ANNUAL REPORT 2001

ILMARINEN

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Ilmarinen Mutual Pension Insurance Company is an authorized pension company. Ilmarinen has been handling employees' statutory pension provision since 1961, which was also the year in which the Finnish earnings-related pension legislation came into existence. Self-employed persons became affiliated to the earnings-related pension scheme in 1970, from which date on Ilmarinen has been the largest provider of pension insurance for self-employed persons and entrepreneurs.

Contents

A leader in pension insurance

Our mission

As an earnings-related pension insurance company, Ilmarinen safeguards the statutory pension provision of the employees and self-employed people it has insured. In addition, it also manages the investment assets that cover future pensions.

Ilmarinen works in partnership with the employer and employee organizations and other constituent groups to improve the Finnish earnings-related pension insurance system and its long-term financing.

Our strategic goals

Ilmarinen is determined to retain its position as a leader in earnings-related pension insurance in Finland. To this end, it has established the following strategic goals:

- To offer the best services, enabling us to provide our policyholders with added value;
- To be the most solvent pension insurance company in Finland, with the most competitive client bonuses;
- To play a key role in developing the statutory earnings-related pension insurance system;
- To ensure the competence and well-being of staff, and ensure the organization has the necessary resources and the proper conditions for bringing about changes.

Our values

In all its activities, Ilmarinen fulfils the special responsibilities and related obligations that come with managing statutory earnings-related pension insurance.

The values that guide our activities are:

- **responsibility for the provision of earnings-related pensions.** We build employment pension security on a long-term and consistent basis and observe fair and honest business principles.
- **profitable operations.** Together we can achieve results that we can be proud of.
- **satisfied clients**. We work together for the good of the client. A satisfied client is our employer and the best marketer of our services.
- **a developing working community.** We base our operations on a good working environment and appreciation of each individual employee. We promote a high level of expertise and encourage our personnel to improve their skills and their working procedures.

Services and client bonuses give Ilmarinen its competitive edge

Ilmarinen specializes in providing employees and self-employed persons with statutory earnings-related TEL and YEL pension coverage. Our key services include pension services, pension insurance management and advisory services, vocational rehabilitation, promoting well-being at work, underwriting work abroad, managing company pension funds, and dissemination of information on earnings-related pensions. We also offer our clients various financing alternatives and engage in property management and leasing.

Ilmarinen is a financially sound pension insurer. Thanks to its strong solvency, Ilmarinen has for many years been able to provide better client bonuses than its main rivals.

Roughly a third of all premiums written by authorized pension insurance companies are with Ilmarinen.

Partners

Ilmarinen has an extensive service network throughout the country. Its services are available through the offices of Pohjola, A-Vakuutus and Pohjantähti as well as via brokers. Policies can also be drawn up at the offices of Nordea Life Assurance Finland Ltd.

Ilmarinen 1999-2001

	2001	Change %	2000	1999
Premiums written, EUR mill.	1,989.6	12.7	1,764.8	1,766.8
Pensions paid, EUR mill.	1,642.2	10.8	1,481.7	1,413.1
Investment income at current value, %	-1.2		2.8	16.0
Aggregate operating expenses, EUR mill.,	60.6	6.9	56.7	48.2
% of turnover	1.8		1.6	1.5
Total profit, EUR mill.	-690.7		-54.1	1,586.7
Technical provisions, EUR mill.	13,519.6	4.4	12,954.5	11,082.8
Balance sheet total at current value, EUR mill.	14,736.7	0.3	14,685.4	13,841.3
Solvency capital, EUR mill.,	2,940.8	-21.6	3,749.3	3,922.5
% of technical provisions	25.5		35.4	41.3
relative to solvency border	2.3		3.4	3.8
Pension recipients	224,849	2.7	218,932	205,102
TEL policies	31,982	-1.1	32,351	32,874
Employees insured under TEL	351,000	4.8	335,000	323,000
YEL policies	49,386	-1.1	49,938	51,453

Events in 2001

Feb. 14 Corporate Image Oy publishes its study on the corporate images of authorized pension insurers. The study ranked Ilmarinen the most well-known Finnish pension company and, in terms of quality, the leading company in its field.

May 3 Employee representatives take part in Ilmarinen's AGM for the first time as company stakeholders. According to the Articles of Association that took effect on July 1, 2000, Ilmarinen is owned by the policyholders, the owners of its guarantee capital and the employees insured with Ilmarinen under TEL.

May 15 Ilmarinen, Suomi, OKOBANK Group Central Cooperative (OPK), A-Vakuututs and Pohjantähti abandon by common consent the agreement concerning their planned cooperation, equity interests in The Pohjola Group and participation in Pohjola's administration.

Aug. 31 The Ilmarinen-owned Pekuri commercial property in Oulu is opened to the public after major repairs and new construction. In addition to Stockmann plc, which is the main tenant, there are some twenty other service enterprises and speciality shops in the complex.

Sept. 24 The Iso Omena shopping mall opens in Espoo's Matinkylä. More than 60,000 people visited Iso Omena during its first day.

Oct. 4 Ilmarinen scores a great success in the TEL transfer business between pension companies ending on September 30. The balance on this transfer business was one the Company's best ever.

Nov. 15 HENRY ry, the Finnish Association for Human Resource Management, presents the 2001 Ilmarinen award to Cap Gemini Ernst & Young, in recognition of the company's arrangements concerning home care of its employees' sick children.

Nov. 15 Ilmarinen's YEL clients are also allowed access to the AINO service on the Internet.

Dec. 14 Ilmarinen turns forty. To celebrate the jubilee year, the Company publishes its history, called 'Syntynyt suureksi, Ilmarisen neljä vuosikymmentä 1961-2001' (Born to be big – Four decades of Ilmarinen).

Annual general meeting

Ilmarinen's Annual General Meeting will take place on April 18, 2002 at 9 a.m. at Ilmarinen, Ruoholahdenkatu 23, Helsinki. The invitation to the AGM will be published in national daily newspapers.

Interim report

Ilmarinen will publish an Interim Report in August 2002.

Additional information on the Internet

Ilmarinen publishes printed versions of its Annual Report both in Finnish and English. The Finnish and English language versions and a Swedish summary of the report are also available on the Company's web site, at www.ilmarinen.fi. You will also find Ilmarinen's earlier Interim Reports and reviews plus other financial information on the same site.

ILMARINEN TURNED FORTY IN DECEMBER 2001.

Review by the President and CEO

The financial capacity of the earnings-related pension scheme can be kept in equilibrium through close and continuous collaboration between the social partners and the pension insurers.

Common principles for developing the earnings-related pension provision

The financial standing of the employee pension scheme is still strong. The 2002 TEL contribution rate was kept the same as in 2001 because the wage bill on which contributions are based has grown rapidly during recent years and retirement has remained moderate.

In the next few years, however, pressure to raise the contribution will inevitably increase as the post-war 'baby-boom' generation approaches retirement age. The most effective ways of alleviating pressure to raise the contributions are to postpone the average retirement age by a couple of years and to boost income from investment. The financial capacity of the earnings-related pension scheme can be kept in equilibrium through close and continuous collaboration between the social partners and the pension insurers. In November 2001, the employer and employee organizations finally reached agreement on the means to promote later retirement.

One of the main focuses of the planned changes is to simplify the pension legislation, though no final settlement has been reached yet. The introduction of a simpler system calls for agreement on a uniform way of calculating pensionable salary, to be used in all private sectors. If no consensus can be reached, pensions will have to be calculated in two different ways in 2005-2010. However, no efforts must be spared to reach mutual understanding as soon as possible.

Policy transfers boosted premium income

The balance on transfer business was one of the Company's best ever, adding some EUR 35 million to our premium income for 2002. In YEL insurance, the balance on policy transfers continued to show a loss. The number of new TEL and YEL policies signed exceeded the figures for 2000.

Last year, the investment market was characterized by a sharp decline in share prices, which had already started in 2000. This was also reflected in Ilmarinen's 2001 profits. Despite the fact that the poor investment result decreased Ilmarinen's solvency capital, the Company's financial standing is still fairly solid. At year-end, the solvency capital exceeded EUR 2.9 billion, amounting to more than 25% of the technical provisions.

Even at its lowest, at the end of September, Ilmarinen's solvency capital amounted to almost 20% of the technical provisions, or some EUR 2.1 billion.

Income from investment at current value dropped to -1.2%. The return on Ilmarinen's investment portfolio for the last five years averaged 7.9%, which can still be considered very competitive. Thanks to its strong solvency Ilmarinen can continue its equity-oriented investment strategy and no realizations are needed even in times of declining share prices. In line with its risk-bearing capacity, Ilmarinen is determined to seek the best possible return on its portfolio. This strategy inevitably involves computational losses at certain intervals. These do not, however, affect the Company's business operations or the position of its pensioners.

Ilmarinen invests in good service and client bonuses

In our Interim Report for January-June 2001, we forecast that, because of the prevailing business cycle, the amount we could transfer to client bonuses would be lower than in previous years, though still competitive. This was actually the case: in 2001, EUR 40 million was transferred to client bonuses, compared with EUR 84 million in 2000. Nevertheless, the bonus transfer per insured employee is still higher than the bonuses distributed by our main rivals.

In addition to competitive client bonuses, Ilmarinen is also determined to offer its clients efficient and timely service.

Our web services and services designed to promote employee working capacity have been upgraded continuously in the last few years. Moreover, we have reorganized our insurance services in order to better answer our clients' needs. Measured by various surveys, customer satisfaction has improved; surveys during the last two years ranked Ilmarinen the best among the pension insurers. It is the entire Ilmarinen staff's common goal to maintain this No. 1 ranking.

Structural changes in the insurance business continued

Reorganization of the insurance business continued last year. The most important events affecting Ilmarinen's activities were the combination of business operations of Pohjola and Conventum and termination of the cooperation plans with the OKOBANK Group.

Pohjola Group Insurance Corporation and Conventum Limited agreed on the combination of their business operations in June 2001. Non-life insurance business still remained one of Pohjola's core business areas, but the company has since expanded its activities to include financial services. Pohjola will remain one of Ilmarinen's most important sales channels for earnings-related pension services in the future, too.

The OKOBANK Group gave notice of termination of the agreement it had made with Ilmarinen on the sale of TEL and YEL policies, effective from the end of 2001.

Outlook

Signs of gradual economic recovery were seen in early 2002. The downward trend experienced over the past two years has proved that Ilmarinen is determined and well-equipped to pursue its equity-oriented investment policy consistently, in bad times as well as good.

We at Ilmarinen believe that constant concern for Company solvency, efficient client service, and the maintenance and promotion of staff competence and well-being are the prerequisites for lasting success.

I take this opportunity to thank all Ilmarinen employees for their valuable input for the best of the Company and its clients. I would also like to thank our clients, partners and numerous stakeholders for the confidence they have shown in us.

Reform of earnings-related pensions takes effect in 2005

INSTEAD OF THE PRESENT FIXED RETIREMENT AGE,
PEOPLE WILL BE ABLE TO RETIRE FLEXIBLY
AT ANY AGE BETWEEN 63 TO 68.

Risks borne jointly

Provision of pension benefits is one of the basic elements of Finnish social security. During the 40 years the earnings-related pension scheme has been in operation, it has considerably improved the average income level of Finland's ageing population. For people of working age, insurance for earnings-related pension benefits provides security against disability or death of the family breadwinner. For older people, it secures their livelihood when their working career ends and they retire on old-age pension. Finnish pensions are paid according to the defined benefit plan, i.e. each employee's employment pension coverage is proportioned according to his or her earnings. As a result, retiring does not mean having to reshape the family's or individual's finances. Both the investment risks and risks related to trends in economy are borne jointly by all pension insurers, and not by an insured individual.

Earnings-related pensions developed in cooperation

The basic principles of the Finnish employee pension scheme still work well. However, the system has to keep up with developments in Finnish society and react to changes.

The most important employer and employee organizations represent the employers and wage-earners who pay the costs of private-sector earnings-related pensions. Future pension policies are therefore worked out jointly by these partners. Ilmarinen takes part in this process by sharing with the negotiators the views and experiences it has gained during the 40 years it has been administering Finnish employees' and self-employed persons' statutory earnings-related pension provision.

Deferring the retirement age

In November 2001, the employee and employer organizations adopted a resolution on the future of earnings-related pensions. The agreement is part of prolonged efforts to defer the average retirement age by two to three years. The agreed amendments will mainly take effect from the beginning of 2005.

The amendments now planned will affect most earnings-related pensions for the private-sector employees. Immediate application of the reform to the public sector is impeded by the nature of public-sector pension plans, which differ in many respects from the situation in the private sector.

People encouraged to remain at work longer

The reform emphasizes flexibility regarding retirement on old-age pension. Instead of the present fixed retirement age, people will be able to retire flexibly at any age between 63 to 68. In the planned system, the pension accrued up to the age of 63 can be drawn from that age onwards without incurring the present early retirement penalty. On the other hand, the 'incentive accrual' of an employee who continues in working life after reachup of the age of 63 would be 4.5% per annum. Remaining at work will become even more attractive when the present 60% coordination limit on benefits is abolished. However, this will not happen until the problem of harmonizing the calculation of pensionable wages is solved.

In the future system, old-age pension will start to accrue earlier than now, i.e. from the age of 18. Moreover, certain payless periods during an employee's working history will be incorporated into the accruing pension.

Qualification criteria for early retirement pensions amended

No major amendments will be made to the level of disability pensions or their qualification criteria. From January 1, 2005, disability pensions will, however, no longer be granted to employees over 63 years of age as it will already be possible to claim the accrued old-age pension from that age. The size of a disability pension has largely been dependent on possible inclusion in the pension of the 'post-contingency accrual', i.e. the time left until the standard retirement age. In disability pensions, the strict borderline between disability pensions including the post-contingency accrual and pensions calculated solely on the basis of working years will be lifted.

Individual early retirement pensions will no longer be granted to employees born after 1944. This change will be compensated both by better opportunities to retire on disability pension and by intensified rehabilitation.

Earnings-related pension provision for the elderly long-term unemployed will be transferred to the unemployment insurance scheme. The change will concern those born in 1950 or later. Thus, those born in 1949 will be the last age group to make use of the current unemployment path to retirement.

The present temporary reduction in the age limit for part-time pensions will expire at the end of 2002. As agreed, the age limit will be raised to 58, and the old-age pension accrued during the part-time pension will fall to 50% of the present accrual rate. Also, the rate at which a part-time pensioner's part-time work accrues pension will be according to the incentive accrual. These amendments will apply to those born in 1947 or later. However, even after the new law comes into force employees born before 1947 will retain their entitlement to take part-time pension on the present terms.

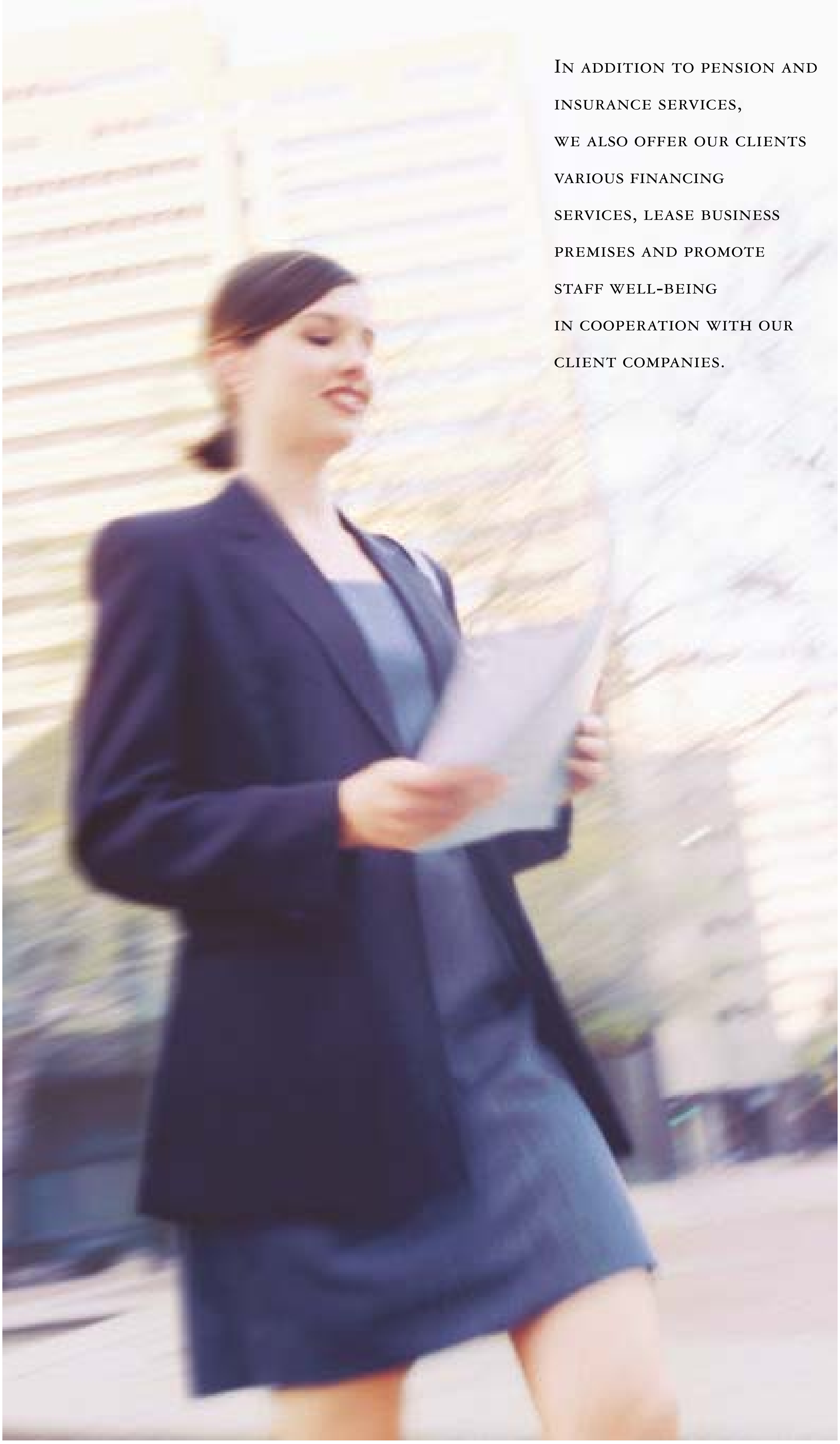
Agreement not yet reached on simplification of the pension legislation

The November agreement also aimed to simplify the complexities of the earnings-related pension legislation. However, no agreement could be reached on this part of the project.

The key to simplifying the earnings-related pension legislation lies in agreeing a rule for calculating the pensionable wage that suits all private-sector fields. The November 2001 agreement did not include a solution to this problem. However, it was agreed that efforts would continue to find a compromise for a new calculation rule that would also take effect on January 1, 2005.

It would then be possible to unify most of the private-sector earnings-related pension laws from as early as the beginning of 2005. Otherwise, the TEL pensionable wage would be calculated in two different ways during the 2005-2010 transition period, choosing the method most favourable for the pensioner.

In any case, a decision on the new calculation rule for pensionable wages must be made by the end of 2008. Certain demands were already put forward concerning the new calculation rule, the most important being that pensionable wage must no longer be affected by any fragmentation of a person's working career into several employment relationships.



In addition to pension and insurance services, we also offer our clients various financing services, lease business premises and promote staff well-being in cooperation with our client companies.

Diversified insurance services and comprehensive service network

In surveys conducted jointly by the authorized pension insurers, Ilmarinen's client service and corporate image were rated the best in both 2000 and 2001.

Premium income grew substantially

Premiums written totalled EUR 1,989.6 million in 2001, representing an increase of 12.7% on the year before. Calculated in terms of premium income, Ilmarinen's share of the earnings-related pension insurance market is approximately one third.

At the end of 2001, Ilmarinen had 31,982 TEL policies covering 351,000 insured employees, against 32,351, covering 335,000 employees in 2000. The average TEL contribution confirmed for 2001 was 21.1% of salary, or 0.4 percentage points less than in 2000.

Ilmarinen is Finland's largest insurer of self-employed persons' earnings-related pension coverage. At year-end 2001, Ilmarinen managed 49,386 YEL policies as against 49,938 the previous year. The 2001 YEL contribution was 21.0% of reported income confirmed for YEL purposes. The rate of contribution under YEL has remained unchanged for the last three years.

The average annual earned income reported for a YEL policy was EUR 15,431, showing an increase of 4.6% on the year before, which is slightly more than the TEL index increase. Reporting a sufficiently high amount as earned YEL income will be more important in the future, as from the beginning of 2004 national sickness allowances will also be assessed on the basis of reported YEL income.

Balance on policy transfers good

The balance on transfers for TEL insurance ending in the autumn of 2001 boosted our 2002 premium income by almost EUR 35 million. The number of employees insured under TEL was up by 6,400. However, transfers of YEL insurance from Ilmarinen still exceeded the number of entrepreneurs joining Ilmarinen as new policyholders.

New insurance sales performed much better than in the previous year. Targets were exceeded for both TEL and YEL insurance.

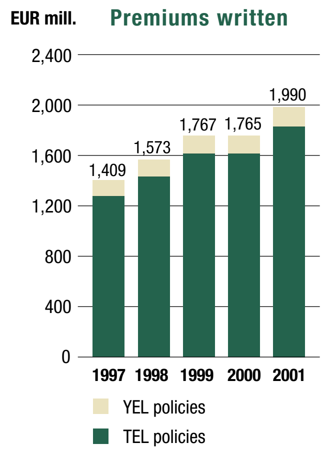
Best client bonuses in the business

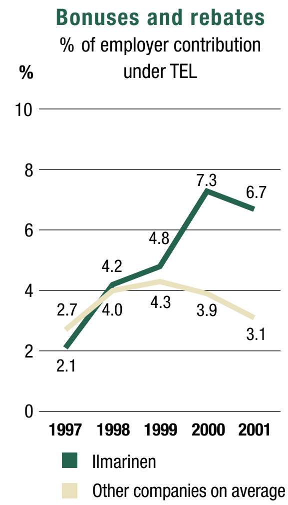
Ilmarinen pursues a return-oriented investment policy with a view to obtaining the best possible return over the long run. Thanks to our strong solvency, we can maintain the large proportion of equity in our portfolio. However, this strategy unavoidably contributes to annual swings in investment income which may be considerable.

