ILMARINEN ANNUAL REPORT 2006

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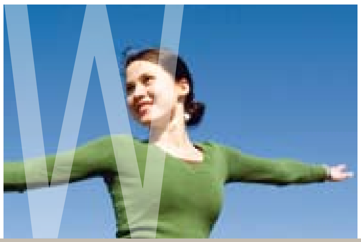
ILMARINEN MUTUAL PENSION INSURANCE COMPANY

ILMARINEN



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INSURANCE SERVICES

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PENSION SERVICES

As an authorized pension insurance company, Ilmarinen's mission is to safeguard the statutory pension provision of employees and self-employed persons and to manage the investment assets that cover future pensions.

FINANCING SERVICES

PROPERTY RENTAL

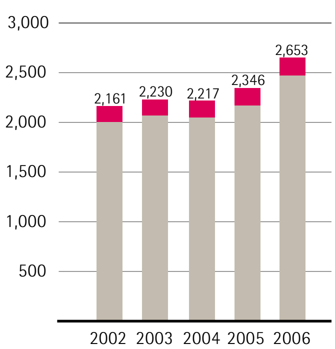
OTHER SERVICES

KEY FIGURES

	2006	Change-%	2005	2004	2003	2002
Premiums written, EUR mill.	**2,652.6**	**13.1**	2,346.0	2,217.3	2,229.6	2,160.9
Pensions paid out, EUR mill.	**2,239.1**	**10.0**	2,035.8	1,933.1	1,901.7	1,855.3
Aggregate operating expenses, EUR mill.	**85.9**	**–1.8**	87.6	87.7	79.4	70.6
Technical provisions, EUR mill.	**20,917.2**	**10.7**	18,891.3	16,375.6	15,275.0	13,863.5
Balance sheet total at current value, EUR mill.	**23,635.4**	**9.7**	21,553.0	18,050.5	16,475.0	14,933.6
Solvency capital, EUR mill.,	**5,828.0**	**14.5**	5,090.1	3,597.8	2,951.2	2,243.1
% of technical provisions	**33.7**		32.0	25.6	22.3	18.1
in relation to solvency border	**2.4**		2.5	2.3	2.2	1.9
Investment, EUR mill.	**22,994.9**	**9.6**	20,983.2	17,635.6	15,985.5	14,520.6
Investment income at current value, %	**8.5**		12.1	7.9	8.7	–0.5
Pension recipients	**257,884**	**5.8**	243,775	239,511	235,965	231,056
TEL policies	**31,551**	**0.5**	31,386	31,572	31,927	31,689
Employees insured under TEL	**387,000**	**8.4**	357,000	349,000	364,000	359,000
YEL policies	**49,898**	**0.8**	49,495	49,580	49,696	49,322
Permanent personnel, December 31	**543**	**0.4**	541	689	649	618

Premiums written

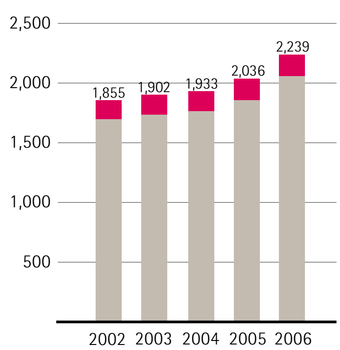
EUR mill.



YEL policies
TEL policies

Benefits paid out

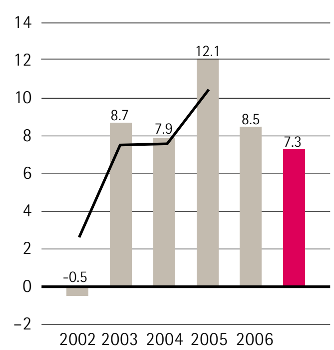
EUR mill.



YEL
TEL

Net investment income, at current value

%



Ilmarinen's annual income
Other TEL companies on average
Average 5-year return for Ilmarinen


ILMARINEN IN BRIEF

OUR MISSION

As an authorized pension insurance company, Ilmarinen's mission is to safeguard the statutory pension provision of employees and self-employed persons and to manage the investment assets that cover future pensions.

Ilmarinen is a mutual company owned by its policy holders, the persons insured and the owners of the guarantee capital.

OUR GOALS

Ilmarinen's goal is to be a pioneer in the pension insurance business that delivers profitable growth.
Ilmarinen is a responsible, profit-oriented, long-term investor.

Over the next few years, the development of our business operations will particularly focus on the development of customer service, the cooperation with the OP Bank group and the improvement of cost-effectiveness.

OUR VALUES

Throughout its activities, Ilmarinen takes due account of the special responsibilities and related obligations associated with managing statutory earnings-related pension insurance.

Our values are:

Responsibility for earnings-related pension provision
We create employment pension security on a long-term and consistent basis and observe fair and honest business principles and practices.

Satisfied clients
We work together for the good of our clients. A satisfied client is both our employer and the best marketer of our services.

A constantly improving workplace 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 develop their potential and improve their job skills.

Profitable operations
Together we can achieve results to be proud of.

NEWS YEAR 2006

JANUARY

5 Ilmarinen sold the Iron House designed by Alvar Aalto, one of the most central properties in Helsinki, to Finnish foundations.

16 The Finnish Association of People with Mobility Disabilities (FMD), Ilmarinen and Pohjola agreed on a three-year co-operation period. Through this co-operation Ilmarinen and Pohjola wish to support FMD's socially significant work to increase equality.

30 The pension negotiation group of the central labor market organizations published a report on the improvement of the return on employment pension funds, investment in Finland and the reduction of the pressure to increase the employment pension contribution.

MARCH

1 Ilmarinen published its result for 2005. As a whole, the year was one of the best in Ilmarinen's history in both financial and operational terms. Investments generated a very good return and the company's solvency improved.

16 Ms. Marja Usvasalo, President and CEO of Kalevala Koru Oy, was elected as a new member of Ilmarinen's Board of Directors.

27 Ilmarinen announced its support of the fitness training activities of Suomen Uimaliitto, which has worked for Finnish public health for one hundred years.

APRIL

6 The following persons were elected as new members of the Supervisory Board: Mr. Henrik Gayer, Mr. Kim Gran, Mr. Kai Korhonen, Mr. Matti Lievonen, Ms. Pirjo Terilehto, Mr. Esa Vilkuna, and Mr. Esko Vuorinen.

MAY

3 Ilmarinen's Board of Directors appointed Mr. Harri Sailas as the company's new President and CEO. He started at Ilmarinen on September 1, 2006 and took over the position of President and CEO on January 1, 2007, when Kari Puro retired.

8 Pension recipients can now increase the tax percentage used for pension payments, update address and bank account information and receive a certificate on the amount of their pensions via Ilmarinen's online service. With the new services provided on the Internet, Ilmarinen has the most comprehensive online services.

27 Ilmarinen announced that it will increase its investments in Finnish small and medium-sized enterprises. The company established a new private equity fund, administered by OKO Venture Capital. The fund will focus on financing ownership changes in Finnish small and medium-sized enterprises.

AUGUST

24 Ilmarinen published its interim report. The decrease in share prices and the continued increase in interest rates burdened Ilmarinen's performance. Premiums written were growing strongly.

SEPTEMBER

14 Ilmarinen has a new logistics center built for the Kauko Group.

22 Ilmarinen and Palace Kämp Group established a joint venture, which leased the commercial premises of Kämp Galleria under a long-term lease agreement. The aim of the agreement is to develop Kämp Galleria into a high-quality service center of an international standard.

NOVEMBER

7 The Finnish Association for Human Resources (HENRY ry) awarded the Ilmarinen prize for the Personnel Deed of 2006 to Vaasan & Vaasan Oy. The project receiving the award established small group activities as part of the company's business operations and their development.

