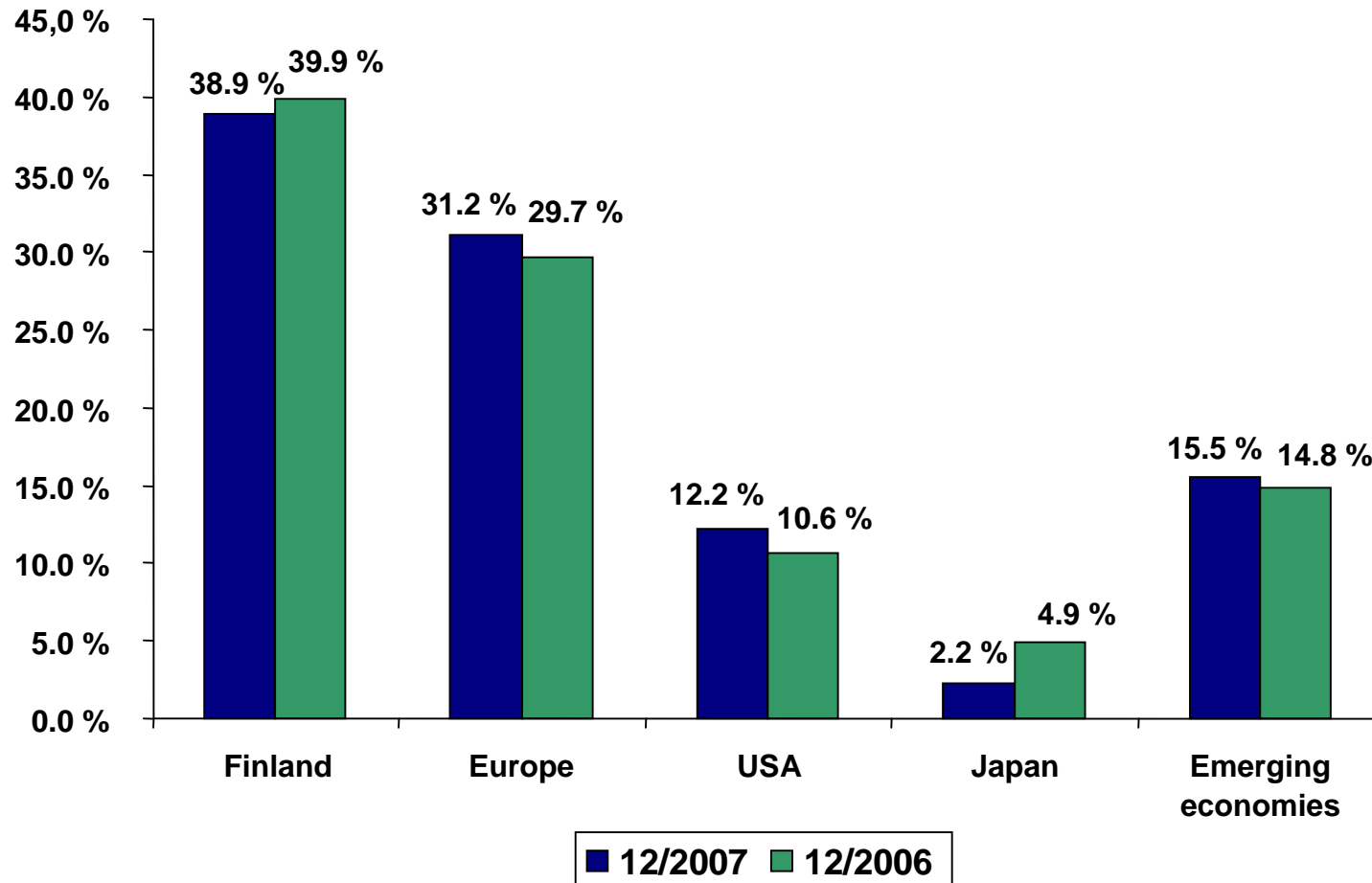
Net investment income, at current value



Ilmarinen's largest investments in Finland

Dec. 31, 2007	EUR mill.	% of Finnish portfolio
Nokia Corporation	421.9	11.3
Fortum Corporation	420.6	11.3
OKO Bank plc	265.8	7.1
Elisa Corporation	170.8	4.6
Neste Oil Corp.	144.7	3.9
Sampo plc	134.5	3.6
Stora Enso Oyj	130.6	3.5
Kone Corporation	130.3	3.5
Kemira Oyj	120.4	3.2
Metso Corporation	116.4	3.1
Nokian Tyres plc	99.4	2.7
Wärtsilä Corporation	98.2	2.6
Outokumpu Oyj	94.0	2.5
