



ILMARINEN JANUARY–JUNE 2018

Interim Report 1 January–30 June 2018

The 2017 comparison figures presented in the report are Ilmarinen's figures from before the merger with Etera.

ILMARINEN

PAREMPAA
ELÄMÄÄ,
OLE HYVÄ.

ILMARINEN IN JANUARY– JUNE

- The second quarter pushed return on investments into positive figures. Return on investments in the first half of the year came to 1.1%. The solvency position was 126.6%.
- The implementation of integration is moving forward as planned and, based on the first six months, it appears that synergy targets will be met. Information system integration and preparations for the incomes register will keep us busy in the second half of the year.
- Customer satisfaction in our work capacity services was excellent. The first Masters in Work Capacity graduated and we launched the ‘Energy in the work community’ (Työyhteisöviire) study for customer companies.
- We received global recognition for our promotion of responsible investment. We were successful in reporting competition and our climate strategy was highlighted as an example of global best practice.
- Jouko Pölönen joined Ilmarinen in May and will take the helm as President and CEO on 1 August 2018.





KEY FIGURES

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KEY FIGURES JANUARY–JUNE 2018

EUR
2.7 bn
Premiums written

EUR
2.8 bn
Pensions paid

EUR
46.3 bn
Investment assets

126.6
%
Solvency ratio

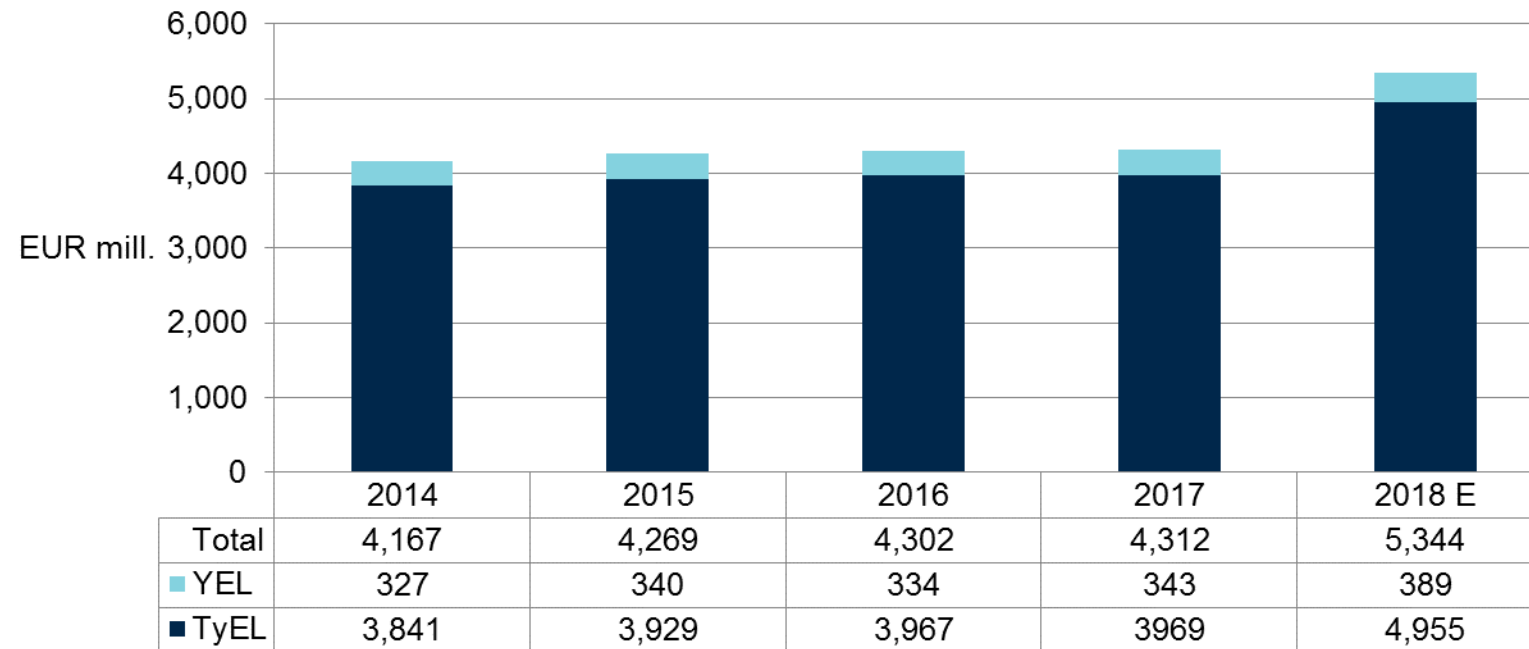


SALES AND TRANSFER RESULT

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PREMIUMS WRITTEN FOR THE WHOLE YEAR EXCEED EUR 5 BILLION

Premiums written, estimated



NET CUSTOMER ACQUISITION EUR 44 MILLION IN H1

Net customer acquisition, EUR million

	H1/2018	H1/2017	Change
Net customer acquisition, EUR million	44	83	-46%
Net sales of TyEL insurance (new policies and net transfer)	26	42	-38%
Sales of new TyEL insurance	57	49	15%
Net transfer of TyEL insurance	-31	-7	333%
Net sales of YEL insurance (new policies and net transfer)	19	41	-55%
Sales of new YEL insurance	20	18	11%
Net transfer of YEL insurance	-2	23	-107%

