

INDUSTRIAL INSURANCE COMPANY LTD



ANNUAL REPORT 1996

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INDUSTRIAL INSURANCE'S ANNUAL REPORT 1996

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This Annual Report does not contain Industrial Insurance Company Ltd's official final accounts for 1996. The official final accounts can be inspected at Industrial Insurance, Vattuniemenkuja 8 A, 00210 Helsinki, Finland.



The coverpicture shows Lauttasaari in Helsinki, where the premises of Industrial Insurance are located. Photo by Ariel Ilmakuva Oy.

MANAGING DIRECTOR'S REVIEW

Focus on Service



Both the profitability and solvency of Industrial Insurance improved in 1996. The positive development of profitability is accounted for both by improvement in the combined ratio of insurance business and by the return from investments. Net investment income increased, although the amount of realised capital gains was around FIM 200 million less than in the previous year.

Solvency capital strengthened by almost one billion Finnish markka, mainly as a result of an increase in the value of quoted shares. This increased the company's solvency ratio to 280 per cent, which is a very high figure by international standards.

Industrial Insurance maintained its position as market leader in its own segment in Finland, and continued to consolidate its presence in international markets.

Consequently, our starting point is ideal for continuing to develop our operations. The Sampo companies serving major clients have combined their know-how and expertise to form Major Accounts Services, a move which promotes operational co-operation and aims at raising the level of our service capacity both in Finland and abroad.

Security is our Product

We operate in service industry where security is our product. Security is basically a feeling that originates from confidence in one's affairs being well looked after. The security sold by an insurance company is, in fact, an integrated service package. It combines knowledge of the entire field of risks relating to an enterprise with loss prevention, innovative insurance systems and risk management solutions. For the client company, the ultimate purpose is to secure their result and balance sheet.

Providing products that guarantee security requires skill and know-how. When I took over my new job as Managing Director of Industrial Insurance and started to get acquainted with the various units of the company, I recall drawing the same conclusion time and time again: these people are experts in their own field.

Industrial Insurance occupies a significant part of its market segment. As a result, the company encompasses an impressive amount of expertise in insurance and risk management. Our personnel – two thirds of whom have university or college degrees – are well-trained and highly-skilled.

The focus of our development work is on deepening our understanding of our clients' business. The aim is to increase our knowledge and experience to the level where we are able to provide services in managing business risks, as well as in areas falling outside the scope of traditional insurance.

International Service

Many of our clients are involved in international business, and the main purpose of our overseas operation is to provide them with the same level of insurance and risk management services abroad as they get domestically, in Finland. We ourselves take care of our clients within the principal market areas in the EU. The Baltic Rim countries we consider to be part of our domestic market. Elsewhere in the world, our clients are served through our international co-operation network.

Industrial Insurance has evolved an overseas strategy of cautious progress through concentrating on those industries where we have proven skills. Forestry is a good example: as an insurer for the wood-processing industry, we are among the world's leading experts.

Internationalisation also serves to broaden the scope of our knowledge and experience. After all, only by operating in the same environment as our competitors, can we understand their way of doing business.

Reliable Reinsurers

Reinsurance is extremely important to an insurer of major risks like Industrial Insurance. We have always selected our reinsurers carefully and paid special attention to their solvency. In the risk assessments carried out by international rating bodies, our reinsurers have scored high – the majority of them are rated at least Class "A" by the Standard & Poor's risk assessment procedure.

Our sustained work in loss prevention has also given us a good reputation on the international reinsurance market. Thanks to this, we can obtain good cover for our risks. In terms of reinsurance contracts, the joint capacity of Industrial Insurance and other Sampo Group companies has been among the highest in Europe in recent years.

Strong Solvency

Major Accounts Services are backed by Sampo's support and solvency. Our turnover and balance sheet account for some 40% of the Sampo Non-Life Group. Such a high share entails responsibility.

Our solvency capital is strong. We also have "Confidence Capital" amongst our clients, and that is something we take particular care of. According to a survey carried out in Autumn 1996, our clients are in general very satisfied with our know-

how and operating policy, but there is always room for improvement in the details. We were happy to receive constructive criticism that helps us develop our operations along the lines indicated by our clients.

I wish to thank our clients and other partners for their excellent co-operation. I am grateful to our personnel who found the necessary resources to cope flexibly with change under pressure. My special thanks go to my predecessor Carl-Olaf Homén: to him I owe the solid foundation on which to base the continuing development of Industrial Insurance.

Major Accounts Services has a challenging year ahead of it. Competition has clearly tightened in our sphere of operations, but despite this, we expect our business operations to make good progress during the current year.

March 1997



Juha Toivola

HARNESSING RESOURCES TO CONTROL BUSINESS RISKS

Sampo Group's Major Accounts Services

Sampo Group's Major Accounts Services was set up to serve Sampo's biggest clients. It is an operational unit formed by Group insurance companies specialised in business risks. The unit combines expertise in those industries where major clients are involved, with three other factors: the ability to develop innovative solutions in insurance and loss prevention; an individual service approach; and wide international experience.

The Major Accounts Services (MAS) unit was launched at the beginning of the current year. It has emerged from the Group's determination to meet the changing risk management needs of large companies. Sampo's analysis of this situation also revealed the increasing importance of specialisation, expertise, individuality and rapid response in a field where international competition is becoming stronger by the year.

Major Accounts Services comprises Industrial Insurance Ltd, Otso Loss of Profits Insurance Company Ltd, the Insurance Company of Finland Ltd specialising in credit insurance, Sampo Industrial Insurance operating in Western Europe, Sampo Industrieförsäkring in Sweden and Sampo's office in St Petersburg, Russia.

With the new structure and common operating policy, clients can be served efficiently and systematically throughout the whole area covered by Major Accounts Services. Industrial Insurance's top-line expertise in insurance and loss prevention is now linked through MAS with Otso's special know-how in loss of profits and dependency risks and internationally recognised expertise in the management of loss of profits risks. The Insurance Company of Finland's credit and guarantee risk expertise and Sampo Industrial Insurance's international experience complete the spread of services in the MAS package. Each MAS company will continue to operate as a separate unit; the new operational concept will not affect their legal status.

Teamwork is the Key in the new Customer-Oriented Approach

Every MAS client has its own assigned expert team, consisting of specialists in different insurance classes and in loss prevention.

The team leader is the Account Manager, who bears overall responsibility for client service. Clients can turn to their Account Manager for assistance in any matter relating to insurance or risk management, or any other area of co-operation. In this way, from the outset of their relationship, all MAS unit personnel will closely identify with the special features of a client's business. Clients will be encouraged to use the members of their MAS team as contact points to find a solution to whichever risk class problem is their immediate concern. MAS teams have broad powers to frame solutions in matters such as loss prevention, insurance cover and pricing, and to communicate them to the client.

The team will build up a systematic model for operation and reporting. The task is to create a client-specific service plan and associated co-operation review, aimed at developing operations and transmitting information to each level of the client's organisation.

Understanding the Client's Business

The function of insurance and risk management services is to support the client's business. This presupposes that insurance companies and their representatives understand the ways in which their clients

generate added value for their own customers, and the special needs of the business concerned.

The MAS teams therefore have the support and guidance of newly-appointed Vice Presidents in charge of specific industries. The Vice Presidents supply in-depth knowledge of a wide variety of business, and this creates the foundation for high-quality service geared to finding the right solutions to client needs.

Team leaders have been assigned personal development programmes, designed to equip them with all the skills they need to negotiate with clients throughout different areas of co-operation.

New Functions

A new development function has been established within Major Accounts Services to provide risk management for areas where no traditional cover is available, in addition to loss prevention.

Through alternative risk financing methods, the client's profit and balance sheet can be covered against risks where it is difficult to assess the probability and possible extent of the risk, and which are often on the borderline between loss and business risks.

In international insurance markets, brokers have played a key role in business development. Finland was a non-broker market until the first half of the decade, and only since 1995 has there been legislation to regulate insurance broking.

As the MAS unit operates internationally, about a third of its business volume is broker-produced. Thus it has a new function co-ordinating broker-driven business. The MAS plan sets up links with professional brokers to find the best solutions to clients' needs. The wide international experience of the brokering function also furnishes first-rate resources for developing domestic business.

Proven Success Factors Reinforced

Resources have been invested in the MAS concept in those risk classes where a client's added value can be maximised. The MAS team experts possess in-depth knowledge of different risk classes, and each team is responsible for its profits.

MAS also lays great stress on loss prevention. The aim of reducing overall risk costs has proved to be a principle that guarantees clients the best result. For this reason, Major Accounts Services is committed to developing loss prevention, both at the level of the products offered, and at that of individual clients.