8 Mr. Chris Daykin, the main actuary of the British government, praised the clarity and simplicity of the Finnish employment pension system at Ilmarinen's employment pension seminar. Mr. Kari Puro, Ilmarinen's President and CEO, and Mr. Raimo Sailas, State Secretary, also delivered speeches at the seminar.

19 Ms. Hillevi Manninen, Ilmarinen's Chief Actuary, was elected as President of the International Actuarial Association (IAA) for 2007.

27 Mr. Reijo Karhinen, Executive Chairman of OP Bank Group Central Cooperative, was elected as a new member of Ilmarinen's Board of Directors as of the beginning of 2007.

30 Ilmarinen was granted the best European pension investor award in the Investment & Pensions Europe (IPE) contest. In addition, Ilmarinen was given the award of best European in three sub-categories: the structuring and overall structure of the investment portfolio, raw material investments and multi-sector pension investor.

REVIEW BY THE PRESIDENT AND CEO

GOOD SHAPE AND STRONG GROWTH

» Mr. Kari Puro, Ilmarinen's long-term President and CEO, retired at the end of 2006 and Mr. Harri Sailas took up his position as the new President and CEO. In this interview, Puro takes a look back over the past year, while Sailas sheds light on the company's future directions and prospects.

HOW WOULD YOU CHARACTERIZE THE YEAR 2006 FOR ILMARINEN?

Kari Puro: "Last year was a good year for Ilmarinen in all respects. Our market position strengthened, investments generated a good return, and our solvency and cost-efficiency improved.

What made the year special was the exceptionally strong growth in premium income and the number of people insured.

At year-end we provided insurance coverage for 387,000 employees, which is 30,000 more than in the previous year. The number of entrepreneurs' insurance policies also increased and is now close to fifty thousand. Ilmarinen is clearly the largest insurer of self-employed persons. Premiums written grew totally by 13 per cent to more than EUR 2.6 billion.

Ilmarinen's investments assets of EUR 23 billion delivered a return of 8.5 per cent last year. The return is good, even if we did not quite reach the top level of 12 per cent for last year. Equity investments delivered the best return this year as well, although clearly less than in the previous year.

Our strong solvency has enabled our share-weighted investment strategy and, through that, the seeking of better returns. Our solvency has also enabled large client bonuses. We will transfer EUR 81 million of last year's result to client bonuses. During the past ten years we have used EUR 614 million for bonuses, which is clearly more than any other pension company during the corresponding period.

An operational improvement program has been in progress at Ilmarinen for several years now and has proceeded well. Implementing the program is more important than ever now that the loading profit is also starting to affect client bonuses. In 2006 Ilmarinen's loading profit increased to almost EUR 23 million from the less than EUR 12 million for 2005. It is also significant that total operating expenses were reduced even if the number of insured and the volume of operations increased considerably.

This is a good opportunity to thank Ilmarinen's employees for sixteen years of continuous service and their expert work for Ilmarinen's success and Finnish employment pension coverage. I also thank our clients and partners for the trust they have placed in Ilmarinen. I am sure that Ilmarinen will also be worth your trust under the leadership of my successor, Harri Sailas."

WHAT IS THE SITUATION OF FINNISH PENSION SYSTEM NOW?

Kari Puro: "Following the large two-stage pension reform of 2005 and 2007 I see no large acute development needs for the Finnish pension system. The reform of pension benefits and the investment reform that entered into force at the beginning of this year have managed to curb the pressure to increase employment pension contributions by several percentage points. In addition, the merging of the employment pension acts simplifies the employment pension system and, with time, this will have an impact on the cost trend. Thanks to these reforms, the financial sustainability of the employment pension system rests on a firm foundation.

The main strength of the Finnish pension system is that it has been possible to develop pension coverage and its financial sustainability responsibly and in accordance with current challenges. The Finnish pension system has been praised also by international experts particularly for its results and the fact that the labor market organizations representing the payers and pension recipients have been able to agree on even the most difficult issues.

In my opinion, now would be a good time to pause and see how effective the recent reforms are. Decisions on pension coverage have far-reaching effects both in scope and time, and therefore inconsistency must be avoided. The development work must be performed in a controlled manner, responsibly and from a long-term perspective."

IN WHICH DIRECTION ARE YOU GOING TO LEAD ILMARINEN?

Harri Sailas: "It is Kari Puro who must largely be thanked for the fact that the company which will be under my leadership from the beginning of the year is both financially and operationally in good condition. Ilmarinen has expert and service-oriented personnel. Throughout its existence the company has been a pioneer in the development of services and investment activities and the entire employment pension sector. This is a position we want to maintain in the future too.

Ilmarinen's operations involve a significant responsibility. Our basic task is to take care of the employment pension coverage of current and future pension recipients. This mandate includes a number of obligations. The assets covering pensions must be managed with care and our operations must be efficient and transparent.

The employees' pensions acts merged at the beginning of this year and Etera started to compete with other pension companies for the same clients. Ilmarinen has prepared for the situation by building services needed by the new client groups. We have also actively offered our clients the alternative to centralize their employment pension insurance policies in Ilmarinen.

Ilmarinen's strong solvency provides us with a sound financial basis to continue our return-oriented investment strategy. We aim to obtain the best possible long-term return within the limits of our solvency in the future too.

Our cost-efficiency has improved significantly, but there are still things to do. We are consistently looking for more cost-efficient ways to implement matters by expanding the use of information technology and by streamlining our procedures, for example.

Our partners also play a crucial role in Ilmarinen's future success. More than a year ago the OP Bank Group became our new sales and client service partner alongside Pohjola, A-Vakuutus and Pohjantähti. In the next few years we will invest in deepening the OP Bank Group cooperation so that all of the parties, including clients, will concretely benefit from this cooperation.

All in all, I am confident in Ilmarinen's future prospects. I want to thank Kari Puro warmly for the extensive work he has done for Ilmarinen and Finnish employment pension coverage. I will do my best to ensure that our clients, personnel and partners can be satisfied with Ilmarinen's operations in the future as well."

TRENDS IN THE EMPLOYMENT PENSION INDUSTRY

EMPLOYMENT PENSION REFORMS

One of the main aims of the employment pension reform that entered into force in 2005 is to encourage people to continue working a few years longer than at present in the coming decades. In view of this aim, it is particularly positive that the employment rate of the aged workforce has increased rapidly over the past few years.

The growth period of the employment pension system born in 1962 continued until the 1990s. The coverage and level of employment pension were about right at the time but the opportunities to utilize various forms of early retirement pension to retire from working life were in hindsight too generous.

The deep recession of the national economy and the increasing concern for the effects of the rapid ageing of the population brought about a period of adjustments for the employment pension system from the early 1990s to the present. The many different amendments to the determination of pension and the requirements for receiving it made since then culminated in the extensive reform package of 2005.

EMPLOYEES' PENSIONS ACT

The amendments to pension benefits were included in the Employees' Pensions Act (TyEL) that entered into force as of the beginning of 2007. The new act replaces the previous Employees' Pensions Act (TEL), the Temporary Employees' Pensions Act (LEL) and the Pensions Act for Performing Artists and Certain Groups of Employees (TaEL). In the long run, this act will significantly simplify the practices and procedures involved in employment pension insurance.

A pension is a long-term commitment and consequently amendments to the pension system must be made so that radical boundaries are avoided. The amendments to pension benefits involve a transition period extending to the end of 2011, during which the old and new provisions are applied partly in parallel. Therefore, simplification will not reach its full extent for a few years.

INVESTMENT OF EMPLOYMENT PENSION ASSETS

The funds for pension payments are accumulated through two channels: firstly, as employment pension contributions from employers and employees, and secondly, from the return on investments of funded employment pension assets. From the point of view of the financing of employment pensions, it is crucial that Finland once chose partial advance funding of employment pensions.

