



ILMARINEN JANUARY–MARCH 2016

Press Conference 29 April 2016



ILMARINEN

Q1/2016: RETURN ON INVESTMENTS

Timo Ritakallio, President and CEO



ILMARINEN

INVESTMENT RETURN DEPRESSED BY DECLINE IN SHARE PRICES

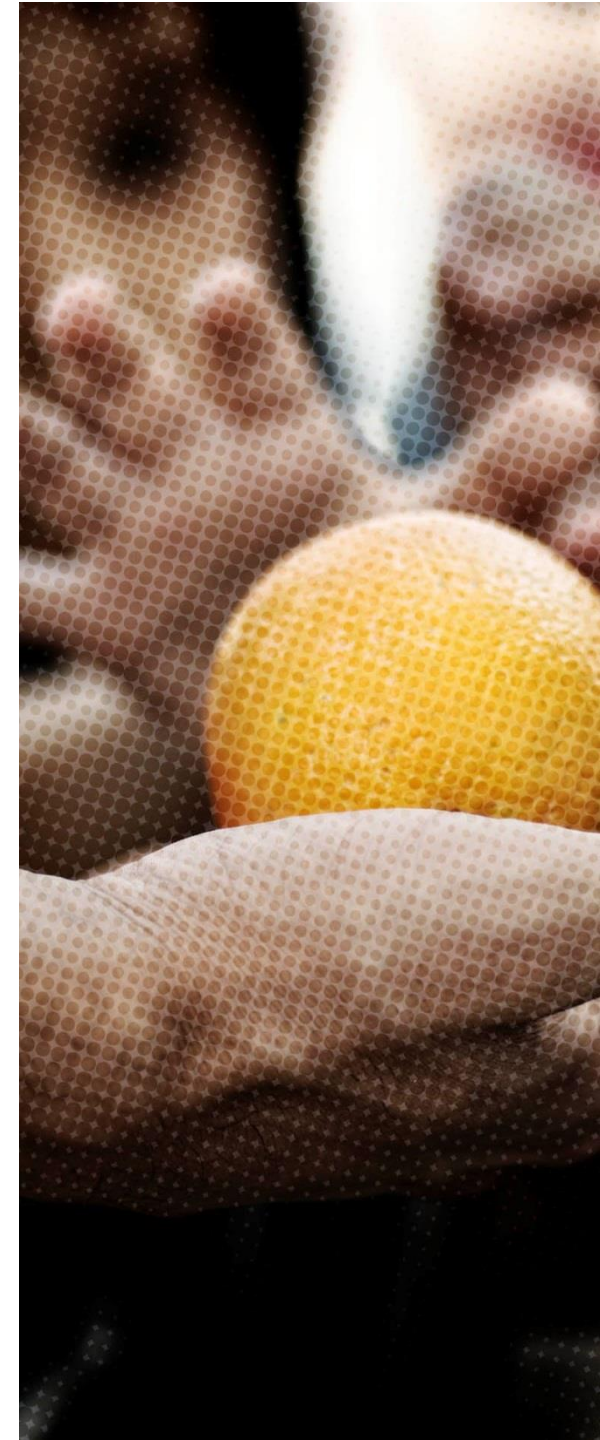
January–March 2016

- Investment return **-1.4%**
 - Return on equity investments **-3.7%**
 - Return on fixed income investments **-0.5%**
 - Return on real estate investments **0.7%**
- Long-term return at a good level
 - Nominal return **5.7%**
 - Real return **4.1%**
- Solvency **26.6%**

KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

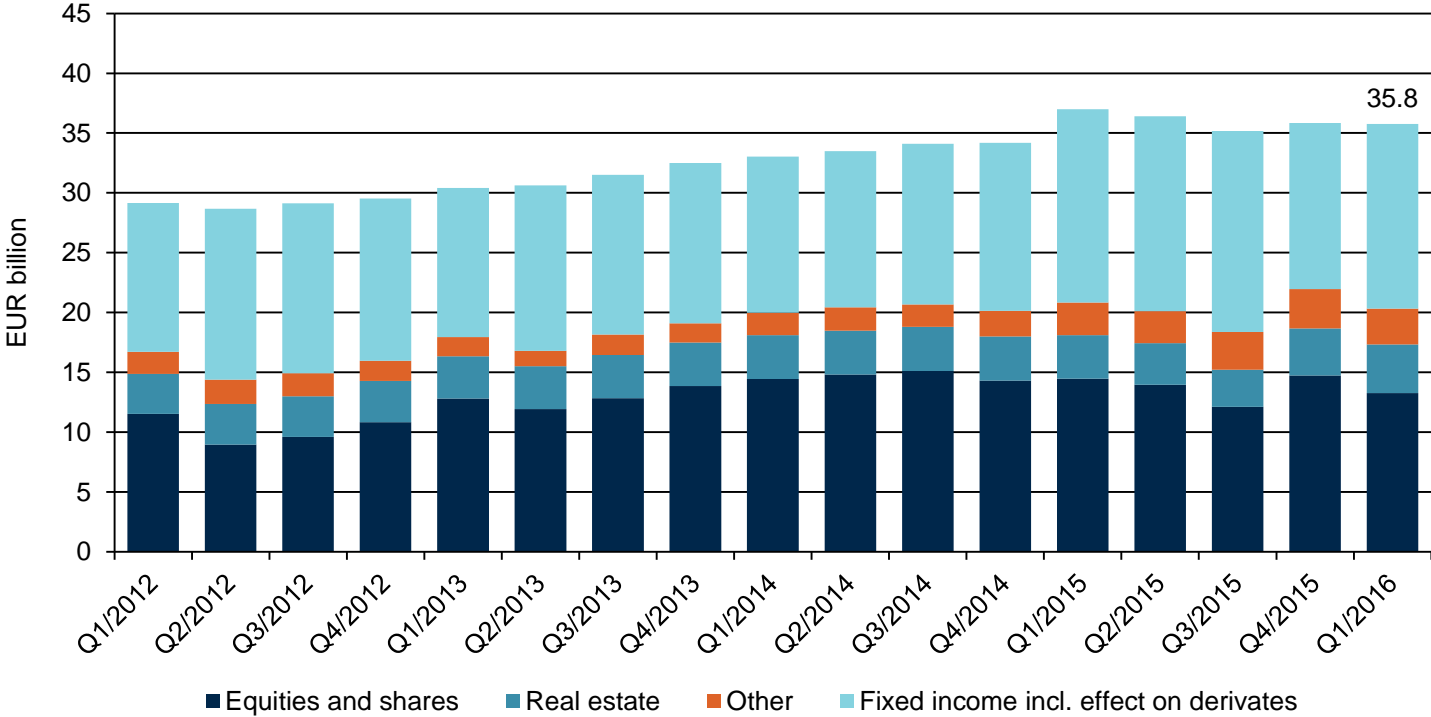
January–March 2016

- Share prices fell in Europe and Japan
- Interest rates plunged back to a record-low level
- Economic recovery continues to be weak in Finland and Europe
- Low raw material prices and deflation fears increased uncertainty on the markets