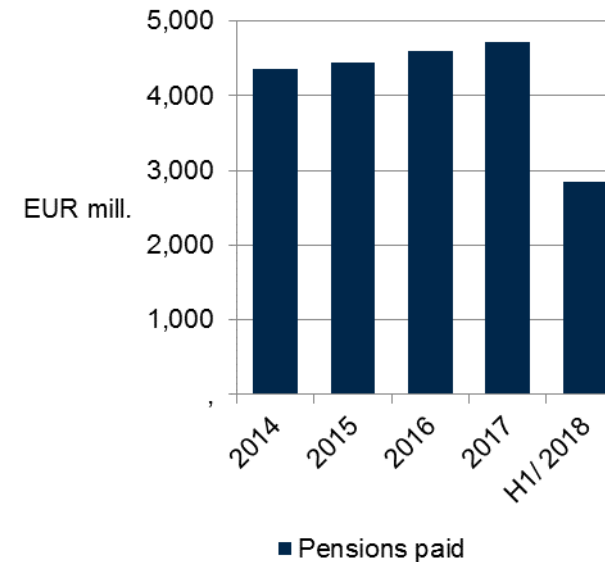
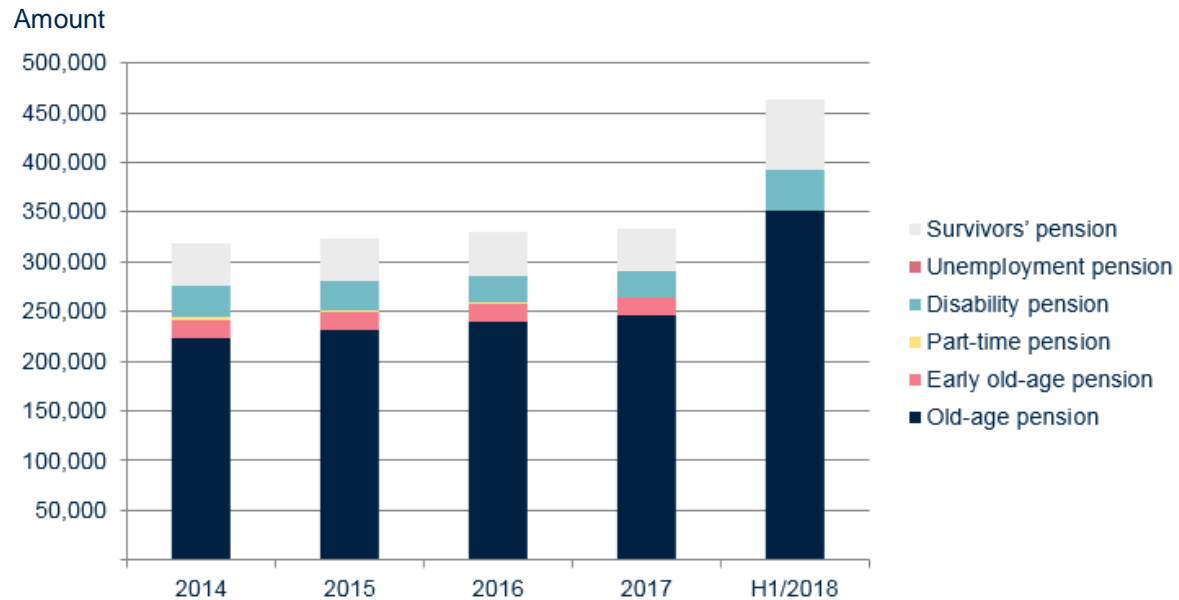


PENSIONS

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CLOSE TO 470,000 PENSION RECIPIENTS EUR 2.8 BILLION IN PAID PENSIONS

Current and paid pensions



NUMBER OF PENSION DECISIONS GROWING

Pension decisions

	E2018	2017	Change, %
New pension decisions			
Old-age pensions	12,970	12,393 ¹⁾	5
Partial old-age pensions	3 100	2,996	3
Part-time pensions	0	94	
Disability pension	7,833	6,302	24
Survivors' pension	4,741	3,332	42
Right to rehabiliton	4,450	3,485	28
Pension decisions, total	33,129	28,604	16

1) The comparison figures for 2017 were impacted by the exceptional clearing of the work backlog resulting from the modernisation of the pension processing IT system.