As of the beginning of 1997 the conditions for investing employment pension assets were changed in a radical manner to encourage pension insurers to make more return-oriented and higher-risk investments. The result was that the employment pension assets of the private sector have generated an average annual return of 7.5 per cent between 1997 and 2006, exceeding inflation by 5.8 per cent. Ilmarinen has been a pioneer in return-oriented investment and the average return achieved by the company during the past ten-year period has been the highest among employment pension companies.

New investment provisions for employment pension assets, in the drafting of which the positive experience gained during the previous ten-year period was utilized, entered into force as of the beginning of 2007. The opportunities for risk-taking were further increased slightly and, at the same time, the risk-bearing capacity of the employment pension system was improved. The new investment regulations also include technical improvements. In addition, the details of the techniques applied to funding were changed so that it is now possible to target the financing received through investment income to a period during which it is most needed to curb increases in employment pension contributions.

KEEPING THE PENSION PROMISE

The employment pension system promises to produce an earnings-related pension to replace earned income once that income ends. The goal is to maintain consumption during retirement at a level that is reasonably close to the level of the working years. This basic principle has remained unchanged throughout the changes made during the history of the employment pension system. The pension promise is not tied to any specific pension percentage or retirement pension age.

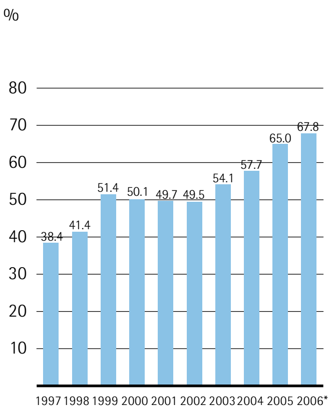
Employment pensions are adjusted to the rising average lifespan by means of a life expectancy coefficient. The level of starting pensions will be lowered as of 2010 if life expectancy increases. People may compensate for this reduction if they wish by continuing in gainful employment approximately half the extension of life expectancy.

Thanks to the reforms to the pension legislation and investment regulations, the pressure to increase the employment pension contribution is currently at a very reasonable level. Thus the price of pension coverage from generation to generation changes much less than earlier predicted.

The balance between generations is not perfect, however. Younger generations pay a slightly higher unit price for their pension euro than the generation currently approaching retirement age. On the other hand, according to the prognoses of the Finnish Center for Pensions, average pensions will be 50 per cent higher than the current pensions after 20 years, for example.

As one part of the pension reforms, register extracts specifying the amount of pension accumulated up to that time will be sent to all employees from the beginning of 2008 onwards. It is important that people are aware of the amount of their future pension and the impact of continued employment on it. It is already possible to make pension calculations by visiting Ilmarinen's online service www.ilmarinen.fi.

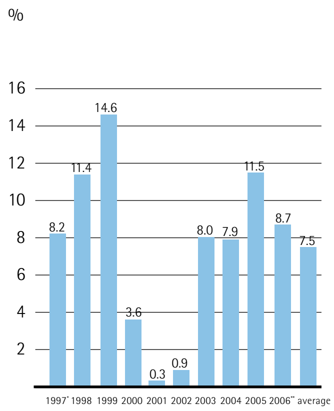
Percentage of employment pension funds of GNP



* Preliminary estimate for 2006

Source: The Finnish Pension Alliance TELA

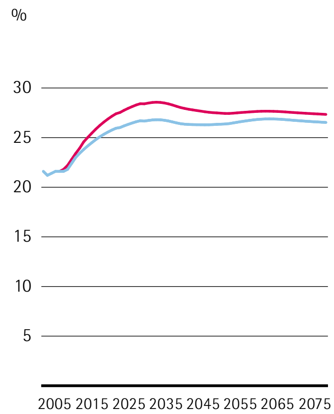
Annual return of employment pension funds on capital employed



* Only contains information on the companies
** Preliminary estimate for 2006

Source: The Finnish Pension Alliance TELA

TyEL expenditure as % of payroll



- Real return 3,5%, under the current investment rules
- Real return 4,0%, under the current investment rules

Source: The Finnish Center for Pensions

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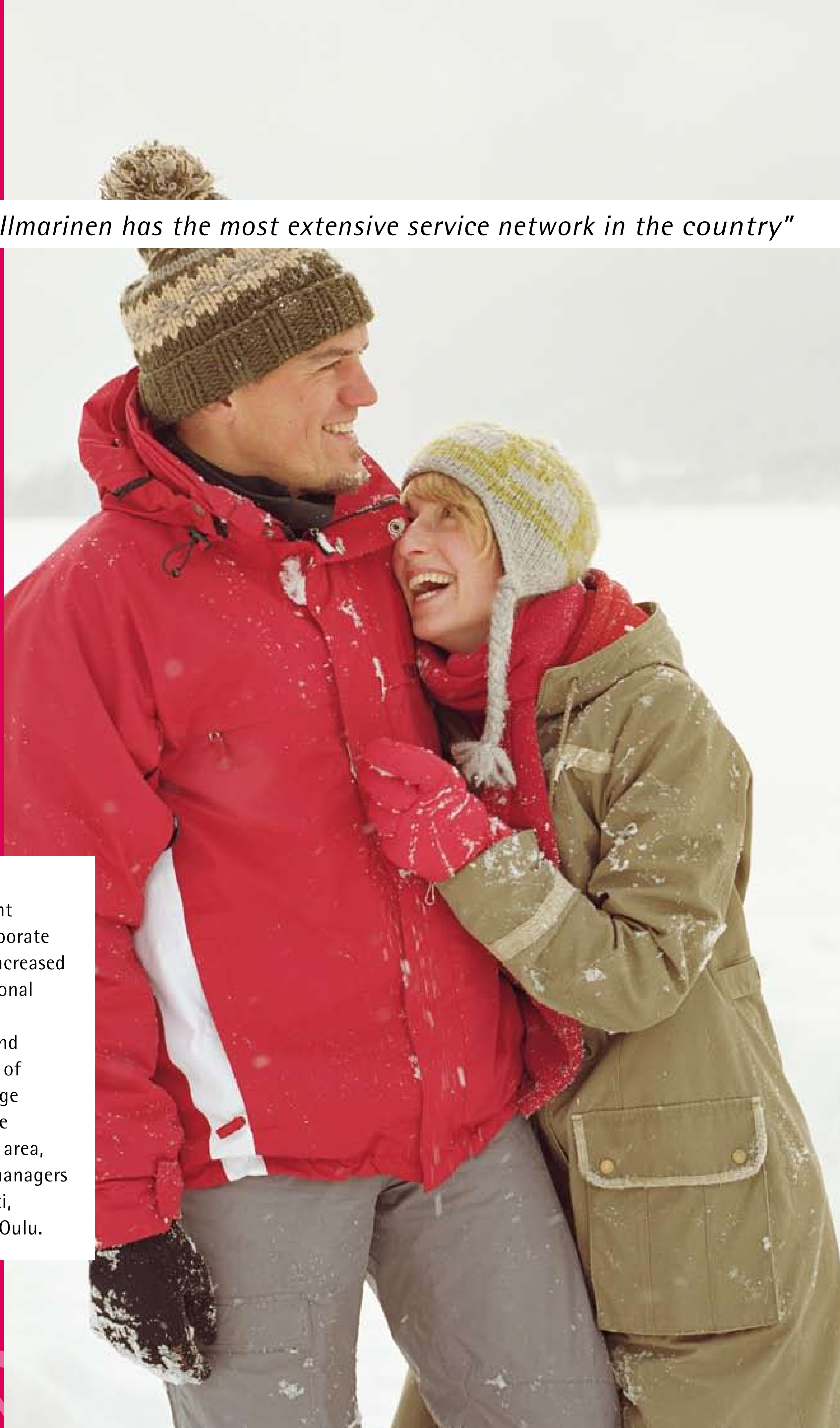
SERVICES

"Ilmarinen has the most extensive service network in the country"



The number of account managers serving corporate customers has been increased by establishing a national account manager organization to respond to the versatile needs of medium-sized and large businesses. Besides the Helsinki metropolitan area, Ilmarinen's account managers operate in Turku, Lahti, Tampere, Kuopio and Oulu.