Another MAS goal born of the long experience of companies like Industrial Insurance, is to monitor the development of customer satisfaction as a support function of the highest quality. The company has always demonstrated a willingness to take responsibility for insurance cover, and to make fair compensation for loss. This guiding principle of fair compensation will now be implemented on a wider international scale through the MAS concept.

The new operational unit, and the 520 insurance and loss prevention experts working within it, assure the position of Major Accounts Services as a leader and ground breaker in the large enterprise segment in Finland. It is well on track to become a flexible, fast-response, high-quality insurer of risks in its core areas of expertise in the Baltic Rim countries and in Western Europe, while together with our global network of co-operation partners, we can also guarantee our clients a high-quality risk management service worldwide.

SAMPO GROUP MAJOR ACCOUNTS SERVICES

Industrial Insurance Company Ltd Juha Toivola, Managing Director

Otso Loss of Profits Insurance Company Ltd Veli Kalle Tavakka, Managing Director

Insurance Company of Finland Limited Antti Savolainen, Managing Director

Sampo Industrial Insurance N.V. Eero Holma, Managing Director

Sampo Industriförsäkring AB Matti Rattik, Managing Director

Sampo Group Representative Office in St. Petersburg Pirjo Myyryläinen, Manager

MAJOR ACCOUNTS SERVICES OPERATIONAL ORGANISATION

Planning Committee

Juha Toivola	<i>Chairman</i>
Juha Ettala	
Eero Holma	
Seppo Juutilainen	
Reijo Kämäräinen	
Veli Kalle Tavakka	

Client Service

Reijo Kämäräinen	<i>Senior Vice President</i>
Leif Borgar	<i>Forest Industry</i>
Björn Sjöberg	<i>Chemical Industry</i>
Timo Virtanen	<i>Metal Industry</i>
Pekka Pitkämö	<i>Power Generation</i>
Juhani Laaksonen	<i>Commercial Risks</i>
Kimmo Hellgrén	<i>Account Management</i>
Yrjö Somersalmi	<i>Marketing</i>
Tapani Mäkelä	<i>Brokers</i>
Anders Nordman	<i>Ceded Reinsurance</i>
Hans von Herten	<i>Assumed Reinsurance</i>
Antti Perttu	<i>International Networks</i>

Risk Management and Risk Financing Alternatives

Juha Ettala	<i>Senior Vice President</i>
Helena Saukkonen	<i>New Products</i>
Lars von Herten	<i>FinnCap</i>

Property and Loss of Profits Insurance

Veli Kalle Tavakka	<i>Senior Vice President</i>
Yngve Nygårdas	<i>Property Insurance and Technical Lines</i>
Peter Granqvist	<i>Loss of Profits Insurance</i>

Other Classes of Insurance

Seppo Juutilainen	<i>Senior Vice President</i>
Esbjörn af Hällström	<i>Liability Insurance</i>
Harri Ek	<i>Marine Insurance</i>
Kristian Ignatius	<i>Administration and Workers' Compensation Insurance</i>
Antti Savolainen	<i>Credit Insurance</i>
Klaus Berg	<i>Company Vehicle Insurance</i>
Jorma Erikäinen	<i>Private Insurance</i>

MAJOR ACCOUNTS SERVICES BY COMPANY 1996

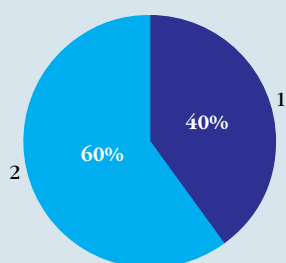
FIM millions

	Industrial Insurance	Otso	Sampo Industrial *)	Insurance Co. of Finland	Sampo Non-Life Group
Turnover	1,935	432	270	63	6,182
Gross premiums written	1,482	260	200	32	4,495
Balance on technical account before the change in equalisation provision	-45	-18	-23	3	-505
Profit/loss for the financial year	130	80	-22	11	255
Technical provisions	3,278	611	148	60	10,662
Balance Sheet total at current values	6,426	1,415	471	321	19,808
Loss ratio %	86	83	109	-46	91
Expense ratio %	18	34	34	40	22
Combined ratio %	104	117	143	-6	113
Equalisation provision	521	446	0	56	1,362
Solvency ratio %	280	1,076	361	9,683	203
Average number of personnel	380	53	61	19	3,113

*) Sampo Industrial April 1 - Dec. 31, 1996.

Eliminations have not been taken into account in the calculations.

Turnover

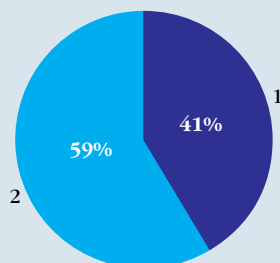


Sampo Non-Life Group total FIM 6,182m

- 1. Major Accounts Services *) 40%
- 2. Other Sampo Non-Life Group 60%

*) Items between Industrial Insurance, Otso, Insurance Co. of Finland and Sampo Industrial, and items between them and the other Sampo Non-Life Group companies have been eliminated.

Balance Sheet total at current values

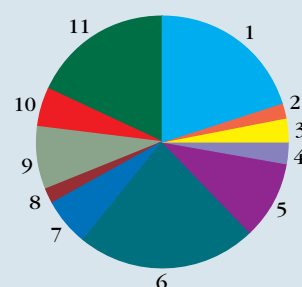


Sampo Non-Life Group total FIM 19,808m

- 1. Major Accounts Services *) 41%
- 2. Other Sampo Non-Life Group 59%

*) Items between Industrial Insurance, Otso, Insurance Co. of Finland and Sampo Industrial, and items between them and the other Sampo Non-Life Group companies have been eliminated.

Gross premiums written by Major Accounts Services*

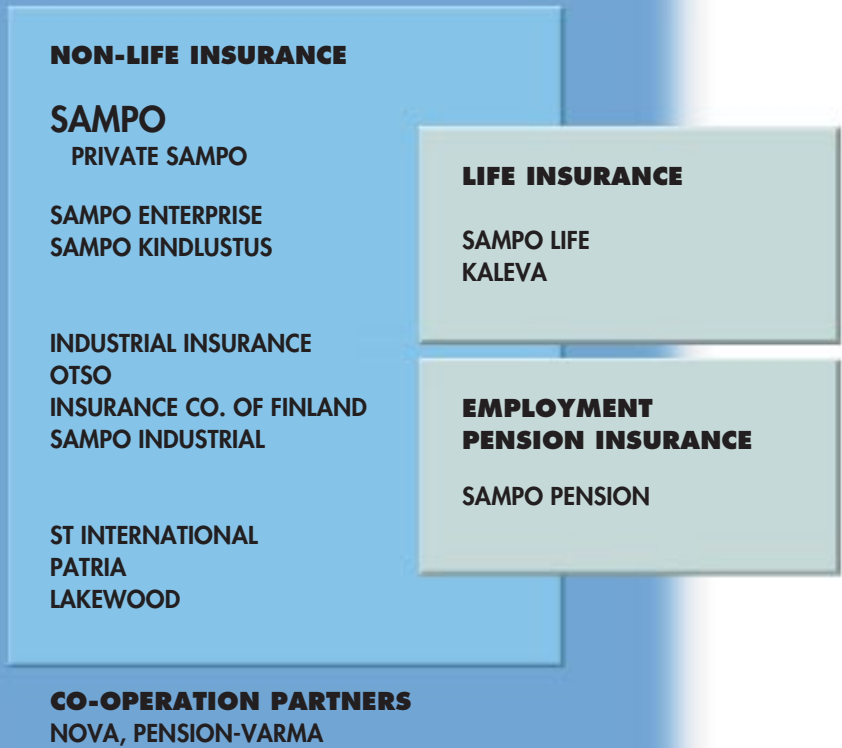


Premiums written total FIM 1,831m

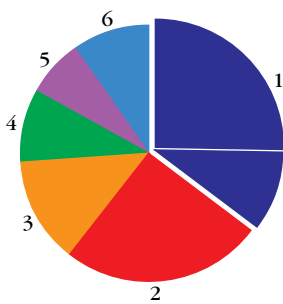
- 1. Statutory workers' compensation 20%
- 2. Other accident and health 2%
- 3. Motor third party liability 3%
- 4. Motor, other classes 3%
- 5. Marine, aviation and transport 10%
- 6. Fire and other damage to property 23%
- 7. Third party liability 6%
- 8. Credit and suretyship 2%
- 9. Loss of profits 8%
- 10. Life reinsurance 5%
- 11. Non-life reinsurance 18%

* The underwriting business between the companies has been eliminated.

SAMPO GROUP COMPOSITION AND MARKET SHARE



Direct insurance non-life market shares
1996 *)



1. Sampo Non-Life Group	35.5%
2. Pohjola	25.3%
3. Tapiola	13.3%
4. Enterprise Fennia	9.0%
5. Local Insurers	7.3%
6. Others	9.6%

*) Projection, excluding banks' and Garantia's credit insurance.