OPERATING EXPENSES AND PERSONNEL

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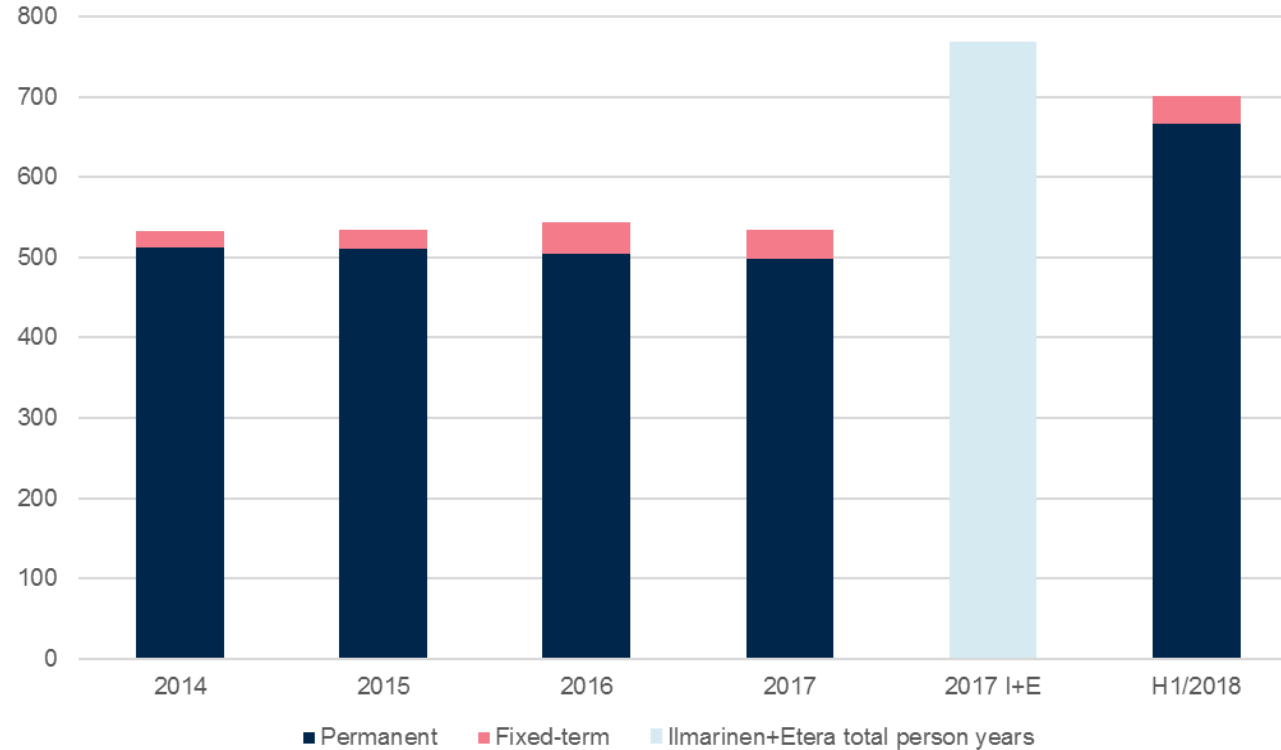
LOADING PROFIT ESTIMATE EUR 39 MILLION

Loading profit, ratio of operating expenses to expense loading components and total operating expenses

EUR million	2018					
	Estimate	2017 I+E	2017	2016	2015	2014
Expense loading components and other income	179.1	174.7	134.3	143.7	144.5	142.1
Total operating expenses	139.7	143.2	108.9	107.6	109.1	108.1
Loading profit, total	39.4	31.5	25.4	36.1	35.4	34.0
* Operating expenses as a percentage of loading income	78.0	82.0	81.1	74.9	75.5	76.0
Total operating expenses	191.3	199.6	150.3	147.2	150.7	149.8