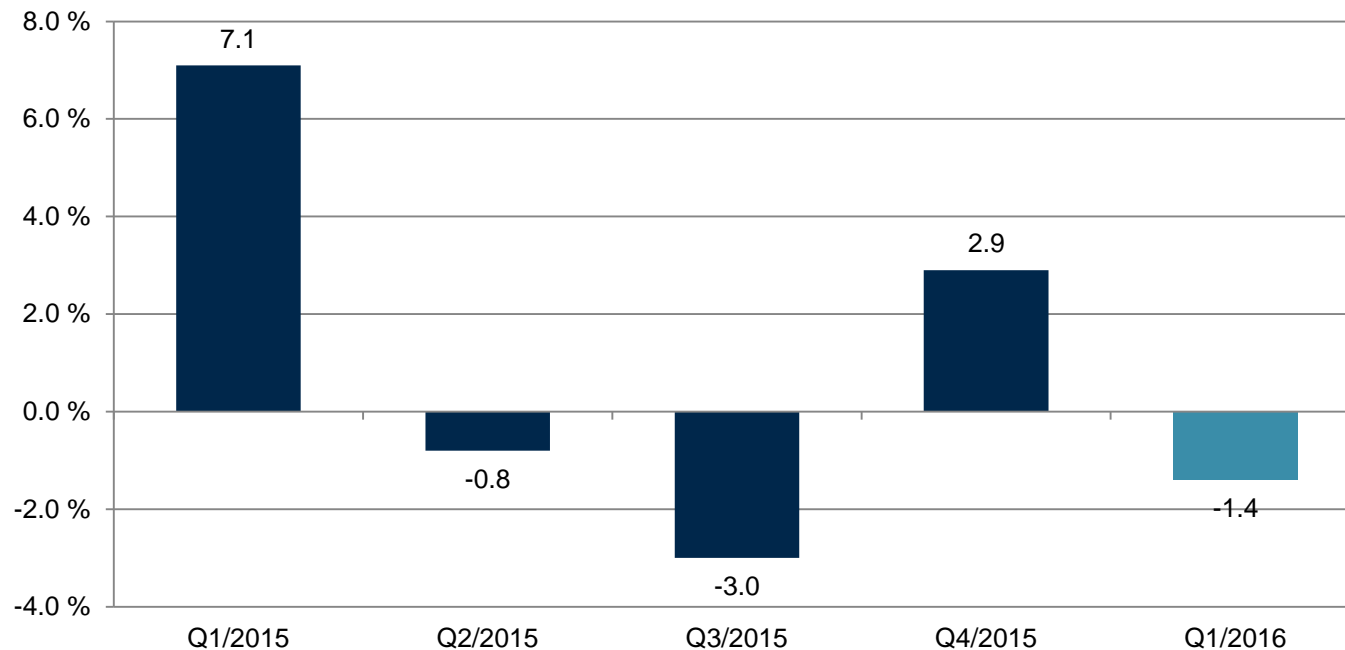
MARKET VALUE OF INVESTMENTS REMAINED UNCHANGED AT CLOSE TO EUR 36 BILLION

Asset allocation according to risk



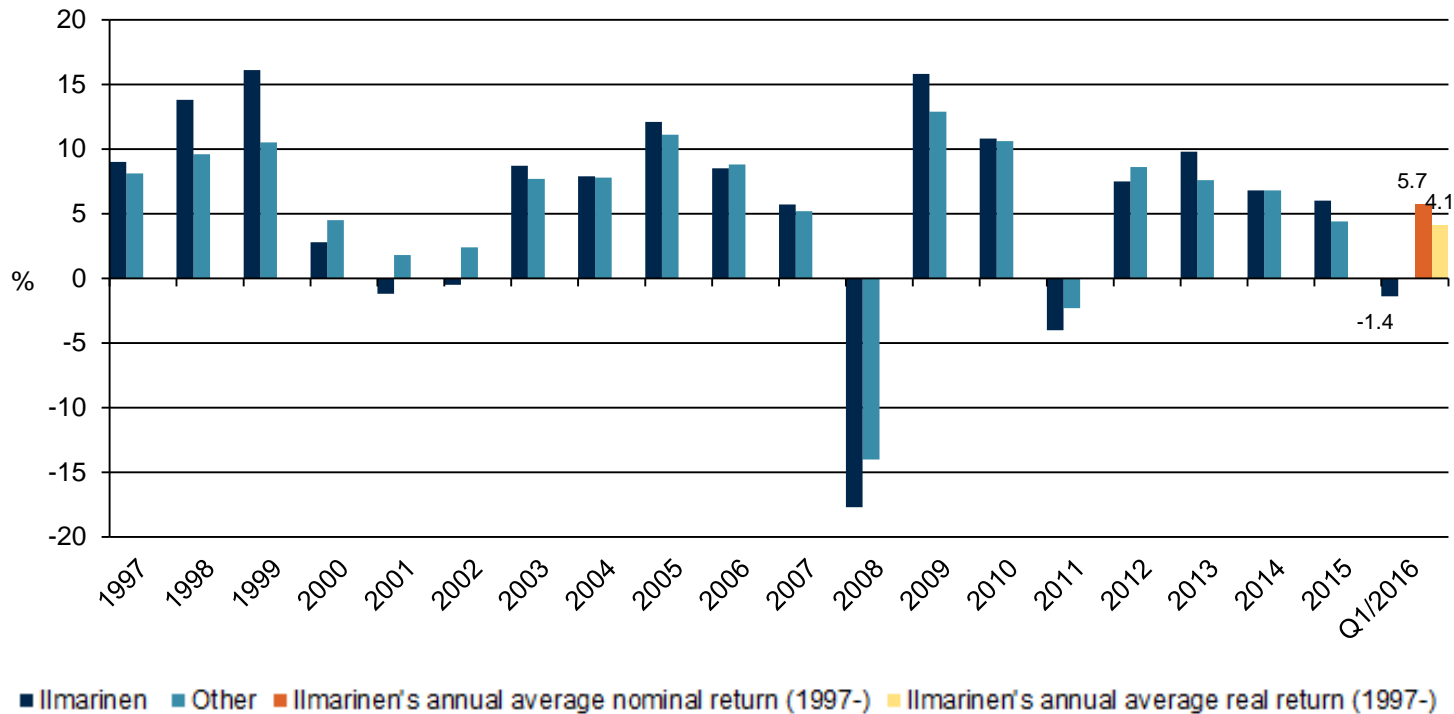
RETURN DEPRESSED BY DECLINE IN STOCK MARKETS

Quarterly investment returns Q1/2015–Q1/2016



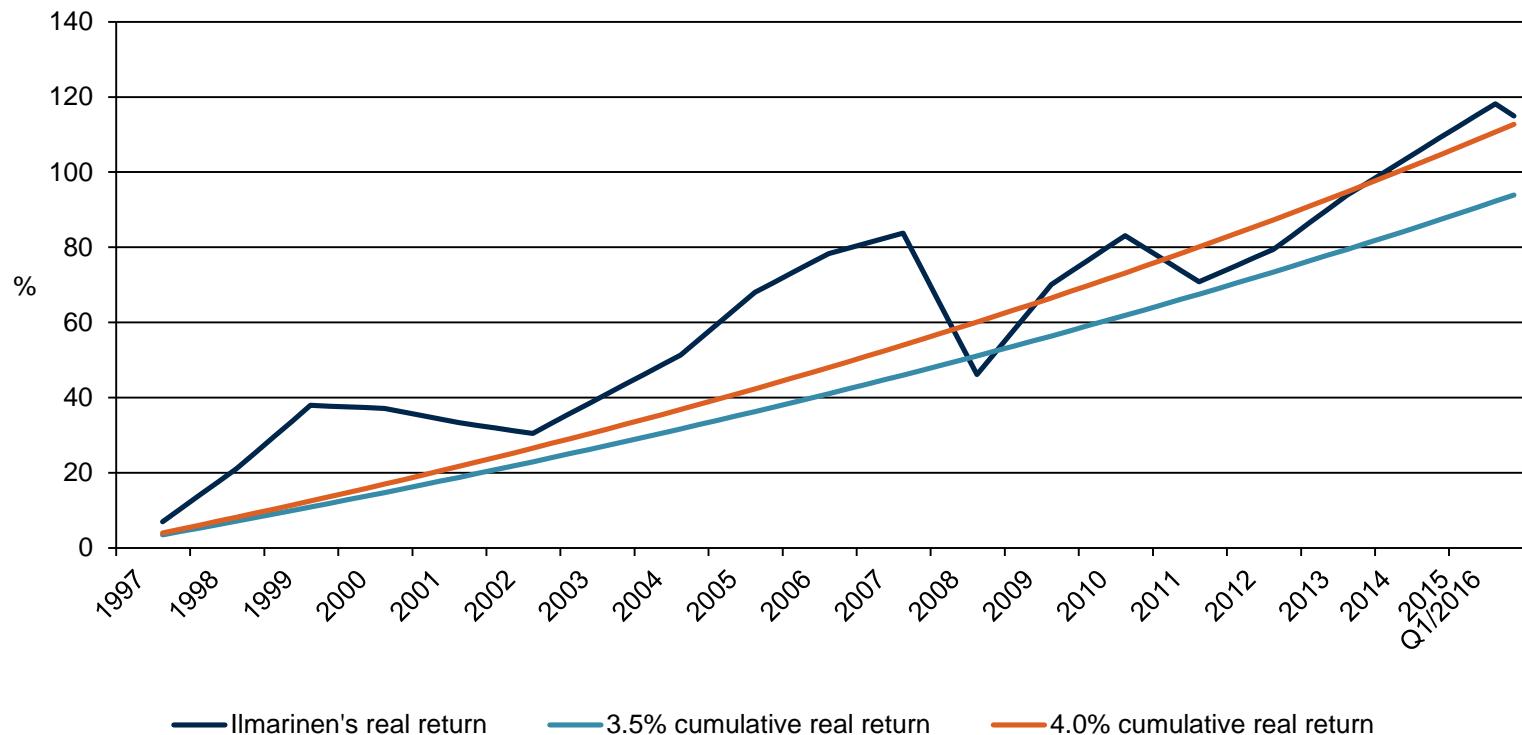
REAL RETURN ON INVESTMENTS IN THE LONG TERM 4.1%

Net investment return at current value



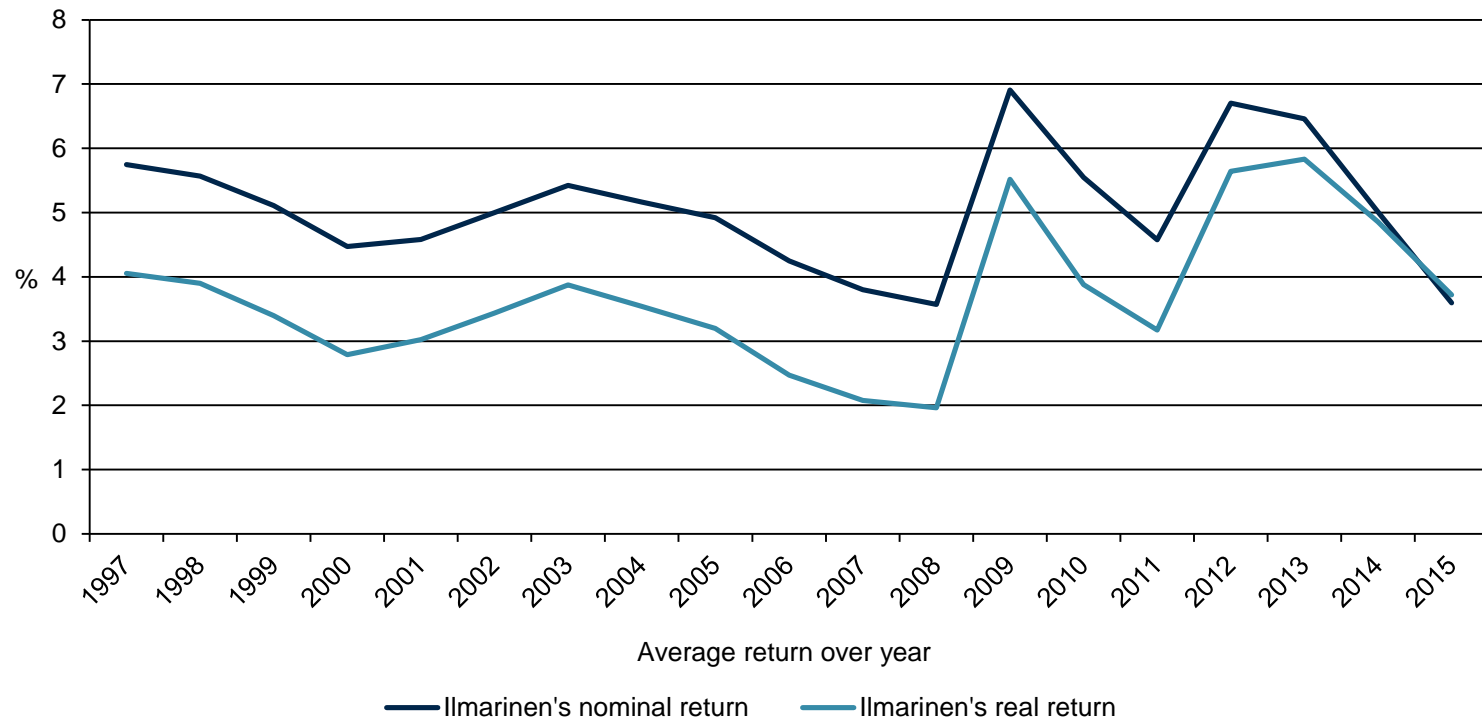
REAL RETURN CONTINUES ON A 4-PER CENT TREND

Cumulative return on investments 1997–31 March 2016