Rautaruukki Corp.	90.7	2.4

Regional allocation for listed equity



Total operating expenses by source of financing, EUR mill.

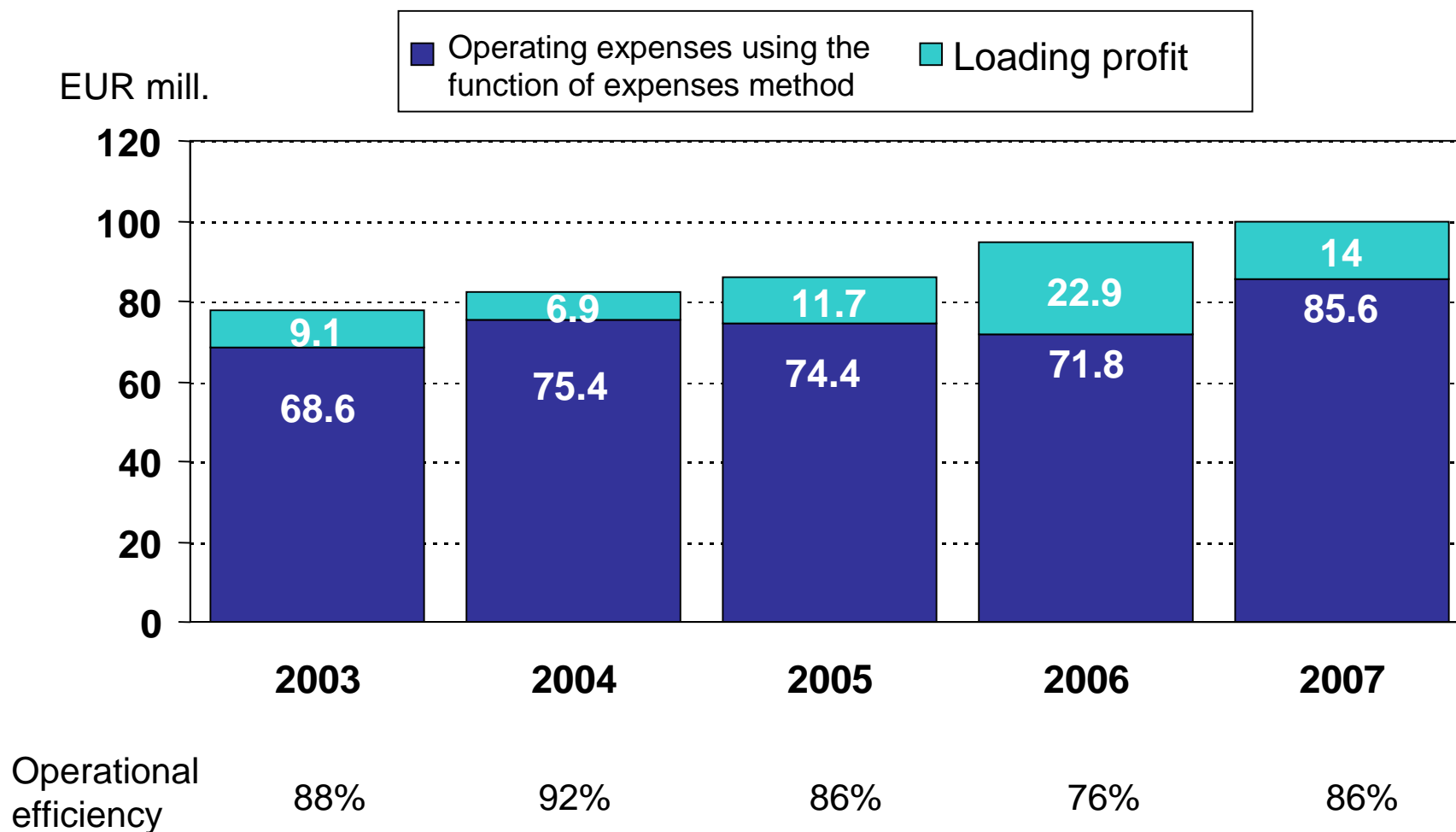
	2007	2006	2005	2004	2003
Covered by the loading expense component	85.6	71.8	74.4	75.4	68.6
Covered by investment income	9.8	9.2	9.4	9.2	8.5
Covered by the administrative component for disability risk	2.8	4.2	3.8	3.1	2.3
Covered by the statutory charges component	5.3	13.5	10.6	10.8	8.4
Total operating expenses *)	103.5	98.6	98.2	98.5	87.8