PERSONNEL REDUCTIONS CARRIED OUT ACCORDING TO PLAN

Average person years

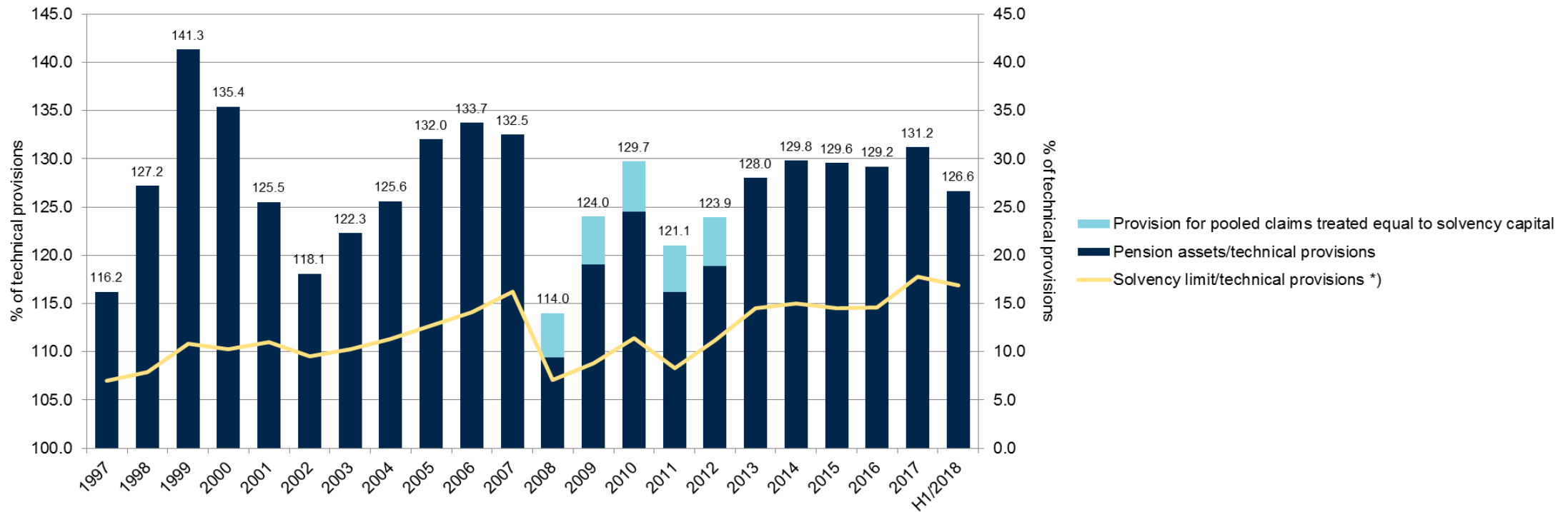




INTERIM RESULT AND SOLVENCY

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SOLVENCY RATIO FELL BUT CONTINUES TO BE AT A GOOD LEVEL



Solvency position was 1.6 (1.9).

Pension assets according to the scale on the left and solvency limit according to the scale on the right.

For previous years, the method of presentation for 2017 is applied.

*) The solvency limit changed on 1 January 2017 with the introduction of new legislation. The amount of solvency capital remained almost unchanged, but the principles for calculating the solvency limit changed.

Consequently, the ratio of solvency capital to the solvency limit, which illustrates the solvency position, decreased.

TOTAL RESULT

Performance analysis

EUR mill.	H1/2018	H1/2017	2017
Sources of profit			
Underwriting result	1.8	3.0	13.3
Investment income at fair value	-523.1	532.7	1,038.8
+ Net investment income at fair value	508.4	1,405.3	2,693.4
- Return requirement on technical provisions	-1,031.5	-872.6	-1,654.6
Loading profit	19.7	11.9	25.4
Other result	0.0	-	0.9
Total result	-501.7	547.5	1,078.4
Distribution of profits			
Increase/decrease solvency	-570.2	491.0	958.4
Change in provision for future bonuses	-425.8	424.3	731.6
Change in difference between current and book values	-149.0	64.1	221.4
Change in accumulated appropriations	0.0	0.0	0.3
Profit for the financial period	4.6	2.6	5.2
Transfer to client bonuses	68.5	56.5	120.0
Total	-501.7	547.5	1,078.4

BALANCE SHEET AT CURRENT VALUE

EUR mill.	H1/2018	H1/2017	2017
Assets			
Investments	44,780.6	38,507.2	39,355.1
Receivables	5,248.0	4,243.2	9,401.6
Other assets	4.7	3.7	3.8
Assets total	50,033.3	42,754.1	48,760.5
Liabilities			
Capital and reserves	172.7	106.5	109.0
Depreciation difference	5.9	5.1	5.4
Difference between current and book value	6,765.4	6,028.3	6,185.6
Provision for future bonuses	2,899.4	2,848.5	3,159.7
Other solvency capital items	-61.9	-39.8	-39.0
Total solvency capital	9,781.4	8,948.6	9,420.7
Provision for current bonuses (to client bonuses)	136.3	107.5	119.9
Equity linked buffer	600.8	559.0	676.4
Technical provision *)	35,998.2	29,040.1	29,434.8
Other liabilities	3,516.7	4,098.9	9,108.7
Liabilities total	50,033.3	42,754.1	48,760.5



INVESTMENTS

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KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