Industrial Insurance Company Ltd

BOARD OF DIRECTORS' REPORT 1996

Industrial Insurance Company Ltd is a wholly-owned subsidiary of Sampo Insurance Company Limited, listed on the Helsinki Stock Exchange.

INDUSTRIAL INSURANCE GROUP

Group Composition

At the close of the year under review, the Industrial Insurance Group comprised the parent company, Industrial Insurance Company Ltd, and its Finnish subsidiaries, Oy Finnish Captive & Risk Services Ltd, Oy Haveri Ab, Oy Imico Insurance Systems Ab, Patria Reinsurance Company Limited and 20 Finnish housing and real estate corporations. The Group is represented overseas by Industrieförsäkring AB of Sweden, and Teva Holding B.V. and Sampo Industrial Insurance N.V. of the Netherlands.

At the end of March 1996, Industrial Insurance and its sister company Otso Loss of Profits Insurance Company Ltd bought Swedish insurer Trygg-Hansa's 60 per cent holding in Hansa Industrial Insurance, which operates in the Netherlands, the United Kingdom and Germany, at a purchase price of NLG 34.2 million. In conjunction with the ownership arrangements, it was decided to increase the company's capital and reserves by NLG 60 million, implemented in November 1996. Following the increase in share capital, Industrial Insurance now holds some 64 per cent and Otso 36 per cent of the company, renamed Sampo Industrial Insurance N.V. Treated as a Group member since April 1st, 1996, it was formerly an associated undertaking of which Industrial Insurance owned 40 per cent prior to the purchase.

Of the Group companies, only the parent company Industrial Insurance, Sampo Industrial Insurance, and Patria Reinsurance carry on insurance activities. Sampo Industrieförsäkring writes business mainly on Industrial Insurance's and Otso's account. Patria Reinsurance does not write new reinsurance treaties, and the focus of its operations lies on running off the insurance portfolio.

Group Result

The Industrial Insurance Group's key figures are not comparable with those of the previous year, due to Sampo Industrial joining the Group, the main reason behind the Group's premiums written increasing to FIM 1,565.8 million from FIM 1,381.8 million in 1995.

Group profit for the financial year amounted to FIM 94.9 million (FIM 162.3 million). The fall was due to an increase in operating expenses and a larger transfer to the equalisation provision than in the previous year, coupled with associated undertakings recording poorer results than in 1995. In addition to the increase from Sampo Industrial Insurance, operating expenses were also affected by a fall in the commissions received from retrocessions of the life reinsurance portfolio.

The Group's operating expenses amounted to FIM 223.6 million.

Net investment income was up 22 per cent on 1995 at FIM 443.5 million. The investment income of FIM 599.9 million included value readjustments amounting to a total of FIM 61.4 million.

Including the profit for the financial year, the Group's non-restricted capital and reserves stood at FIM 323.5 million.

The increase in the number of personnel was mainly a result of Sampo Industrial Insurance joining the Group. During the year under review, Sampo Industrial's personnel averaged 61.

Payment by Results

The Board of Directors decided to continue with the payment by results system adopted experimentally for the personnel of the Industrial Insurance Group. The estimated total sum to be paid out for targets met is FIM 2.5 million. It has since been decided to adopt the system permanently, at the same time dispensing with the former share of profit system. The company's personnel has also

decided to discontinue the personnel fund relating to the share of profit system.

PARENT COMPANY INDUSTRIAL INSURANCE COMPANY LTD

Result and Solvency

The parent company's result for the financial year was FIM 130.3 million (FIM 113.6 million).

Direct insurance premiums written stood at FIM 1,024.5 million, maintaining the previous year's level. Credit losses fell to FIM 0.2 million.

Claims incurred in direct insurance, net of reinsurance, amounted to FIM 738.8 million as against FIM 798.4 million in 1995.

Reinsurance premiums written amounted to FIM 457.8 million (FIM 357.6 million).

Reinsurance claims incurred amounted to FIM 243.6 million (FIM 282.5 million). Claims incurred include losses of FIM 50.7 million under a stop loss reinsurance granted to cover Patria Reinsurance Company's old reinsurance portfolio. Claims incurred fell, particularly as a result of the elimination of old reserves relating to Finnish reinsurance.

The company's gross premiums written stood at FIM 1,482.1 million, up seven per cent on the previous year due to an increase of 28 per cent in reinsurance premiums written. The increase resulted mainly from business originating from Sampo Industrial, reinsured by Industrial Insurance and Otso.

Personnel in the Group and parent company, and salaries and commissions paid

	Average no. of personnel 1996 (1995)	Boards of Directors, Managing Directors	Other personnel
	Average at Jan. 1 and Dec. 31	FIM	FIM
Parent company	380 (372)	1,573,917	76,159,128
Group total	465 (397)	2,415,917	95,755,077

Claims incurred, net of reinsurance and excluding the change in equalisation provision, totalled FIM 982.4 million, down 12 per cent on 1995.

At the end of 1996, Industrial Insurance's equalisation provision stood at FIM 520.9 million or 26 per cent of the maximum amount. In 1995, the equalisation provision amounted to FIM 363.0 million.

The company's solvency capital was FIM 3,183.3 million (FIM 2,186.2 million) and the solvency ratio 279.6, calculated by comparing solvency capital to premiums earned, net of reinsurance.

Investments

Net investment income totalled FIM 392.9 million (FIM 342.8 million). The largest income items affecting the result of investments were the dividend income of FIM 116.3 million including avoiron fiscal tax credit, value readjustments of FIM 61.4 million, and realised gains on investments of FIM 114.7 million.

Value adjustments fell far short of the previous year's to stand at FIM 3.2 million (FIM 137.0 million).

Other investment charges include a FIM 17.7 million provision for an interest liability relating to an agreement entered into by the company.

The current value of the real estate portfolio owned by the company on December 31st, 1996 was FIM 455.5 million, and the occupancy rate of the rented real estate portfolio was 93.5 per cent.

Industrial Insurance sold all its wholly-owned state-subsidised real estate to Sato-yhtymä Oy for FIM 10.3 million. Realised capital gains on the sale amounted to FIM 9.2 million. As consideration for the transfer of this portfolio, Industrial Insurance subscribed in a directed issue for 75,259 Sato-yhtymä shares, corresponding to 4.03 per cent of the company's ownership.

The current value of Industrial Insurance's investments at year-end 1996 was FIM 5,797.6 million (FIM 4,614.1 million). The valuation difference between current values and book values increased to FIM 2,201.9 million (FIM 1,461.7 million) due to a rise in the market value of Finnish shares. Of the valuation differences, 78.0 per cent were in quoted shares.

Operating Expenses, Depreciations and Other Income

Operating expenses amounted to FIM 200.7 million (FIM 143.3 million). The increase in operating expenses resulted mainly from a change in the commissions for reinsurance assumed and ceded. The company's actual operating expenses in-

creased by some FIM 10 million, due mainly to an increase in labour costs, but still remained at a competitive level by even international standards.

Maximum depreciations of FIM 27 million permitted under the Taxation of Businesses Act were made. Depreciations according to plan amounted to FIM 24.1 million.

Subsidiaries and Major Associated Undertakings

Sampo Industrial's premiums written remained almost at the previous year's level, notwithstanding a considerable tightening of competition in the company's market area. In spite of two major losses, the loss ratio before the reinsurers' share stood at 64 per cent. After reinsurance ceded mostly to owner companies, the loss ratio on the company's own account was 97 per cent. The result for the financial year was FIM 19.4 million in the red.

Patria Reinsurance Company Limited's provision for outstanding claims prior to deduction of the reinsurers' share was FIM 823.4 million at year-end, as against FIM 838.8 million at the end of 1995. Of claims paid during the financial year, FIM 42.6 million related to the commutation of treaties. A loss of FIM 5.8 million was registered for 1996, and capital and reserves at year-end stood at FIM 72.8 million. Patria still has FIM 58.9 million of the stop loss reinsurance cover provided by the parent company at its disposal.

The company is involved in various arbitration proceedings concerning reinsurance business written by the adversary, contrary to agreed underwriting policy.

Sampo Industriförsäkring AB, a company wholly-owned by Industrial Insurance, commenced operations in October 1996. The company mainly serves Finnish companies operating in Sweden and writes direct insurance based on the right of establishment for companies belonging to the Sampo Group.

Administration

Industrial Insurance Company Ltd's Board of Directors comprises Mr Jouko K. Leskinen, CEO, Chairman; Mr Mikko Kivimäki, Vice Chairman; members Mr Björn Mattsson, Mr Kurt Nordman and Mr Timo Poranen. Since the retirement of the company's Managing Director of more than 20 years, Mr Carl-Olaf Homén on March 31st, 1996, the company has been headed by Mr Juha Toivola, the new Managing Director as from April 1st, 1996.