COOPERATION BOOSTS CUSTOMER SERVICE AND SALES

Ilmarinen provides employment pension cover for almost 700,000 Finnish employees and self-employed persons. The company's market share of the aggregate premiums written by the employment pension companies is about one-third. As an insurer of self-empolyed persons, Ilmarinen is the largest company in Finland.

The company's central services include insurance services related to employment pensions, promotion of well-being at work, vocational rehabilitation, pension services, and financial and commercial facility services.

DEVELOPING SERVICES IN COOPERATION

Ilmarinen's network of services covers all parts of Finland, with branches providing customers with services related to all insurance matters. Pohjola, A-Vakuutus and Pohjantähti have acted as partners in the sales of Ilmarinen's employment pensions and the management of customer relations for a long time.

The most important of Ilmarinen's partners is Pohjola, which is the main channel for Ilmarinen's insurance sales. Ilmarinen's other insurance partner, Pohjantähti, has increased its customer base over the past few years, which has also been seen in the growth in the employment pension portfolio insured through Pohjantähti.

Together with its partners, Ilmarinen has drawn up service models and procedures to ensure the availability of the range of employment pension services required by its clients and to secure regular customer contacts. Ilmarinen has an extensive training program in place to maintain its partners' expertise in employment pension issues.

Ilmarinen also engages in smoothly functioning cooperation with insurance brokers. Insurance brokers account for more than 15 per cent of Ilmarinen's premiums written.

The legislative amendment that entered into force at the beginning of 2007 brought new clients for Ilmarinen. All work ordered by households can now be insured by Ilmarinen. Households acting as employers can deal with the employer's notification and payment obligations electronically by means of Ilmarinen's and Pohjola's joint online service.

REGIONAL CUSTOMER SERVICE POWER

Ilmarinen is continuously developing its corporate customer service to be more active. The number of account managers serving corporate customers has been increased by establishing a national account manager organization to respond to the versatile needs of medium-sized and large businesses. Besides the Helsinki metropolitan area, Ilmarinen's account managers operate in Turku, Lahti, Tampere, Kuopio and Oulu.

Customers want to use online services more and more. For this reason, the services have been developed so that customers can deal with all matters related to their employment pension insurance on the Internet at any time of the day. The number of online corporate and entrepreneur customers has increased quickly over the past few years and is now more than 22,800.

COOPERATION WITH THE OP BANK GROUP STEPPED UP

Following the corporate acquisition made in September 2005, Pohjola and A-Vakuutus are part of the OP Bank Group. Ilmarinen's successful and long-term partnership with Pohjola has been further reinforced with the OP cooperation. This can be seen in the establishment of 200 joint branch offices by OP Bank Group member banks and Pohjola, among others. Thus Ilmarinen's customers are provided with more comprehensive banking and insurance services.

The strong market position of the OP Bank Group brings a significant amount of corporate and entrepreneur customer potential for Ilmarinen. It is significant that the smooth cooperation with Pohjola is continuing and the strong expertise of its staff in insurance and employment pension matters continues to be at the disposal of Ilmarinen's customers. The local availability of services is very important as a choice criterion when medium-sized and small corporate customers, self-employed persons and households decide on their insurance solutions.

NEW FINANCING ALTERNATIVES FOR COMPANIES

Ilmarinen has developed new financing alternatives for the needs of small and medium-sized corporate customers in particular. Together with bank and guarantor partners, Ilmarinen also finances large and demanding projects related to investments and corporate arrangements. The loan application and granting processes have been developed to run more smoothly from the customer point of view.

Pages 10 to 15 of the annual report tell more about Ilmarinen's service operations and their development last year.

BEST BONUSES AND SATISFIED CLIENTS

Employment pension companies reduce their corporate clients' employment pension contributions through client bonuses, the amounts of which are based on the employment pension company's solvency and financial success. Ilmarinen has set as its aim to be the most solvent employment pension company with the most competitive client bonuses in the industry. Thanks to its return-oriented investment operations, the company has succeeded in achieving this aim.

Between 1997 and 2006 Ilmarinen has transferred a total of EUR 614 million to client bonuses. This total, both in aggregate and per client, is larger than the bonuses of any other pension company during the corresponding period. Thanks to the company's good investment performance in 2006, the amount of funds that could be spent on client bonuses rose to EUR 81 million from the previous year's EUR 78 million.

» Another indicator of clients' opinion is that many clients have decided to centralize all of their employment pension insurance policies in Ilmarinen when this became possible at the beginning of this year. The permanence of clients has also improved.

CLIENTS ARE SATISFIED WITH ILMARINEN'S SERVICE

Listening to clients' opinions is crucial to the development of services, which is why Ilmarinen regularly surveys its clients' satisfaction with its services. Medium-sized and large clients have traditionally been very satisfied with the company and in last year's survey this client group again gave an excellent grade for all of the areas surveyed. The satisfaction of smaller companies and self-employed persons has also remained good in the light of the surveys. Another indicator of clients' opinion is that many clients have decided to centralize all of their employment pension insurance policies in Ilmarinen when this became possible at the beginning of this year. The permanence of clients has also improved.

ONLINE BUSINESS IS INCREASING

Online business is increasing strongly and almost half of Ilmarinen's corporate clients deal with their employment pension matters over the Internet. The company has strongly invested in the continuous development of online services for many years and it is possible to deal with all employment pension matters over the Internet regardless of the time of day. The usability of the services is also systematically being improved further. As an example, last year Ilmarinen made its services easier to use by self-employed persons by being the first pension company to implement log-in to services by using personal bank identifiers. In a study conducted towards the end of the year, Ilmarinen's online services received the average school grade, 9, from corporate clients.

Ilmarinen organizes a number of training and information events in various parts of the country each year. In 2006 one of the themes was the merging of the employment pension acts and its impact on insurance. Among themes related to well-being at work, leadership work and management of time were dealt with. The number of visitors at the client events, employment pension days and company-specific employment pension events totaled more than 2,000.

PREMIUMS WRITTEN INCREASED STRONGLY

Last year Ilmarinen succeeded reasonably well in the sale of employment pension insurance policies. In terms of transfers from one employment pension insurance company to another, the result was good. A total of about 2,300 new TEL (Employees' Pensions Act) and YEL (Self-Employed Persons Pensions Act) clients transferred to Ilmarinen from other pension companies. Premiums written increased by 13 per cent in 2006, an increase attributable to the good sales results achieved in previous years. At the end of the financial year, the company insured about 30,000 more employees than in 2005.

The competitive situation between employment pension companies changed at the beginning of 2007 when the employment pension acts were merged. During the last year Ilmarinen, together with its partners, carefully prepared for the new situation. The role of partners in the acquisition of clients and client service is significant especially in the case of medium-sized and smaller enterprises.

CENTRALIZATION IS POSSIBLE

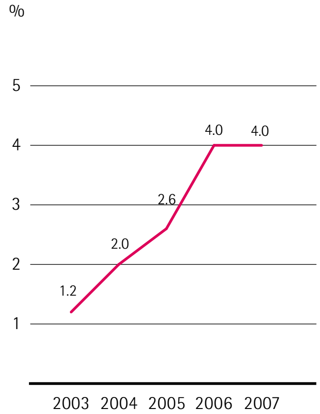
As of the beginning of 2007 a new system was adopted in the determination of the insurance contributions of large companies concerning disability pensions. The employment pension contribution determined on the basis of the contribution category makes it considerably easier to predict the company's disability pension costs and is well suited to international accounting standards.