VARYING INVESTMENT RETURNS DEPENDING ON PERIOD

Return on investments in different periods



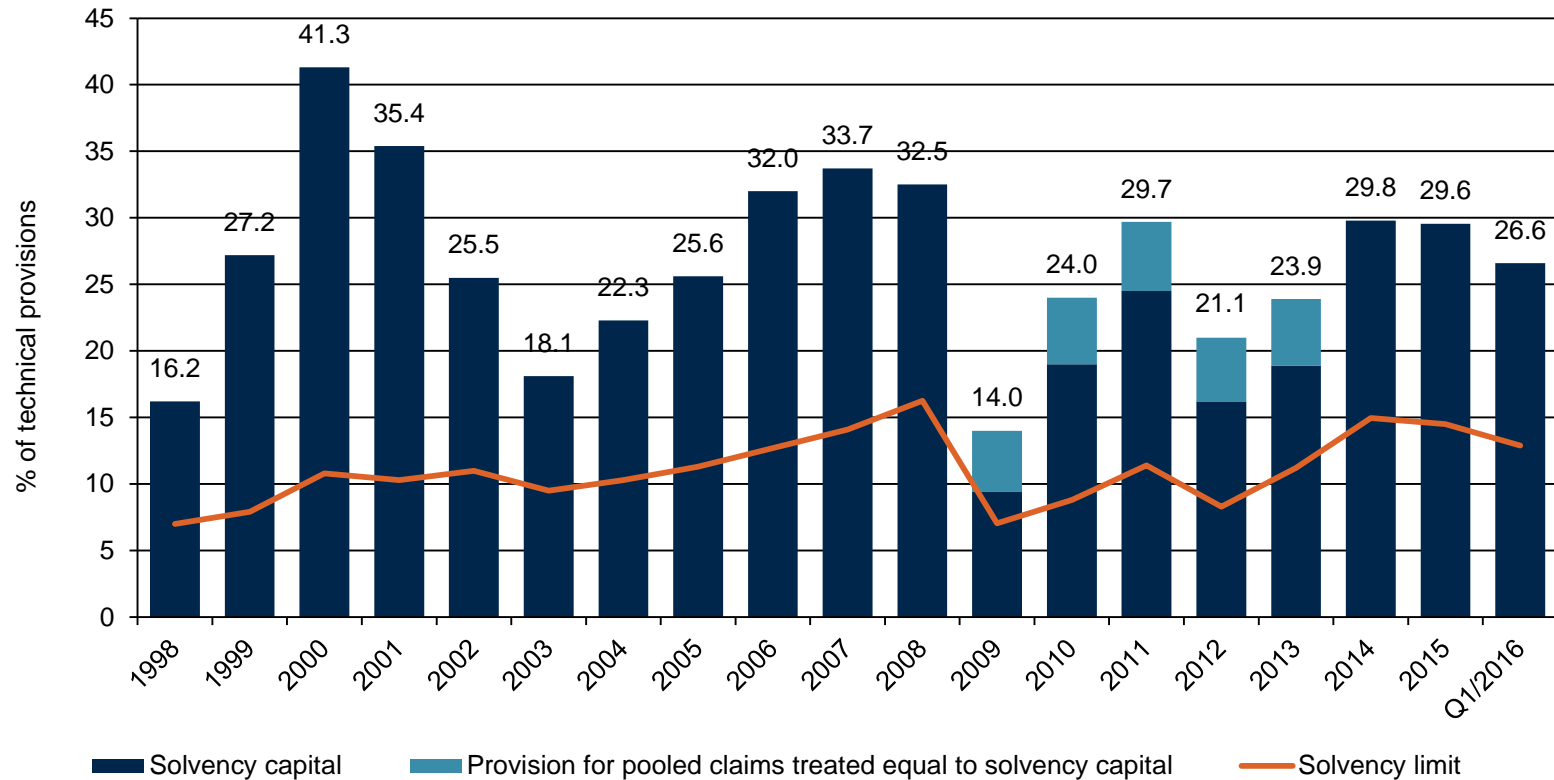
COMPARISON BETWEEN ILMARINEN'S AND MARKETS' INVESTMENT RETURNS

Long-term average returns

| % | Ilmarinen | Finnish equities and shares | European equities and shares | Euro Government bonds | Euro corporate Bonds |
|-----------------------------------|-----------|--------------------------------|---------------------------------|--------------------------|-------------------------|
| Q1/2016 | -1.4 | -3.3 | -7.2 | 3.4 | 2.4 |
| 2015 | 6.0 | 15.9 | 9.6 | 1.6 | -0.7 |
| Average return over 5 years | 4.6 | 6.9 | 7.2 | 7.1 | 5.4 |
| Average return over 10 years | 4.0 | 5.0 | 3.0 | 5.2 | 4.4 |
| Average return since 1997 | 5.7 | 9.5 | 6.3 | 5.5 | 5.0 |
| Real average return over 5 years | 3.4 | 5.7 | 6.0 | 5.9 | 4.2 |
| Real average return over 10 years | 2.3 | 3.3 | 1.3 | 3.5 | 2.7 |
| Real average return since 1997 | 4.1 | 7.8 | 4.6 | 3.8 | 3.3 |

SOLVENCY REMAINED STRONG

Solvency development



The solvency ratio was 2.1 times the solvency limit.