In 2001, income from investment showed a slight loss, due to the problems encountered on the equity market. Nevertheless, the average return on Ilmarinen's investment portfolio for the last five years is the best among the pension insurers, i.e. 7.9%. In addition, the bonuses we give our clients as discounts on their TEL contributions will still in 2002 be better than our main rivals'.

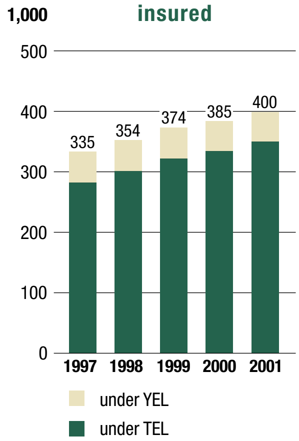
Web site improves service to clients

Management of earnings-related pension insurance involves a great deal of data processing. Hence, most related transactions can be handled over the Internet. For example, Ilmarinen's AINO service can be used to submit notifications concerning employment contracts and salaries, to request calculations and certificates, and obtain





Number of people insured



responses and to pay contributions and follow up the payments situation. The number of clients with a web service contract was some 4,000 in 2001, up almost 50% on 2000.

Most of our client service is still handled over the phone. To ensure rapid and competent service facilities, we have organized our insurance services into individual client groups in the various units and departments of our Client Relations. Special attention is then paid to smooth access to client service personnel. In 2001, the response rate over the phone was as high as 90%.

In addition to TEL and YEL insurance, we lease properties and business facilities, give advice on insuring employment abroad, finance our clients' investments, and offer companies and self-employed persons access to our Motivo service on the Internet to promote staff well-being.

Better conditions for taking up premium loans took effect on March 1, 2002. It is now possible for companies to draw the loan without losing any client bonuses. As a result of the change, Ilmarinen clients will find both investment loans and TEL premium loans competitive financing alternatives with regard to both pricing and terms.

Using both its own and outside surveys, Ilmarinen canvasses client satisfaction with its services. The surveys show that client satisfaction has grown. In surveys conducted jointly by the authorized pension insurers, Ilmarinen's client service and corporate image were rated the best in both 2000 and 2001.

Cooperation in handling client relations

In client relations and sale of insurance policies, Ilmarinen collaborates with Pohjola, A-Vakuutus and Pohjantähti. Thanks to this collaboration, Ilmarinen has a wide regional service and sales network at its disposal. The sales network will become further expanded by the agreement made with Nordea Life Assurance Finland Ltd on the sale of earnings-related pension insurance. When Pohjola acquired A-Vakuutus, its business operations were taken over by A-Insurance Company, which became a Pohjola subsidiary at the beginning of 2002. The new subsidiary now has better potential for developing its insurance services in the professional transportation sector. In 2001, some 80% of the premiums written by Ilmarinen derived from contributions made by Pohjola's, A-Vakuutus's and Ilmarinen's joint clients.

Brokers' hold consolidated

Brokers have firmly established themselves as partners in the collaboration between companies and earnings-related pension insurers, and the clientele they handle accounts for some 17% of our premium income. Ilmarinen and the brokers share the objective of ensuring their clients a high level of service and expertise. Ilmarinen has set up a separate Internet service channel for brokers; it also plays an active role in their training.

An earnings-related pension is meant to ensure a financially secure retirement.

Fair and rapid pension decisions

One of Ilmarinen's main operating principles is to make fair, rapid and comprehensible pension decisions.

Rise in pension decisions

Ilmarinen paid out a total of EUR 1,642.2 million in pensions to 224,849 beneficiaries in 2001. There were 5,917 beneficiaries more at year-end than had been 12 months earlier.

A total of 17,643 new pension decisions were made in 2001, which is 7.5% more than in 2000. The number of decisions on early old-age, part-time and unemployment pensions was higher than the previous year.

Pension advisory services play a central role

One of Ilmarinen's main operating principles is to make fair, rapid and comprehensible pension decisions. Appeal authorities have rarely overturned Ilmarinen's pension decisions. In 2001, the Pension Appeals Board changed 6.2% of the decisions made by Ilmarinen, a below-average figure.

Ilmarinen has a long track record of processing all categories of pensions application faster than the other pension companies on average. This was also the case in 2001. According to a survey among pension applicants, as many as 60% of respondents had received their pension decision faster than they expected. 75% of the pension applicants found the pension decision easy to understand, and the grounds for rejection comprehensive and adequate.

Advisory services for people about to retire are an integral part of Ilmarinen's services. Insured persons can ask for an advance estimate of their future pensions. In addition to pension counselling, pension advisors also serve employees, self-employed persons and employers in other matters concerning social security. In 2001, Ilmarinen sent 25,700 individual replies to people making enquiries about their pension provision.

New pension decisions, by type of pension

	2001	2000	Change %
Old-age pensions	2,226	2,275	-2.2
Early old-age pensions	1,451	1,165	24.5
Part-time pensions	1,658	1,495	10.9
Disability pensions	5,356	5,130	4.4
Individual early retirement pensions	657	616	6.7
Unemployment pensions	3,720	3,223	15.4
Survivors' pensions	2,575	2,509	2.6
Total	17,643	16,413	7.5

Age limit for part-time pension raised

Ilmarinen paid out part-time pensions to 4,608 persons in 2001. A quarter of them were self-employed.

The goal of the part-time pension system is to raise the average retirement age. It offers people who would otherwise probably go on disability pension an opportunity to continue working part-time. The system has been criticized for encouraging people to do part-time work who have the capacity to work full time and whose input is needed. However, a Central Pension Security Institute investigation revealed that this pension option has mostly been utilized by those for whom it was originally intended.

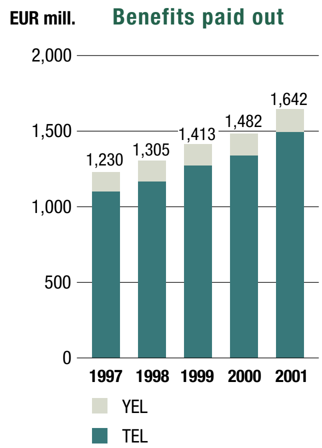
The age limit for part-time pension has now been lowered temporarily from 58 to 56. However, the social partners decided in a resolution reached in November that those born in 1946 or earlier will maintain their entitlement to apply for this pension at 56 according to the current provisions. The lower age limit for those born in 1947 or later will be restored to 58 years.

Decline in individual early retirement pension awards

The proportion of individual early retirement pensions decreased to 3.7% of all pension awards.

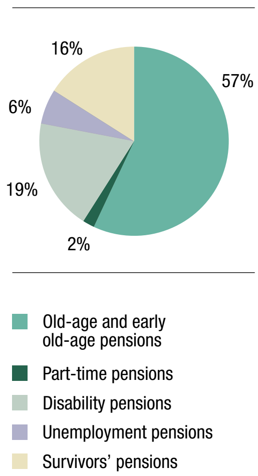
In future, the individual early retirement pension will remain unchanged as regards those born in 1943 or earlier, but will no longer be granted to those born in 1944 or later. Moreover, it has also been agreed that evaluation of whether employees aged 60 qualify for a disability pension will focus on the vocational character of the person's disability, provided that their working career is long.

Benefits paid out

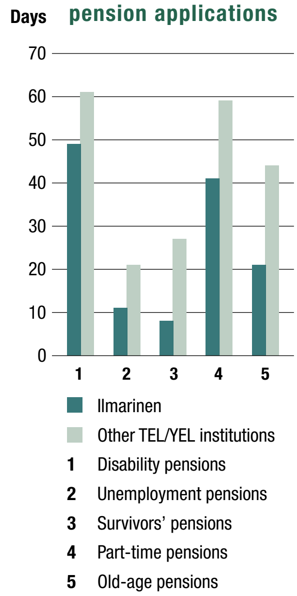


Pension payments, by type of pension

(Total number 224,849 on Dec. 31, 2001)



Processing times for pension applications



Physical exercise promotes well-being and longer working capacity.

Working capacity promoted in cooperation

Bringing efficiency, competence and well-being into balance

The lengthening lifespan of the Finnish population is an indication of an improvement in health. However, many Finns do retire prior to the standard retirement age of 65. Surveys show that no single factor can explain premature retirement, and that this is usually the result of several factors. The reasons include current retirement plans, the employment situation, the education level and morbidity of the workforce, and increasing work loads.

Staff efficiency, competence and well-being are important competitive factors in working life. In the interests of working capacity, it is essential to bring these three dimensions into balance. If the company concentrates solely on efficiency, it will sooner or later have to face a decrease in the employee's working capacity due to burnout. By contrast, if the company fails to continuously develop its employees' professional competence and personal skills, pension companies will receive pension applications from applicants whose working capacity has, in reality, become impaired due to lack of skills.

The company can cushion the problems caused by reduced working capacity by systematically promoting its employees' well-being and providing them health care services, optimizing the physical work load, taking into account ergonomics and safety at work, and by encouraging its employees to adapt health-promoting ways of living.

Working capacity – the sum of several elements

An employee's ability to work depends on how well he or she can cope with the requirements of the work. Functional capacity and the work requirements are assessed by several parties each from its own point of view. The employee evaluates his or her working capacity on the basis of symptoms suffered, subjective health and earlier performance. By contrast, colleagues and the employer evaluate an employee's working capacity from their own viewpoints, while a physician gives an assessment of the patient's health on the basis of the examinations and tests made or the information provided.

The specialists working in pension companies get their information about an employee's working capacity from the documents attached to the pension application. This information concerns the applicant's work history and his or her duties and current job in general. On the strength of the medical certificates filed, the experts can then assess the employee's health, functional capacity and prospects for rehabilitation.

As working capacity is the sum of several elements, the solutions sought also involve influencing a number of different factors. They include promotion of the total staff's working capacity, and a change of job or occupation via rehabilitation. Our pension specialists give advice on an individual's chance of successfully continuing to work and on the various retirement alternatives.

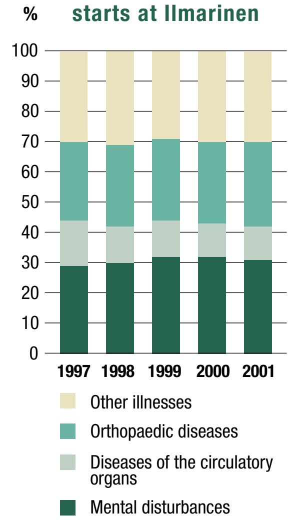
Increase in disability pension awards

As of 1980, the number of disability pension decisions has fallen among employees aged 55-64. However, statistics on the last few years indicate that both pension applications and new disability pension decisions have grown in number.

Mental health problems, heart diseases and orthopaedic diseases are among the illnesses most often causing disability. In this illness group, mental health problems are the main, and growing cause of disability. By contrast, heart desease now causes less disability. Disability pensions granted because of orthopaedic diseases have long accounted for a quarter of the total granted.

In addition to the rising age of the population, there are many other reasons for the upturn in the number of disability pension awards. Changes in working life – greater demands and a heavier work load, in particular – probably explain the rising number of disability pensions granted on the basis of depression.

Disability pension starts at Ilmarinen



Ilmarinen's Motivo service was designed to support successful personnel management and operations which aim at staff efficiency, increased job motivation, enhancement of the professional skills of individuals and improvement of staff well-being.

Ilmarinen's Motivo service promotes well-being at work

In cooperation with its client companies and experts, Ilmarinen has developed a special service, called Motivo, to support successful personnel management and operations which aim at staff efficiency, increased job motivation, enhancement of the professional skills of individuals and improvement of staff well-being. This approach, designed to facilitate planning and implementation of company operations and promotion of good personnel management, helps companies to convert their personnel development plans into practical measures in the workplace.

The Motive service offers written material plus training and guidance in starting up a staff development programme at our client companies. As help with the practical realization of their plans, the companies are also allowed access to the interactive Motivo application on the Internet.

Vocational rehabilitation emphasized

Ilmarinen cooperates with workplaces in introducing vocational rehabilitation and making it known among employers and employees. We also then stress the importance of starting such cooperation as early as possible. In accordance with the Government Programme, intensified rehabilitation is also among the targets set for the pension reform negotiated between the social partners and pension companies. Interest in and applications for vocational rehabilitation have risen year by year. In 2001, Ilmarinen paid rehabilitation allowances to 567 insured employees for a rehabilitation period. The number of rehabilitees was up by 7% on 2000.

Ilmarinen can help an employee or a self-employed person to switch to another job or vocation if his or her working capacity is at risk due to sickness. Employee rehabilitation is worthy of support from the employer because it is always less costly than a disability pension.

Ilmarinen prize for the Personnel Deed of the Year

The Ilmarinen prize for the Personnel Deed of the Year was awarded to Gap Gemini Ernst & Young Finland for its arrangements concerning home care of employees' sick children. The company contributed actively to adoption of the bill that made home care of a sick child a tax-free staff benefit.

Ilmarinen has agreed on long-term cooperation with the Finnish Association for Human Resource Management HENRY ry to promote first-rate personnel management and well-being at Finnish workplaces.

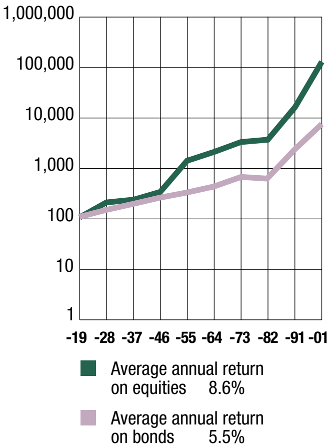
Through the prize, Ilmarinen aims to spur workplaces into promoting staff efficiency while systematically advancing and developing well-being at work and expanding employees' professional skills and competence. Ilmarinen hopes that the organization awarded the prize will provide a good model for other Finnish workplaces.

Ilmarinen also safeguards the statutory pension provision of future pensioners by ensuring its solvency and a good return on its investments over the long run.

Solvency safeguarded in many ways

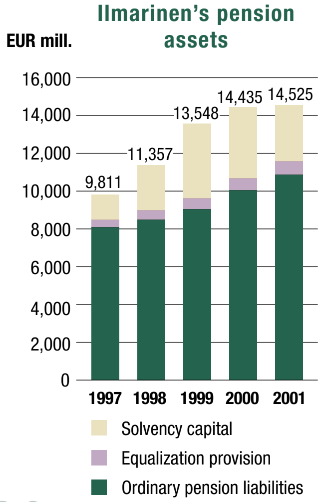
MULTI-LEVEL RISK MANAGEMENT
IS VITAL TO LONG-TERM
SUCCESS IN OUR INVESTMENT OPERATIONS.

Equity vs. bond market in the USA, 1919-2001
Logarithmic scale



By the end of 2001, a EUR 1,000 investment in 1919 would have yielded
- EUR 77,200 on the bond market
- EUR 879,200 on the equity market

Ilmarinen's pension assets



Long-term yields sought for pension assets

In Finland, the provision of pension benefits has been entrusted to several pension companies, company pension funds and industry-wide pension funds. The bulk of the pensions paid out each year are financed out of insurance contributions collected for the year in question. Some 25% of the premiums written are funded, to be paid out in pensions only in some 20 to 30 years.

The better the yields on the funded assets, the lower the pressure to raise the contribution in the future. On the other hand, as the life expectancy of the Finnish population is increasing and the proportion of old people is growing, deferral of the average retirement age by a couple of years plays a key role in efforts to maintain economic equilibrium within the earnings-related pensions system.

The regulations governing investments by pension companies, company pension funds and industry-wide pension funds were reformed at the beginning of 1997 to reflect the changes in the investment environment brought by the more liberal money market. Pension insurers were then also given the option of investing their money more productively in instruments involving higher risks, while remaining within the framework of their solvency. As pension assets are invested on a long-term basis for decades ahead, the employment pension system can await fulfilment of its yield expectations over a longer time scale. Historically, equity has the best return potential.

Solvency requirements regulate risk-taking

The major risks a pension insurance company has to encounter are those associated with the underwriting business and those involved in investment operations. The risks of the underwriting business relate to the sufficiency of the premiums written and the funded pension assets compared with the company's current and future pension expenditure. Annual fluctuations in the profit on risk premiums collected are handled through the solvency buffer, i.e. the equalization provision, included in the pension liability.

The solvency capital is intended to form a fluctuation reserve against risks in investments operations, and it is made up of assets in excess of the company's pension liabilities. The adjoining bar graph illustrates Ilmarinen's pension assets during the five-year period 1997-2001.

Pension companies can capitalize on the decade-long investment period of their pension assets, provided that their solvency is capable of withstanding the fluctuations in investment values. In the 1997 reform, the solvency requirements were made dependent on the risk content of the company's investment portfolio. The better the solvency, the greater the risk can be, and the more risk a portfolio can carry, the higher the expected return.

Prudential rules are also needed, as the administration of the statutory private-sector earnings-related pension insurance scheme is decentralized. Pension insurance companies, company pension funds and industry-wide pension funds share responsibility for the portion of pension security that is not funded in advance. In addition, the earnings-related pension scheme involves a guarantee system under which the pension institutions are jointly liable for paying an employee's pension should a pension institution become insolvent.

Solvency limits

The solvency regulations provide various limits for defining a pension company's solvency which are dependent on how the company's investments are spread over different types of asset. The solvency capital is also measured against these limits. The upper limit of the target zone has been gauged so that solvency capital larger than that can no longer be based on the management of investment risks. By contrast, the solvency border indicates the level under which the solvency capital should not fall.

According to the solvency regulations, a pension company can operate throughout the area between the solvency border and the target zone upper limit when assessing the risks it can take. There is also a third limit for follow-up purposes, the lower limit of the target zone, which is double the solvency border. The definition 'target zone' has proved misleading since it gives the idea that it would be inadmissible to allow the solvency capital to fall below the target zone. However, a temporary drop can be fully justified when seeking better return potential over the long term.

Ilmarinen follows a return-oriented investment strategy

Ilmarinen aims to meet its social responsibility as administrator of substantial earnings-related pension assets to the best of its ability. Hence, our standard investment and solvency strategies conform with this principle. To the extent permitted by Company solvency, we seek to gain the best possible return on our investment portfolio. Better return increases our solvency and is partly channelled to clients as discounts on their insurance contributions.

How far a pension company can distribute bonuses to its clients depends partly on the size of its solvency capital and partly on its solvency relative to its own portfolio risk. This principle creates a firm link between a pension company's success and the benefits gained by the entire earnings-related pension insurance system. In order to do well in the competition over bonuses, the company must first succeed in building up its solvency.

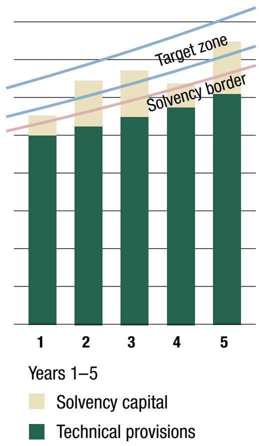
Thanks to its solid financial standing, Ilmarinen is able to pursue a return-oriented investment policy. Nevertheless, annual fluctuations in solvency and investment yields are an inescapable consequence of such a plan. In good times, yields are high whereas in bad times the yields are low and the solvency capital falls.

Risk management at many levels

Ilmarinen has established its investment strategy so that the solvency capital is expected to stay between the target zone upper limit and the solvency border under all phases in the economic cycle. It is our aim to make the most of our high solvency in order to attain the highest possible return on investment. So far, the solvency capital has never fallen anywhere near the solvency border. At the end of September, for example, when Ilmarinen's solvency was at its lowest during 2001, it remained close to the target zone lower limit.

Multi-level risk management is vital to long-term success in investment operations. Each year, the Ilmarinen Board agrees on an investment plan that fixes the acceptable level of risk and a long and short-term investment allocation. The investment plan is based on a report by the Ilmarinen actuary on what the technical provisions require from investment activities. The related deci-

Example of the solvency capital mechanism



sion-making authority is defined at the same time.

The Ilmarinen Board receives a detailed monthly report on investment operations, the measures taken and profit trends. Management of investment risks is also guided in accordance with the Board's risk management plan. In addition, those involved in investment operations are subject to insider trading rules.

Diversifying risk over several asset classes is the most important risk management tool. Ilmarinen seeks to diversify its risk by investing in various types of assets while at the same time securing the highest possible return on its portfolio.

Managing the risks of different asset classes

Different risk management methods are used for each asset class. Risk inherent in equity investment is reduced by diversification among geogpraphical areas and business sectors. The risks are also diversified among individual companies. Company-specific diversification of risk has reduced our equity portfolio's dependence on individual share prices. Moreover, as our holdings in individual companies are moderate, the weighting of equities can be reduced easily when needed without having much effect on the price level. Hedging has also been increased because of the growing volume of equity investments outside the euro area.

Real estate properties owned by Ilmarinen are mainly located in the Helsinki area. The risk attached to real estate investment is assessed relative to company-specific criteria concerning location, use and size. Choice of properties and timing of purchase and sale also play an important role in risk management. The annual yield demands from real estate investment vary, depending on the geographical area and use of the property.

The loans granted by Ilmarinen to its clients are based on estimates of the client's financial standing and the future prospects. In addition, as they are mostly granted against bank guarantees and good collateral, the risk of credit losses is well under control. During the last five years, bad debts totalled only some EUR 0.2 million.