At the beginning of 2007 the acts on employment pensions of private-sector employees (TEL, LEL and TaEL) were combined into a single Employees' Pensions Act (TyEL). The new act simplified companies' employment pension insurance when all gainful employment in the private sector is now insured under the same act. At Ilmarinen the pension insurance activities and information systems have been adapted to the new legislation during 2006 and thus a smooth transition without disturbances to the new insurance practice is ensured for its clients. The earned income registration system providing the basis for pensions has been renewed together with other employment pension insurers.

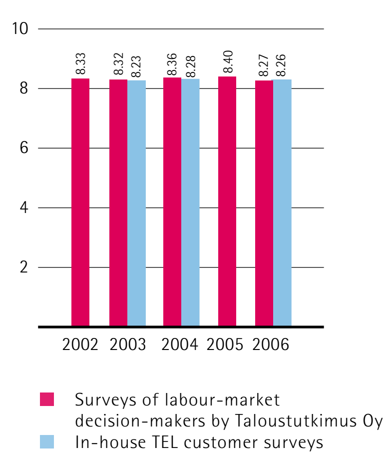
The TyEL reform enables centralization of employment pension matters in a single pension company, in which case it is easier for the company to obtain an overall picture of its employment pension costs and the services it needs. This opportunity has been actively marketed to Ilmarinen's corporate clients during last year.

With the legislative amendment that entered into force at the beginning of the year, households can handle the pension insurance of their employees at Ilmarinen as a new client group. Pohjola and Ilmarinen have built a joint online service by means of which households can deal with the employer notification and payment obligations electronically.

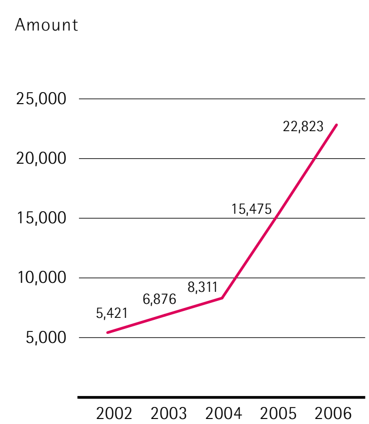
Bonuses and rebates % of employer contribution under TEL



Policyholders' evaluation of Ilmarinen



Web service agreements



MAKING WELL-BEING AT WORK THE COMPANY'S SUCCESS FACTOR

» In cooperation with its clients and experts Ilmarinen has developed a workplace well-being service called Motivo. Created for operational planning and implementation and assessment of personnel management, the model helps companies to put their personnel development programs into practice at the workplace.

The goal of pension reform is to raise the average age of retirement by two to three years. Whether a person stays at work longer or chooses to retire as soon as the opportunity arises depends not only on economic aspects, but also on the quality of working life, the person's well-being at work and his or her willingness to work. In order to achieve the aim of raising the average retirement age, companies must improve the factors affecting well-being at work.

Strengthening the workforce's well-being at work involves, above all, systematic and extensive development of the work itself and the workplace community. At the same time, it has a positive effect on the company's productivity and competitiveness. Well-being at work is in the interest of both the employer and the employees.

Good health is an essential precondition for the ability to work. For this reason, companies should have a method of operation in situations where an employee's health deteriorates and the job must be changed to correspond to the employee's work conditions.

The job satisfaction of aging employees and their continued work pose a new challenge. In the future years the number of new employees entering the labor market will be considerably lower than that of people retiring in the older age groups. According to the goal of the pension reform, more and more workplaces will have employees over the age of 63.

ILMARINEN'S MOTIVO PROMOTES WELL-BEING

In cooperation with its clients and experts Ilmarinen has developed a workplace well-being service called Motivo. Created for operational planning and implementation and assessment of personnel management, the model helps companies to put their personnel development programs into practice at the workplace.

Ilmarinen's Motivo service consists of charting the company's workplace well-being situation as well as training and consultation that support the implementation of client companies' development programs. Ilmarinen offers its clients easily utilizable information on how to control the risk of disability. Ilmarinen also offers its clients an online application for the implementation of development plans, which provides up-to-date information on the development of well-being at work.

In 2006 Ilmarinen organized 12 seminars dealing with well-being at work from different aspects for its clients in different parts of Finland. Clients gave the seminars an excellent grade. In addition, Ilmarinen organized five topical seminars about the transfer of silent knowledge at workplaces.

REHABILITATION EXTENDS WORKING CAREERS

Ilmarinen can support an employee who has to find a new workplace or occupation because of an illness that poses a threat to the employee's working capacity. The goal is to detect the potential threat of disability soon enough to prevent it or at least to postpone its onset. After successful workplace rehabilitation or re-training the employee may continue in employment in spite of illness. The employer will achieve savings in pension expenses and keep the employee's competence and know-how in his or her company. Vocational rehabilitation benefits both the employer and the employee. The vocational rehabilitation supported by Ilmarinen is growing rapidly in the light of all key figures: the number of decisions on rehabilitation increased by 35 per cent year on year and the number of people rehabilitated increased by 23 per cent. The effectiveness of rehabilitation, i.e. the proportion of people rehabilitated who return to work or look for a job after the rehabilitation, exceeded the limit of 65 per cent as in all previous years.

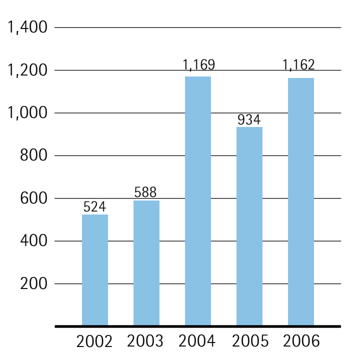
PERSONNEL DEED OF THE YEAR AWARDED TO SMALL GROUP ACTIVITIES

Ilmarinen has cooperated with the Finnish Association for Human Resources (HENRY ry) in developing good personnel management practices and well-being at Finnish workplaces for a ling time. The cooperation involves the annually awarded Ilmarinen prize, by means of which the company wishes to encourage the systematic development of well-being at work in workplace communities to improve simultaneously the management and expertise of personnel as well as the profitability of the company. Ilmarinen hopes that the organization receiving the award will set an example for other Finnish workplaces.

HENRY awarded the Ilmarinen prize for the Personnel Deed of 2006 to Vaasan & Vaasan Oy. The project receiving the award established small group activities as part of the company's business operations and their development. The small group activities developed by Vaasan & Vaasan have improved the personnel's working conditions, augmented professional pride and provided an opportunity to influence one's own work. These were the jury's grounds for awarding the prize to Vaasan & Vaasan Oy. The small group activities have helped to reduce sick leaves in the company, cut down wastage in the bakeries and raised the level of the personnel's own quality criteria. Thus the project has also had an effect on the company's business goals and its results.

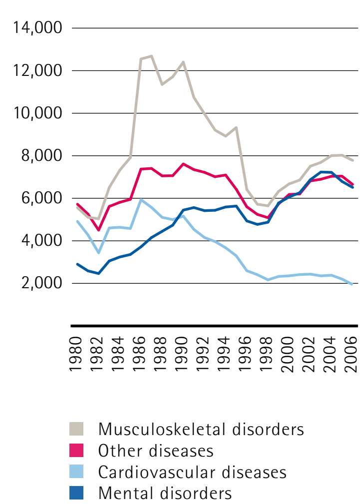
Rehabilitation applications via Ilmarinen

Amount



Grounds for granting disability pensions in Finland

Amount



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PENSION SERVICES

"Fair and prompt pension decisions"

Ilmarinen has responded to demand by developing versatile and easy-to-use online services for its customers to deal with pension matters.
The services, which were renewed last year, have been received positively. Their use more than doubled from 25,000 visitors to about 51,000 visitors compared with the previous year.