Significant Events After Closing of Accounts

A new operational concept was adopted at the beginning of the year. Industrial Insurance, Otso Loss of Profits Insurance Company Limited, the Insurance Company of Finland Ltd, which specialises in credit insurances, and the overseas units Sampo Industrial Insurance, Sampo Industriförsäkring and the St Petersburg office, now form one operational entity - Sampo Group Major Accounts Services (MAS). The purpose of the arrangement is to improve client services by creating a financially strong unit with superior expertise, and to link international operations with a common service concept. The arrangement does not affect the legal status of MAS member companies.

In Autumn 1996, Industrial Insurance and Kaleva Mutual Insurance Company founded a new life insurance entity, Sampo Life Insurance Company Limited, in the form of a limited liability company. Kaleva's pension insurance portfolio and Industrial Insurance's life reinsurance portfolio with covering assets were transferred to Sampo Life, the transfers entering into force on January 1st, 1997. Assets corresponding to technical provisions and other liabilities with a total balance sheet value of FIM 311.8 million, and gross premiums written from reinsurance totalling FIM 70.2 million, were transferred from Industrial Insurance. Subsequent to the transfer of business activities and after increasing share capital by an issue directed to Sampo Insurance Company Limited, Sampo has a 50.5 per cent holding in Sampo Life, while Industrial Insurance holds 30 per cent and Kaleva 19.5 per cent.

The company's profit trend is expected to remain unchanged, despite increasing competition.

Board Proposal for Profit Distribution

Industrial Insurance Ltd's non-restricted capital and reserves including profit for the financial year stand at FIM 272,560,407.38. The Industrial Insurance Group's distributable non-restricted capital and reserves amount to FIM 276,983,701.47. The Board of Directors recommends to the Annual General Meeting that the company's profit for the financial year be disposed of as follows:

A dividend of FIM 80 per share to be paid, a total of FIM 40,000,000.00.

FIM 232,560,407.38 be retained on the closing account.

Industrial Insurance Company Ltd

PROFIT AND LOSS ACCOUNT

FIM '000

Jan. 1 to Dec. 31, 1996

Jan. 1 to Dec. 31, 1995

TECHNICAL ACCOUNT

Premiums earned				
Premiums written	1,482,122		1,389,778	
Reinsurers' share	- 221,775	1,260,347	- 267,979	1,121,799
Change in the provision for unearned premiums				
Total change	- 85,596		17,541	
Merger	0		- 103	
Reinsurers' share	- 85,596	- 121,965	17,438	- 14,465
		1,138,382		1,107,334
Claims incurred				
Claims paid	-1,032,113		- 933,943	
Reinsurers' share	121,823	- 910,290	149,263	- 784,680
Change in the provision for outstanding claims				
Total change	- 105,638		- 390,177	
Portfolio transfer	0		- 5,500	
Merger	0		85,317	
Reinsurers' share	- 105,638		- 310,360	
Total change	33,506		18,617	
Merger	0		- 109	
	33,506	- 72,132	18,508	- 291,852
		- 982,422		-1,076,532
Net operating expenses		- 200,713		- 143,279
Balance on technical account before the change in equalisation provision		- 44,753		- 112,477
Change in equalisation provision				
Total change	- 157,904		- 80,616	
Merger	0	- 157,904	14,088	- 66,528
Balance on technical account		- 202,657		- 179,005

FIM '000

Jan. 1 to Dec. 31, 1996

Jan. 1 to Dec. 31, 1995

NON-TECHNICAL ACCOUNT

Investment income	537,958		596,535	
Investment charges	- 145,050	392,908	- 253,745	342,790
Other income		432		38
Other charges				
Depreciation on goodwill	- 9,125		- 5,954	
Other	- 5	- 9,130	- 15	- 5,969
Tax on profit from ordinary activities				
Tax for the financial year	- 51,241		- 39,105	
Tax from previous periods	2,619	- 48,622	- 2	- 39,107
Profit on ordinary activities after tax		132,931		118,747
Extraordinary income and charges				
Extraordinary income		0		39,443
Extraordinary charges		0		- 39,443
Profit after extraordinary items		132,931		118,747
Increase/decrease in depreciation difference		- 2,868		- 4,965
Increase/decrease in optional reserves				
Decrease in credit loss reserve		234		- 194
Profit for the financial year		130,297		113,588

BALANCE SHEET

FIM '000	Dec. 31, 1996		Dec. 31, 1995	
ASSETS				
Intangible assets				
Intangible rights	18,131			16,477
Goodwill	35,090			44,215
Other long-term expenses	474			576
	53,695			61,268
Investments				
Investments in land and buildings				
Land and buildings	285,361		293,370	
Loans to affiliated undertakings	348,169	633,530	367,451	660,821
Investments in affiliated and associated undertakings				
Affiliated undertakings				
Shares and participations	298,329		144,871	
Associated undertakings				
Shares and participations	166,842		150,192	
Debt securities issued by, and loans to, associated undertakings	50,000	515,171	50,000	345,063
Other investments				
Shares	1,304,472		1,053,911	
Debt securities	617,739		492,893	
Loans guaranteed by mortgages	47,656		65,439	
Other loans	68,904		92,852	
Deposits with credit institutions	149,985	2,188,756	202,951	1,908,046
Deposits with ceding undertakings		258,212		238,449
		3,595,669		3,152,379
Debtors				
Arising out of direct insurance operations				
Policyholders		97,925		119,050
Arising out of reinsurance operations		212,189		199,831
Other debtors		106,802		96,708
		416,916		415,589
Other assets				
Tangible assets				
Equipment	15,117		14,104	
Other tangible assets	1,259	16,376	1,057	15,161
Cash at bank and in hand		42,795		89,294
		59,171		104,455
Prepayments and accrued income				
Interest and rents		34,824		36,005
Other		63,697		61,653
		98,521		97,658
		4,223,972		3,831,349

FIM '000

Dec. 31, 1996

Dec. 31, 1995

LIABILITIES**Capital and reserves**

Restricted				
Subscribed capital	50,000		50,000	
Legal reserve	199,850	249,850	199,850	249,850
Non-restricted				
At the disposal of the Board	176		219	
Profit/loss brought forward	142,088		63,500	
Profit for the financial year	130,297	272,561	113,588	177,307
		522,411		427,157

Untaxed reserves

Accumulated depreciation difference		20,320		17,453
Optional reserves				
Credit loss reserve	7,657		7,891	
Transition reserve	5,293	12,950	5,293	13,184
		33,270		30,637

Technical provisions

Provision for unearned premiums	455,946		370,350	
Reinsurers' share	- 32,187	423,759	- 68,556	301,794
Claims outstanding	2,521,311		2,415,673	
Reinsurers' share	- 188,257	2,333,054	- 154,751	2,260,922
Equalisation provision		520,908		363,004
		3,277,721		2,925,720

Deposits received from reinsurers

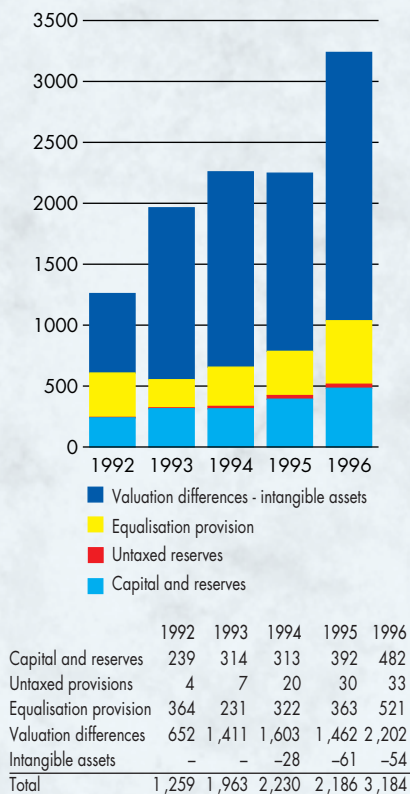
		22,595		65,796
Creditors				
Arising out of reinsurance operations		114,359		105,629
Pension loans		74,265		79,855
Other creditors		49,553		49,939
		238,177		235,423

Accruals and deferred income

		129,798		146,616
		4,223,972		3,831,349

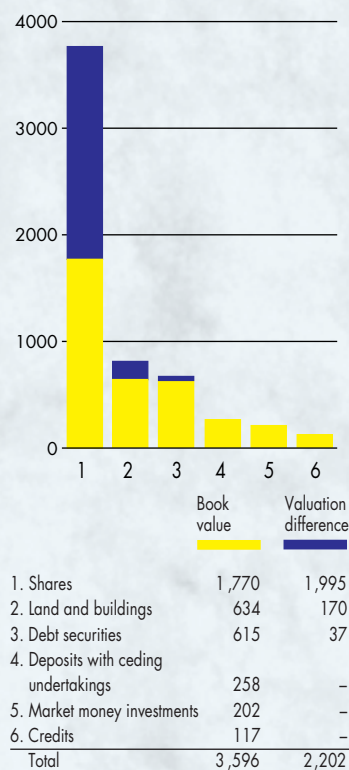
Industrial Insurance Company Ltd

Solvency capital, FIM m



1992 and 1993 were calculated according to the accounting practice in force before 1995. At that time, Industrial Insurance Company Ltd was Industrial Mutual Insurance Company.