Lower share prices hurt investment result

In its investment operations, Ilmarinen aims at the highest possible return over the long term, though without incurring any risk to solvency capital greater than the solvency requirements or the Board of Directors specify.

World economy goes into recession

Global growth started slowing down appreciably in 2001. The main reasons were the collapse in the IT sector and the delayed impact of the previous year's interest rate increases on consumer demand. As the year went by, however, several signs of a coming revival were visible: the price of oil fell, interest rates were cut, money supply was increased and several countries started to pursue an expansionary fiscal policy.

The United States reacted most aggressively of all to signs of recession. It slashed short-term interest rates, reduced taxes and gave substantial support to the sectors that suffered most from the terrorist attacks in September. Right at the end of 2001 the first signs began to be seen of a gradual revival in the US and elsewhere.

By contrast, the Japanese economy once again recorded negative growth in 2001, and suffered from deflation. The country still proved unable to struggle out of its decade-long recession. Its price competitiveness is weak compared with neighbouring countries, interest rates are close to zero and the public debt has grown considerably. The slow pace of structural change indicates that no firm upswing in the economy can be expected in the near future.

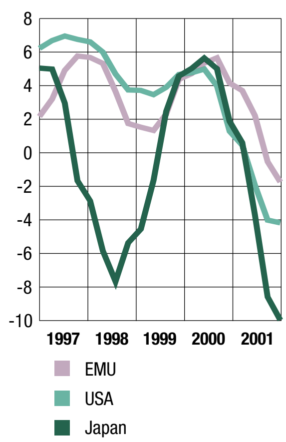
The euro zone, too, suffered from slow growth, though its difficulties were somewhat alleviated by the relative equilibrium achieved in its economic structures in earlier years. As current accounts remained in surplus and public finances remained within the balance limits laid down in the Maastricht Treaty, interest rates did not get cut aggressively. The improved economic position of the euro zone was also reflected in the stability of the long-declining euro against the dollar.

The Finnish economy stopped growing in 2001 after a long upswing. Exports declined and the pace of investment growth slowed. The increase in private consumption remained at the level in previous years. Growth is expected to pick up towards the end of 2002 as the international economic cycle revives.

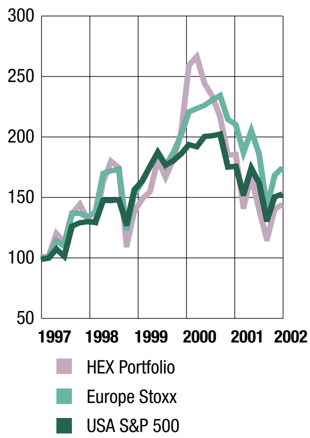
Another year of falling stock markets

For the second year in succession stock markets yielded negative returns, with prices on the main markets falling an average of some 15%. Differences in return between the various sectoral groupings became more pronounced. On the whole, prices remained stable for undervalued cyclical stocks susceptible to economic flux. Prices also fell only slightly for less defensive equities. Prices in so-called growth sectors, such as the IT industry, continued to fall, and though they recovered sharply at the end of the year, the average decline in equity values at the annual level was around 40%.

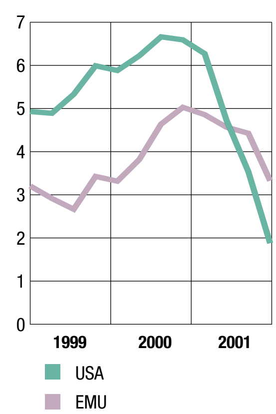
Change in industrial output



Stock market performance
(Dec. 31,1996 = 100)

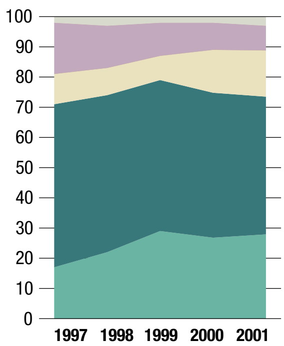


3-month rates



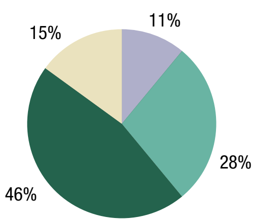
THE AVERAGE RETURN ON ILMARINEN INVESTMENTS AT CURRENT VALUES OVER THE PAST FIVE YEARS HAS BEEN 7.9%.

Structure of Ilmarinen's investment assets



Breakdown of investment assets on Dec. 31, 2001

Total EUR 14,365.7 mill.



Interest rate cuts

Slow economic growth and weak inflationary pressure left room for cuts in both short-term and long-term interest rates. As a result, fixed-income investments generated a better return than the equities market for the second year in succession. However, long-term rates did not fall as sharply as short-term rates, as higher growth and higher inflation figures are expected in the longer term. In fact, long-term rates started to rise slightly, reflecting stock market reaction to September 11, though central bank rates were cut.

Free office space on the increase

The effects of the downturn in the IT sector were felt on the rental office market, too, in 2001. Companies that had rented new offices in expectation of continuing expansion started to sublet them as their growth rates slowed. Due to declining demand, a large amount of space is becoming vacant. However, vacancy rates remained very low during 2001. In Helsinki, for instance, the rate rose only minimally, from 1.5 to 1.7%, though the figure is expected to reach close to 5% during 2002.

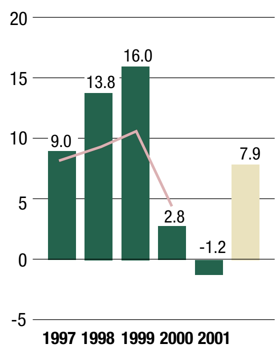
At year-end, the decline in demand for office space caused by economic uncertainty resulted in a slight fall in rent levels. As demands on return from real estate investments rose at the same time, property prices and building costs stopped rising for the moment at least.

Income from Ilmarinen investments slightly negative in 2001

By adjusting the weightings of its various asset classes, Ilmarinen aims to increase the return on its investment portfolio and to diversify the risk. As a major investor in the Finnish market, the Company has also spread the risk through investing overseas. Nearly 54% of its equity investments and 56% of its bond investments were outside Finland at the end of 2001. Ilmarinen engages in real estate investment and customer financing only in Finland.

The average return on the Ilmarinen investment portfolio at current values over the past five years has been 7.9%. This means an average real return of 6.0%.
In 2001 the whole portfolio yielded a slightly negative return of -1.2%.

Investment income at current values



Fixed-income instruments

The average maturity of the fixed-income portfolio in the early part of the year was about five years, and the percentage of corporate debt was kept low. Towards year-end, as economic prospects improved, the portfolio's duration was shortened by about 8 months. The percentage of corporate debts was also increased, as the return spread relative to government bonds had grown exceptionally large and the probability of an economic upswing was increasing.

Among fixed-income instruments, the return on bonds in 2001 was 5.8% and on other debt securities and deposits 4.5%. The return on fixed-income investments at current value totalled 5.7%.

Equity investments

Ilmarinen continued with the geographical and sectoral diversification of its equity portfolio that it had started in 2000. Whereas equities quoted in Finland accounted for 75% at the end of 1999, the figure was only 46% by the end of 2001. This shift in turn helped to slow the decline in portfolio value in 2001. The proportion of US equities in the portfolio was increased most, and that of growth stocks reduced most. At the end of 1999 the latter accounted for 47% of the portfolio, but by the end of 2001 the figure was only 22%.

By decreasing the proportion of equities showing the largest price variations Ilmarinen also reduced the risk of excessive fluctuation in its solvency. Most new equity investments have been in defensive stocks offering maximum price stability.

Diversification of the risk attached to individual shares also continued. Whereas the five biggest holdings accounted for about 50% of the total portfolio at the end of 1999, by the end of 2001 the figure was only 24%. The return on equity investments at current values in 2001 was -17.2%.

Real estate investment still stable

Ilmarinen's real estate investments aim primarily at ensuring that overall return fulfils the long-term target set in the investment plan at an acceptable risk. Another central goal is to manage property administration, maintenance and rental well and efficiently. Ilmarinen's fully owned subsidiary Antilooppi Oy is in charge of these operations.

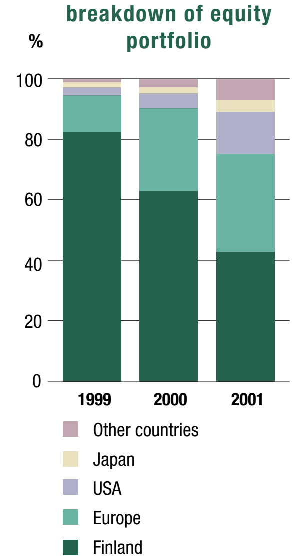
The net increase in the Ilmarinen real estate portfolio in 2001 was EUR 138 million. Real estate investments accounted for about 15% of the whole investment portfolio at year-end, and yielded an overall return of 7.4% at current values.

Ilmarinen completed two construction projects in the autumn: Finland's second largest shopping centre – the Iso Omena complex in Espoo west of Helsinki, and the Pekuri shopping centre in Oulu. Other major projects finished during 2001 were the HTC office complex in Ruoholahti, Helsinki, the Libri-Logistiikka logistical centre in Veromies, Vantaa, and the Martela headquarters in Pitäjänmäki, Helsinki. Projects still in progress at the end of the year included the Meconet factory extension in Vantaa and a 30,000 m^2 central warehouse project in Nokia for Nokian Tyres.

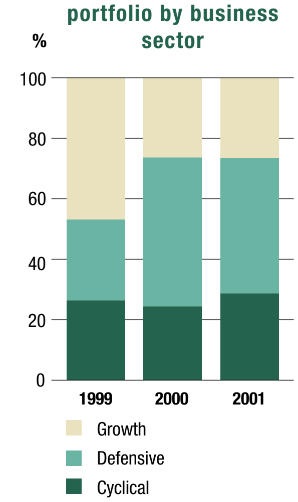
Free-market rental housing projects were started in 2001 in the Haaga area of Helsinki and in Jyväskylä. No new housing projects were completed in 2001.

Sale of properties in the Ilmarinen portfolio marked down for realization continued in 2001, to a total value of some EUR 73 million. At the end of the year Ilmarinen signed a preliminary agreement with Nokia on purchase of the new Lepakko building in

Geographical breakdown of equity portfolio



Breakdown of equity portfolio by business sector



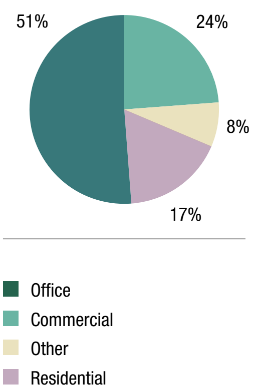
Growth = business sectors in which growth in turnover is above average

Defensive = less sensitive business sectors

Cyclical = highly sensitive business sectors

Ruoholahti, Helsinki, for new Company offices. The building will be completed in spring 2002 and Ilmarinen will move in during the summer.

Real estate by use on Dec. 31, 2001
Total EUR 2,188.2 mill.



More demand for customer financing

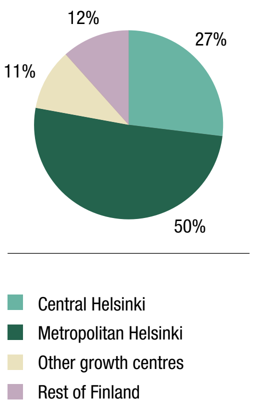
Ilmarinen grants TEL premium loans and investment loans to client companies. In 2001 the loan portfolio grew by EUR 46 million. EUR 325 million in new loans were drawn down. Loans under bank guarantees and loans to banks and financial institutions accounted for 87% of the total, while the remainder comprised loans against prime collateral.

The average interest rate on TEL premium loans was 4.5% and that on investment loans 5.4%. Return on customer financing at current values was 4.8%.

No credit losses were incurred from loans in 2001 and total credit losses over the last five years come to only EUR 0.2 million. Non-performing loans granted against prime collateral accounted for 0.1% of the total at year-end.

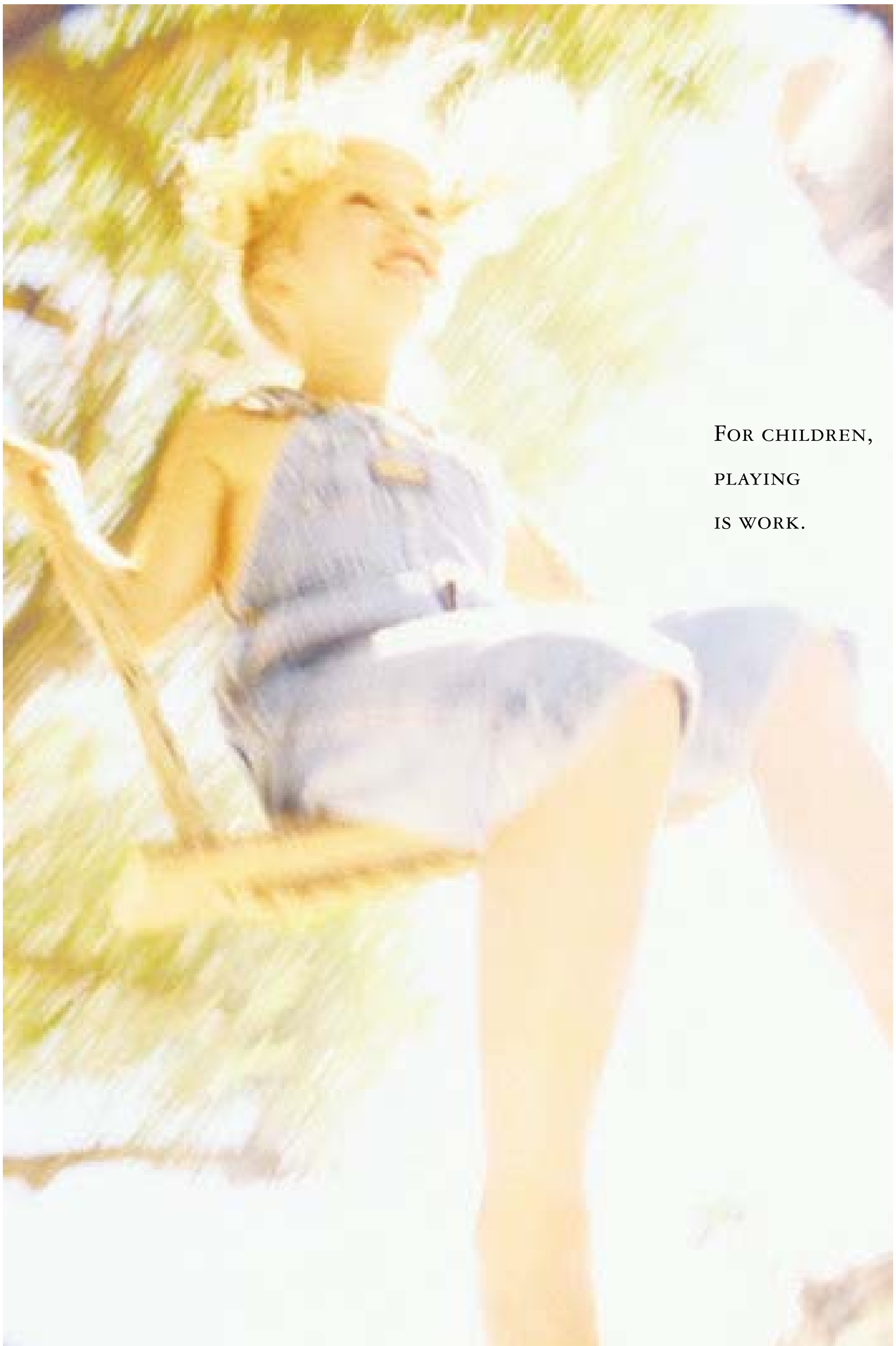
A change in premium lending that is welcomed by clients has come into effect in the beginning of March, 2002. A company can now draw down a TEL premium loan, i.e. its accrued fund share, without forfeiting its client bonus.

Real estate by location on Dec. 31, 2001
Total EUR 2,188.2 mill.



Total loans to clients, EUR mill.

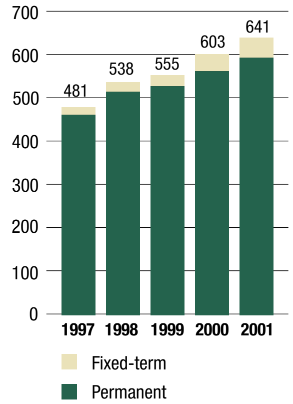
	1991	1996	2001	2001 return %
TEL premium loans	2,383	1,900	1,174	4.6
Investment loans	893	282	424	5.8
Total	3,276	2,182	1,598	4.8


For children,
playing
is work.

Skilled personnel bring increased competitiveness

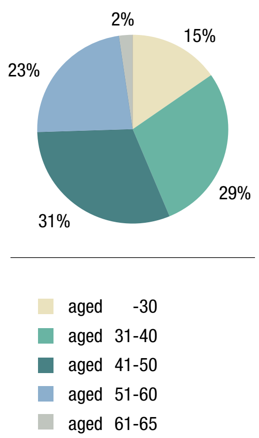
In conjunction with publication of the Annual Report, Ilmarinen is also publishing separate human resource accounts. The 2001 accounts focus on the development of human resources.

Trend in staff number



Staff age distribution on Dec. 31, 2001

Average age 43 for women and 42 for men



Ilmarinen credited with being a good employer

At the end of 2001, Ilmarinen staff numbered 641. The average age of Ilmarinen employees is 42. In 2001, personnel turnover was less than 5%. More than half the personnel have had a secondary or an upper secondary education, 30% have an academic degree and some 15% only a comprehensive education. 72% of the staff are women. The percentage of women in supervisory or managerial positions is 59.

Ilmarinen scored well in the annual survey on Company management and policies. Ilmarinen was credited with being a good employer and providing a good work organization; relations among the employees and the independent nature of the work were also plus factors. Tight schedules and human resource management were criticized most.

Suggestions made by the staff numbered 99, about every fifth of which was rewarded. The suggestions concerned environmental issues, work processes, client service situations and job satisfaction.

Managing staff competence is part of business development

At Ilmarinen, our core areas of competence are clearly designed and we have mapped out each individual's occupational skills and know-how. This information is then utilized in, for instance, performance reviews and further discussions about the employee's development needs. Management and development of employee skills and know-how in line with our competence strategy is part of our continuous development process.

The personnel development team, the business units and the data administration unit all have a role in staff training.The number of training days totalled 5,432, i.e. almost 9 days per employee.

Maintaining and promoting well-being at work

Maintenance and promotion of staff well-being and competence are set as objectives in the scorecard which is one of Ilmarinen's management tools, showing how important the Company considers the well-being of its staff. Company health care endeavours to prevent impairment of employee working capacity through rehabilitation and other means that suit the individual and the work organization best. In addition, well-being at work is also promoted at Ilmarinen through our own Motivo programme.

Two surveys on well-being at work were carried out in 2001, i.e. an annual survey on Company management and policies and a work ability index study. Both of the above studies revealed that Ilmarinen has succeeded in promoting its staff's working and functional capacity both physically and socially. 85% of the 383 employees who had answered the work ability questionnaire had excellent or good working capacity; 13% had moderate and only 2% poor working capacity. A third of the employees with poor or moderate working capacity were taking part or had earlier taken part in the various rehabilitation groups.

Incentives for objectives attained

At Ilmarinen, rewards to the personnel are based on assessment of certain success factors defined in the scorecard. The entire staff are entitled to the company bonus depending on how far the objectives set in the scorecard have been achieved. A Unit-specific or personal bonus is also paid on a similar basis.

Financial statements 2001

This publication presents the profit and loss accounts and balance sheets included in the official financial statements of Ilmarinen and the Group. The Ilmarinen Group comprises Ilmarinen and 199 subsidiaries.

Part of the notes to the official financial statements have been omitted since they are almost identical in both the parent company and the Group, or they are otherwise of minor importance, or because the same information is apparent from the Board of Directors' Report. The following notes were omitted:

- statement of source and application of funds
- investment in real estate
- specification of investment in affiliated undertakings and participating interests
- changes in tangible and intangible assets
- specification of receivables
- inner-circle loans
- specification of debts other than technical provisions
- notes to consolidated accounts excluding specification of net investment income, operating expenses and capital and reserves plus specification of costs of staff members and corporate organs.

The accounting principles are given on pages 40-42. The concepts and terms used in the financial statements are explained in the Guide for readers on pages 70-71.

The monetary unit used in this publication is one million euros. The figures released here have been converted into euros by the conversion rate EUR 1 = FIM 5.94573.

The Finnish-language official financial statements of Ilmarinen and the Group are on display at Ilmarinen's offices in Eerikinkatu 41, Helsinki.

Board of Directors' report

The operating environment

Finnish economic growth slackened in 2001. Total output stopped rising, and in autumn the decline in unemployment that had lasted several years came to a halt. Share prices slumped. Once the autumn was over, there were signs of recovery but at year-end stock quotations were well below what they had been a year earlier. The good thing was that interest rates remained low and inflation slackened again, after showing signs of accelerating the previous year. The immediate future is marked by uncertainty, though there is some indication of an upward turn.

Employment among Finland's ageing workforce continued to improve, supporting the widely advocated goal of reducing premature retirement. There were no major changes in the number of pensions starting before the normal age for old-age pension.

On November 12, 2001 the social partners signed an agreement in principle aimed at postponing the average retirement age. The changes agreed on include both less attractive terms for the various forms of early retirement and improvements in vocational rehabilitation. Earnings-related protection for the ageing long-term unemployed will gradually be transferred under the unemployment insurance system. Ways of retiring on old-age pension will be made more flexible and more incentives, based on better pension security, will be created to encourage people go on working. The new agreement also builds on the desire to simplify the legislation on employment pension. This presupposes that agreement can be reached on a standard rule for calculating pensionable pay that suits all private-sector fields. Negotiations will continue and, depending on how successful they are, the changes concerning this rule and the plans designed to simplify the system will take effect either in 2005 at the same time as the other reforms, or not until at the beginning of 2011.