PENSION MATTERS CAN BE HANDLED EASILY ON THE INTERNET

According to studies, as many as 75 per cent of Finns deal with their banking matters via the Internet. Familiarity with online transactions has increased the demand for online services. Ilmarinen has responded to this demand by developing versatile and easy-to-use online services for its customers to deal with pension matters. The services, which were renewed last year, have been received positively. Their use more than doubled from 25,000 visitors to about 51,000 visitors compared with the previous year.

Pension recipients can now make changes to bank accounts and their address, increase their tax percentage and print out certificates on the amount of their pension via the Internet. Towards the end of the fall, about one in five contacts by pension recipients were made through the online service.

The online services for working-age customers were also developed in 2006. Employees and self-employed persons insured by Ilmarinen or other pension companies may calculate estimates of the amount of their future old-age pension. Last year customers made as many as 80% of the preliminary calculations of old-age pension via the Internet. An electronic old-age pension application service was also taken into use.

THE NEED FOR INFORMATION IS INCREASING

Last year the pension reform that entered into force gradually between 2005 and 2007 progressed to survivors' pensions, disability pensions and vocational rehabilitation, which were subject to changes in the accumulation of pension. At the beginning of 2007 the Employees' Pensions Act (TEL), Temporary Employees' Pensions Act (LEL) and the Pensions Act for Performing Artists and Certain Groups of Employees (TaEL) were merged into a single Employees' Pensions Act (TyEL) and insurance became harmonized. Ilmarinen prepared for these changes with extensive information system changes and training.

The pension reforms and the enlargement of the age groups close to retirement age have significantly increased the need for pension advice and information. In addition to the customer telephone service, more than 22,000 preliminary calculations of the amount of pension were sent in 2006. In addition, customers made more than 53,000 preliminary calculations of pension via the Internet. Pension information events were held for the personnel of 52 customer companies. The constitution of pension cover and various pension options were gone through at the events. One of the main themes at many of the events was unemployment security.

As of 2008 Ilmarinen will annually send a register extract concerning employment pension to about 660,000 employees and self-employed persons. Ilmarinen has started to prepare for the sending of register extracts and the customer service required for it. Ilmarinen has also prepared for sending the register extracts electronically in the coming years.

NUMBER OF APPLICATIONS IS GROWING

The growth in Ilmarinen's customer base and the enlargement of the age groups increased the number of pension decisions by a total of 8.6 percent last year. Compared with the previous year, decisions concerning disability pension and vocational rehabilitation increased the most. It is no longer possible to receive an individual early retirement pension as the age groups entitled to it have reached retirement age. The increased number of pension applications slowed down the processing of pension applications for some pension categories, but it was possible to improve the processing speed over the course of the year.

PRINCIPLES FOR INVESTMENT ACTIVITIES

RETURN-ORIENTED, RESPONSIBLE INVESTMENTS

The aim of Ilmarinen's investment activities is to ensure as high as possible return on investments in the long term while at the same time ensuring that the average risk of investments is not too high in relation to the company's risk-bearing capacity. A good long-term return level allows controlling the pressure to raise future pension premiums and contributions, and providing competitive client bonuses. Fluctuations in value in the short term are not essential in terms of the basic task of investment activities if the goals set for solvency and the adequacy of the solvency capital are attained. The average expected long-term yield from Ilmarinen's investment assets is 5.5 per cent and the expected standard deviation 6 per cent.

» Ilmarinen has an ownership policy approved by the company's Board of Directors. The starting point is that an active ownership policy can have a positive impact on the value of Ilmarinen's investments and reduce the related investment risks.

CONTINUOUS DEVELOPMENT

Ilmarinen aims at a high return on investments by means of a well diversified investment portfolio, expert assessment of investment objects and management of investment risks. Ilmarinen has taken more investment risks than its competitors, as a result of which the return on investments has been higher than that of its competitors.

In the past few years the risk profiles of pension investors have converged. Nevertheless, Ilmarinen wants to distinguish itself from its competitors by the best return on investments in the future too, and therefore invests in developing competitive factors for its investment activities. These include, for example, long-term development of a share-weighted investment portfolio, continuous assessment of the suitability of new types of investments and sound knowledge of various investment objects and their return potential.

ACTIVE PORTFOLIO MANAGEMENT

Ilmarinen's investment activities aim at the best return not only by a long-term selection of risk position but also by active portfolio management. The company's Board of Directors annually approves an investment plan, deciding on the weightings of asset classes or the basic allocation and the goals of investment activities. The investment organization always attempts to achieve a return on investments that outperforms the basic allocation by means of active portfolio management. This means deviating from the basic allocation when market conditions vary and focusing investments in objects with a return outlook that is better than average.

In addition to the company's own investment organization, external investment service providers are used in the case of certain investment objects. These objects include, among others, emerging markets, private equity funds and hedge funds. External asset managers account for less than 15 per cent of Ilmarinen's investment assets.

ILMARINEN INVESTS IN FINLAND

Ilmarinen has an ownership policy approved by the company's Board of Directors. The starting point is that an active ownership policy can have a positive impact on the value of Ilmarinen's investments and reduce the related investment risks. This means, among other things, participation in shareholders' meetings and contacts with corporate management. In 2006 Ilmarinen's participation percentage in Finnish shareholders' meetings was almost 70 per cent. In addition, Ilmarinen's investment organization met with the management of different companies about 350 times during the year. Slightly less than half of these meetings were with Finnish companies.

Ilmarinen wants to promote the expert administration and management of the companies owned by it by participating in the election of the companies' Boards of Directors. An ownership policy memorandum defines Ilmarinen's attitude towards the administrative structure, dividend policy and incentive systems, among other things, of the companies owned by it.

The success of the pension system is dependent on the development of the Finnish national economy. Ilmarinen wants to be an active investor in Finnish trade and industry and promote Finnish entrepreneurship. In 2006 about one-third of all Ilmarinen investments, or EUR 6.5 million, was invested in Finnish society in various forms. Together with its partner, the OP Bank Group, Ilmarinen has developed new financing alternatives for companies. Last summer Ilmarinen established the Finland private equity fund, administered by OKO Venture Capital, that focuses on financing small and medium-sized enterprises. Ilmarinen is one of the most active pension investors investing in Finland.

RESPONSIBLE INVESTMENTS

In accordance with Ilmarinen's ownership policy, the investments it makes should not only be profitable but also socially responsible and ethically sustainable. Ilmarinen expects the companies it invests in to follow the principles of sustainable development. In practice this means that the company should operate in accordance with the relevant international norms and local legislation and should, for instance, have undertaken adequate environmental investments. Employees must be treated in an appropriate manner and their human rights must be safeguarded.

The assessment method applied by Ilmarinen is based on positive valuation. The method does not exclude any sector as such, but objects are selected in each sector from among companies observing the principles of sustainable development. The assumption is that such companies also manage their financial obligations better and more transparently, on average, which reduces the investment risk. This, in turn, decreases the required return for the company in question and also permits an above-average valuation level.

Positive valuation can be applied directly to Ilmarinen's direct investments in securities. Investment funds are selected as targets largely on the basis of the responsibility of their asset managers' activities and the transparency of their operations.