Total actual operating expenses as a percentage of turnover

2.5 %	2.3 %	2.6 %	3.1 %	2.6 %
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*) The figures for 2003-2006 have been changed to comply with current rules

Loading profit



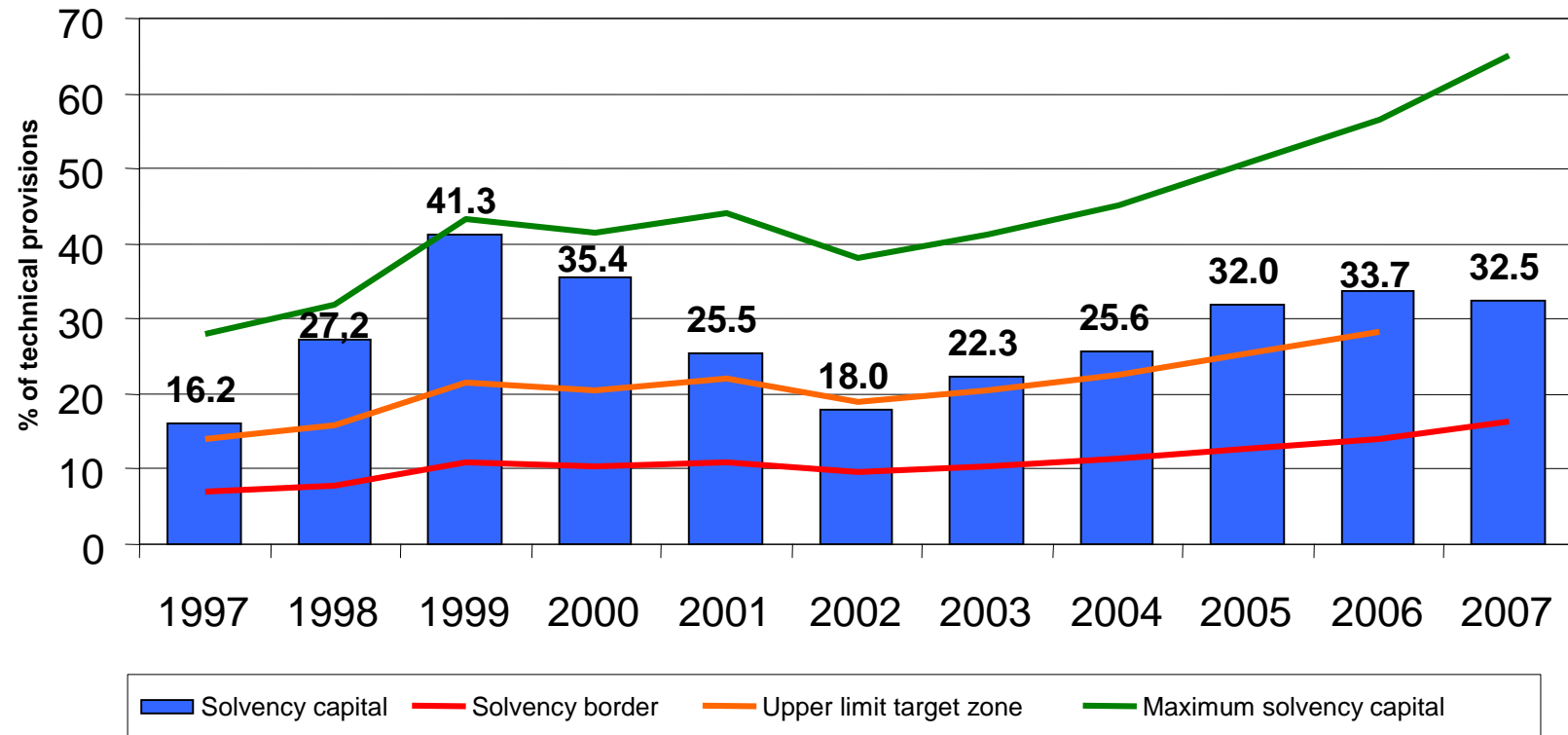
Performance analysis, EUR mill.