The financial standing of the earnings-related employment pension system continues strong. The 2002 pension contribution under the Employees' Pensions Act (TEL) will remain at the 2001 level. This is possible because the total wage bill insured used as the basis for calculating contributions has risen rapidly, while retirement has remained moderate. In the next few years, however, the contribution rate will inevitably start rising as the 'baby boomers' reach retirement age. The most important ways of alleviating pressure to raise pension contributions are to defer retirement and to increase return on investments. Maintaining a balance between a rising contribution rate and the economy's financial capacity is a matter for continuing collaboration between the social partners and the earnings-related pension system.

Collaborative arrangements affecting the insurance business

The restructurings of the Finnish insurance business that started in 1999 still continued in 2001. They affect Ilmarinen to a considerable degree, as well as the various life and non-life insurance companies that work with it.

Pohjola Group Insurance Corporation and Conventum Limited combined to form a new insurance and investment service group. Non-life insurance remains Pohjola's core business, but the move expanded the company's operations into asset management, mutual funds and investment banking. The OKO-BANK Group Central Cooperative gave notice on its agreement with Ilmarinen concerning the sale of employees' and self-employed persons' pension insurance, and this ended on December 31, 2001.

Pohjola decided to transfer its remaining non-life insurance to Pohjola Non-Life Insurance Company Ltd, and subsequently Pohjola Group Insurance Corporation turned into a holding company called Pohjola Group plc. Pohjola's former share series, which carried different voting rights, were combined in January 2002. As voting restrictions under the Insurance Companies Act no longer applied to Pohjola Group plc because of its conversion into a holding company, Ilmarinen's voting power in Pohjola is now the same as its shareholding, i.e. 25.38%.

During 2001 Pohjola and A-Vakuutus negotiated arrangements whereby the latter's insurance portfolio was transferred to a subsidiary fully owned by Pohjola (A-Insurance Company Ltd) on December 31, 2001.

Ilmarinen result and solvency

The number of employees insured with Ilmarinen and the total wage bill insured rose in 2001. The underwriting business continued to show a surplus.

The sharp fall in share prices made 2001 an extremely difficult year for investment operations. As a result the net income on Company investments at current values was negative and the solvency capital fell to EUR 2,940.8 million, compared with EUR 3,749.3 million in 2000.

Despite this decline in solvency capital, Ilmarinen is still a financially stable company. The limits monitoring an employment pension company's solvency capital depend on the risk content of its investment portfolio. The upper limit of the solvency capital target zone is four times the solvency border. Despite the unfavourable investment market, Ilmarinen's solvency capital at year-end was 2.3 times its solvency border, compared with 3.4 times at the end of 2000. On December 31, 2001 the solvency capital stood at 25.5% (35.4% in 2000) of the technical provisions.

Solvency is crucial for an earnings-related pension insurance company in many respects. It safeguards its risk-taking capacity. Good solvency also makes it possible to build up and maintain an investment portfolio that offers substantial long-term yield potential. The sum available for client bonuses depends on the company's solvency capital and solvency position. Ilmarinen's solvency more than meets these needs.

An earnings-related pension insurance company's official profit and loss account and balance sheet do not give an adequate and comparable picture of its financial performance and standing. The Finnish pension companies have therefore agreed that they will present their result information at current values and in a uniform manner. The information on total result and the investment result given below is presented in line with these principles.

The total result for 2001 was EUR -690.7 (-54.1) million. The underwriting business showed a profit of EUR 72.6 (58.4) million, while the loading profit was EUR 12.5 (7.4) million. The income on investment at current values was EUR -179.0 (386.6) million, which is EUR 775.8 (119.8) million below the EUR 596.8 (506.4) million interest that has to be credited to technical provisions.

The loss in overall result and the investment loss were both caused by falling share prices, which led to a EUR 477.6 million slump in valuation differences. The total sum of value adjustments entered in the bookkeeping was EUR -457.2 million.

An earnings-related pension insurance company's financial result must be judged over several years. Ilmarinen's good level of solvency, large relative investment in equities and good return level over the long term mean that, overall, it suffers from larger than average fluctuation in its annual performance. Taken over the period 1997-2001, the Company has shown an average profit of EUR 469.1 million a year.

The profit from the underwriting business must be transferred to the equalization provision according to the actuarial principles approved by the Ministry of Social Affairs and Health.

EUR 40.4 (84.1) million is earmarked for contribution discounts. This is 0.45% (1.05) of the wage bill insured and EUR 115 (251) per employment relationship insured with Ilmarinen. The sum is less than usual, but highly competitive compared with other employment pension insurance companies.

The book loss and client bonuses will be covered by releasing the provision for future bonuses, which acts as a buffer against fluctuations in investment activities. In all, the amount released from the buffer is EUR 337.2 million.

Insurance portfolio and premium income

Transfer of TEL policies during the year was extremely beneficial to Ilmarinen. A total of 6,400 TEL insured were transferred to Ilmarinen as of the beginning of 2002, boosting annual premium income by some EUR 35 million. Transfer of YEL policies, by contrast, showed a loss. The Company's market share calculated in terms of the TEL wage bill insured is expected to have grown.

At the end of 2001 the Company had 31,982 (32,351) TEL policies, covering 351,000 (335,000) insured employees. The number of policies fell 1% on 2000, but the number of insured rose 4.8%. The wage bill insured with Ilmarinen was EUR 8,922.6 (8,025.2) million, up 11.2% on 2000.

At the end of the year Ilmarinen had 49,386 (49,938) YEL policies, with average reported income of EUR 15,431 (14,751) a year. This marked a roughly 4.6% increase on 2000, i.e. more than the TEL index, which rose 4.1%.

Ilmarinen's premium income in 2001 totalled EUR 1,989.6 (1,764.8) million.

EUR 1,839.5 (1,623.7) million in TEL contributions was recorded. This meant a 13.3% increase in premium income, mostly as a result of the rise in the wage bill insured. The discounts granted on contributions in 2001 totalled EUR 97.5 million compared with EUR 95.0 million the previous year.

Premium income from YEL policies totalled EUR 150.1 (141.1) million.

Bad debts from unpaid TEL contributions came to EUR 6.1 (5.6) million, and from unpaid YEL contributions to EUR 3.9 (4.7) million. As a company, Ilmarinen did not incur any losses from YEL contributions, however, because in the YEL system the government compensates for any premium income not received from policyholders.

Contribution rate

The average TEL contribution approved for 2001 was 21.1%, i.e. 0.4 percentage points less than in 2000. The employee paid 4.5 percentage points and the employer an average of 16.6 percentage points. The rate of contribution payable by the employer varies from policy to policy, and also depends on the client bonuses granted by the employment pension company. Ilmarinen's client bonuses have averaged 6.7% of the employer's contribution, i.e. over double the average bonus paid out by other employment pension insurance companies.

In 2002 the TEL contribution will average 21.1% of wages paid, i.e. the same as in 2001. When the contribution is fixed, client bonuses are only estimates. As of 2002, a new practice was introduced whereby the difference between estimated and actual client bonuses is taken into account in setting the employee contribution. For this reason the employee contribution is being cut 0.1 percentage points in 2002, while the employer's average contribution will rise correspondingly.

In 2001 the YEL contribution was 21.0% of the reported income confirmed under YEL. In 2002 the figure will be 21.1%.

Pensions and working capacity maintenance

In 2001 Ilmarinen paid out altogether EUR 1,642.2 (1,481.7) million in pensions.

At the end of the year there were 224,849 pension recipients, i.e.

Pension expenditure by type of pension in 2001, EUR mill.

	TEL	YEL	Total	% of total expenditure
Old-age pensions	771.0	82.3	853.3	51.9
Early old-age pensions	82.5	11.9	94.4	5.8
Part-time pensions	18.3	5.8	24.1	1.5
Disability pensions	271.0	26.1	297.1	18.1
Individual early retirement pensions	53.1	4.3	57.4	3.5
Unemployment pensions	137.4	2.0	139.4	8.5
Survivors' pensions	156.3	20.2	176.5	10.7
Total	1,489.6	152.6	1,642.2	100.0

Number of pension recipients, Dec. 31, 2001
Benefits under basic coverage

Pension type	TEL	YEL	Total
Old-age pensions	102,309	13,887	116,196
Early old-age pensions	9,786	2,365	12,151
Part-time pensions	3,517	1,091	4,608
Disability pensions	32,452	4,368	36,820
Individual early retirement pensions	4,558	664	5,222
Unemployment pensions	13,216	301	13,517
Survivors' pensions	30,481	5,854	36,335
Total	196,319	28,530	224,849

2.7% more than a year earlier. 196,319 (191,237) people received TEL pension and 28,530 (27,695) YEL pension.

Of all recipients of pension, 57% received old-age pension and 16% disability pension. The number of recipients of individual early retirement pension fell to just over 2%. Unemployment pension recipients remained at around 6% and survivors' pension recipients at around 16%. The relative increase in the number of part-time pensions continued, but more slowly than in 2000. Recipients of such pensions accounted for about 2% of the total.

Ilmarinen made 17,643 pension decisions in 2001, 7.5% more than the previous year. The increase was greatest in early old-age pensions, unemployment pensions and part-time pensions. 4.4% more disability pensions were granted than in 2000 and 6.7% more individual early retirement pensions. These pensions thus halted their long decline and started to rise slightly. Ilmarinen maintained both the quality and the speed of its application handling.

Some 25,700 individual pension coverage reports were supplied in response to customer enquiries.

Ilmarinen's Motivo programme backs up client companies' efforts to maintain the working capacity of their personnel. Together with specialists in the field, Ilmarinen organized 133 training sessions on related matters.

Ilmarinen continued to support its client company employees' rehabilitation by offering advisory training in vocational rehabilitation, as well as counselling and expert help at the initial stage of rehabilitation planning, for both rehabilitees and client company employees. During the actual rehabilitation period, Ilmarinen pays benefits in accordance with the law on employment pensions to ensure an adequate income for the rehabilitee and to reimburse the costs incurred during training. In 2001 Ilmarinen paid out rehabilitation allowance or pension-related rehabilitation increment to 567 insured during vocational rehabilitation. The number of rehabilitees was 7% up on 2000.

Insurance business, technical provisions and assets covering technical provisions

At the end of 2001 the provision for unearned premiums and claims outstanding totalled EUR 13,519.6 (12,954.5) million. The provision for future bonuses included in the solvency capital stood at EUR 1,935.2 million at year-end, a fall of EUR 337.2 million, compared with an increase of EUR 814.5 million during 2000. In other respects, technical provisions rose 8.4%. The Company posted an underwriting profit of EUR 72.6 (58.4) million, or 0.8% of the wage bill forming the basis for the insurance contributions. As a result, the equalization provision included in the provision for claims outstanding rose to EUR 726.8 million. This exceeds the upper limit laid down in the calculation bases. The upper limit will in all probability be adjusted during 2002, and if necessary the pension companies' common calculation bases will be changed. The technical rate of interest rate that regulates the percentage of investment income to be transferred to technical provisions was 5.75% during 2001, but was reduced to 5.25% at the beginning of 2002.

Assets covering the technical provisions, calculated according to the rules, came to EUR 14,364.8 (14,040.8) million.

At the beginning of 1997 some of the technical provisions of the bankrupt Kansa Pension Insurance Company were transferred to Ilmarinen. No assets were transferred to Ilmarinen from the special Kansa Pension receivership in 2001, however. The amount included in Ilmarinen's 2001 TEL premium income because of the Kansa Pension bankruptcy was EUR 17.8 (16.1) million. The EUR 33.5 (48.4) million difference between the technical provisions transferred from the Kansa Pension receivership and the assets already received was entered in the balance sheet as receivables from portfolio transfer as at December 31, 2001. Of this amount, EUR 26.0 (26.0) million represents the estimated value of the assets still to be transferred to Ilmarinen, and the remaining EUR 7.5 (22.4) million is considered refunds from the provision for joint and several liability. This receivable will be collected with future contribution payments in later years, so Ilmarinen will not incur any loss.

Investment

At the end of 2001, Ilmarinen's investments at current values totalled EUR 14,365.7 (14,255.5) million. Aggregate investment income at current value was -1.2%. The figure was exceptionally low because of the stock market slump. In 2000, return on the investment portfolio was 2.8%. The average return on Ilmarinen's investment portfolio at current values over the last five years has been 7.9%, corresponding to a mean real return of 6.0%.

Last year, fixed-income investments accounted for 46% (48) of investment assets. At the end of the year the market capitalization of the fixed-income portfolio was EUR 6,561.9 (6,825.6) million, with debt securities accounting for EUR 675.5 (356.1) million, or about 10.3% (5.2). The return on fixed-income investments at current values was 5.7% (6.3). At year-end the average term-to-maturity of the portfolio was 4.3 years.

The value of the equities portfolio decreased because of falling share prices, but Ilmarinen nonetheless continued to purchase equities. At year-end, equities accounted for 28% (27) of investment assets, or EUR 3,992.0 (3,805.7) million. Foreign equities represented about 54% (40) of this total, or some EUR 2,145.5 (1,511.9) million. The unsatisfactory performance of stock markets reduced the return on Ilmarinen's equity investments at current values to -17.2% (-5.4). During 2001 the HEX portfolio index fell 18.2%, the S&P 500 index 8.3% and the DJ STOXX Europe index 15.5%.

The market capitalization of Ilmarinen's holding in Pohjola was EUR 259.1 million at year-end, or 1.8% of the total investment portfolio and 6% of investments in equities.

The equities portfolio also includes investments in private equity funds and hedge funds, which Ilmarinen has systematically increased over the last few years. At the end of 2001 these funds accounted for about 2.6% of investment assets.

At year-end real estate investments totalled EUR 2,188.2 (2,050.0) million, and 15% (14) of the total portfolio. The return at current values was 7.4% (7.8).

Loans granted to clients increased 3% in 2001. EUR 325.0 (155.8) million in new loans was drawn down, while EUR 279.3 (270.3) million was repaid. The whole loan portfolio at year-end totalled EUR 1,623.6 (1,574.2) million, including accrued interest. This is 11% (11) of the total investment portfolio. The return on loan receivables was 4.8% (4.6).

Personnel

Ilmarinen employed an average of 625 people in 2001, against 582 a year earlier. At year-end the total was 641 (603), 46 (39) of these fixed-term. The subsidiary Antilooppi Oy, which administers Ilmarinen's real estate, employed 75 (58) people at year-end.

Information technology

Converting Ilmarinen's information systems to the euro took up substantial resources in 2001. The euro project had already started in 1999 and work was completed to schedule and to plan. The estimated numbers of working hours needed for the project were undercut. The quality of the end result was good and no serious problems have arisen.

Ilmarinen had to put large inputs into virus protection. The number of virus attacks rose many times over in 2001, but with the appropriate countermeasures major difficulties were avoided. Ilmarinen suffered no losses or leakages of data, but had some problems with the usability of web services, like many other organizations.

Replacement of basic systems continued, this time with the pensions payment software and the system managing YEL policies. Work on these systems continues.

Administration

The Ilmarinen Supervisory Board meeting on November 29, 2001 elected the members of the Board of Directors for 2002-2005. The new members are George Berner and Eero Heliövaara, and Timo Parmasuo is a new deputy member. Esko Rinkinen, Antti Tanskanen and deputy member Matti Kavetvuo all left the Board.

The Board of Directors meeting on January 16, 2002 re-elected Heikki Hakala as Chairman, and Lauri Ihalainen and Johannes Koroma as Deputy Chairmen.

Ilmarinen continues to work on good corporate governance. The Company has a risk management plan to cover all its operations. When the investment plan is drawn up, the level of risk to be adhered to in investment and its component areas relative to solvency is fixed, together with the decision-making powers needed for investment operations. Insurance business risk management employs technical analyses and calculation bases meeting the prudence requirements of the law. The risk management plan specifies the procedures to be observed by each business sector related to individual risks or risk areas, and how adequate internal supervision can be ensured using both internal and external audits. Insider instructions for the staff were drafted during the year and approved by the Board of Directors on January 16, 2002.

The Ilmarinen Group includes the parent company Ilmarinen and the subsidiary Antilooppi Oy, which administers real estate companies and properties. The most important associated company is Pohjola Group plc. There are 199 subsidiaries altogether. The Ilmarinen subsidiaries Ilmarisen Liikekiinteistöt Oy and Kiinteistö Oy Nars were merged into the parent company on November 30, 2001.

In November 2001 Ilmarinen signed a preliminary agreement on acquisition of the entire capital stock of the Kiinteistö Oy Helsingin Lepakko real estate company. The deal will be finalized early spring 2002. Ilmarinen's entire operations will be moved into the new building in the Ruoholahti district of Helsinki during the spring and summer. About one third of the space will be leased to other users.

Ilmarinen has EUR 22,994,653.31 in guarantee capital, divided into 13,672 shares. As part of the restructuring arrangements between A-Vakuutus and Pohjola, the shares held by A-Vakuutus were transferred on December 28, 2001 to Pohjola Group Insurance Corporation, now called Pohjola Group plc. On December 31, 2001 the owners of this guarantee capital, and their shares, were as follows:

	Guarantee shares	%
Pohjola Group Insurance Corporation	9,375	68.6
Suomi Mutual Life Assurance Company	4,037	29.5
Pohjantähti Mutual Insurance Company	260	1.9
	13,672	100

Future prospects

Since the beginning of 2002 there have been signs of an economic revival. Share prices have fluctuated around the year-end level. No major changes took place in Ilmarinen's solvency position early in the year compared with the previous quarter.

The passed slump period showed that, thanks to its good solvency, Ilmarinen can consistently pursue an investment strategy directed at good returns in the long term even during difficult times. Consequently, in future, too, a large proportion of the Company's investments will continue to be in Finnish and foreign equities. This strategy reflects to targets set by the earnings-related pension insurance companies for their investment activities. Though this strategy will generate a high level of return over the longer range, the volatility of the investment market, and especially equities, finds clear reflection in annual performance. The investment result for 2002 will largely depend on whether stock market uncertainty continues or the year proves to be a time of rising share prices.

The maximum amount of client bonus transfers is dictated by the company's solvency capital, on the one hand, and by its solvency position relative to its own investment portfolio risk, on the other. Ilmarinen expects that its relative standing in the competition concerning bonuses between employment pension insurance companies will remain good.

The working group set up by the Ministry of Social Affairs and Health to study the competition framework among the employment pension insurance companies and other bodies offering statutory earnings-related pension insurance submitted its report on February 15, 2002. It recommends that it would be possible to set up a company pension fund handling statutory pensions security by means of a 'fund transfer' from an employment pension insurance company. If such transfers are made on a major scale, they would have a negative effect on Ilmarinen's future insurance portfolio. In itself, making a better return on investment the object of competition fits in well with Ilmarinen's own operating policy. It also supports financing of the employment pension system in the longer term.