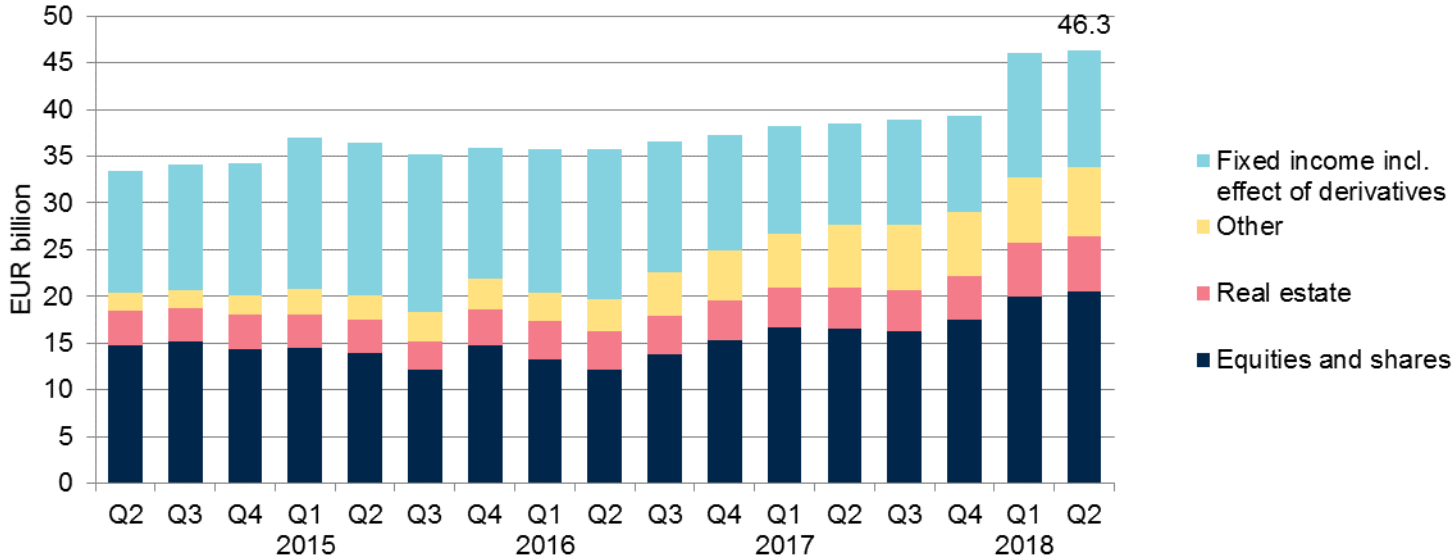
January–June 2018

- The growth outlook remains positive; unemployment fell globally, companies' earnings performance is strong and the inflation outlook remains stable.
- During the second quarter:
 - political events shook the markets
 - the dollar appreciated significantly, depressing emerging market fixed income and equity investments
 - Finland's equity market continued to yield well
- Future prospects:
 - In the short term, due to valuation levels, the ability of the equity market to withstand negative surprises is weak
 - In the longer term, the positive economic and earnings development is overshadowed by the threat of a trade war