Investment portfolio, FIM m



GROSS PREMIUMS WRITTEN

FIM'000	1996		1995	
Direct insurance				
Finland	1,024,100		1,034,079	
EEA countries	427	1,024,527	0	1,034,079
Reinsurance				
Life reinsurance	95,705		85,827	
Non-life reinsurance	362,118	457,823	271,768	357,595
Gross premiums written		1,482,350		1,391,674
Credit loss on premiums		- 228		- 1,895
Premiums written before outward reinsurance premiums		1,482,122		1,389,779

EXPENSES BY FUNCTION

FIM '000	1996		1995	
Claims settlement expenses				
Directly allocated	3,626		3,218	
Share of fixed costs	29,272	32,898	27,273	30,491
Operating expenses				
Policy acquisition costs				
Direct insurance commissions	505		1,039	
Commissions on reinsurance assumed	111,655		82,178	
Other policy acquisition costs	21,628	133,788	19,905	103,122
Policy management expenses		44,259		41,101
Administrative expenses		56,785		52,302
Commissions on reinsurance ceded		- 34,119		- 53,246
		200,713		143,279
Investment management expenses				
Directly allocated *	24,666		25,298	
Share of fixed costs	3,426	28,092	4,154	29,452
Other charges		5		16
Change in deferred policy acquisition costs included in the change in the provision for unearned premiums		1,938		- 7,521

* Comprises management expenses for land and buildings and service charges.

DEPRECIATION ACCORDING TO PLAN

FIM '000	1996		1995	
Depreciation according to plan by function				
Claims paid	4,153		4,199	
Operating expenses	6,738		6,814	
Investment charges	0	10,891	0	11,013
Buildings		4,084		4,206
Goodwill		9,125		5,954
		24,100		21,173

BALANCE ON TECHNICAL ACCOUNT BY GROUP OF INSURANCE CLASS

FIM '000

%

	1	2	3	4	5	6	7
Direct insurance							
Statutory workers' compensation							
1996	368,446	368,329	-354,138	-23,789	-169	-9,767	103
1995	349,005	347,614	-396,212	-22,006	-148	-70,752	120
1994	339,028	338,582	-358,186	-21,860	-1,075	-42,539	
Non-statutory accident and health							
1996	39,162	39,015	-26,313	-4,182	-302	8,218	79
1995	47,519	47,508	-35,934	-3,855	-379	7,340	84
1994	34,115	34,249	-17,010	-3,802	-347	13,090	
Motor third party liability							
1996	50,214	50,975	-55,359	-9,663	-49	-14,096	128
1995	49,728	46,041	-50,240	-8,914	-45	-13,158	129
1994	49,238	52,195	-49,600	-8,803	-39	-6,247	
Motor, other classes							
1996	62,282	61,160	-55,475	-5,725	-135	-175	100
1995	61,199	60,018	-55,375	-5,284	-135	-776	101
1994	55,689	56,620	-54,119	-5,275	-125	-2,899	
Marine, aviation and transport							
1996	175,033	178,172	-117,592	-19,052	-26,953	14,575	88
1995	200,468	203,263	-124,500	-17,608	-17,480	43,675	68
1994	186,554	191,670	-218,006	-17,469	44,862	1,057	
Fire and other damage to property							
1996	235,109	238,367	-180,296	-32,022	-20,381	5,668	95
1995	239,328	240,732	-191,162	-30,179	-9,203	10,188	92
1994	240,639	246,767	-127,112	-29,853	-60,178	29,624	
Third party liability							
1996	93,932	92,435	-47,098	-9,635	-14,727	20,975	69
1995	86,266	85,704	-70,563	-8,877	-20,037	-13,773	123
1994	74,928	75,700	-56,599	-8,687	-12,329	-1,915	
Credit and suretyship							
1996	0	0	81	0	7	88	-
1995	0	0	51	0	0	51	-
1994	0	0	0	0	16	16	
Legal expenses							
1996	350	351	-197	-147	0	7	98
1995	410	412	-352	-135	0	-75	118
1994	415	412	-711	-38	0	-337	
Miscellaneous							
1996	-1	-1	8	-258	-15	-266	-
1995	155	155	-22	-238	-121	-226	-
1994	1,186	1,308	-155	-172	-1,027	-46	
Direct insurance in total							
1996	1,024,527	1,028,803	-836,379	-104,473	-62,724	25,227	97
1995	1,034,078	1,031,447	-924,309	-97,096	-47,548	-37,506	105
1994	981,792	997,503	-881,498	-95,959	-30,242	-10,196	

FIM '000							%
	1	2	3	4	5	6	7
Reinsurance							
1996	457,823	367,723	- 301,373	- 130,361	- 5,971	- 69,981	123
1995	357,595	375,768	- 319,993	- 99,428	- 31,318	- 74,971	127
1994	645,185	476,779	- 358,637	- 157,289	- 44,056	- 83,203	
Total							
1996	1,482,350	1,396,526	-1,137,752	- 234,834	- 68,695	- 44,754	104
1995	1,391,673	1,407,215	-1,244,302	- 196,524	- 78,866	- 112,477	110
1994	1,626,977	1,474,282	-1,240,135	- 253,248	- 74,298	- 93,399	

Balance on technical account before the change in equalisation provision

1996	- 44,754
1995	- 112,477
1994	- 93,399

Change in equalisation provision

1996	- 157,904
1995	- 66,528
1994	- 26,928

Balance on technical account

1996	- 202,658
1995	- 179,005
1994	- 120,327

In the balance on technical account by group of insurance class for 1995, the change in technical provisions related to previous years that results from the change in accounting principles has not been taken into account.

Columns:

- 1 = Gross premiums written before credit loss and reinsurers' share
- 2 = Gross premiums earned before reinsurers' share
- 3 = Gross claims incurred before reinsurers' share
- 4 = Gross operating expenses before reinsurance commissions and profit participation
- 5 = Reinsurance balance
- 6 = Balance on technical account before the change in equalisation provision
- 7 = Combined ratio

NET INVESTMENT INCOME

FIM '000	1996		1995	
INVESTMENT INCOME				
Income from investments in associated undertakings				
Dividend income	20,169		6,197	
Interest income	3,830	23,999	1,949	8,146
Income from investments in land and buildings				
Interest income from affiliated undertakings	25,622		20,514	
Other income from affiliated undertakings	8,196		8,933	
Other income from other than affiliated undertakings	49,549	83,367	43,698	73,145
Income from other investments				
Dividend income	96,119		61,695	
Interest income from affiliated undertakings	2,112		3,243	
Interest income from other than affiliated undertakings	91,533		105,157	
Other income from other than affiliated undertakings	64,711	254,475	20,639	190,734
Total		361,841		272,025
Value readjustments		61,432		2,454
Gains on realisation of investments		114,685		322,056
Investment income in total		537,958		596,535
INVESTMENT CHARGES				
Charges arising from investments in land and buildings		- 63,614		- 71,202
Charges arising from other investments		- 68,741		- 28,035
Interest and other expenses on liabilities to affiliated undertakings		- 921		- 1,067
Interest and other expenses on liabilities to other than affiliated undertakings		- 4,033		- 12,181
Total		- 137,309		- 112,485
Value adjustments and depreciations				
Value adjustments	- 3,192		- 137,000	
Planned depreciation on buildings	- 4,085	- 7,277	- 4,206	- 141,206
Losses on realisation of investments		- 464		- 54
Investment charges in total		- 145,050		- 253,745
Net investment income before unrealised gains and losses on investments		392,908		342,790
NET INVESTMENT INCOME IN THE PROFIT AND LOSS ACCOUNT		392,908		342,790
Avoir fiscal tax credit included in income from dividends	29,118		16,973	
Real estate tax included in charges from investments in land and buildings	990		1,139	
Items included in other income and charges from other investments				
Exchange rate gains	64,483		16,731	
Exchange rate losses	42,326		25,140	