Profit and loss account

Technical account	Parent company		Group	
EUR mill.	**2001**	**2000**	**2001**	**2000**
Premiums written	**1,989.6**	**1,764.8**	**1,989.6**	**1,764.8**
Investment income	**1,330.1**	**1,867.5**	**1,020.2**	**1,639.8**
Claims incurred				
Claims paid	-1,651.5	-1,489.7	-1,651.5	-1,489.7
Change in provision for claims outstanding				
Total change	-451.1	-526.1	-451.1	-526.1
Portfolio transfers	2.6	119.2	2.6	119.2
	-448.5	**-407.0**	**-448.5**	**-407.0**
	-2,100.0	**-1,896.7**	**-2,100.0**	**-1,896.7**
Change in provision for unearned premiums				
Total change	-114.0	-1,345.6	-114.0	-1,345.6
Portfolio transfers	-3.9	195.9	-3.9	195.9
	-117.9	**-1,149.6**	**-117.9**	**-1,149.6**
Change in uncovered liabilities				
Uncovered liabilities resulting from statutory contribution reductions				
Total change	-	-23.9	-	-23.9
Portfolio transfers	-	0.0	-	0.0
	-	**-23.9**	**-**	**-23.9**
Statutory charges	**-2.9**	**-1.7**	**-2.9**	**-1.7**
Operating expenses	**-40.3**	**-37.3**	**-40.3**	**-37.3**
Investment charges	**-990.9**	**-538.0**	**-756.2**	**-306.5**
Other technical charges	**-15.0**	**-12.1**	**-15.0**	**-12.1**
Balance on technical account	**52.8**	**-27.1**	**-22.3**	**-23.2**

Non-technical account	Parent company		Group	
EUR mill.	2001	2000	2001	2000
Balance on technical account	52.8	-27.1	-22.3	-23.2
Other income	1.0	0.9	1.0	0.9
Other expenses	-2.2	-1.7	-2.2	-1.7
Income taxes on ordinary activities	-41.3	-38.6	-10.7	-9.7
Profit/loss on ordinary activities	10.3	-66.5	-34.2	-33.6
Extraordinary items	-	-	-	78.5
Profit/loss after extraordinary items	10.3	-66.5	-34.2	44.8
Appropriations				
Change in accelerated depreciation	-5.2	0.1	-	-
Change in voluntary provisions	-	71.2	-	-
	-5.2	71.3	-	-
Minority interest	-	-	0.7	0.2
Profit/loss for the financial year	5.1	4.8	-33.5	45.0

Balance sheet

Assets	Parent company		Group	
EUR mill.	2001	2000	2001	2000
Intangible assets				
Intangible rights	2.7	2.9	2.7	2.9
Other long-term expenditure	1.1	1.2	1.1	1.2
Prepayments	1.4	0.1	1.4	0.1
	5.1	**4.2**	**5.2**	**4.3**
Investment				
Real estate				
Real estate and shares in real estate	1,385.4	920.3	1,937.6	1,952.6
Loans to affiliated undertakings	565.0	984.4	-	-
Loans to participating interests	19.8	-	19.8	-
	1,970.1	1,904.7	1,957.3	1,952.6
Investments in affiliated undertakings and participating interests				
Interests in affiliated undertakings	0.5	0.5	-	-
Participating interests	267.0	620.3	266.9	620.2
	267.6	620.8	266.9	620.2
Other investments				
Stocks and shares	3,138.3	2,022.7	3,138.3	2,022.9
Debt securities	6,188.1	6,449.6	6,188.1	6,449.6
Loans guaranteed by mortgages	178.1	164.4	178.1	164.4
Other loans	1,419.9	1,387.9	1,419.9	1,387.9
Deposits	28.1	39.1	28.1	68.9
Other investments	0.2	0.3	0.2	11.1
	10,952.6	10,064.0	10,952.7	10,104.9
	13,190.3	**12,589.6**	**13,176.9**	**12,677.7**
Debtors				
Direct insurance debtors				
Policyholders	62.5	60.7	62.5	60.7
Other debtors				
Receivable from portfolio transfers	33.5	48.4	33.5	48.4
Other debtors	179.6	202.4	176.4	206.4
	213.1	250.8	209.8	254.8
	275.6	**311.4**	**272.3**	**315.4**
Other assets				
Tangible assets				
Machinery and equipment	6.1	6.2	6.7	6.8
Other tangible assets	1.2	1.0	1.2	1.0
	7.3	7.3	7.9	7.9
Cash at bank and in hand	34.1	6.4	34.9	7.4
	41.4	**13.7**	**42.8**	**15.3**
Prepayments and accrued income				
Interest and rents	231.0	286.6	231.4	258.5
Other	57.8	66.7	57.0	68.0
	288.8	**353.4**	**288.4**	**326.6**
Assets in total	**13,801.2**	**13,272.3**	**13,785.6**	**13,339.3**

Liabilities

EUR mill.	Parent company 2001	Parent company 2000	Group 2001	Group 2000
Capital and reserves				
Guarantee capital	23.0	23.0	23.0	23.0
Other reserves				
Funds and reserves under the Articles of Association	39.6	36.4	39.6	36.4
Other reserves	-	-	0.6	0.6
	39.6	36.4	40.2	37.0
Profit/loss brought forward	-	-	41.1	0.8
Profit/loss for the financial year	5.1	4.8	-33.5	45.0
	67.7	**64.2**	**70.8**	**105.8**
Minority interest	**-**	**-**	**14.1**	**22.3**
Accumulated appropriations				
Depreciation difference	12.7	7.5	-	-
	12.7	**7.5**	**-**	**-**
Technical provisions				
Provision for unearned premiums	9,072.4	8,958.4	9,072.4	8,958.4
Provision for claims outstanding	4,447.2	3,996.1	4,447.2	3,996.1
	13,519.6	**12,954.5**	**13,519.6**	**12,954.5**
Creditors				
Direct insurance creditors	9.6	8.2	9.6	8.2
Other creditors	179.9	232.1	158.8	230.6
	189.6	**240.3**	**168.4**	**238.7**
Accruals and deferred income	**11.6**	**5.8**	**12.7**	**18.0**
Liabilities in total	**13,801.2**	**13,272.3**	**13,785.6**	**13,339.3**

Notes to the accounts
Accounting principles

The accounts are prepared in accordance with the Accountancy Act, the Companies Act and the Insurance Companies Act, and the legislation on companies transacting earnings-related pension insurance. In addition, the accounts comply with the regulations and guidelines of the Ministry of Social Affairs and Health and the Insurance Supervision Authority.

Consolidated accounts

Apart from the parent company, all the subsidiaries in which the parent company holds more than half of the votes, either directly or indirectly, are included in the consolidated financial statements. Ilmarinen's subsidiaries are real estate companies, apart from Antilooppi Oy which specializes in leasing and maintenance of real estate.

The consolidated accounts are drawn up by combining the profit and loss accounts, balance sheets and notes of the parent company with those of the subsidiaries; inter-group receivables and debts, internal gains and losses, distribution of profits and mutual share ownership are eliminated. Subsidiaries acquired during the year are consolidated as of their acquisition date and companies sold during the year are consolidated up to their sale. Minority interest is shown as an item separate from profit and loss and capital and reserves.

Inter-group share ownership is eliminated according to the acquisition cost method. Consolidation goodwill is divided up among the subsidiaries' asset items and written-off according to their depreciation plans. The total consolidation goodwill of the real estate subsidiaries merged with Ilmarinen during the year has been written off in the consolidated accounts.

Value adjustments, value readjustments and revaluations on real estate subsidiaries have been cancelled in the consolidated accounts. Corresponding entries are, on the consolidated balance sheet, allocated at current value to subsidiary-owned shares in real estate.

Associated undertakings, i.e. undertakings in which the Ilmarinen Group holds from 20% to 50% of the voting rights, are included in the consolidated accounts by the equity method.

The consolidated profit and loss account includes the Group's share of associated undertaking's profit or loss. In the consolidated balance sheet, the Group's share of associated undertakings' profit or loss which has accrued after acquisition is added to or deducted from associated undertakings' acquisition cost. As the total consolidation difference originating from the acquisition of Pohjola Group plc has now been depreciated, the undertaking's value has been decreased in the consolidated balance sheet so that its value shall not exceed the share value entered in the parent company balance sheet.

20% to 50% holdings in housing and real estate companies are stated at cost. Since the expenses for these companies are covered by shareholders, the effect on consolidated profit and distributable reserves is insignificant.

Book value of investments

Buildings and structures are shown in the balance sheet at the acquisition cost less planned depreciation or they have been entered at current value, if lower. Variable costs arising from acquisition are included in acquisition costs. Shares in real estate and land and water areas are shown in the balance sheet at purchase price or at current value, whichever is lower. The values of some real estate investments have been written up in previous years. Planned depreciation is also deducted from write-up on buildings if entered as unrealized gains in the profit and loss account.

The shares and properties owned by real estate subsidiaries merged during the financial period were transferred to Ilmarinen from the merged companies' balance sheets, and the loss originated from these mergers has been entered in the profit and loss account.

Other shares and holdings classified as investment assets are shown in the balance sheet at purchase price or at current value, whichever is lower. The book value of some shares has been written up in previous years.

Debt securities are entered at their acquisition cost or at their probable value if this is permanently lower. However, appreciation/depreciation caused by fluctuations in interest rates are not entered. The difference between the amount repayable at maturity and the purchase price of debt securities is released to interest income or charged to that income in instalments during the period remaining until repayment. The counter-item is entered as an increase or a decrease in acquisition cost.

Acquisition cost is calculated at the type-specific average price.

The shares of Pohjola Group plc are shown in the balance sheet at their current value as at December 31, 2001, this value being lower than the original acquisition cost.

Shares and holdings regarded as fixed assets are entered in the balance sheet at their acquisition cost less any permanent value adjustments. The acquisition cost is calculated using the FIFO method.

Investments regarded as amounts due are entered in the balance sheet at their nominal value or at a lower current value.

Previously made value adjustments on investments are entered in the profit and loss account as value readjustments insofar as the current value rises.

In respect of the total invesments made by Ilmarinen, the amount of derivative contracts signed is insignificant. Derivative contracts were also used for other than hedging purposes. The instruments used during the financial period comprise standardized equity and fixed-income derivatives plus forward exchange contracts. The positions open on the date of closing the accounts were non-hedging equity derivatives and hedging forward exchange contracts. All contracts in force at the end of 2001 were valued according to the lower of cost or market rule. Income from closed-end or matured derivatives were entered in the profit and loss account at their full value.

Information on securities assigned as a loan under securities lending agreements is given in the notes to the financial statements. The securities lent are included in the balance sheet. The loans open on the date the accounts are closed are offset by a clearing house, which the borrower has provided with collateral for the loan. Some repurchase agreements on bonds have also been made during the financial year, in which the borrower acts as the counterparty.

Book value of assets other than investments

Intangible assets and equipment are entered in the balance sheet at the acquisition cost less planned depreciation. Variable costs arising from acquisition and manufacture are included in the acquisition cost.

Premium receivables and other receivables are entered in the balance sheet at their nominal value or at permanently lower likely realizable value.

Grounds for planned depreciation

Depreciation follows a predefined depreciation plan.

Planned depreciation on buildings and structures is calculated on the acquisition cost per individual building and on write-up released to income as unrealized gains according to the estimated lifespan of the building by the straight-line method. Depreciation times for buildings acquired new are as follows:

Residential and office buildings	50 years
Hotels, commercial and industrial premises	40 years
Power plants	70 years
Building fixtures	10 years
Other assets	Business Taxation Act
Write-up through unrealized gains	As for buildings
Revaluation entered in revaluation reserve	No depreciation

A 20% salvage value has been fixed for some real estates.

Planned depreciation on intangible assets and equipment has been calculated on the acquisition cost per group of commodities, according to the estimated lifespan of the group of commodities concerned by the straight-line method. The depreciation times are as follows:

Intangible rights (user licences for software)	5 years
Other long-term expenditure	5 years
Transport facilities and hardware	5 years
Other equipment	10 years

Revaluation of investments

The book values of land and water areas, buildings and securities can be written up. Write-ups of items classified as investments are entered in the profit and loss account as unrealized gains, and write-ups of items classified as fixed assets are entered in the revaluation reserve.

If the entered revaluation proves to be unfounded, unrealized gains are entered as unrealized losses in the profit and loss account, and the revaluation is withdrawn from the revaluation reserve.

Unrealized gains on buildings are depreciated according to plan.

Current value of investments and difference between current and book values

In the notes to the accounts, the remaining acquisition cost, book value, and current value of investments are given per balance sheet item. The difference between the first two values consists of write-ups of book values. The difference between the latter two values indicates the off-balance-sheet valuation differences.

The current value of real estate investments has been defined for each property using the yield value method. Regional market price statistics have also been used as a basis for evaluation. Furthermore, the buildings' purpose, age, condition and special features, as well as their rent level, content of leases, predicted trends in rents in the area and other similar factors have also been taken into account. This estimate is carried out annually, mainly by in-house experts.

The current value of listed securities and of standardized derivatives as well as of securities for which there is a market is the last quoted trading price of the year or, where this is not available, the bid price. The current value of forward exchanges is based on market prices. The current value of other securities is the likely realizable value, the remaining acquisition cost or the net asset value.

The nominal value or lower probable value is taken as the current value of amounts owed by debtors.

Notes to the accounts

Technical provisions

The provision included in insurance contracts is entered in the balance sheet under technical provisions, being composed of the provision for unearned premiums and the provision for claims outstanding.

The technical provisions have been calculated using the actuarial principles approved by the Ministry of Social Affairs and Health.

The provision for unearned premiums comprises the provision for future bonuses, which is counted in the solvency capital, and the provision for current bonuses which includes the amount intended for distribution as discounts on contributions to policyholders.

The provision for claims outstanding also incorporates the equalization provision, the purpose of which is to balance random fluctuations in pension expenditure in years with a high loss frequency.

Profit for the financial year and capital and reserves

The actuarial principles confirmed by the Ministry of Social Affairs and Health define the use of statutory pension companies' book result for each accounting period. Separate stipulations have been given as to the use of the result for changes in the equalization provision, in the provisions for future and current bonuses, and for the profit/loss shown in the profit and loss account.

Distribution of the Company's capital and reserves between the owners of the guarantee capital and the policyholders and a calculation of the distributable profits are shown in the notes to the accounts.

Solvency capital

The Insurance Supervision Authority monitors the solvency of insurance companies. One of the main indicators used is the solvency capital, which refers to the difference between assets and liabilities assessed at current value. Hence, technical provisions do not include the above provision for future bonuses, which also provides a buffer against risks in investment operations. The solvency capital and the capital and reserves have to meet the requirements laid down in the Act on Employment Pension Insurance Companies. The solvency capital is presented in the notes to the accounts.

The change in difference between current and book values on the previous year is part of the financial year's total profit and is shown as change of the solvency capital.

Deferred tax liabilities and assets

Taxes for the accounting period and previous accounting periods are entered in the profit and loss account on an accrual basis.

In the consolidated balance sheet, voluntary provisions and accelerated depreciation are included in the capital and reserves after separation of possible minority interest; change in these items is included in the consolidated profit and loss account in profit for financial year.

Deferred tax liabilities and assets are not included in Ilmarinen accounts either in the parent company's balance sheet or in the consolidated balance sheet. Neither is deferred tax liability deducted from the Company's solvency capital, because realization of these liabilitites and receivables cannot be considered probable in the accounts or consolidated accounts of an insurance company transacting statutory earnings-related pension insurance business.

Currency-based items

Transactions in foreign currencies have been entered at the rate quoted on the day of the transaction. Receivables and liabilities not settled at the end of the financial year and denominated in foreign currencies, and the current value of investments are translated into Finnish currency at the rate quoted by the Bank of Finland on the date of closing the books. The exchange gains or losses arising during the financial year and at year-end are entered in the profit and loss account as adjustments of the income and charges concerned or as investment income or charges, provided that the exchange gains or losses pertain to financing transactions.

Function-specific operating expenses and depreciation

Operating expenses and depreciation on equipment and long-term expenses are included as function-specific items in the profit and loss account. The portion of expenses related to claims administration and maintenance of working capacity is included in claims paid and the portion related to investment management in investment charges. Only expenses related to insurance procurement and administration plus administrative overhead charges are presented as operating expenses. Other expenses include expenses resulting from other activities. Planned depreciation on buildings is entered under investment charges.

Pension arrangements for staff

The employment pension provision for personnel and members of the Board of Directors and the Supervisory Board is based on TEL insurance. Pensions paid during the year under review have been entered as expenses on an accrual basis.

Specification of premiums written

EUR mill.	2001	2000
Direct insurance		
TEL basic coverage *)		
Employer contribution	1,433.8	1,241.1
Employee contribution	401.5	377.2
	1,835.3	1,618.3
TEL supplementary coverage	9.3	10.2
YEL minimum coverage	149.7	140.5
YEL supplementary coverage	0.4	0.5
	1,994.7	1,769.6
Transition contribution to the State Pension Fund	-2.2	-2.2
Reinsurance	0.0	0.1
Premiums written before reinsurers' share	**1,992.6**	**1,767.4**
Reinsurers	-3.0	-2.6
Premiums written	**1,989.6**	**1,764.8**
Items deducted from premiums written		
Credit loss on outstanding premiums		
TEL	-6.1	-5.6
YEL	-3.9	-4.7
	-10.0	-10.3
*) includes additional premiums collected to discharge the uncovered liabilities resulted in 1994	-	32.1

Specification of claims paid

	2001	2000
Direct insurance		
Paid to pensioners		
TEL basic coverage	1,489.9	1,306.5
TEL supplementary coverage	46.6	44.5
YEL minimum coverage	164.2	153.2
YEL supplementary coverage	0.7	0.7
	1,701.4	1,504.8
Payments to/refunds from the provision for clearing of PAYG pensions		
TEL pensions	-46.8	-13.2
YEL pensions	-12.4	-9.9
	-59.2	-23.1
Payments to/refunds from the provision for joint and several liability	0.6	-0.2
Reinsurance	0.0	0.0
	1,642.8	1,481.5
Claims management expenses	10.1	9.6
Working capacity maintenance costs	1.3	1.1
Claims paid before reinsurers' share	**1,654.2**	**1,492.1**
Reinsurers' share	-2.8	-2.4
Total claims paid	**1,651.5**	**1,489.7**

Notes to the accounts

Specification of net investment income

EUR mill.	Parent company 2001	Parent company 2000	Group 2001	Group 2000
Investment income				
Income from participating interests				
Share in associated undertakings´ profit/loss	-	-	-145.9	41.7
Dividend income from other participating interests	241.2	290.1	0.1	0.4
	241.2	**290.1**	**-145.7**	**42.0**
Income from investment in real estate				
Interest income				
From affiliated companies	40.3	36.2	-	-
From other than affiliated companies	6.3	6.8	6.5	6.8
Other income				
From affiliated companies	0.1	-	-	-
From other than affiliated companies	101.0	76.7	201.5	153.0
	147.7	**119.6**	**208.0**	**159.7**
Income from other investments				
Dividend income from other than affiliated companies	81.9	76.2	81.9	76.2
Interest income				
From affiliated companies	0.0	0.0	-	-
From other than affiliated companies	406.6	393.9	407.5	394.6
Other income from other than affiliated companies	43.3	20.1	43.3	20.1
	531.8	**490.3**	**532.6**	**491.0**
Total	**920.7**	**900.1**	**594.9**	**692.7**
Value readjustments	**46.6**	**6.5**	**46.9**	**6.4**
Capital gains	**362.8**	**960.9**	**378.4**	**940.7**
Total	**1,330.1**	**1,867.5**	**1,020.2**	**1,639.8**
Investment charges				
Charges on real estate investment	**77.6**	**45.1**	**56.5**	**46.5**
Charges on other investments	**44.8**	**8.0**	**44.8**	**8.0**
Interest charges and other charges on liabilities				
To affiliated companies	0.4	0.3	-	-
To other than affiliated companies	1.6	1.7	1.8	2.3
	2.0	**2.0**	**1.8**	**2.3**
Total	**124.4**	**55.0**	**103.1**	**56.8**
Value adjustments and depreciation				
Value adjustments	701.3	333.7	368.8 [1)]	153.0
Planned depreciation on buildings	5.0	4.5	123.9 [1)]	33.3
	706.2	**338.1**	**492.7**	**186.4**
Capital loss	**160.3**	**144.8**	**160.3**	**63.3**
Total	**990.9**	**538.0**	**756.2**	**306.5**
Net investment income before unrealized gains and losses	**339.2**	**1,329.5**	**264.0**	**1,333.4**
Net investment income in the profit and loss account	**339.2**	**1,329.5**	**264.0**	**1,333.4**

1) Includes immediate write-off on consolidation difference totalling EUR 104.9 million.

Investment, EUR mill.	Dec. 31, 2001			Dec. 31, 2000		
Current value of investment and difference between current and book value, parent company	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Real estate investments						
Real estate	461.5	486.8	575.3	112.9	138.7	158.2
Shares in affiliated companies	824.9	841.8	982.3	713.8	730.6	859.1
Shares in participating interests	46.5	46.5	55.3	42.4	42.4	46.9
Other shares in real estate	10.2	10.2	11.0	8.7	8.7	8.9
Loans to affiliated companies	565.0	565.0	565.0	984.4	984.4	984.4
Loans to participating interests	19.8	19.8	19.8	-	-	-
Investments in affiliated companies						
Shares and holdings	0.5	0.5	0.5	0.5	0.5	0.5
Investments in participating interests						
Shares and holdings	267.0	267.0	267.0	620.3	620.3	620.3
Other investments						
Shares and holdings	3,130.4	3,138.3	3,724.5	2,009.0	2,022.7	3,184.8
Debt securities	6,188.1	6,188.1	6,298.9	6,449.6	6,449.6	6,547.8
Loans guaranteed by mortgages	178.1	178.1	178.1	164.4	164.4	164.4
Other loan receivable	1,419.9	1,419.9	1,419.9	1,387.9	1,387.9	1,387.9
Deposits	28.1	28.1	28.1	39.1	39.1	39.1
Other investments	0.2	0.2	0.2	0.3	0.3	0.3
	13,140.3	**13,190.3**	**14,125.8**	**12,533.3**	**12,589.6**	**14,002.7**
Remaining acquisition cost of debt securities includes						
that difference between the amount repayable at maturity and purchase price which has been released to interest income (+) or charged to interest income (-)			-109.7			-147.2
Book value comprises:						
Revaluations entered as income		42.6			48.9	
Other revaluations		7.4	50.0		7.4	56.3
Difference between current and book value			935.5			1,413.1

Notes to the accounts

Shares and holdings, parent company, Dec. 31, 2001

	Number of shares	Percentage of shares/votes	Book value EUR mill.	Current value EUR mill.
Shares and holdings in Finland				
Shares in affiliated undertakings				
Antilooppi Oy	50,000	100.00	0.5	0.5
Participating interests				
Eltete TPM Oy	300	30.00	2.5	2.5
Pohjantähti Mutual Insurance Company, guarantee capital	60	50.00 / 0.00	5.1	5.1
Pohjola Group Insurance Corporation	13,126,460	25.38 / 37.14	259.1	259.1
Oy Porasto Ab	1,045	24.05	0.3	0.3
Total			**267.0**	**267.0**
Other shares and holdings				
Listed companies				
Aldata Solution Oyj	2,521,000	3.87	5.2	5.2
Alma Media Corporation	533,536	3.40 / 3.55	8.5	9.2
Amer Group plc	743,000	3.08	11.4	21.9
AvestaPolarit Oyj Abp	5,549,700	1.59	20.0	23.6
Biohit Oyj	158,000	1.25 / 0.18	0.7	0.7
Componenta Corporation	457,600	4.76	1.0	1.0
Comptel Plc	821,425	0.77	2.6	2.6
Eimo Oyj	2,619,400	4.05	5.4	5.4
Elisa Communications Corporation	2,583,460	1.87	35.2	35.2
Exel Oyj	500,000	9.51	3.3	5.0
Finnair Oyj	610,800	0.72	2.3	2.3
Finnlines Plc	1,352,100	6.77	29.8	31.1
Fortum Corporation	8,792,800	1.04	36.2	41.8
Hackman Oyj Abp	199,000	4.52 / 1.00	2.6	2.6
Hartwall Plc	1,336,050	2.02 / 0.65	19.4	30.6
Honkarakenne Oyj	157,300	3.92 / 1.62	0.6	0.6
Huhtamäki Oyj	985,080	3.89	18.5	35.0
Incap Oyj	103,000	2.93	0.5	0.5
Instrumentarium Corporation	685,646	2.85	19.2	32.2
JOT Automation Group Plc	4,815,700	2.70	2.3	2.3
J.W. Suominen Yhtymä Oyj	1,460,000	9.23	5.7	8.8
KCI Konecranes International Abp	532,800	3.55	15.2	15.2
Kemira Oyj	2,425,500	1.98	16.1	16.1
Kesko Corporation	1,075,400	1.19 / 0.29	11.1	11.1
Kone Corporation	192,820	0.96 / 0.37	4.9	16.0
Kyro Corporation	607,200	1.53	3.1	3.4
Larox Corporation	119,300	4.52 / 0.74	0.8	0.8
Lassila & Tikanoja plc	1,460,000	9.23	13.9	26.3
Lemminkäinen Corporation	304,600	1.79	2.9	4.0
Lännen Tehtaat plc	153,800	2.51	1.8	1.8
Martela Oyj	115,700	5.57 / 1.48	2.6	2.8