INVESTMENT ASSETS EUR 46.3 BILLION

Asset allocation according to risk



BEST RETURN ON NON-LISTED INVESTMENTS

January–June 2018

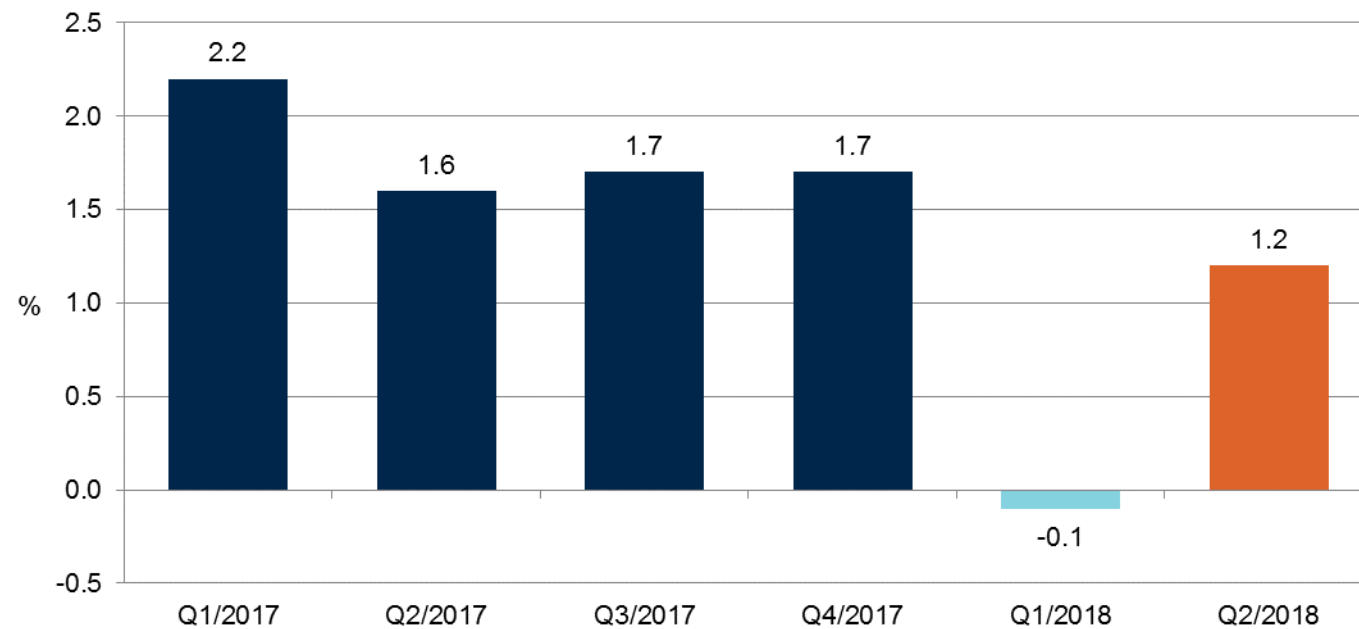
- Return on investments **1.1%**
 - Return on equity investments **2.4%**
 - Return on fixed income investments **-0.1%**
 - Return on real estate investments **2.9%**
- Long-term return at a good level
 - Nominal return **5.8%**
 - Real return **4.2%**