To assess the social responsibility of investments, Ilmarinen uses the services of an outside expert, who analyses Ilmarinen's equity and bond portfolio twice a year. The equities and bonds of companies who contravene these principles can be sold if further reports and discussions with the company bring no change in the situation. During the past two years it has not been necessary to remove any companies form the portfolio on ethical grounds. Forced labor and environmental offences were some of the grounds for removal in previous years. For four years now, Ilmarinen's partner in assessing the social responsibility of investments has been GES Investment Services, a Swedish company with almost 20 years' experience in the task.

Ilmarinen was the first Finnish company to commit to the UN guidelines for responsible investment by signing them in November 2006.

ILMARINEN'S INVESTMENTS DELIVERED A RETURN OF 8.5 PER CENT

The return on Ilmarinen's investments stood at 8.5 per cent in fair values, or about EUR 1.8 million in 2006. In real terms, the company's investments delivered a slightly larger return than on average during the past five years. The return also slightly outperformed the benchmark index.

The equity markets delivered a good return last year, even with the clear ups and downs. The return on key equity markets in local currencies was finally as high as 15 to 20 per cent, with only Japan delivering a return close to zero. In Finland the weight-limited OMHEX index also rose steeply, about 29 per cent including dividends.

Ilmarinen increased its investments in listed shares during the year and their share of the investment assets stood at 33.3 per cent at year-end. This was about two percentage points more than the goal set for the basic allocation. Investments in listed shares delivered a return of 20.1 per cent. Private equity investments also delivered a high return. The portfolio, primarily composed of private equity fund investments, delivered a return of 40.0 per cent while the stage of the economic cycle encouraged many funds to exit from the target companies. New commitments to private equity funds were entered into to an amount of EUR 287 million and the share of private equity funds of the investment assets remained unchanged at about 1.6 per cent.

The cyclical stage of fast economic growth continued. The growth of the total production of the world economy accelerated by 0.5 percentage points on last year to more than 3.5 per cent. During the second half of the year the positive development of the world economy was curbed by the housingprices taking a downward turn in the United States and the rise in short-term interest rates. The price of oil took a downward turn during the year. At the end of the year the world market price of oil was lower than a year before by about one-fifth. Ilmarinen's commodity investments delivered a return of EUR 10.8 million.

LONG-TERM INTEREST RATES WENT UP

The inflation rate was relatively stable. In the United States, inflation continued at more than three per cent, while in the euro zone inflation settled at about two per cent. The European Central Bank raised the key interest rate by 1.25 percentage points to 3.5 per cent. In Finland, inflation accelerated by about one percentage point to two per cent during the year. The United States tightened its monetary policy by raising the key interest rate to 5.25 per cent, which is anticipated to be close to the highest point of the current monetary policy cycle. On the other hand, interest rates are expected to continue rising in the euro zone during 2007.

Last year the euro strengthened against the United States dollar, which weakened the return on dollar-denominated investments.

In Ilmarinen's portfolio, the negative effect on return was diluted by successful currency hedging. The amount of foreign-currency-denominated investments totaled EUR 4.1 billion and slightly more than half of the currency risk of

Ilmarinen's investments, December 31, 2006

	Market value breakdown EUR mill.	Risk breakdown EUR mill.	ROCE, %	Volatility, %
Interest income	11,764	12,083	1.4	
Loan receivables	1,139	1,139	4.4	
Bonds	10,378	11,252	1.0	2.3
Other debt securities	247	–309	2.8	
Equity	8,540	8,116	20.7	
Listed shares	8,092	7,668	20.1	10.9
Private equity investments	371	371	40.0	
Unlisted share investments	77	77	4.3	
Real estate	2,354	2,354	8.0	
Direct real estate investments	2,122	2,122	7.2	
Real estate funds and joint investments	232	232	20.8	
Other investments	337	443	9.6	
Hedge funds	326	326	6.6	3.5
Commodity investments	10	116	-	
Other investments	1	1	-	
Investment total	**22,995**	**22,995**	**8.5**	**3.4**

An official breakdown of the return on investments is presented on page 69.

these investments was hedged. Currency hedges increased the return on foreign equity investments by 2.0 percentage points.

Long-term interest rates rose in 2006 but less than short-term interest rates. The return curves clearly flattened out both in Europe and the United States, which probably predicts that economic growth will slow down in the future.

Ilmarinen's bond portfolio delivered a return of 1.0 per cent. Of bonds, developing market bonds delivered the best return, 13.3 per cent. Bonds with low credit ratings also reached a good return of 7.7 per cent. The government loan portfolio suffered from the rising interest rates and delivered a return of less than one per cent. The interest-rate risk for bonds was close to that for the basic allocation during the year.

INTERNATIONAL INVESTORS PURCHASED REAL ESTATE IN FINLAND

The real estate market continued to be active and the competition for investment objects was fierce. International investors' interest in the Finnish real estate market increased further and new Finnish real estate funds were established. Transactions on investment properties were concluded to a value of EUR 5.5 billion and an international investor was a party in about half of these. Prices of real estate were up as the requirements on net income decreased as a result of strong investment demand. Listed real estate companies showed a particularly strong increase in value. The rental market for office premises picked up in the Helsinki metropolitan area in particular. Ilmarinen's real estate portfolio delivered a return of 8.0 per cent. The fair values of real estate were adjusted and the positive net effect on result was EUR 39.1 million.

At the end of the year Ilmarinen agreed to sell an approximately EUR 300 million real estate portfolio to a real estate fund to be established, with Ilmarinen as an investor with a holding of one-third. The transaction was carried out in January 2007. As a result of the transaction, the share of Ilmarinen's real estate investments of the investment portfolio dropped by more than one percentage point.

The loan portfolio of corporate financing increased slightly, amounting to about one billion euro at year-end. The return on the loan portfolio was 4.4 per cent. The share of non-performing loans continued at a low level of 0.1 per cent. Ilmarinen's investments in hedge funds delivered a return of 6.6 per cent.

ILMARINEN'S INVESTMENTS ARE COST-EFFECTIVE

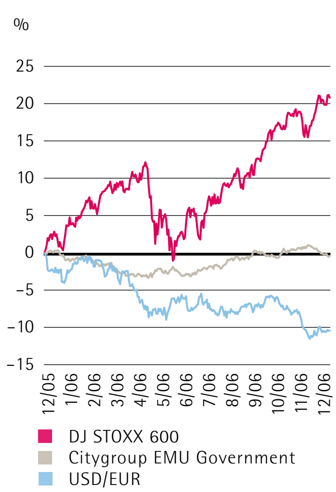
In 2006 the costs of Ilmarinen's own investment organization in relation to the assets were 0.04 per cent. In addition, the company pays for the management of investment assets to external asset managers, brokers and custodians, among others.

The Canadian CEM Benchmarking Inc. conducted a comparative study on the total costs of Ilmarinen's investment activities last year. The study took the return on investments into account and compared Ilmarinen's investment activities with the investment portfolios of less than EUR 700 billion of 17 international and two Finnish pension investors. The total management costs of Ilmarinen's investment assets stood at 0.23 per cent of the assets managed. According to the study, Ilmarinen's investment activities were dealt with at slightly lower costs than in the reference group on average.

Ilmarinen was granted the best European pension investor award in the Investment & Pensions Europe contest. In addition, Ilmarinen was awarded the best European in three sub-categories. This year about four hundred pension investors and funds from dozens of countries took part in the contest.

Comparison of investment income

Market returns in 2006



ILMARINEN'S FINANCIAL POSITION IS STRONG

Ilmarinen's position as a statutory pension provider brings with it a special responsibility. An essential part of this is taking care of the company's financial standing and the management of the related risks.

Assessment of the company's financial position entails not only an analysis of the annual and long-term financial performance but also an assessment of the sufficiency of the solvency buffers in relation to the company's liabilities and risks.

To ensure goals are achieved and a strong financial standing maintained, Ilmarinen pursues an appropriate risk management strategy. This is described in more detail in the Board of Directors' report on pages 41–42, in the notes to the accounts on pages 71–75.