	2007	2006	2005	2004	2003
Underwriting result	9,0	19.9	51.2	34.2	38.5
Investment result at current value	321.6	807.6	1,452.0	657.4	770.7
+ Net investment income at current value	1,325.0	1,803.0	2,174.1	1,276.8	1,281.1
- Yield requirement on technical provisions	- 1,003.4	-995.5	-722.1	-619.4	-510,4
Loading profit	14.0	22.9	11.7	6.9	9.1
Total result	344.6	850.3	1,514.9	698.5	818.3
To increase/decrease solvency	270.6	769.3	1,436.9	653.5	785.3
To equalization provision	8.0	16.3	50.8	28.2	35.4
To solvency capital	262.7	753.0	1,386.1	625.3	749.9
Transfer to bonuses and rebates	74.0	81.0	78.0	45.0	33.0
To the provision for current bonuses					
Total	344.6	850.3	1,514.9	698.5	818.3

On Dec. 31, 2007, EUR 8.7 million of the transfer to augment the provision for current bonuses made in 2002 was unamortized.

Solvency follow-up

Solvency capital and limits



Investment income, solvency, bonuses and rebates

	2007	2006	2005
Investment income at current value, EUR mill.	1,325	1,803	2,174
ROCE, %	5.7	8.5	12.1
Solvency capital, EUR mill.	6,069	5,828	5,090
Solvency capital of technical provisions, %	32.5	33.7	32.0
Solvency capital/solvency border	2.0	2.4	2.5
Equalization provision, EUR mill.	918	910	894
Transfer to bonuses and rebates, EUR mill.	74	81	78
Transfer to bonuses and rebates of TyEL/TEL wage bill, %	0.6	0.7	0.8
Transfer to bonuses and rebates per continuous TyEL/TEL employment contract, EUR	177	209	218

Future prospects

1(2)

- Increased factors of uncertainty connected to economic development led to an exceptionally sharp decline in share prices during the first weeks of 2008.
- Key risk factors continue to be uncertainty in the financial markets as well as the price of oil and its sharp volatility.
- The 2008 result will be determined to a great extent on the basis of the development of investment markets.

Future prospects

2(2)

- Ilmarinen's investment strategy will continue to be return-oriented; this is made possible by our high solvency.
- Our objective is to improve cost-efficiency due to, for example, the need to prepare for company-specific pricing, and the impact of loading profit on bonuses and rebates.
- One of the company's best competitive advantages is its partnership with OP-Pohjola Group.