Shares and holdings, parent company, Dec. 31, 2001

	Number of shares	Percentage of shares/votes	Book value EUR mill.	Current value EUR mill.
Metso Corporation	4,699,378	3.45	55.5	55.5
Metsä Tissue Oyj	95,000	0.32	0.8	0.8
M-real Oyj	1,023,325	0.57 / 2.35	7.1	7.1
Nokia Corporation	6,608,350	0.14	130.7	191.4
Nokian Tyres plc	600,400	5.67	11.9	21.1
Nordic Aluminium Oyj	232,300	5.03	1.5	1.5
Okmetic Oyj	449,300	2.66	2.2	2.2
OKO Osuuspankkien Keskuspankki Oyj	1,118,100	2.39 / 1.20	12.0	15.8
Olvi plc	109,712	4.54 / 0.97	1.8	2.1
Orion Corporation	1,333,070	1.97 / 2.81	25.6	26.5
Outokumpu Oyj	2,278,900	1.83	27.0	27.0
Partek Corporation	305,122	0.62	2.8	2.8
Perlos Corporation	353,080	0.67	4.1	4.1
Raisio Group plc	2,766,500	1.68 / 0.33	2.6	2.6
Rocla Oyj	117,200	3.17	0.8	0.8
Sampo plc	5,785,200	1.04 / 1.03	50.9	50.9
Sanoma WSOY Corporation	4,482,686	3.09 / 3.10	21.1	48.9
Sonera Corporation	8,180,552	0.73	46.5	46.5
SSH Communications Security Corp.	483,450	1.75	1.5	1.5
Stockmann plc	1,397,050	2.72 / 0.51	18.0	18.7
Stonesoft Oyj	891,500	1.56	1.8	1.8
Stora Enso Oyj	10,395,590	1.14 / 1.59	127.2	148.9
Tamfelt Corp.	256,998	2.90 / 0.92	5.8	6.8
Teleste Corporation	840,350	4.97	9.3	10.5
Tietoenator Corporation	1,272,640	1.53	32.2	37.9
UPM-Kymmene Corporation	3,396,700	1.31	38.7	126.5
Uponor Oyj	1,588,500	4.16	24.3	29.8
Vaisala Corporation	1,079,679	6.26 / 1.31	26.1	29.5
Wärtsilä Corporation	1,752,400	2.95 / 1.96	35.1	36.4
YIT Corporation	1,175,800	4.00	11.0	15.9
Other listed companies			2.1	2.8
Listed companies, total			**1,040.7**	**1,369.4**
Other than listed companies				
DBC International Ltd. Oy	1,000	8.56	1.1	1.1
Dividum Oy	37	4.17	6.2	6.2
Fingrid Oyj	350	10.53 / 4.68	11.8	11.8
Garantia Insurance Company Ltd	8,144	13.57	5.7	5.7
HEX Oyj	395,516	2.94	4.5	4.5
Kokemäenjoen Voima Oy	5,984	19.95	0.9	0.9
Kuopion Puhelin Oyj	3,842	0.68 / 0.45	0.9	0.9
Medivire Holding Oy	27,250	10.00	0.5	0.5
Midinvest Oy	273	10.87	0.5	0.5
Pohjolan Voima Oy	1,500,000	4.35	82.0	82.0
Sato Corporation Plc	97,007	4.41	3.0	3.0
Mutual funds				
Evli Corporate Bond	84,094		8.4	9.4
Evli U.S.Emerging Technologies B	64,793		3.6	3.6
Mandatum BioTech	1,085,940		20.0	23.2

Notes to the accounts

Shares and holdings, parent company, Dec. 31, 2001

	Number of shares	Percentage of shares/votes	Book value EUR mill.	Current value EUR mill.
Venture capital funds				
Aboa Venture II Ky			0.6	0.6
Bio Fund Ventures I Ky			1.2	1.2
Bio Fund Ventures II Ky			3.8	3.8
Eqvitec Teknologiarahasto I Ky			2.6	2.6
Eqvitec Technology Fund II Ky			1.0	1.0
Fenno Rahasto Ky			3.1	3.1
Finnmezzanine Rahasto I Ky			2.8	2.8
Finnmezzanine Rahasto II B Ky			5.4	5.4
Finnventure Rahasto IV Ky			4.5	4.5
Finnventure Rahasto V Ky			8.8	8.8
Forenvia Venture I Ky			0.5	0.5
MB Equity Fund II Ky			2.7	2.7
MB Mezzanine Fund II Ky			2.4	2.4
Promotion Capital I Ky			1.6	1.6
Savon Kasvurahasto I Ky			0.6	0.6
Seedcap Ky			0.6	0.6
SFK 99-Rahasto Ky			7.6	7.6
Sponsor Fund I Ky			2.6	2.6
Other shares and holdings			4.0	4.1
Other than listed companies, total			**205.2**	**209.5**
Other shares and holdings in Finland, total			**1,245.9**	**1,578.9**
Shares and holdings abroad				
Other shares and holdings				
Listed companies				
Bermuda				
Accenture Ltd.	400,000	0.12	6.3	12.2
Tyco International Ltd.	14,800	0.00	0.9	1.0
Denmark				
Danisco A/S	86,000	0.15	3.5	3.5
ISS A/S	175,778	0.44	9.7	9.7
Novo Nordisk A/S	169,500	0.05	6.9	7.8
Vestas Wind Systems A/S	69,000	0.07	1.9	2.1
France				
L'Air Liquide SA	48,000	0.05	6.8	7.6
Alcatel SA	520,000	0.04	10.0	10.0
Atos Origin SA	88,000	0.20	6.5	6.5
Aventis S.A.	254,100	0.03	20.3	20.3
AXA SA	607,000	0.04	14.2	14.2
BNP Paribas SA	180,000	0.04	17.6	18.1
Cap Gemini SA	165,400	0.13	13.4	13.4
Groupe Danone	43,000	0.03	5.9	5.9
LVMH Moet Hennessy Louis Vuitton SA	106,917	0.02	4.9	4.9
Orange SA	1,363,000	0.03	13.5	13.9

Shares and holdings, parent company, Dec. 31, 2001

	Number of shares	Percentage of shares/votes	Book value EUR mill.	Current value EUR mill.
L'Oreal SA	21,710	0.00	1.5	1.8
Schneider Electric SA	22,000	0.01	1.2	1.2
Suez SA	515,000	0.05	17.5	17.5
TotalFinaElf SA	154,707	0.02	24.0	24.8
Vivendi Universal SA	219,725	0.02	13.5	13.5
Germany				
Adidas-Salomon AG	146,135	0.32	9.4	12.3
Degussa AG	135,000	0.07	3.8	3.8
E.On AG	96,028	0.01	5.2	5.6
Heidelberger Zement AG	85,000	0.13	4.6	4.6
Henkel KGaA	141,700	0.10	8.1	8.1
Münchener Rückversicherungs-Gesellschaft AG	19,000	0.01	5.8	5.8
Siemens AG	305,000	0.03	22.7	22.7
Great Britain				
Boots Company Plc	980,000	0.11	9.1	9.4
BP P.l.c.	3,140,000	0.01	27.6	27.6
BT Group Plc	2,734,000	0.04	11.4	11.4
Cable & Wireless Plc	2,790,000	0.10	15.2	15.2
CMG Plc	140,000	0.02	0.6	0.6
Diageo Plc	1,481,000	0.04	15.8	19.1
Dixons Group Plc	2,460,000	0.13	9.5	9.5
FKI Plc	692,000	0.12	2.1	2.1
GlaxoSmithKline Plc	1,275,000	0.02	36.1	36.1
Lloyds TSB Group Plc	1,402,743	0.03	15.4	17.2
mm02 Plc	2,734,000	0.03	3.9	3.9
Pilkington Plc	845,233	0.07	1.6	1.6
Prudential Corporation Plc	1,420,000	0.07	18.6	18.6
Severn Trent Plc	600,000	0.18	7.0	7.1
Vodafone Group Plc	17,653,850	0.03	52.1	52.1
Italy				
Sanpaolo IMI S.p.A.	1,222,900	0.09	14.7	14.7
Liberia				
Royal Caribbean Cruises Ltd.	225,200	0.12	4.0	4.0
Netherlands				
ABN Amro Holding N.V.	900,000	0.06	16.3	16.3
Aegon N.V.	550,000	0.04	16.7	16.7
Akzo Nobel N.V.	241,500	0.08	11.6	12.1
ASML Holding N.V.	75,000	0.02	1.5	1.5
Hagemeyer N.V.	466,000	0.43	7.8	9.8
Heineken N.V.	91,000	0.02	3.9	3.9
Hunter Douglas N.V.	124,808	0.32	3.4	3.8
ING Groep N.V.	664,600	0.03	19.0	19.0
Koninklijke Ahold N.V.	342,342	0.04	10.8	11.2
Koninklijke Vendex KBB N.V.	600,000	0.65	6.9	7.7
Royal Dutch Petroleum Company	434,755	0.02	24.7	24.7
TPG N.V.	635,000	0.13	15.4	15.4
VNU NV	304,500	0.13	10.5	10.5

Notes to the accounts

Shares and holdings, parent company, Dec. 31, 2001

	Number of shares	Percentage of shares/votes	Book value EUR mill.	Current value EUR mill.
Norway				
Norske Skogsindustrier ASA	1,117,850	0.84	20.5	23.7
Schibsted ASA	95,000	0.14	1.0	1.0
Spain				
Banco Santander Central Hispano S.A.	1,830,000	0.04	17.2	17.2
Iberdrola S.A.	508,961	0.06	7.3	7.4
Telefonica S.A.	1,468,100	0.03	22.1	22.1
Sweden				
Atlas Copco AB	392,000	0.19	9.5	9.9
Eniro AB	135,000	0.09	1.1	1.1
Ericsson LM AB	3,300,000	0.04	19.8	20.2
Lindex AB	168,500	1.23	2.2	3.1
Nordea AB	10,526,000	0.35	63.1	63.1
Scania AB	89,700	0.04	1.8	1.8
Försäkringsaktiebolaget Skandia	26,666,660	2.61	52.6	217.9
Skanska AB	494,000	0.12	3.6	3.6
Svenska Handelsbanken AB	903,000	0.13	10.8	15.0
Telia AB	700,000	0.02	3.5	3.5
Switzerland				
Credit Suisse Group	362,120	0.03	17.3	17.3
Kuehne & Nagel International AG	14,310	0.06	0.8	0.8
Nestle SA	107,100	0.03	24.4	25.6
Novartis AG	614,000	0.02	24.8	24.8
STMicroelectronics N.V.	53,000	0.01	1.9	1.9
The Swatch Group AG	107,000	0.18	10.8	10.8
UBS AG	394,000	0.03	20.7	22.3
Zurich Financial Services AG	5,000	0.01	1.3	1.3
United States				
AMBAC Financial Group, Inc.	25,500	0.02	1.2	1.7
American Home Products Corporation	11,400	0.00	0.6	0.8
American International Group, Inc.	13,800	0.00	1.1	1.2
Amgen, Inc.	103,400	0.01	6.6	6.6
AOL Time Warner Inc.	59,750	0.00	2.2	2.2
AT & T Wireless Services Inc.	1,248,852	0.05	20.1	20.4
Bank of New York Co, Inc.	74,000	0.01	3.0	3.4
Bed Bath and Beyond, Inc.	180,000	0.06	3.0	6.9
Bristol-Myers Squibb Company	204,800	0.01	11.9	11.9
Cendant Corporation	59,400	0.01	1.0	1.3
The Charles Schwab Corporation	61,650	0.00	1.1	1.1
CIENA Corporation	37,000	0.01	0.6	0.6
Cisco Systems, Inc.	93,300	0.00	1.9	1.9
Citigroup, Inc.	24,066	0.00	1.1	1.4
Citrix Systems, Inc.	290,000	0.16	7.5	7.5
The Coca-Cola Company	12,100	0.00	0.6	0.6
Colgate-Palmolive Company	18,100	0.00	1.1	1.2
Comcast Corporation	13,600	0.00	0.5	0.6
Compaq Computer Corporation	170,000	0.01	1.9	1.9
Computer Associates International, Inc.	520,500	0.09	14.5	20.4
Computer Sciences Corporation	600,000	0.36	23.9	33.3
Comverse Technology, Inc.	410,000	0.24	10.4	10.4

Shares and holdings, parent company, Dec. 31, 2001

	Number of shares	Percentage of shares/votes	Book value EUR mill.	Current value EUR mill.
Costco Wholesale Corporation	66,000	0.01	3.0	3.3
Crown Castle International Corp.	56,300	0.03	0.7	0.7
Dell Computer Corporation	132,100	0.01	4.1	4.1
EchoStar Communications Corporation	22,600	0.00	0.7	0.7
Eli Lilly and Company	6,800	0.00	0.5	0.6
Emerson Electric Co.	120,000	0.03	7.8	7.8
Exxon Mobil Corporation	24,000	0.00	0.9	1.1
Fannie Mae	23,300	0.00	1.7	2.1
First Data Corporation	17,600	0.00	1.0	1.6
Freddie Mac	29,100	0.00	1.7	2.2
The Gap, Inc.	64,500	0.01	1.0	1.0
General Electric Company	67,700	0.00	3.1	3.1
Harrah's Entertainment, Inc.	25,000	0.02	0.7	1.0
Hewlett-Packard Company	300,000	0.02	7.0	7.0
Home Depot, Inc.	23,450	0.00	1.2	1.4
Intel Corporation	44,310	0.00	1.5	1.6
International Business Machines Corporation	74,800	0.00	9.1	10.3
Johnson & Johnson	17,500	0.00	1.0	1.2
Juniper Networks, Inc.	127,000	0.04	2.7	2.7
Liberty Media Corporation	107,600	0.00	1.7	1.7
MBNA Corporation	30,100	0.00	1.0	1.2
McDonald's Corporation	19,300	0.00	0.6	0.6
Microsoft Corporation	143,800	0.00	10.8	10.8
Motorola, Inc.	1,605,000	0.07	27.4	27.4
Oracle Corporation	343,400	0.01	5.4	5.4
PepsiCo, Inc.	25,100	0.00	1.1	1.4
Pfizer, Inc.	478,675	0,01	21,6	21,6
Philip Morris Companies Inc.	16,100	0.00	0.6	0.8
Procter & Gamble Company	7,100	0.00	0.6	0.6
Qualcomm Inc	23,220	0.00	1.3	1.3
Sabre Holdings Corporation	21,700	0.02	0.9	1.0
Schering-Plough Corporation	16,600	0.00	0.7	0.7
Sprint Corp (PCS Group)	27,600	0.00	0.8	0.8
State Street Corporation	31,400	0.01	1.6	1.9
Tellabs, Inc.	465,000	0.11	7.0	7.9
Texas Instruments Incorporated	18,400	0.00	0.6	0.6
TMP Worldwide Inc.	15,300	0.01	0.6	0.7
Univision Communications Inc.	16,700	0.01	0.6	0.8
Valassis Communications. Inc.	18,100	0.03	0.7	0.7
VeriSign, Inc.	17,590	0.01	0.8	0.8
Viacom Inc.	39,091	0.00	2.0	2.0
Walgreen Co.	34,800	0.00	1.1	1.3
Wal-Mart Stores, Inc.	36,000	0.00	2.1	2.4
The Walt Disney Company	240,000	0.01	5.6	5.6
Wm. Wrigley Jr. Company	19,000	0.01	0.9	1.1
Other listed companies			6.4	7.1
Listed companies, total			**1,260.2**	**1,489.4**

Notes to the accounts

Shares and holdings, parent company, Dec. 31, 2001

	Domicile	Number	Book value EUR mill.	Current value EUR mill.
Other than listed companies				
Mutual funds				
ABN Amro Funds - Eastern Europe Equity Fund A	Luxembourg	230,116	23.0	25.0
ABN Amro Funds - Europe Equity Growth Fund A	Luxembourg	1,939,871	64.9	64.9
ABN Amro Funds - Small Companies Europe Equity Fund A	Luxembourg	1,140,757	35.8	35.8
Alfred Berg Russia	Sweden	1,114,130	6.6	13.1
BBL Baltic States Cap. Fund	Luxembourg	9,474	4.0	4.1
BGI Japan Index Sub-Fund	Ireland	5,951,667	41.0	41.0
BGI US Index Sub-Fund	Ireland	3,973,739	85.8	85.8
CAF Asian Growth Fund s.l	Luxembourg	26,092	26.2	26.2
CS Equity Fund USA	Luxembourg	20,407	20.4	20.4
CSAM US Small Cap Core Equity Fund	Luxembourg	42,972	44.9	47.6
CSFB Sapic-98 hedge fund-of-funds	Cayman Islands	201	10.1	10.2
Green Way Limited - Class B	Bermuda	234	5.0	5.1
JP Morgan Fleming Japanese A Fund	Luxembourg	1,047,799	21.4	21.4
Nektar	Sweden	28,204	4.9	5.2
Paribas - Europe Mid Cap Fund	France	30,800	6.7	12.9
Pictet Targeted Fund - Small Cap Europe	Luxembourg	68,606	18.2	22.2
Schroder International Selection Fund - Emerging Markets Debt C	Luxembourg	772,046	10.6	11.5
Schroder International Selection Fund - Japanese Equity Class C	Luxembourg	8,493,898	55.3	55.3
Schroder International Selection Fund - Pacific Equity Class C	Luxembourg	8,690,062	41.6	41.6
The 395 Fund Limited	Cayman Islands	28,525	3.0	3.2
Venture capital funds				
Access Capital LP	Guernsey		6.7	6.7
Advent Private Equity Fund III D	Great Britain		1.7	1.7
Apax Europe V - D, L.P.	Great Britain		4.8	4.8
Apax France VI	France		1.3	1.3
Baltic Investment Fund III L.P.	Jersey		0.6	0.6
BC European Capital VII	Great Britain		4.6	4.6
Bridgepoint Capital The 2nd European Equity Fund B	Great Britain		1.1	1.1
Duke Street Capital IV UK No 1 L.P.	Great Britain		5.7	5.7
European Strategic Partners	Great Britain		9.3	9.3
Euroventures; Baltic Rim Fund Limited	Jersey		3.6	4.1
Gilde Buy-Out Fund II	Netherlands		2.8	2.8
Hambro European Ventures HEV III UK No 2 L.P.	Great Britain		1.0	1.1
HarbourVest Partners VI-Buyout Partnership Fund L.P.	United States		1.6	1.7
HarbourVest Partners VI-Partnership Fund L.P.	United States		4.8	5.1
Industri Kapital 1997 L.P. II	Jersey		5.0	5.0
Industri Kapital 2000 L.P. I	Jersey		12.3	12.3
MediaTel Capital	Luxembourg		4.1	4.1
Nordic Capital III Limited	Great Britain		4.7	4.7
Nordic Capital IV Limited	Jersey		5.6	5.6
Nordic Mezzanine Fund No. 1 L.P.	Great Britain		3.9	3.9
Permira Europe II LP2	Great Britain		8.2	8.2
Proventure & Partners Scottish Limited Partnership	Great Britain		1.7	1.7
Proventure Managed The First European Fund Investments L.P.	Great Britain		5.2	5.2
Stiga Förvaltning AB	Sweden		1.8	1.8
Other shares and holdings			0.6	0.6
Other than listed companies, total			**632.1**	**656.2**
Other shares and holdings abroad, total			**1,892.3**	**2,145.5**

The shares loaned were not deducted. The book values of the shares and holdings listed here exceed EUR 500,000.

Securities loaned, EUR mill.

Securities loaned, EUR mill.	2001	2000
Number	2,606,400	748,200
Remaining acquisition cost	44.8	4.0
Current value	66.8	24.1

The securities loaned are domestic listed shares.
All the loans are valid for less than a year and can be realized whenever.

Loans, EUR mill.

Loans, EUR mill.	2001	2000
Loans itemized by type of collateral		
Loans guaranteed by mortgages	178.1	164.4
Other loans		
Bank guarantees	623.9	739.6
Guarantee insurances	395.5	333.3
Other	113.2	86.0
Unsecured loans to		
banks	242.3	184.6
insurance and guarantee companies	24.9	26.7
other	20.1	17.6
Remaining acquisition cost, total	**1,598.0**	**1,552.3**
Total premium loans by balance sheet item		
Loans guaranteed by mortgages	33.3	37.9
Other loans	1,141.1	1,212.8
Remaining acquisition cost, total	1,174.4	1,250.7

Specification of operating expenses, EUR mill.