SECOND QUARTER RETURN 1.2%

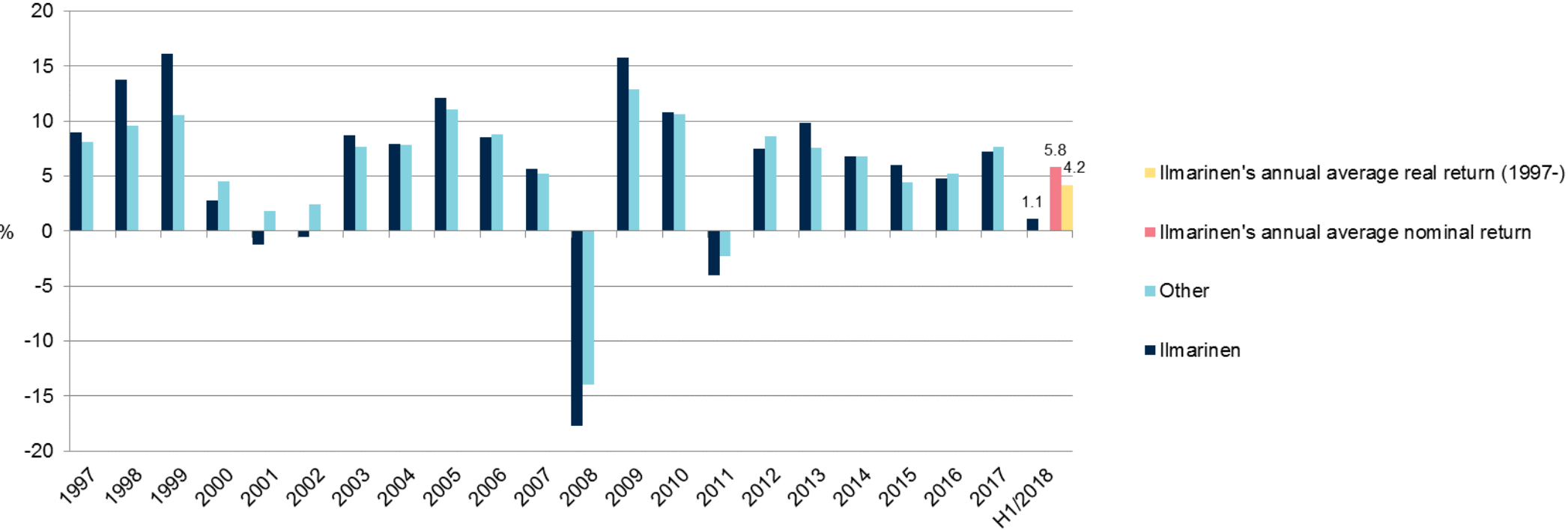
12-MONTH RETURN 4.4%

Quarterly investment returns



LONG-TERM AVERAGE REAL RETURN ON INVESTMENTS 4.2%

Net investment return at current value



RETURN ON INVESTMENTS IN THE FIRST HALF OF THE YEAR CAME TO 1.1%

Asset allocation and return

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
Fixed-income investments	17,748.7	38.3	12,522.1	27.1	-0.1	
Loan receivables	916.3	2.0	916.3	2.0	1.7	
Bonds	15,794.5	34.1	3,992.8	8.6	-0.2	1.5
Public corporation bonds	5,876.7	12.7	3,792.9	8.2	-1.6	
Other bonds	9,917.8	21.4	199.9	0.4	0.6	
Other money market instruments and deposits (incl. investment receivables and payables)	1,038.0	2.2	7,613.1	16.4	0.1	
Equities and shares	20,242.4	43.7	20,455.0	44.2	2.4	
Listed equities and shares	16,185.7	35.0	16,398.3	35.4	1.1	6.2
Private equity investments	3,315.1	7.2	3,315.1	7.2	7.0	
Non-listed equities and shares	741.5	1.6	741.5	1.6	8.1	
Real estate investments	5,879.8	12.7	5,896.7	12.7	2.9	
Real estate investments	5,279.9	11.4	5,279.7	11.4	2.4	
Real estate funds and joint investments	599.9	1.3	617.0	1.3	7.0	
Other	2,415.8	5.2	7,418.8	16.0	-4.2	
Hedge fund investments	1,582.4	3.4	1,582.4	3.4	2.9	4.3
Commodity investments	-3.7	0.0	-13.8	0.0	-	
Other investments	837.2	1.8	5,850.2	12.6	-13.9	
Investments total	46,286.8	100.0	46,292.7	100.0	1.1	2.2
Effect of derivatives			-6.0	0.0		
Investments at current value	46,286.8		46,286.8	100.0		

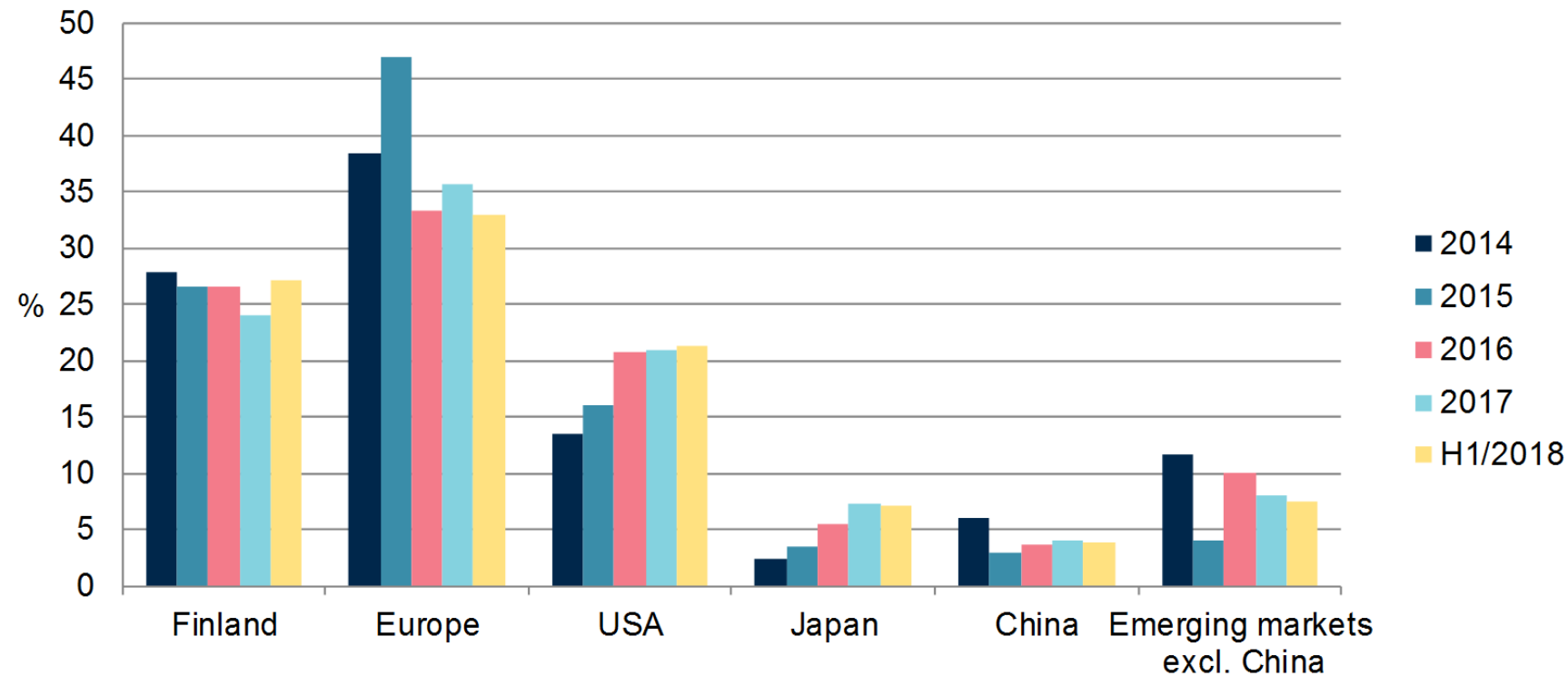
The modified duration of bond investments is 0.7 years

The open currency position is 23.5% of the market value of the investments.