KEY FIGURES PERTAINING TO SOLVENCY

FIM '000	1996	1995
Capital and reserves after proposed profit distribution	482,410	392,157
Optional reserves and accumulated depreciation difference	33,270	30,637
Valuation difference between current value and		
Balance Sheet book value of assets	2,201,891	1,461,717
Intangible assets	- 53,695	- 61,268
Other items	- 1,509	- 1,323
Solvency margin	2,662,367	1,821,920
Equalisation provision	520,908	363,004
Solvency capital	3,183,275	2,184,924
Ratio of equalisation provision to its full value	26%	17%

KEY FIGURE PERTAINING TO EFFICIENCY

Direct insurance gross expense ratio	10.1%	9.3%
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CALCULATION METHODS FOR THE KEY FIGURES

Turnover	Premiums earned before credit losses and reinsurers' share + investment income + other income + revaluations entered as income, realised in connection with sales
Solvency ratio	The ratio of solvency capital to premiums earned for 12 months (%)
Loss ratio	The ratio of claims incurred to premiums earned (%)
Expense ratio	The ratio of operating expenses to premiums earned (%)
Gross expense ratio	The ratio of operating expenses excluding reinsurance commissions to gross premiums written (%)
Combined ratio	Loss ratio + expense ratio (%)

Industrial Insurance Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FIM '000

Jan. 1 to Dec. 31, 1996

Jan. 1 to Dec. 31, 1995

TECHNICAL ACCOUNT

Premiums earned				
Premiums written	1,565,848		1,381,786	
Reinsurers' share	- 264,564	1,301,284	- 262,221	1,119,565
Change in the provision for unearned premiums				
Total change	- 3,747		17,717	
Merger	0		-103	
	- 3,747		17,614	
Reinsurers' share				
Total change	- 105,325		- 31,972	
	- 105,325	- 109,072	- 31,972	- 14,358
		1,192,212		1,105,207
Claims incurred				
Claims paid	- 1,284,274		- 1,128,649	
Reinsurers' share	206,862	-1,077,412	184,541	- 944,108
Change in the provision for outstanding claims				
Total change	- 48,672		- 127,327	
Portfolio transfer	0		- 5,500	
Merger	0		85,318	
	- 48,672		- 47,509	
Reinsurers' share				
Total change	152		- 48,743	
Merger	0		- 109	
	152	- 48,520	- 48,852	- 96,361
		-1,125,932		-1,040,469
Net operating expenses		- 223,607		- 148,284
Balance on technical account before the change in equalisation provision		- 157,327		- 83,546
Change in equalisation provision	- 157,904		- 80,616	
Merger	0	- 157,904	14,089	- 66,527
Balance on technical account		- 315,231		- 150,073

FIM '000

Jan. 1 to Dec. 31, 1996

Jan. 1 to Dec. 31, 1995

NON-TECHNICAL ACCOUNT

Investment income	599,879		633,145	
Investment charges	- 156,402	443,477	- 270,113	363,032
Other income		1,332		1,057
Other charges				
Depreciation on consolidation difference	- 2,375		0	
Depreciation on goodwill	- 9,125		- 5,954	
Other	- 2,871	- 14,371	- 834	- 6,788
Tax on profit from ordinary activities				
Tax for the financial year	- 46,450		- 37,902	
Tax from previous periods	2,619		- 2	
Change in deferred tax	1,566	- 42,265	- 1,502	- 39,406
Share of associated undertakings' profit after tax		18,676		23,038
Profit on ordinary activities after tax		91,618		190,860
Extraordinary income and charges				
Extraordinary income				
Change in equalisation provision	0		39,443	
Extraordinary charges				
Change in the provision for outstanding claims	0		- 92,072	
Reinsurers' share	0		5,000	
Other extraordinary charges	- 4,545		0	
	- 4,545		- 87,072	
Incidental share of associated undertakings' profit after tax	0	- 4,545	19,078	- 28,551
Profit after extraordinary items		87,073		162,309
Minority interest in the profit for the financial year		7,871		- 23
Consolidated profit for the financial year		94,944		162,286

Industrial Insurance Group

CONSOLIDATED BALANCE SHEET

FIM '000

Dec. 31, 1996

Dec. 31, 1995

ASSETS

Intangible assets

Intangible rights	18,264			16,342
Goodwill	35,090			44,215
Consolidation difference	21,368			0
Other long-term expenses	474			576
	75,196			61,133

Investments

Investments in land and buildings				
Land and buildings		734,849		780,036
Investments in associated undertakings				
Shares and participations	207,888		234,123	
Debt securities issued by, and loans to, associated undertakings	50,000	257,888	50,000	284,123

Other investments

Shares	1,310,700		1,060,254	
Debt securities	1,334,417		913,181	
Loans guaranteed by mortgages	47,922		65,439	
Other loans	68,930		92,852	
Deposits with credit institutions	324,753		330,780	
Other investments		3,086,722		2,462,506

Deposits with ceding undertakings		378,679		304,305
		4,458,138		3,830,970

Debtors

Arising out of direct insurance operations				
Policyholders	101,342		119,050	
Intermediaries	108,882	210,224		119,050
Arising out of reinsurance operations		288,542		342,075
Other debtors		87,699		81,129
		586,465		542,254

Other assets

Tangible assets				
Equipment	26,531		14,820	
Other tangible assets	2,289	28,820	1,057	15,877
Cash at bank and in hand		122,126		198,073
Other assets		1,214		0
		152,160		213,950

Prepayments and accrued income

Interest and rents	48,950			42,604
Other	72,071			67,559
		121,021		110,163
		5,392,980		4,758,470

LIABILITIES**Capital and reserves**

Restricted				
Subscribed capital	50,000		50,000	
Legal reserve	199,991		199,991	
Revaluation reserve	36,852		42,753	
Other restricted reserves	1,383		2,467	
Currency conversion differences	1,101	289,327	5,211	300,422
Non-restricted				
Non-restricted reserves	96,119		96,163	
Profit/loss brought forward	132,468		- 2,216	
Profit for the financial year	94,944	323,531	162,286	256,233
		612,858		556,655
Minority interest		95,678		71
Technical provisions				
Provision for unearned premiums	501,617		370,765	
Reinsurers' share	- 55,374	446,243	- 68,791	301,974
Claims outstanding	3,423,215		3,093,763	
Reinsurers' share	- 493,783	2,929,432	- 310,506	2,783,257
Equalisation provision		520,908		363,004
		3,896,583		3,448,235
Deposits received from reinsurers		25,492		66,027
Creditors				
Arising out of direct insurance operations		5,732		0
Arising out of reinsurance operations		463,552		391,670
Amounts owed to credit institutions		0		216
Pension loans		74,266		79,855
Deferred tax		18,102		19,668
Other creditors		47,862		44,761
		609,514		536,170
Accruals and deferred income		152,855		151,312
		5,392,980		4,758,470

ACCOUNTING PRINCIPLES IN THE INDUSTRIAL INSURANCE GROUP

The final accounts have been compiled in accordance with the Accounting Act, Companies Act and Insurance Companies Act and the instructions and regulations issued by the Ministry of Social Affairs and Health. Furthermore, provisions of the Act on the Securities Market, the Ministry of Finance's decision on the obligation of the launchers of securities issues to submit regular reports, and the recommendations and rules of the Helsinki Stock Exchange, have been taken into account.

Consolidated Final Accounts

Industrial Insurance's Consolidated Final Accounts include the parent company Industrial Insurance Company Ltd, and all the subsidiaries in which the parent company either directly or indirectly holds more than half of the voting rights. The group companies and changes in group structure are presented in the Report by the Board of Directors.

Subsidiaries' final accounts have been integrated into the Consolidated Final Accounts according to the parent company's accounting practices. The final accounts of overseas subsidiaries have been converted in essential areas to correspond to the accounting practices of the parent company.

The Consolidated Final Accounts have been drawn up by integrating the profit and loss accounts, balance sheets and notes on the accounts of the parent and subsidiary companies, eliminating intra-group transactions and realised gains and losses, amounts due to or from group companies, profit shares and shareholdings.

Intra-group cross-shareholdings have been eliminated using the equity method. Part of the goodwill has been entered under subsidiaries' land and buildings, within the limits permitted by their current values, and part has been entered under consolidation difference.

The closing figures for subsidiaries and associated undertakings have been converted into Finnish markka at the average rate of the Bank of Finland on the date of

closing the accounts. Currency conversion differences resulting from the elimination of cross-shareholdings are associated with restricted capital and reserves.

Associated undertakings have been consolidated using the equity method.

Foreign Currency Items

Currency-denominated amounts due to and from Finnish Group companies and investments in receivables have been converted into Finnish markka at the average rate of the Bank of Finland on the date of closing the accounts. Other investments have been valued at the lower of the rate valid on the date of acquisition and the average rate of the Bank of Finland on the date of closing the accounts.