WHAT'S NEW AT ILMARINEN

- In terms of customer acquisition, the year is off to a good start, operating expenses have been in check and operations have been renewed.
- Development projects stemming from the strategy underway: e.g. at **Wauhdittamo**, ideas for digital services are being created together with employees and customers.
- New guidelines issued by the Financial Supervisory Authority on well-being at work activities and their financing



Q1: MARKET DEVELOPMENT, INVESTMENT PORTFOLIO STRUCTURE AND MARKET OUTLOOK

Mikko Mursula, CIO



ILMARINEN

RETURN ON INVESTMENTS

JANUARY–MARCH 2016 **-1.4%**

Asset allocation and return

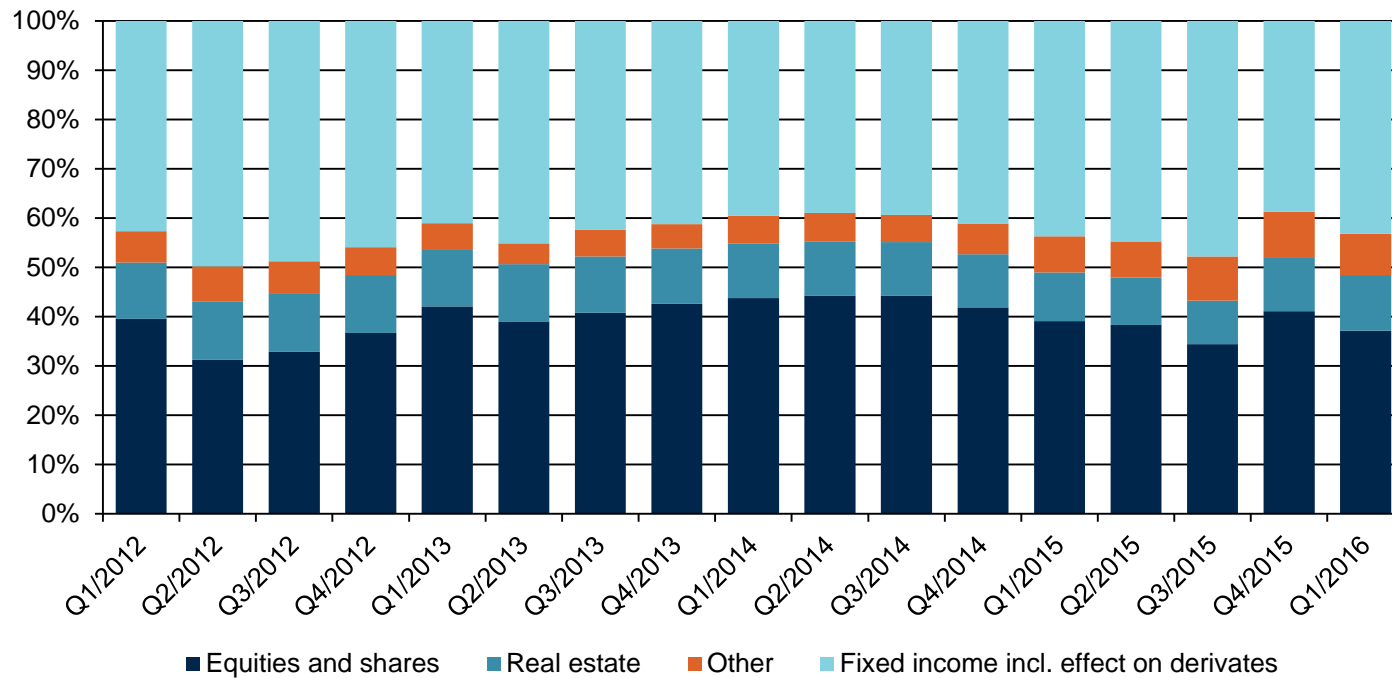
| | Basic breakdown EUR mill. | % | Risk breakdown EUR mill. | % | Return % | Volatility |
|--|---------------------------------|--------------|--------------------------------|--------------|-------------|------------|
| Fixed-income investments | 16,147.4 | 45.2 | 11,735.3 | 32.8 | -0.5 | |
| Loan receivables | 1,108.8 | 3.1 | 1,108.8 | 3.1 | 0.9 | |
| Bonds | 14,329.0 | 40.1 | 9,545.4 | 26.7 | -0.7 | |
| Public corporation bonds | 4,451.0 | 12.4 | 4,346.1 | 12.2 | 0.5 | 1.7 |
| Other bonds | 9,878.0 | 27.6 | 5,199.3 | 14.5 | -1.3 | |
| Other money market instruments and deposits (incl. investment receivables and payables) | 710.0 | 2.0 | 1,081.2 | 3.0 | 2.0 | |
| Equities and shares | 13,721.7 | 38.4 | 13,276.1 | 37.1 | -3.7 | |
| Listed equities and shares | 10,688.5 | 29.9 | 10,242.5 | 28.6 | -5.5 | 14.3 |
| Private equity investments | 2,033.3 | 5.7 | 2,033.3 | 5.7 | 3.5 | |
| Non-listed equities and shares | 999.9 | 2.8 | 1,000.4 | 2.8 | 2.0 | |
| Real estate investments | 4,053.5 | 11.3 | 4,053.5 | 11.3 | 0.7 | |
| Real estate investments | 3,556.4 | 9.9 | 3,556.4 | 9.9 | 0.8 | |
| Real estate funds and joint investments | 497.1 | 1.4 | 497.1 | 1.4 | 0.2 | |
| Other | 1,836.8 | 5.1 | 2,997.1 | 8.4 | 4.9 | |
| Hedge fund investments | 651.5 | 1.8 | 651.5 | 1.8 | -4.6 | 7.7 |
| Commodity investments | -8.7 | 0.0 | 58.2 | 0.2 | - | |
| Other investments | 1,194.0 | 3.3 | 2,287.4 | 6.4 | 11.3 | |
| Investments total | 35,759.3 | 100.0 | 32,062.0 | 89.7 | -1.4 | 5.0 |
| Effect of derivatives | | | 3,697.3 | 10.3 | | |
| Investments at current value | | | 35,759.3 | 100.0 | | |