Specification of operating expenses, EUR mill.	Parent company 2001	Parent company 2000	Group 2001	Group 2000
Total operating expenses by activity				
Claims paid				
Claims handling expenses	10.1	9.6	10.1	9.6
Working capacity maintenance costs	1.3	1.1	1.3	1.1
	11.5	**10.6**	**11.5**	**10.6**
Operating expenses				
Commissions, direct insurance	0.6	0.6	0.6	0.6
Other policy acquisition costs	9.4	8.3	9.4	8.3
Acquisition costs, total	10.0	8.9	10.0	8.9
Portfolio administration expenses	19.3	17.6	19.3	17.6
Administrative expenses	11.0	10.8	11.0	10.8
	40.3	**37.3**	**40.3**	**37.3**
Investment charges				
Costs on real estate investment	1.3	2.4	6.8	5.3
Other	5.3	4.8	5.3	4.8
	6.7	**7.1**	**12.1**	**10.1**
Other expenses	**2.2**	**1.7**	**2.2**	**1.7**
Total operating expenses	**60.6**	**56.7**	**66.0**	**59.6**

Notes to the accounts

Specification of staff expenses and members of corporate organs, EUR mill.

	Parent company 2001	Parent company 2000	Group 2001	Group 2000
Staff expenses				
Salaries and remunerations	22.8	21.1	25.7	22.6
Pension expenditure	4.1	3.7	4.8	4.1
Other social security expenses	1.6	1.5	1.8	1.7
Total	**28.5**	**26.4**	**32.3**	**28.4**
Salaries and remunerations to management				
Managing directors and deputies	0.5	0.4	0.6	0.5
Board members and deputy members	0.2	0.1	0.2	0.1
Members of Supervisory Board and deputy members	0.1	0.1	0.1	0.1
Total	**0.7**	**0.6**	**0.8**	**0.7**

Pension commitments for the benefit of the executive management

The retirement age for Company executives is 65 years. Executives who have entered the Company's service prior to July 1, 1992 have the right to retire once they have reached the age of 60.

	Parent company 2001	Parent company 2000	Group 2001	Group 2000
Average staff number during the financial period	625	582	700	641

Specification of technical provisions, EUR mill.

	2001	2000
Provision for unearned premiums		
Future pensions	6,985.9	6,472.3
Provision for future bonuses	1,935.2	2,272.3
Provision for current bonuses	151.3	213.8
Total	**9,072.4**	**8,958.4**
Provision for claims outstanding		
Pensions in payment	3,720.4	3,341.9
Equalization provision	726.8	654.2
Total	**4,447.2**	**3,996.1**
Total technical provisions	**13,519.6**	**12,954.5**
Bonuses and rebates		
Provision for current bonuses, Jan. 1	213.8	205.7
Bonuses paid during the financial year	-102.8	-76.0
Transfer to the provision for current bonuses	40.4	84.1
Provision for current bonuses, Dec. 31	**151.3**	**213.8**

Security and financial commitments, parent company, EUR mill.

	2001	2000
As security for own debts		
Mortgaged as security for rents	0.8	0.4
Guarantees	7.5	-
Assets pledged as security for derivative contracts	33.6	14.5
Off-balance-sheet commitments and liabilities		
Investment commitments		
Venture capital funds	234.3	170.6
Other	101.4	-
Derivative contracts		
Currency derivatives		
Forward and future contracts		
Open, underlying instrument	252.9	-
current value	2.2	-
Equity derivatives		
Forward and future contracts		
Open, underlying instrument	13.6	-
current value	0.3	-
Closed, current value	1.9	-
Option contracts		
Open, bought, underlying instrument	137.4	-
current value	3.6	-
Open, written, underlying instrument	12.9	-
current value	0.0	-
Amount of joint liability		
Pertaining to VAT group registration, Ilmarinen is, together with Pohjola Group Insurance Corporation taxable group, jointly and severally liable for the value added tax imposed on the group. At year-end, the group's deferred tax liabilities comprised taxes due for November-December. Part of the tax debt was included in the other companies' balance sheets.	-	1.7
Obligation to refund of VAT allowances	26.5	8.7
Other financial commitments	0.5	-

Notes to the accounts

Specification of capital and reserves, EUR mill.	Parent company 2001	2000	Group 2001	2000
Capital and reserves				
Guarantee capital	23.0	23.0	23.0	23.0
Other reserves				
Reserves as per the Articles of Association, Jan. 1	36.4	6.1	36.4	6.1
Transfer from previous year's profit	3.3	30.3	3.3	30.3
Other reserves	-	-	0.6	0.6
	39.6	36.4	40.2	37.0
Profit brought forward, Jan. 1	4.8	31.7	45.8	32.5
Distributed interest paid on guarantee capital	-1.5	-1.4	-1.5	-1.4
Donations	-0.1	0.0	-0.1	0.0
Transfer to reserves as per the Articles of Association	-3.3	-30.3	-3.3	-30.3
	-	-	41.1	0.8
Profit for the financial year	5.1	4.8	-33.5	45.0
	67.7	**64.2**	**70.8**	**105.8**
Breakdown of capital and reserves after proposed distribution of profits:				
Owners of guarantee shares:				
Guarantee capital	23.0	23.0	23.0	23.0
Proposed distribution of profits to owners of guarantee capital	1.6	1.5	1.6	1.5
Policyholders' share	43.2	39.7	46.2	81.3
Total	67.7	64.2	70.8	105.8

Main principles of the Articles of Association governing guarantee shares:

The guarantee capital is divided into 13,672 guarantee shares. The guarantee shares bear mutually equal rights to Company assets and profits. In connection with the arrangement relative to the distribution of assets, the holders of the guarantee shares shall be considered entitled to a proportion of the Company's assets in excess of debts that is equal to the guarantee capital, and to a relative return calculated on it as defined in the Articles of Association. The rest of the assets in excess of debts belong to the policyholders as part of the insurance portfolio.

The Company and the owners of guarantee shares have the right to redeem shares that have been transferred elsewhere than to an owner of a guarantee share in the Company.

Distributable profits:	Parent company 2001	2000	Group 2001	2000
Profit for the year	5.1	4.8	-33.5	45.0
+ Other reserves				
Reserves as per the Articles of Association	39.6	36.4	39.6	36.4
+ Profit brought forward	-	-	41.1	0.8
- Amount of appropriations entered under capital and reserves	-	-	-11.7	-6.0
Distributable profits, total	44.8	41.2	35.4	76.2

Solvency capital, EUR mill.	2001	2000
Capital and reserves after proposed distribution of profits	66.1	62.6
Accumulated appropriations	12.7	7.5
Difference between current value and book value of assets	935.5	1,413.1
Provision for future bonuses	1,935.2	2,272.3
Other items	-8.8	-6.2
	2,940.8	**3,749.3**
Solvency capital requirement under chapter 17 of the Employee Pension Insurance Companies Act (TVYL)	845.7	730.9
Solvency ratio, % realized solvency capital/technical provisions used in solvency calculations	25.5	35.4
Solvency border, %	11.0	10.3
Target zone lower limit, % (double the solvency border)	22.0	20.7
Target zone upper limit, % (quadruple the solvency border)	44.0	41.4

Proposal by the Board of Directors for distribution of profits

The interest paid on the guarantee capital equals the technical rate of interest plus one percentage point. Calculated in this way, the return on 2001 was 6.75%.

The retained consolidated non-restricted capital and reserves according to the financial statements was EUR 35.4 million on December 31, 2001. The retained non-restricted capital and reserves of the parent company stood at EUR 44,747,037.33, with profit for the financial year accounting for EUR 5,116,442.48.

The Board of Directors proposes that EUR 1,552,139.10 be paid as interest on guarantee capital and that EUR 50,456.38 be set aside for use at the Board's discretion for generally beneficial purposes. If the Board proposal is adopted, the Company's capital and reserves will stand as follows:

Restricted capital and reserves	
Guarantee capital	EUR 22,994,653.31
Non-restricted capital and reserves	
Contingency fund	EUR 43,144,441.85
Capital and reserves, total	EUR 66,139,095.16

Helsinki, March 5, 2002

Heikki Hakala

Lauri Ihalainen Johannes Koroma George Berner

Martin Granholm Eino Halonen Eero Heliövaara

Seppo Junttila Jyrki Kiviharju Risto Piekka

Gretel Ramsay Kari Puro

Auditors' report

To the Annual General Meeting of Ilmarinen Mutual Pension Insurance Company

We have audited the accounting records, financial statements and corporate governance of Ilmarinen Mutual Pension Insurance Company for the accounting period from January 1 to December 31, 2001. The financial statements prepared by the Board of Directors and the President comprise a Board of Directors' report, a consolidated profit and loss account and balance sheet, a parent company profit and loss account and balance sheet, and notes to the accounts. On the basis of our audit, we express our opinion on the financial statements and on corporate governance.

PricewaterhouseCoopers Oy (former SVH PricewaterhouseCoopers Oy), Authorized Public Accountants, have been responsible for the supervisory audit, on which they have submitted a separate report.

The audit was carried out in accordance with Finnish standards on auditing. The accounting records, the accounting principles, the method of presentation and the contents of the financial statements have thus been audited to the extent required to ascertain that they did not contain any material error or deficiency. The audit of corporate governance established the legality under the Employee Pension Insurance Companies Act, the Insurance Companies Act and the Companies Act of the action taken by the members of the Supervisory Board, of the Board of Directors and the President.

In our opinion, the Company's financial statements have been drawn up in accordance with the Accounting Act and the accounting regulations of the Ministry of Social Affairs and Health and other provisions. The financial statements give true and adequate information on the result and financial position of the Group and the parent company, within the meaning of the Accounting Act. The financial statements and the consolidated financial statements can be adopted, and the members of the Supervisory Board and Board of Directors of the parent company and the President can be discharged from liability for the accounting period under audit. The proposal by the Board of Directors regarding the distributable profits is in conformity with law.

Helsinki, March 19, 2002

PricewaterhouseCoopers Oy, Authorized Public Accountants

Juha Wahlroos Authorized Public Accountant	Tauno Haataja Authorized Public Accountant

Statement by the Supervisory Board

The members of the Supervisory Board elected by the Board from among their own number have examined the Company's pension decision practice and investment operations. The examinations were completed in accordance with the regulations prepared in cooperation with the Company management and the Supervisory Board. The examinations did not give rise to any adverse comment.

The Supervisory Board has examined the financial statements and the auditors' report of Ilmarinen Mutual Pension Insurance Company and the consolidated financial statements. The Board has no cause for any comment on the financial statements or the auditors' report. In the auditors' opinion, the financial statements and consolidated financial statements can be adopted and the proposal by the Board of Directors regarding the distributable profits is in conformity with law.

The following members of the Supervisory Board are due to resign at the 2002 Annual General Meeting:

Heikki Bergholm
Tor Bergman
Liisa Joronen
Arto Kajanto
Esko Mäkelä
Esko Mäkeläinen
Timo Peltola
Jarmo Rantanen
Timo Räty
Erkki Varis
Matti Viialainen
Matti Viljanen
Marjatta Väisänen

Helsinki, March 20, 2002

On behalf of the Supervisory Board

Timo Peltola, Chairman

Key figures and analyses

As from 1996, employee pension insurance companies have presented all relevant information pertaining to their operations, results and financial standing according to a standard set of key figures. The key figures related to investment operations, profits and solvency have been calculated at current values.

Volume

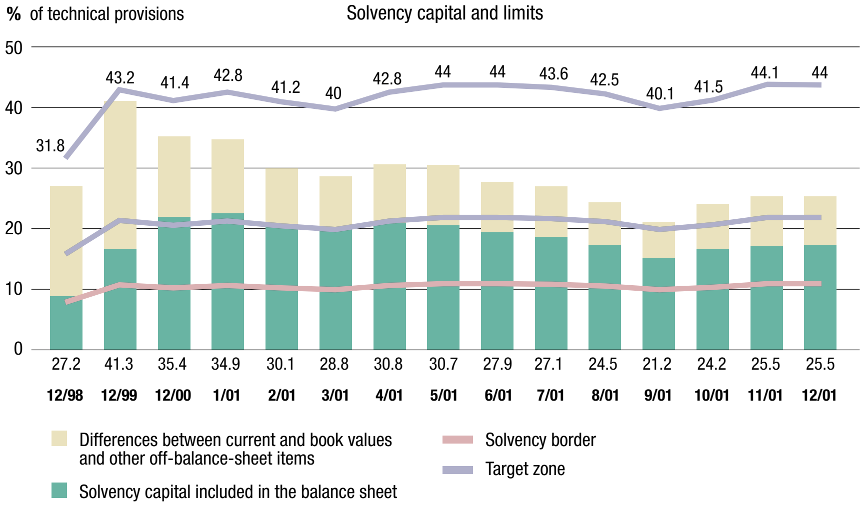
	2001	2000	1999	1998	1997
Premiums written, EUR mill.	1,989.6	1,764.8	1,766.8	1,572.4	1,409.1
Turnover, EUR mill.	3,339.5	3,636.7	3,120.3	2,388.6	2,070.5
Number of employees insured under TEL	351,000	335,000	323,000	302,000	283,000
Number of YEL policies	49,386	49,938	51,453	51,668	51,532
Pensions paid, EUR mill.	1,642.2	1,481.7	1,413.1	1,305.8	1,230.1
TEL wage bill, EUR mill.	8,922.6	8,025.2	7,614.5	6,855.7	6,237.1
Reported incomes under YEL, EUR mill.	763.3	727.3	734.8	708.8	688.1
Technical provisions, EUR mill.	13,519.6	12,954.5	11,082.8	9,605.2	8,781.4
Balance sheet total, at current value, EUR mill.	14,736.7	14,685.4	13,841.3	11,538.2	9,949.8

Investment income, solvency and bonuses and rebates

	2001	2000	1999	1998	1997
Investment income, at current value, EUR mill.	-179.0	386.6	1,911.6	1,409.0	807.2
ROCE, % [1]	-1.2	2.9	16.2	14.1	9.4
Solvency capital, EUR mill. [2]	2,940.8	3,749.3	3,922.5	2,387.1	1,329.3
Solvency capital/technical provisions, %	25.5	35.4	41.3	27.2	16.1
Solvency capital/solvency border	2.32	3.42	3.82	3.42	2.30
Equalization provision, EUR mill.	726.8	654.2	595.8	483.9	402.1
Transfer to bonuses and rebates, EUR mill.	40.4	84.1	134.6	53.8	44.6
% of TEL wage bill	0.45	1.05	1.77	0.79	0.71
per continuous TEL employment, EUR	115	251	417	178	157

[1] Income for 1997-1999 was calculated by using the average current value at the beginning and end of the year.
[2] The amounts transferred to the provision for future bonuses in conjunction with the portfolio transfers made in 2000 and 2001 were EUR 24.8 million and EUR -0.7 million respectively.

Solvency
Solvency capital and limits



Key figures and analyses

Performance analysis, EUR mill.

	2001		2000		1999		1998		1997
Sources of profits										
Underwriting result		72.6		58.4		112.0		81.7		77.9
Investment result at current value										
Investment result at book value	-298.2		800.0		769.6		203.5		158.1	
Change in difference between current and book values	-477.6	-775.8	-919.8	-119.8	690.6	1,460.2	748.9	952.4	213.4	371.5
Loading profit		12.5		7.4		14.5		11.8		7.9
Profits, total		-690.7		-54.1		1,586.7		1,046.0		457.5
Disposal of profits and change in provisions										
Increase/decrease in solvency (+/-)										
Equalization provision		72.6		58.4		112.0		81.7		77.9
Solvency capital		-805.3		-197.9		1,338.8		908.9		333.9
Transfer to bonuses and rebates		40.4		84.1		134.6		53.8		44.6
Proposed distribution of profits		1.6		1.5		1.3		1.5		1.2
Total		-690.7		-54.1		1,586.7		1,046.0		457.5

Breakdown of investment income and investment result, EUR mill.

	2001	2000	1999	1998	1997
Cash income	**755.7**	**821.9**	**527.0**	**523.4**	**483.5**
Loan receivables	75.9	72.1	80.4	93.7	110.1
Bonds	303.7	293.4	285.6	281.9	251.2
Other debt securities and deposits	18.8	25.2	17.4	16.6	19.2
Shares	289.8	345.7	69.5	51.8	32.5
Real estate	71.1	76.9	51.8	52.4	39.7
Non-allocated income, charges and operating expenses [1]	-3.6	8.7	22.4	27.0	30.8
Changes in book value [2]	**-457.2**	**484.5**	**694.0**	**136.6**	**110.3**
Shares	-479.9	511.6	630.4	59.2	78.8
Bonds	28.5	-22.0	66.2	94.7	45.4
Real estate	-5.5	-5.1	-2.6	-17.3	-13.7
Net investment income at book value	**298.6**	**1,306.4**	**1,221.0**	**660.0**	**593.8**
Change in difference between current and book value	**-477.6**	**-919.8**	**690.6**	**749.0**	**213.4**
Shares	-575.9	-1,071.5	1,109.7	557.2	213.5
Bonds	11.3	106.4	-430.4	189.6	-8.4
Real estate	85.7	45.1	11.5	2.2	8.9
Other	1.3	0.2	-0.2	0.0	-0.5
Investment income, total	**-179.0**	**386.6**	**1,911.6**	**1,409.0**	**807.2**
Yield requirement on technical provisions	**-596.8**	**-506.4**	**-451.3**	**-456.5**	**-435.5**
Investment result at book value	**-298.2**	**799.9**	**769.6**	**203.5**	**158.2**
Investment result at current value	**-775.8**	**-119.8**	**1,460.3**	**952.6**	**371.7**

[1] Includes interest items in the profit and loss account which are not entered as income from investment.

[2] Capital gains and losses plus other changes in book values.

Breakdown of investment

	Dec. 31, 2001		Dec. 31, 2000		Dec. 31, 1999		Dec. 31, 1998		Dec. 31, 1997	
	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%
Loan receivable [1]	1,623.6	11.3	1,574.2	11.0	1,690.8	12.7	1,824.2	16.4	1,780.9	18.9
Bonds [1]	5,886.4	41.0	6,469.5	45.4	5,373.2	40.3	5,674.6	51.1	4,459.4	47.4
Other debt securities and deposits [1] [2]	675.5	4.7	356.1	2.5	1,387.3	10.4	268.9	2.4	656.8	7.0
Shares	3,992.0	27.8	3,805.7	26.7	3,856.0	28.9	2,347.1	21.1	1,605.9	17.1
Real estate [3]	2,188.2	15.2	2,050.0	14.4	1,024.8	7.7	988.2	8.9	888.4	9.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.6	0.2
Investment, total	14,365.7	100.0	14,255.5	100.0	13,332.1	100.0	11,103.1	100.0	9,413.1	100.0

1) Includes accured interest.
2) Includes cash at bank and in hand.
3) Comprises real estate included in fixed assets and investment assets.

Investment income

	At current value, EUR mill. 2001	Capital employed, [1] EUR mill. 2001	ROCE, % 2001	Yield, % 2000	Yield, % [3] 1999	Yield, % [3] 1998	Yield, % [3] 1997
Loan receivable	75.9	1,585.8	4.8	4.6	4.7	5.3	5.3
Bonds	343.5	5,878.0	5.8	6.5	-1.5	11.6	11.6
Other debt securities and deposits	19.8	441.6	4.5	4.0	2.8	3.6	3.6
Shares	-765.9	4,445.5	-17.2	-5.4	58.3	33.8	33.8
Real estate	151.3	2,039.9	7.4	7.8	6.0	3.9	3.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment, total	-175.3	14,390.7	-1.2	2.8	16.0	13.8	13.8
Non-allocated income, charges and operating expenses [4]	-3.6		0.0	0.1	0.2	0.3	0.4
Investment income, total	-179.0	14,390.7	-1.2	2.9	16.2	14.1	9.4

1) Cash flows time-weighted daily/montly are added to the market value at the start of the period.
2) Parent company income, fixed assets included; comprises State subsidy of EUR 6.1 million.
3) The income was calculated using the average current values at the beginning and end of the year.
4) Includes interest items in the profit and loss account which are not entered as income from investment.

Loading profit, EUR mill.

	2001	2000	1999	1998	1997
Expense loading components	63.3	54.1	54.0	48.4	44.7
Other income	1.7	1.7	1.5	1.6	1.3
Function-specific operating expenses [1]	-52.6	-48.5	-41.1	-38.2	-38.1
Loading profit	12.5	7.4	14.5	11.8	7.9
Loading expenses/ expense loading components, %	81	87	74	76	82

1) Excluding working capacity maintenance costs and investment charges as from 1998.

Ilmarinen owners

Ilmarinen is a mutual company. In accordance with the conditions laid down in the Articles of Association, Ilmarinen is owned by its clients, i.e. the policyholders and the employees insured with Ilmarinen plus owners of the guarantee capital. The highest right to decide is vested in the shareholders' meeting.

Shareholders' meeting

At shareholders' meetings, those owners mentioned above and their representatives or authorized agents shall be entitled to vote.

At the shareholders' meetings, each TEL policyholder shall have at least three votes and each insured person shall have at least one vote, in addition to which each policyholder and the insured persons shall be entitled to additional votes on the basis of the contributions paid for basic insurance under the Employees' Pensions Act (TEL) in the preceding calendar year, so that one vote is calculated for each full EUR 1,700 of insurance contributions. The additional votes received on the basis of the insurance contributions shall be divided among the policyholder and the insured persons in proportion to the average rate of employer and employee contributions under the Employees' Pensions Act.

At the shareholders' meeting, each YEL policyholder shall have at least one vote, in addition to which the policyholder shall be entitled to additional votes on the basis of the insurance contributions paid under the Self-Employed Persons' Pensions Act (YEL) in the preceding calendar year, so that one vote is calculated for each full EUR 6,700 of insurance contributions.

A shareholder by virtue of ownership of a guarantee share shall have 55 votes for each guarantee share.

At the shareholders' meeting, it is permissible to vote on one's own behalf or authorized by another party using a maximum of one tenth of the votes represented at the meeting. Moreover, the total of the votes based on the guarantee shares owned by those shareholders present at the meeting may not exceed the total of the votes based on the policies of the policyholders and the insured persons represented at the meeting.