Currency conversion differences relating to insurance business have been entered as adjustment items under income and expenditure. Currency conversion differences on receivables and investments, and those that it has not been possible to allocate directly to an adjustment item under income and expenses, have been presented under Other income from investments and Expenses from other investments.

Valuation and Matching

Intangible assets have been entered in the Balance Sheet at acquisition cost less planned depreciation.

Land and buildings have been entered in the Balance Sheet at the lower of acquisition cost less planned depreciation, and current value. Certain book values of land and buildings include revaluations.

Stocks and shares in investments have been entered in the Balance Sheet at the lower of acquisition cost and current value. They have been valued according to the average price principle. Stocks and shares in fixed assets have been presented at the lower of acquisition price and current value, if the devaluation has been considered permanent. They have been valued on the FIFO principle.

Debt securities are considered to include bonds and money-market instru-

ments. They have generally been entered in the Balance Sheet at acquisition cost. The difference between the par value and acquisition cost of debt securities has been accrued as interest income. The counter-item has been entered as an addition to or deduction from acquisition cost.

Receivables and investments in receivables have been entered in the Balance Sheet at the lower of par value and current value.

Derivative contracts have been valued at their current value on the date of closing the accounts. The difference between the current value of a hedging derivative contract and a lower book value/contract rate is entered as income. However, the maximum amount entered is that which corresponds to the amount of the hedged balance sheet item entered as an expense. If the book value/contract rate exceeds the current value, the loss is entered at its full amount. The difference between the current value of derivative contracts not concluded for hedging purposes and a higher book value/contract rate is entered as an expense, and the possible valuation gain is not entered.

Revaluations and revaluation adjustments on investments in the nature of investment assets are entered with impact on the result. Revaluations on investments in the nature of fixed assets and their reversals are entered in the revaluation reserve under restricted capital and reserves. If a fixed assets investment later becomes an investment asset, the funded revaluation is reversed. Value adjustments and readjustments are entered as investment charges and income. Value readjustments have been entered as income up to the original acquisition cost.

Depreciation

The acquisition cost of intangible assets, buildings and their components, and equipment has been capitalised, and is entered during its effective period as depreciation under expenses. Planned depreciations have been calculated as straight-line de-

preciations on the original acquisition cost using the following estimated useful lives:

Intangible rights	5 years
Goodwill, consolidation difference	3 - 10 years
Other long-term liabilities	10 years
Residential and business premises and offices	40 - 50 years
Industrial premises and warehouses	30 - 40 years
Building components	10 - 15 years
Computer hardware, cars	5 years
Other equipment	10 years

The consolidation difference created through the acquisition of a 60% holding in Sampo Industrial Insurance will be depreciated over ten years.

Planned depreciation corresponding to the average useful life of buildings is made annually on the revaluations entered as income, and on the allocated consolidation difference arising from buildings (under land and buildings in investments). No depreciations are made on the revaluations allocated on property in the nature of fixed assets.

In the Profit and Loss Account, planned depreciation on equipment and capitalised ADP systems has been divided between functions. Planned depreciation on buildings is presented under investment charges, and planned depreciation on goodwill and consolidation difference under other charges.

Current Values

The current values of investments in land and buildings have been fixed annually, as required by the Ministry of Social Affairs and Health. Each site is assessed separately, allowing for the net income earned, location and market situation. Both in-house and outside experts have assisted in the assessment.

Shares in group companies have been valued at net asset value, and shares in associated undertakings mainly as follows: insurance companies at net asset value,

and other associated undertakings at a value based on the equity method.

Shares and debt securities which are quoted on official stock exchanges or which are otherwise publicly traded, are valued at the latest available closing price based on continuous trading or, if this is not available, at the buying rate. The probable sales price of other shares and debt securities, e.g. based on net asset value or the remaining acquisition cost, has been taken as their current value.

Loans, deposits with credit institutions, and deposits with ceding undertakings have been valued at the lower of par value and probable value.

Taxes

The taxes for the year have been presented to correspond to the accrual basis, i.e. allocated to the accounting period.

Avoir fiscal tax credit on dividend earned has been entered in dividends, under Investment Income. Dividends, guarantee capital interests and avoir fiscal tax credit are entered in the accounting period during which the decision on the distribution of profit was made.

Untaxed Reserves and Treatment of Deferred Tax

The regulations concerning Finnish accounting and taxation practice allow certain voluntary untaxed reserves, and depreciation above plan having an impact on the result and taxation, to be made in the final accounts.

In the final accounts of the Group companies, deferred tax has not been deducted from the optional reserves and accumulated depreciation difference, nor from revaluations transferred to reserves. If the reserves are entered as income, or revaluations transferred to reserves are realised only to cover expenses, the deferred tax debt is not realised. Revaluations entered as income are taxable income. The tax rate was 25% in 1995 and 28% in 1996-97.

In the Consolidated Final Accounts, optional reserves and the accumulated

depreciation difference have been divided into the change in deferred tax and share of profit, and deferred tax and share of capital and reserves.

In calculating the key figures, deferred tax has not been deducted from the valuation differences of investments.

Technical Provisions

The deferred acquisition costs of insurances, deducted from the provision for unearned premiums of the financing foreign life reinsurance, have been calculated in accordance with the company's technical provision bases, contract for contract, so that in each contract the company's future net income exceeds the amount of deferred acquisition costs.

In calculating the provision for outstanding claims of other than pension claims, discounting has been applied only to Patria Reinsurance Company Ltd's provision for outstanding claims in foreign reinsurance. The discounted technical provisions are mainly in USD and are covered by assets in the same currency. The assets have been estimated as sufficient to secure a profit exceeding the interest rate applied. The claims settlement period used in discounting is based on Group company statistics.

Pension Schemes

For those employed by the Finnish Group companies, statutory pension cover has been arranged in compliance with the Employees' Pensions Act, TEL. Additional pension cover for the personnel is also provided by insurance companies. Pension insurance premiums have been entered in the Profit and Loss Account on the accrual basis.

Industrial Insurance Company Ltd

MAJOR SHAREHOLDINGS

Name of company	Votes %	Book value FIM '000	Current value FIM '000
PUBLIC COMPANIES			
Banking and finance			
Merita Ltd	0.24	26,883	26,883
Insurance and investments			
Interavanti Oy	2.08	1,880	1,880
Transport and traffic			
Finnair Oy	1.34	24,504	36,300
Finnlines Oy	6.00	17,636	129,950
Silja Oy Ab	6.33	46,634	46,634
Trade			
Kesko Oy	0.00	17,682	19,470
Oy Stockmann Ab	1.51	19,928	59,750
Metal industry			
Fiskars Oy Ab	1.99	11,788	42,597
KCI Konecranes International	0.46	4,692	10,005
Kone Oy	0.19	14,489	15,240
Metra Oy Ab	3.94	82,130	223,308
Outokumpu Oy	0.19	19,013	19,013
Rauma Oy	0.11	4,659	5,869
Rautaruukki Oy	0.43	19,744	22,021
Santasalo-Jot Oy	3.38	6,316	10,750
Oy Tampella Ab	1.50	24,600	24,600
Valmet Oy	1.09	56,404	68,340
Forestry			
Enso Oy	1.58	92,350	139,220
Metsä-Serla Oy	3.92	43,714	55,216
UPM-Kymmene Oy	1.88	180,043	486,071
Conglomerates			
Aspoyhtymä Oy	2.18	16,040	19,000
Oy Hackman Ab	0.18	4,029	4,460
Instrumentarium Oy	0.13	2,566	3,372
Oy Partek Ab	6.63	140,541	182,371
Energy			
Espoon Sähkö Oy	3.15	34,217	50,490
Food industry			
Cultor Oy	4.30	77,294	204,942
Oy Hartwall Ab	0.15	5,442	11,878
Huhtamäki Oy	1.72	18,378	48,300
Construction industry			
Polar-Yhtymä Oy	0.67	5,165	5,165
Data communications and electronics			
Oy Nokia Ab	2.51	134,347	825,475
Chemical industry			
Kemira Oy	0.78	43,221	58,551
Neste Oy	0.51	39,391	55,500

Name of company	Votes %	Book value FIM '000	Current value FIM '000
Other industries			
Nokian Renkaat Oy	0.99	3,600	9,900
Tamfelt Oy Ab	5.01	7,040	40,500
Warrants			
Oy Stockmann Ab	1.50	8,077	8,077
OTHER SHARES			
Oy Radiolinja Ab	1.92	2,532	2,532
Oy Realinvest Ab	2.33	20,160	20,160
Keskus-Sato Oy	4.03	12,156	12,156
Björkboda Lås Oy Ab	12.25	1,225	1,225
Kustannusosakeyhtiö Otava	3.04	10,507	10,507
Ekokem Oy Ab	0.90	306	306
Sampo Life Insurance Company Ltd ¹	73.33	44,000	44,235
Huoneistokeskus Oy ¹	30.00	420	3,353
Nova Life Insurance Company Ltd ¹	25.00	60,000	364,883
Unsa Ltd ¹	9.74	55,373	54,262
Kaleva Mutual Insurance Company ^{1 2}	5.00	5,080	6,000
Rakennus Oy Leo Heinänen ¹	20.00	1,920	1,829