The total return percentage includes income, expenses and operating expenses not allocated to any investment types

SHARE OF FINNISH LISTED EQUITY INVESTMENTS GREW

Geographical breakdown of listed equities



HOLDINGS IN FINNISH LISTED COMPANIES

EUR 4.4 BILLION

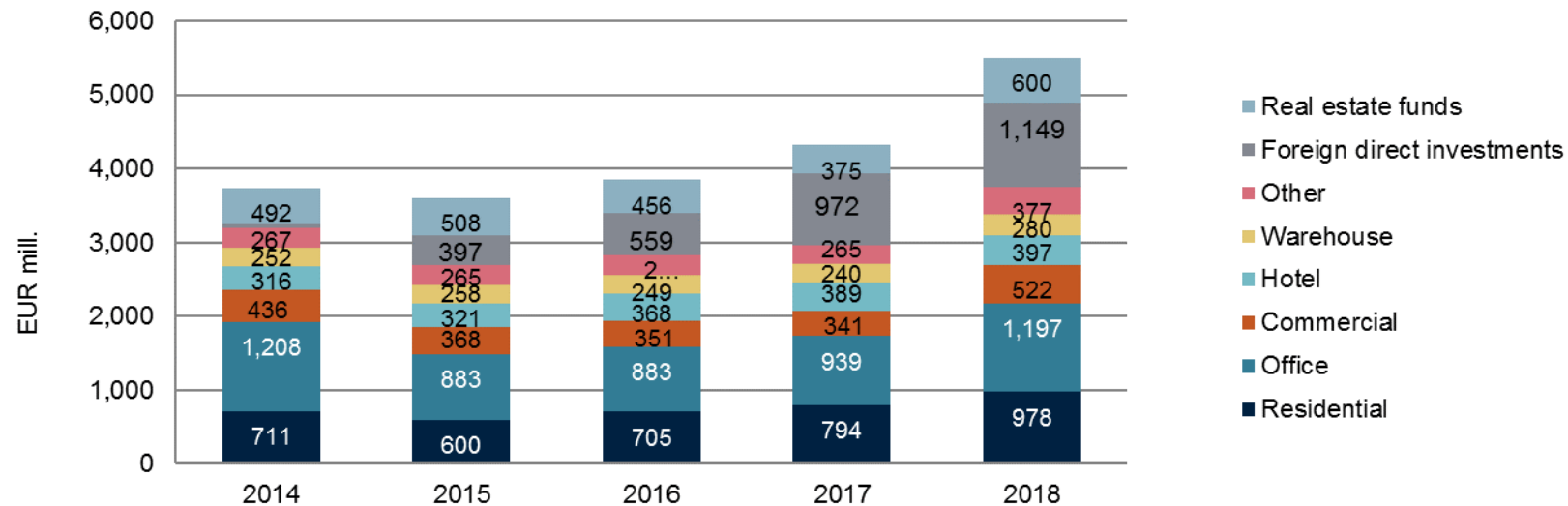
Most significant Finnish listed equity holdings

	EUR mill.	30 Jun 2018	31 Dec 2017
↑	Neste Corporation	395	250
↑	Stora Enso Corporation	362	246
	Kojamo Plc	307	listed on June 19, 2018
↑	UMP-Kymmene Corporation	290	182
↑	Kone Corporation	205	187
↑	Wärtsilä Oyj Abp	200	157
↑	Nokia Corporation	189	123
↑	Fortum Corporation	160	102
↓	Sampo Plc	160	169
↑	Nokian Tyres Plc	120	111

	Percentage	30 Jun 2018	31 Dec 2017
	Nurminen Logistics Plc	19.8	19.8
↑	Talenom Oyj	17.2	0.0
	Digia Plc	14.6	14.6
	Kojamo Plc	12.0	listed on June 19, 2018
↓	QT Group Plc	10.1	14.3
↑	Costi Plc	9.9	4.0
↑	Panostaja Oyj	8.1	0.0
	Martela Corporation	8.1	8.1
	Incap Corporation	7.6	7.6
↓	CapMan Plc	7.4	7.5

REAL ESTATE INVESTMENTS GREW DUE TO THE MERGER, SALES AND INVESTMENTS REMAIN UNCHANGED

Allocation of real estate investments



THANK YOU!

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