The annual general meeting shall consider the annual accounts, the auditors' report and the statement by the Supervisory Board regarding the annual accounts and the auditors' report. On the basis of these documents decisions shall be made regarding adoption of the profit and loss account, the balance sheet, the consolidated profit and loss account and the consolidated balance sheet; any measures which may be occasioned by the profit or loss according to the adopted balance sheet or the consolidated balance sheet; release from liability of the members of the Board of Directors, the Supervisory Board and the President; emoluments to the Supervisory Board, and the grounds for reimbursement of travel expenses; and the number of auditors and deputy auditors, their emoluments, and the grounds for reimbursement of their travel expenses. In addition, the annual general meeting shall elect the members of the Supervisory Board, the auditors, deputy auditors, supervisory auditor and substitute for the supervisory auditor.

An extraordinary meeting of shareholders shall be held whenever the Board of Directors or the Supervisory Board deems there is reason for it or whenever it shall otherwise be held, according to the Finnish Insurance Companies Act.

In order to amend the Articles of Association, it is required that shareholders who have two-thirds of the votes cast have supported the change.

Supervisory Board

It is the responsibility of the Supervisory Board to supervise the administration of the company as managed by the Board of Directors and the President. For this purpose, the Supervisory Board shall also choose an appropriate number of its members to inspect the company's pension decision practice and investment operations. The Supervisory Board shall issue its statement regarding the annual accounts at the annual general meeting. In addition, the Supervisory Board shall confirm the principles according to which the plan concerning investment of the company's assets is to be formulated, and decide on the election of members and deputy members of the Board of Directors, their emoluments and reimbursement of their travel expenses.

Moreover, the Supervisory Board may issue the Board of Directors with instructions in matters of great importance or principle.

The Supervisory Board shall consist of 28 members elected at the annual general meeting for two years at a time. At least half of the members shall be chosen from among persons nominated by the central labour market organizations representing the employers and the employees, in such a way that the number of members chosen from among the candidates from both organizations is equal. Half of the members of the Supervisory Board resign each year.

The Supervisory Board elects a chairman and two deputy chairmen from among its own members each calendar year. The Board is quorate when more than one-half of its members are present. Matters are decided by a single majority.

Board of Directors

It shall be the function of the Board of Directors to direct and attend to the administration of the company and the appropriate organization of its activities. In addition, the Board of Directors shall draw up the company's investment plan and prepare the matters to be dealt with at shareholders' meetings.

The Supervisory Board elects 12 members and four deputy members to the Board of Directors for four years at a time. At least one-half of the members and deputy members of the Board of Directors shall be chosen from among persons nominated by the central labour market organizations representing the employers and the employees, in such a way that the number of members and deputy members chosen from among the candidates from these organizations is equal.

At the beginning of each calendar year, the Board of Directors elects a chairman and two deputy chairmen from among its own members. The Board of Directors shall be deemed quorate when more than half of its members are present.

President and CEO, Deputy CEO, Executive Vice Presidents and Senior Vice Presidents

The company has a President, appointed by the Board of Directors. The Board of Directors may also appoint a Deputy to the President. The Board of Directors shall also appoint the Executive Vice Presidents and the Senior Vice Presidents working as immediate subordinates to the President and CEO.

Supervisory Board

Timo Peltola,
Chairman
CEO of Huhtamäki Oyj,
due to resign in 2002

Matti Packalén,
Deputy Chairman
CEO of Alma Media Corporation,
due to resign in 2003

Matti Viljanen,
Deputy Chairman
President of The Union of Professional Engineers in Finland IL,
due to resign in 2002

Heikki Bergholm
President and CEO of Lassila & Tikanoja plc,
due to resign in 2002

Tor Bergman
President and CEO of Metso Corporation,
due to resign in 2002

Pertti Hagren
Chief Steward of UPM-Kymmene Group,
due to resign in 2003

Antti Herlin
Board Deputy Chairman of Kone Corporation,
due to resign in 2003

Harri Holkeri
Counselor of State (hon.),
due to resign in 2003

Liisa Joronen
Board Chairman of SOL Palvelut Oy,
due to resign in 2002

Arto Kajanto
Board Chairman of HPO-yhtymä,
due to resign in 2002

Antti Lagerroos
President and CEO of Finnlines Ltd,
due to resign in 2003

Simo Leivo
General Secretary of SUORA Financial Sector Union (Finland),
due to resign in 2003

Esko Mäkelä
Executive Vice President of YIT Corporation,
due to resign in 2002

Esko Mäkeläinen
Senior Executive Vice President of Stora Enso Oyj,
due to resign in 2002

Tapio Mäkinen
Managing Director of SE Mäkinen Oy,
due to resign in 2003

Kirsti Piponius
Managing Director of Sodexho Ltd.,
due to resign in 2003

Markku Pohjola
Deputy CEO of Nordea Plc,
due to resign in 2003

Jarmo Rantanen
Mayor of Tampere,
due to resign in 2002

Timo Räty
President of the Finnish Transport Workers' Union (AKT),
due to resign in 2002

Markku Rönkkö
Managing Director of Olvi plc,
due to resign in 2003

Kari Salminen
President of the Arina Group,
due to resign in 2003

Pekka Salojärvi
Board Chairman of Gummerus Publishers,
due to resign in 2003

Hannu Syrjänen
President and COO of SanomaWSOY,
due to resign in 2003

Kalevi Vanhala
President of the Wood and Allied Workers' Union,
due to resign in 2003

Erkki Varis
Managing Director of Oy Metsä-Botnia Ab,
due to resign in 2002

Matti Viialainen
Deputy Director of the Central Organization of the Finnish Trade Unions SAK,
due to resign in 2002

Marjatta Väisänen
Development Manager of the Union of Salaried Employees TU,
due to resign in 2002

Board of Directors

The term of office of all Board members and deputy members covers the period 2002-2005.

Heikki Hakala, **Chairman**
Mining Counselor (hon.)

Johannes Koroma, **Deputy Chairman**
Director General of the Confederation of Finnish Industry and Employers TT

Lauri Ihalainen, **Deputy Chairman**
President of the Central Organization of the Finnish Trade Unions SAK

George Berner
Managing Director of Berner Corporation

Martin Granholm
Executive Vice President of UPM-Kymmene Group

Eino Halonen
President and CEO of Suomi Mutual Life Assurance Company

Eero Heliövaara
President and CEO of Pohjola Group plc

Seppo Junttila
General Secretary of the Finnish Confederation of Salaried Employees STTK

Jyrki Kiviharju
Director of the Bank Employers' Association

Risto Piekka
President of the Confederation of Unions for Academic Professionals AKAVA

Kari Puro
President and CEO of Ilmarinen Mutual Pension Insurance Company

Gretel Ramsay
Managing Director of Tammet Ltd.

Deputy members

Timo Parmasuo
Board Chairman of Meconet Ltd.

Hannu Rautiainen
Solicitor of the Confederation of Finnish Industry and Employers TT

Erkki Vuorenmaa
President of the Metalworkers' Union

Eero Ylä-Soininmäki
CEO of Pohjantähti Mutual Insurance Company

In the front (left to right): Heikki Hakala, Seppo Junttila, Eero Ylä-Soininmäki, Gretel Ramsay, Kari Puro, Johannes Koroma, Eero Heliövaara, Lauri Ihalainen. On the stairs (left to right): Risto Piekka, Eino Halonen, Martin Granholm, George Berner, Jyrki Kiviharju, Hannu Rautiainen, Timo Parmasuo.

Inspectors

Inspectors of pension decision operations

The pension decision operations of Ilmarinen are overseen by the following, who were chosen by members of the Supervisory Board from among its own number:

Pertti Hagren
Antti Herlin
Arto Kajanto
Esko Mäkelä
Kirsti Piponius
Matti Viljanen

Deputies

Tor Bergman
Antti Lagerroos
Simo Leivo
Tapio Mäkinen
Hannu Syrjänen
Kalevi Vanhala

Inspectors of investment operations

The investment operations of Ilmarinen are overseen by the following, who were chosen by members of the Supervisory Board from among its own number:

Liisa Joronen
Matti Packalén
Jarmo Rantanen
Timo Räty
Erkki Varis
Marjatta Väisänen

Deputies

Heikki Bergholm
Esko Mäkeläinen
Markku Pohjola
Markku Rönkkö
Pekka Salojärvi
Matti Viialainen

Auditors

Auditor-in-charge:
Juha Wahlroos, APA
PricewaterhouseCoopers Oy

Tauno Haataja, APA,
PricewaterhouseCoopers Oy

Deputy auditors

Sari Airola, APA,
PricewaterhouseCoopers Oy

Sirkku Valkjärvi, APA,
PricewaterhouseCoopers Oy

Organization

Senior management on March 1, 2002

President and CEO
KARI PURO

Client Relations
HANNU RISSANEN
Senior Vice President

Finance and Actuarial Matters
JAAKKO TUOMIKOSKI
Deputy CEO

Investment
JUSSI LAITINEN
Chief Investment Officer

Pension Services
TIMO ARO
Senior Vice President

Corporate Communications
SATU MEHTÄLÄ
Senior Vice President

Legal Matters
PIRKKO AUVINEN
Senior Vice President

Information Management
KEIJO KOUVONEN
Senior Vice President

Personnel and Administration
KRISTIINA HÄMÄLÄINEN
Senior Vice President

Chief actuary Hillevi Mannonen
and personnel representative Kaarina Mänttäri-Siltanen
are also members of the Ilmarinen Executive Group.

Department heads and other management

Client relations
Sini Kivihuhta
Major Client and Broker Relations

Pekka Harjanne
Client Relations/Service Pohjola

Ari Jaatinen
Service Pohjola/Marketing

Marja-Leena Kolu
Service Pohjola/Small Enterprise Services

Kirsti Koponen
Service Pohjola/Corporate Services

Lise-Lotte Rautio-Murros
Client Relations/
A-Vakuutus, Pohjantähti,
Nordea Life Assurance Finland

Irmeli Kesonen
Production and Development

Juha Junnelin
Insurance Services

Markku Riikonen
Collection

Actuarial services and finances
Hillevi Mannonen
Actuarial Services

Pirjo Pohjankoski
Accounts and Bookkeeping

Atso Saajoranta
Actuarial Services Development

Investment
Jari Puhakka
Securities

Jari Eskelinen
Fixed Income

Mikko Mursula
Equity

Timo Kankuri
Real Estate

Vesa Pohjankoski
Customer Financing

Heidi Koskinen
Controller

Information management
Jukka Hirvinen
System Development

Pekka Makkonen
IT Services

Veijo Karila
IT Management, Quality

Olavi Virta
Data Security and Resource Accounting

Pension services
Tarja Hurskainen
Pension Benefits

Anne Koivula
Disability Pension and Rehabilitation Decisions

Markus Palomurto
Pension Payments

Personnel matters
Arja Savolainen
Personnel

Business planning and research
Juha Elovirta

Advisory Committee for Insurance Clients

Hannu Isotalo,
Chairman

Juha Ahvenniemi

Markku Autti

Olli Eräkivi

Petri Heino

Tapani Helminen

Paavo Holopainen

Risto Iivonen

Ismo Jauhiainen

Lasse Johansson

Raimo Juntunen

Tarja Juutilainen

Titu Järvenranta

Jarkko Järvinen

Risto Kanerva

Tapani Kaskeala

Aku Keltto

Tapio Kiiskinen

Seppo Kinkki

Ilpo Kokkila

Matti Korkiatupa

Hannu Koskinen

Kimmo Kuurma

Reijo Kärkkäinen

Kimmo Laine

Ilkka Lantto

Johanna Lappalainen

Liisa Leiva

Päivi Liedes

Seppo Makkonen

Matti Manner

Simo Moisio

Yrjö Mäkinen

Heikki Nevalainen

Pauli Niemelä

Jukka Niemi

Jouko Nieminen

Tuula Paalimäki

Tahvo Pekkinen

Juha Pietikäinen

Kyllikki Pohjola

Heikki Pärnänen

Maaret Pönni

Matti Pörhö

Ilkka Rantasalo

Taisto Riski

Veli Saarenheimo

Ossi Saksman

Pekka Sallinen

Peter Söderström

Raimo Tanttu

Kari Tarkiainen

Olli Tasala

Pentti Tiainen

Reijo Tuomela

Marja Usvasalo

Seppo Vekka

Harry Viiala

Leena Välimäki

Christian Österberg

Advisory Committee for the Insured

Margit Aaltonen
Eila Ahonen
Leif Blomberg
Seppo Fahlström
Kari Halminen
Arto Halonen
Ulla Hirvonen
Rainer Honkala
Jarmo Hyvärinen
Jouko Isoviita
Kai Kalho

Markku Kankainen
Kari Koivisto
Lauri Korkeakoski
Kari Kähkönen
Jorma Luukkonen
Tarja Malén
Anneli Myllärinen
Esa Mäenpää
Juha Nevalainen
Maritta Niemelä
Matti Palmqvist

Pirkko Penttilä
Esa Pitkälä
Pekka Rissanen
Reijo Ruppa
Urho Saarinen
Eero Saloranta
Inkeri Seppälä
Päivi Suksi
Anna-Liisa Toikka
Jouko Vento

Advisory Committee on Pension Affairs

Representatives of employees

Eija-Sisko Huhtala
Kaija Kallinen
Erkki Rimpiläinen
Aleksei Solovjew

Representatives of employers

Timo Höykinpuro
Hannu Rautiainen

Representatives of Ilmarinen

Timo Aro
Anne Koivula

Presenting officers

Risto Ali-Penttilä
Ilkka Käppi
Merja Mäkimattila
Mikael Ojala

A guide for readers

The financial statements of a pension insurance company and the related key figures contain numerous concepts and calculations that differ from conventional business terminology. Some of the key concepts are explained below, in alphabetical order.

Assets covering technical provisions

The assets of an insurance company are divided on the basis of prudence into eight groups. The first group includes investments for which the risk is borne by the State and the eighth group includes unlisted company shares and similar instruments. There are statutory provisions stipulating the maximum proportion of technical provisions covered by each group. The assets in cover of technical provisions are calculated at current value.

Bonuses and rebates

A refund from the provision for current bonuses paid to policyholders in the form of discounts on contributions.

Equalization provision

Equalization provision is a buffer accumulated from technical underwriting result; it is used in years when an above-average number of pension contingencies occur.

Expense loading component

One of the components of the insurance contribution intended to cover the company's operating expenses.

Investment result

Result from investment at current values is obtained by deducting the yield requirement on technical provisions from the company's net investment income and the change in valuation gains/losses. The resulting surplus from investment is part of Ilmarinen's total profits.

Loading profit

The loading profit shows how much the expense loading components and other similar income exceed the operating expenses to be covered by them. The management charges incurred from investment are covered out of the income from investment. The management expenses of maintaining working capacity included in claims incurred are deducted from the profits on risk premiums collected. When Ilmarinen saves on operating expenses, the resulting savings are included in its total profits.

Operational efficiency

For a pension insurance company, operational efficiency is the percentage of operating expenses of the expense loading components included in insurance premiums and of other income. The smaller the percentage – that is, the smaller the volume of expense loading components used – the more efficient the operations.

Provision for current bonuses

The provision for current bonuses is that portion of the technical provisions accumulated from the investment result and the loading profit, which is distributed to policyholders in the form of a bonus.

Provision for future bonuses

The provision for future bonuses is a part of the technical provisions included in the solvency capital used to level out the impact of fluctuations in the value of investments.

Receivable from portfolio transfer

The unpaid portion entered in the financial statements of the cover for liabilities transferred on January 1, 1997 from the special Kansa Pension receivership. The part of the receivable not covered by the assets in the receivership is called a refund from provison for joint liability. To cover this receivable, an increment arising out of the joint liability is collected from policyholders as part of premiums written.

Solvency border

The solvency border is the quantity calculated on the basis of the structure of the company's investment portfolio and the amount of technical provisions, which gives the limit within which yearly fluctuations in the value of investments should in all probability stay.

Solvency capital

The solvency capital is the difference between the company's assets, calculated at current values, and its liabilities. It is intended to level off the risks inherent in investments.

Solvency capital target zone

The lower limit of the target zone is double the solvency border and the upper limit quadruple. The company's solvency capital is expected to remain between the solvency border and the upper limit of the target zone. Below the target zone, the company is obliged to increase its solvency by limiting use of the surplus for client bonuses. Above the zone, the company can ensure that solvency returns to the target zone by altering its investment strategy or by distributing the surplus.

Statutory charges

A cost incurred by an insurance institution to finance the operations of the Central Pension Security Institute, operating as the central body of the system, and to cover bad debts on the Central Pension Security Institute's credit insurance.

Technical provisions

Technical provisions are divided into a provision for unearned premiums and a provision for claims outstanding. The provision for unearned premiums pertains to the calculated cash value of expenditures incurred from anticipated future pension contingencies less the cash value of anticipated income. The provision for claims outstanding is an estimate entered in the financial statements of future expenditure on pension contingencies reported but not settled (RBNS). The provision for unearned premiums includes the provisions for current and future bonuses and the provision for claims outstanding an equalization provision.

Technical provisions and cover

The technical provisions to be covered equal the technical provisions entered in the financial statements plus amounts intended for the PAYG pool and owed to policyholders and less the provision for unearned premiums for self-employed persons' pension insurance.

Technical underwriting result, net

Technical underwriting result is the difference between claims incurred and the premium components collected in the insurance premiums and intended to cover risks. A positive underwriting result increases the equalization provision and a negative one reduces it. In related analyses, the technical underwriting result includes 3% assumed interest on the equalization provision.

Turnover

Turnover means premiums written before credit losses and the reinsurers' share + income from investment + other income + unrealized gains entered in profit and loss account insofar as materialized in connection with realizations.

Uncovered liabilities resulting from statutory contribution reductions

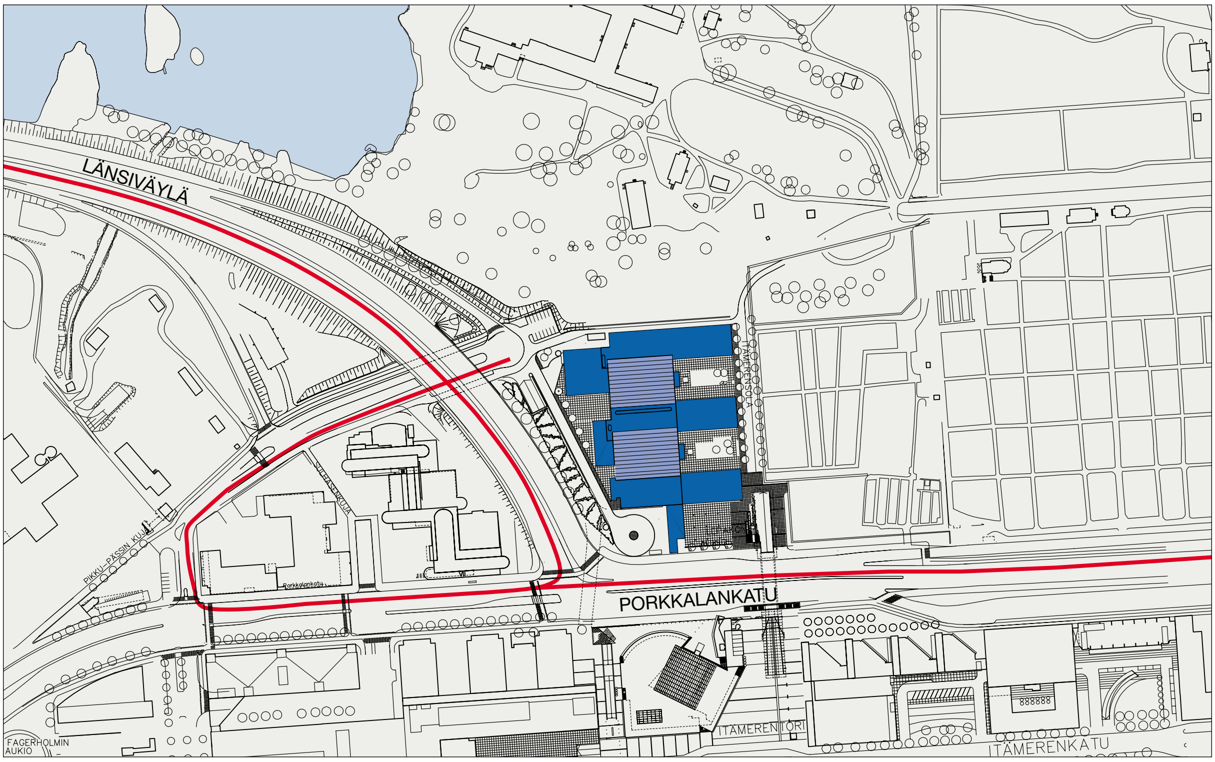
The deficit in assets arising from the statutory reduction on the pension contribution. The deficit is amortized by collecting increased pension contributions in subsequent years.

Valuation gains/losses

The difference between the current value and book value of assets.

Yield requirement on technical provisions

The minimum yield requirement on the technical provisions on the liabilities side of the balance sheet, which is calculated using the companies' joint calculation bases. In 2001, the technical rate of interest determining the yield requirement was 5.75%.



Ilmarinen will be moving into new offices during summer 2002.
The new street address is Porkkalankatu 1, Helsinki.
Our telephone numbers and other contact data will remain unchanged.

Ilmarinen Mutual Pension Insurance Company
Street address: Eerikinkatu 41, Helsinki
Mailing address: 00018 Ilmarinen
Telephone: Nat. 010 284 11, Int. +358 10 284 11
Fax: Nat. 010 284 3445, Int. +358 10 284 3445
www.ilmarinen.fi

Design:
Viherjuuren Ilme Oy
Photographs on the pages
6 and 65: Risto Laine
Papers:
Cover: Gmund
Ever Sverig 250 g/m²
Inside: Scandia 130 g/m²
Printed in Sävypaino