¹ Associated undertaking

² Share of guarantee capital

INVESTMENTS IN LAND AND BUILDINGS

Book value FIM 634 million

Current value FIM 804 million

Major real estate holdings	Location	Holding %
Office buildings 1 and 2	Helsinki	100
Kiint. Oy Lauttateva	Helsinki	100
Kiint. Oy Eteläranta 12	Helsinki	100
Eteläranta 12 site	Helsinki	100
Oy Helsingfors Saluhallar Ab	Helsinki	100
Fastighets Ab Unionsgatan 17	Helsinki	88
Kiint. Oy Kasarmikatu 44	Helsinki	100
Kasarmikatu 44 site	Helsinki	100
Kiint. Oy Meriteva	Helsinki	100
As. Oy Hämeentie 48	Helsinki	100
Kiint. Oy Mestaritalo	Helsinki	17
Kiint. Oy Ristipellontie 19	Helsinki	25
As. oy Savilankatu 1b	Helsinki	100
Kiint. Oy Vattuteva	Helsinki	100
As. Oy Runeberginkatu 19	Helsinki	10
As. Oy Lintuvaarantie 28	Espoo	100
Kiint. Oy Meritonttu	Espoo	100
Kiint. Oy Meripetikko	Vantaa	100
Kiint. Oy Tamteva	Tampere	100
Kiint. Oy Pakkashielähti	Tampere	100
Kiint. Oy Villankarstaaja	Tampere	15
Kiint. Oy Lakahaka	Tampere	100
Kiint. Oy Jyvästeva	Jyväskylä	100
As. Oy Nummenkallio	Rauma	100
Kiint. Oy Klyyvari	Rauma	50
Iisalmen Konepajakiinteistö Oy	Iisalmi	100

INDUSTRIAL INSURANCE ADMINISTRATION AND MANAGEMENT

MARCH 31st, 1997



From the left: Timo Poranen, Jouko K. Leskinen, Björn Mattsson, Kurt Nordman and Mikko Kivimäki (seated on the right)

BOARD OF DIRECTORS

Chairman	Jouko K. Leskinen	President and CEO, Sampo Group
Vice Chairman	Mikko Kivimäki	Chairman and President, CEO, Rautaruukki Oy
	Björn Mattsson	President and CEO, Cultor Ltd
	Kurt Nordman	Chairman and CEO, Helsinki Telephone Company Ltd
	Timo Poranen	Deputy CEO, Metsäliitto Group

AUDITORS

Auditors	Jaakko Nyman	M.Sc.(Econ), Authorised Public Accountant, Supervising Auditor
	Eric Haglund	B.Sc.(Econ), Authorised Public Accountant
Deputy Auditors	Thor Nyroos	B.Sc.(Econ), Authorised Public Accountant, Deputy Supervising Auditor
	Authorised Public Accountants KPMG Wideri Oy Ab	



Seated, from the left: Reijo Kämäräinen, Juha Toivola and Veli Kalle Tavakka. Standing: Kristian Ignatius, Eero Holma, Juha Ettala, Seppo Juutilainen and Martti Pesonen

EXECUTIVE GROUP

Managing Director	Juha Toivola	
Senior Vice President	Juha Ettala	
Managing Director	Eero Holma	(Sampo Industrial Insurance)
Vice President	Kristian Ignatius	
Senior Vice President	Seppo Juutilainen	
Senior Vice President	Reijo Kämäräinen	
Actuary	Martti Pesonen	
Managing Director	Veli Kalle Tavakka	(Otso)

COMMITTEES 1997

Non-Life Insurance Committee

Henrik Arle
Executive Vice President, CFO
Finnair Oy

Finn Berg
Executive Vice President
Oy Rettig Ab

Hans Olof Danielsson
Vice President
Oy Karl Fazer Ab

Kari Haavisto
Chief Financial Officer
Metsäliitto Group

Heikki Horstia
Senior Vice President,
Corporate Treasurer
Metra Oy Ab

Mauri Jaakonaho
Executive Vice President,
CFO, Member of the Board
Valmet Corporation

Juhani Kari
Executive Vice President
Kemira Oy

Kim Karvinen
Senior Vice President, CFO
Oy Sisu Ab

Veikko Kasurinen
Senior Vice President,
CFO, Member of the Board
Alko Group Ltd.

Teljo Kolkka
Group Business Controller
Oy Hackman Ab

Matti Krannila
Managing Director
Oy Pohjolan Liikenne Ab

Jukka Kähkönen
Risk Manager
Enso Oy

Veikko Lehtinen
Deputy President
Executive Board Member
Outokumpu Oy

Erkki Luhta
Senior Vice President
ABB Oy

Pekka Luukkainen
Executive Vice President
PT Finland Ltd.

Heikki Marttinen
Chairman and CEO
Imatran Voima Oy

Kai Miesmäki
Executive Vice President
Tamrock Corporation

Antti Norrlin
Managing Director
Koiviston Auto Oy

Jorma Niilola
Vice President, Group Treasurer
Cultor Ltd.

Karl-Erik Palin
Vice President
General Counsel
A. Ahlstrom Corporation

Jukka Repo
Financial Director
Oy Metsä-Botnia Ab

Teuvo Rintamäki
Director, Finance and Group Control
KCI Konecranes International Corp.

Erkki Ripatti
Managing Director
Tampere Telephone Company

Heikki Rätty
Financial Director, CFO
Myllykoski Oy

Markku Sirén
Financial Director
Oy Hartwall Ab

Pekka Soveri
Finance Director
Oy G.W. Sohlberg Ab

Magnus Ståhlberg
Vice President, Corporate
Administration
UPM-Kymmene Corporation

Per-Olof Söderlund
Financial Director
Asko Group

Maija Torkko
Senior Vice President,
Finance and Control
Nokia Corporation

Esko Tulikoura
Senior Vice President, Business
Administration
Skanska Oy

Veikko Vaikkinen
Finance Director
VR-Group Ltd.

Seppo Viitanen
Corporate Vice President, Finance
Neste Oy

Marine Insurance Committee

Thomas Alopaeus
Director, Member of the Board
Hollming Shipping

Touko Antola
Vice President, Corporate Purchasing
Metsä-Serla Oy

Kaj Engblom
Managing Director
Rederi Ab Engship

Kaj Eriksson
Managing Director
Oy Rettig Ab, Bore

Rolf G. W. Eriksson
President
Transfennica Ltd.

Juhani Heikkilä
Administrative Director
Matkahuolto Oy

Anita Kostermä
Corporate Risk Manager
A. Ahlstrom Corporation

Kullervo Lehtonen
Director, Logistic Activities in Finland
UPM Kymmene Corporation

Pekka Loikkanen
Manager, Risk Management
Nokia Corporation

Kari Lounasmeri
Chief Finance Officer
Oy Mercantile Ab

Ben Lundqvist
Managing Director
Lundqvist Rederierna

Antti Malinen
Transport Manager
Finnforest Oy

Berndt Nielsen
President
Oy Henry Nielsen Ab

Sverre Norrgård
Managing Director
Myllykoski Paper Oy

Nils-Gustav Palmgren
Managing Director
Neptun Juridica Oy Ab

Arto Rautio
Managing Director
OY JIT-Trans Ltd

Jukka Suominen
President, Group CEO
Silja Oy Ab

Erkki Tavi
Director of the Administration
Saarioinen Oy

Lars Trygg
Vice President
Finnlines Ltd.

Antti Vehviläinen
Vice President Logistic Services
Enso Oy

Hans Westö
Vice President, Finance
Wärtsilä Diesel Oy

Accident and Industrial Safety Committee

Olli Ahola
Vice President, Personnel
Metra Oy Ab

Lauri Ihalainen
President
The Central Organisation of Finnish
Trade Unions

Juha Kivinen
Personnel Director
PT Finland Ltd.

Lasse Laatumäki
Director
Confederation of Finnish Industry and
Employers

Per-Erik Lundh
Chairman
Finnish Metal Workers' Union

Jarmo Lähteenmäki
President
Finnish Paper Workers' Union

Ensio Miettinen
Honorary Company Chairman
Oy Ensto Ab

Harry Mildh
Consul General

Mauri Moren
Deputy Managing Director
Finnish Forest Industries' Federation

Henrik Nordström
Vice President, Schauman Wood
UPM Kymmene Corporation

Esa Swanljung
President
Finnish Confederation of Salaried
Employees STTK

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INDUSTRIAL INSURANCE