The modified duration of bond investments is 0.6 years

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

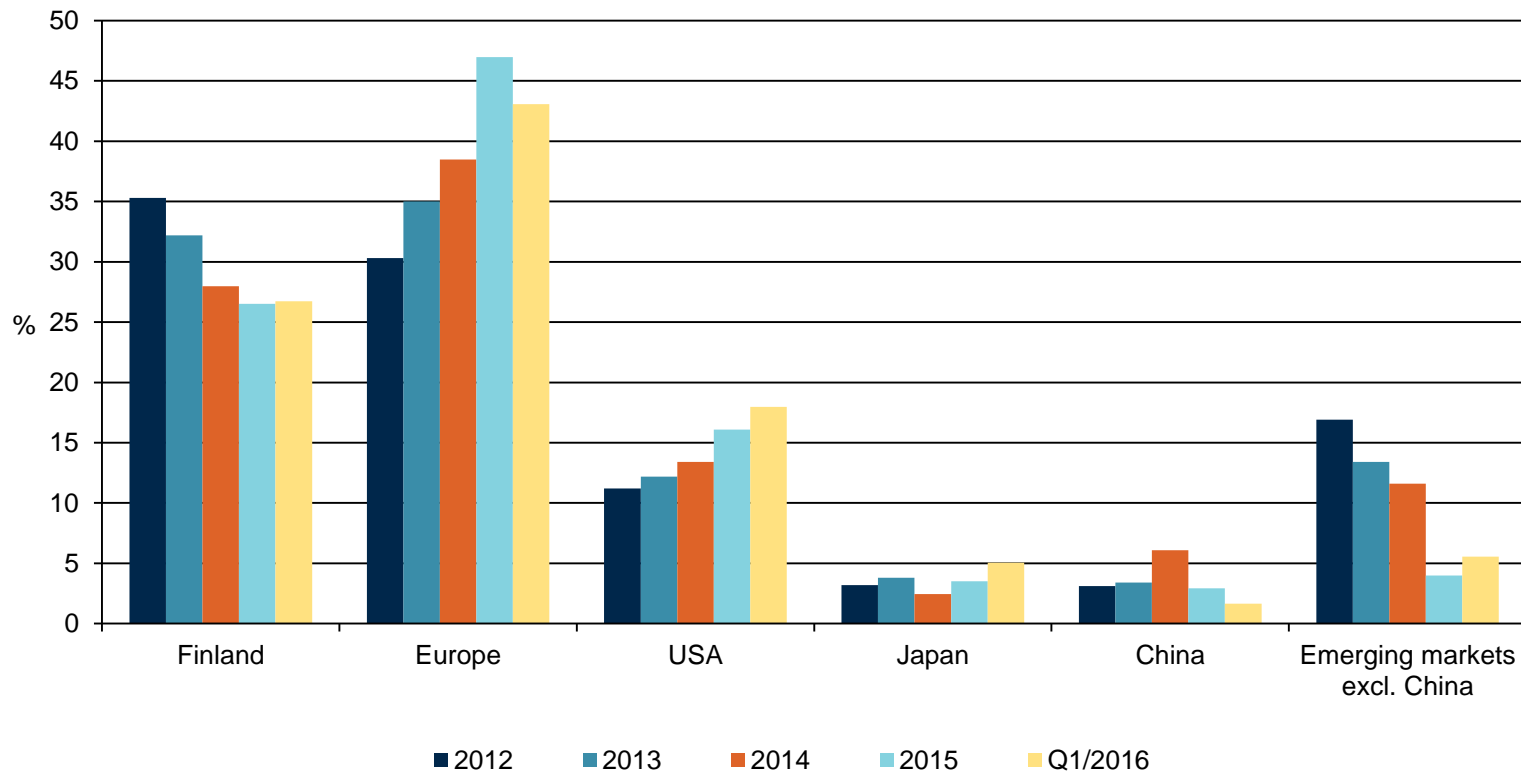
PROPORTION OF EQUITIES AND SHARES DECLINING

Asset allocation development



REGIONAL DIFFERENCES IN SHARE PRICE DEVELOPMENT REFLECTED ON EQUITY DISTRIBUTION

Geographical breakdown of equity investments



FINNISH EQUITY HOLDINGS

EUR 2.9 BILLION

Most significant Finnish equity holdings

| | EUR mill. | 31 March 2016 | 31 Dec 2015 |
|---|-------------------------|------------------|----------------|
| ↑ | Kone Corporation | 202 | 188 |
| ↑ | Neste Corporation | 190 | 181 |
| ↓ | Nokia Corporation | 164 | 184 |
| ↓ | Sampo plc A | 161 | 218 |
| ↓ | Citycon Oyj | 140 | 152 |
| ↓ | Stora Enso Oyj | 134 | 143 |
| ↓ | Wärtsilä Corporation | 127 | 168 |
| ↓ | Fortum Corporation | 124 | 143 |
| | UMP-Kymmene Corporation | 116 | 123 |
| ↑ | Kesko Corporation | 108 | 63 |

| | Percentage | 31 March 2016 | 31 Dec 2015 |
|---|------------------------|------------------|----------------|
| | Digia Plc | 14.58 | 14.58 |
| | PKC Group Oyj | 12.16 | 12.16 |
| ↑ | Basware Corporation | 11.46 | 10.76 |
| | Technopolis Plc | 10.41 | 10.41 |
| | CapMan Plc | 8.32 | 8.32 |
| | Martela Corporation | 8.07 | 8.07 |
| | Munksjö Oyj | 8.03 | 8.03 |
| | Incap Corporation | 7.61 | 7.61 |
| | Componenta Corporation | 7.15 | 7.15 |
| | Citycon Oyj | 7.13 | 7.13 |



*Investment markets and
economic outlook*

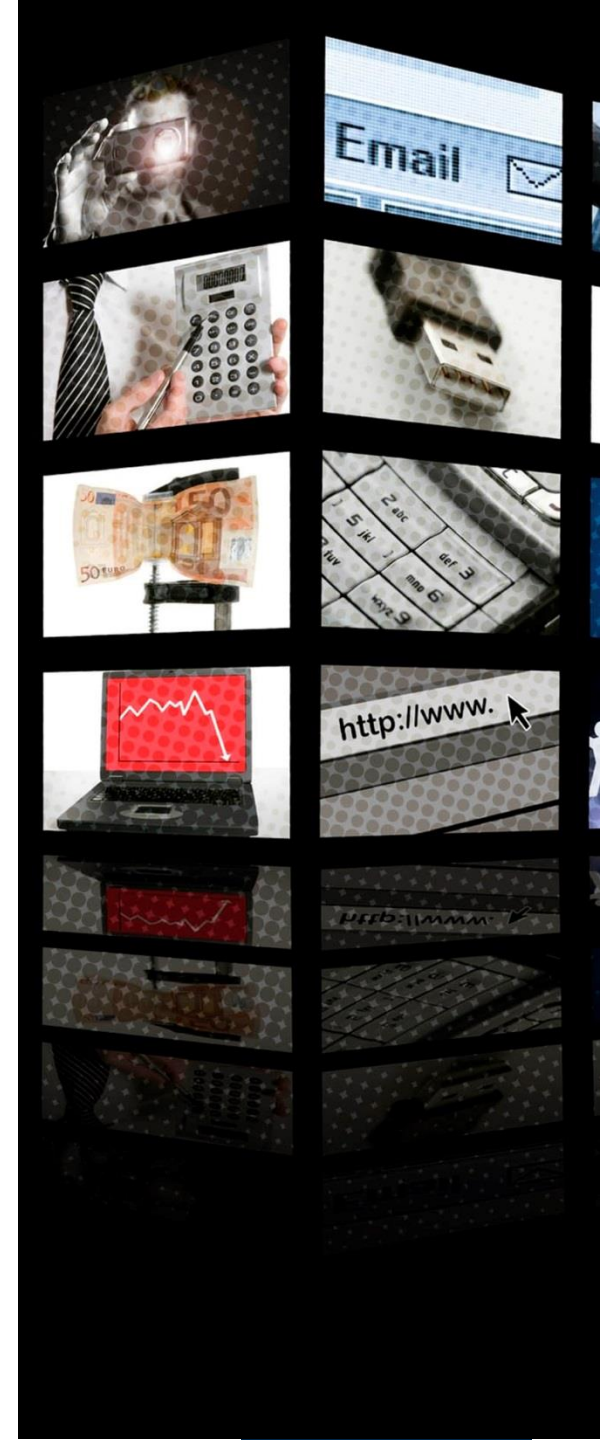
CURRENT MARKET TOPICS

- Global economic growth rate
 - Companies' earnings power
 - Investment activity
- ECB's stimulus programme
 - Corporate bond purchases
 - Government bond purchases
- European Union and Brexit
- Negative interest rates and financial sector

INVESTMENT OUTLOOK FOR 2016

- Uncertainty and market volatility will continue
- Interest rates have remained low
- Negative interest rate environment expanding
- Central banks continue to rule

→ The record-low interest rate level will continue to guide investors to seek alternatives!



FOR A BETTER LIFE!

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