UNDERWRITING BUSINESS

The underwriting risks are related to the sufficiency of the insurance contribution and technical provisions in relation to the amount of current and new pensions. The main underwriting risk in the long term is the uncertainty related to life expectancies and in the shorter term the uncertainty over the number of pension starts and claims.

Risk management in Ilmarinen's underwriting business is based on the calculation bases meeting the prudence requirements of the law, with which the insurance contribution and technical provisions are calculated, and on the company's own actuarial analyses. The tariffs are common to all employment pension companies and the company has a legal obligation to grant all of the insurance policies applied for.

Fluctuations in the annual result of the underwriting business are allowed for by maintaining a buffer (equalization provision) in the technical provisions, accrued from the underwriting business surpluses of earlier years. The calculation bases common to the employment pension insurance companies define the limits for the equalization provision in accordance with the buffering needs of the underwriting business.

The inception of disability pensions has reduced to one-third of the earlier level over the past few years. The change seems permanent, and consequently the equalization provisions of employment pension companies are reduced by setting the disability contribution at a lower level than the estimated disability expenditure and by giving a temporary discount to the disability contribution in 2007, corresponding to the discount given in 2006.

INVESTMENT ACTIVITIES

The solvency rules for employment pension insurers provide the framework for risk management of investments. Solvency capital, comprising assets in excess of the combined total of the company's pension liabilities and equalization provision, is intended to form a fluctuation reserve against investment risks.

The minimum solvency capital requirement, solvency border and other monitoring limits set out in Finnish insurance legislation are all dependent on the company's investment risks. The greater the investment risk, the greater the solvency capital required. As of the beginning of 2007 the former target zone for the solvency capital was removed and the calculation of the solvency border is based on the actual risks for investments more accurately than previously. The company's Board of Directors decides on the total risk level for investments.

An interest that depends on the average solvency ratio of employment pension institutions and as of 2007 also on the average return on the institutions' investments in listed shares must be annually credited on the technical provisions. The dependency on return transfers part of the share price risk under the responsibility of the whole employment pension system. If investment income exceeds the interest credited to technical provisions, the difference is added to the solvency capital. In the reverse situation, the necessary amount

Profit at current value in 2006, EUR mill.

	Underwriting business	Other business	Invest-ment	Loading profit	Total
Premiums written	573.9	1,983.8	1.6	93.2	2,652.6
Net investment income at current value			1,810.0		1,810.0
Claims paid	–478.7	–1,762.1	3.7		–2,237.1
Change in technical provisions	–71.2	–209.1	–995.6		–1,275.9
Total operating expenses	–4.2		–10.0	–71.8	–85.9
Other income and expenses		–12.7	0.0	1.4	–11.3
Taxes			–2.1		–2.1
Profit at current value	**19.9**	**0.0**	**807.6**	**22.9**	**850.3**
Change in equalization provision					–16.3
Change in provision for future bonuses					–647.7
Change in difference between current and book values					–96.6
Change in accelerated depreciation					0.8
Transfer to bonuses and rebates					–81.0
Net income for the financial year in the official income statement					9.4

Balance sheet at current value, December 31, 2006, EUR mill.			
Assets		**Liabilities**	
Investment at current value	22,994.9	Capital and reserves after proposed distribution of profits	86.1
Receivables	628.2	Depreciation difference	14.7
		Difference between current and book value	2,177.9
Other assets	12.4	Provision for future bonuses	3,588.3
		Other solvency capital items	–39.0
		Solvency capital	**5,828.0**
		Equalization provision	909.9
		Capital base	**6,738.0**
		Provision for current bonuses (to client bonuses)	81.0
		Technical provision *)	16,337.9
		Other creditors **)	478.5
Assets total	**23,635.4**	**Liabilities total**	**23,635.4**

*) Technical provisions excluding provisions for current and future bonuses and equalization provision

**) Includes off-balance-sheet items deducted from the solvency capital, EUR 39.0 million, as well as the proposed distribution of profit, EUR 1.7 million

is deducted from the solvency capital. A good solvency position will also mean greater client bonuses.

FINANCIAL POSITION

Ilmarinen's overall result for 2006 totaled EUR 850.3 million and the balance sheet total at market values stood at EUR 23,635.4 million. The key figures and analyses included in the official financial statements are presented on pages 66–70.

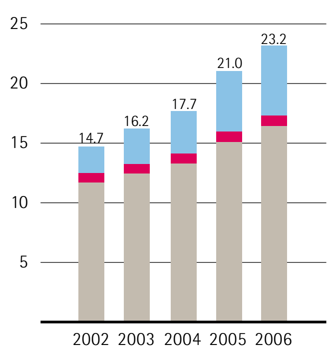
The result of Ilmarinen's investment activities was good. The result after the deduction of the return requirement for the technical provisions totaled EUR 807.6 million. Solvency capital increased by EUR 737.9 million to EUR 5,828.0 million in 2006, representing 33.7 per cent of the technical provisions that define the basis of the solvency capital requirements, and was 2.4 times the solvency border. For Ilmarinen's solvency capital to fall to the solvency border, share prices would have had to drop by about 50 per cent or the general rate of interest rise by about 8 percentage points.

The company's strong solvency capital is sufficient to withstand the fluctuations inherent in the investment markets and thus allows Ilmarinen to pursue a long-term, return-oriented investment strategy, in which equities comprise a large proportion of the targeted investment distribution. The notes to the accounts on pages 71–75 provide information related to the company's investment risk management, including a sensitivity analysis of the investment portfolio.

The technical provisions, equalization provision and solvency capital each serve to secure the pension provision. The pension assets covering them comprise almost all of the company's wealth. The technical provisions have been calculated prudently and must always be covered. Technical provisions increase at a steady rate in line with the increase in the insurance portfolio, unlike the equalization provision and the solvency capital, which are subject to fluctuation in the underwriting and investment result. Ilmarinen's solvency is very good and its risks have been controlled in relation to the extent of the solvency buffers.

Ilmarinen's pension assets

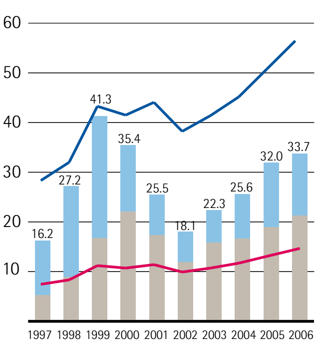
EUR billion



Solvency capital
Equalization provision
Ordinary pension liabilities

Solvency, annual

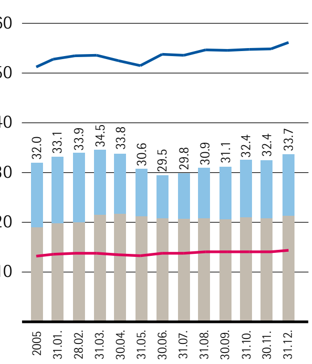
% of technical provisions



Differences between current and book values and other off-balance-sheet items
Solvency capital included in the balance-sheet
Maximum solvency capital
Solvency border

Solvency, monthly

% of technical provisions



Differences between current and book values and other off-balance-sheet items
Solvency capital included in the balance-sheet
Maximum solvency capital
Solvency border


VALUES GUIDE OPERATIONS

Ilmarinen's task as a pension insurance company is to provide statutory employment pension coverage and manage assets to cover future pensions. Social responsibility is an inseparable part of the company's day-to-day operations. Ilmarinen's values, good insurance practice, the ownership policy, the ethical investment guidelines and the risk management policy guide the company's operations. In addition, Ilmarinen complies with the corporate governance recommendation concerning listed companies. However, employment pension companies are obliged by law to deviate from the recommendations at certain points. Ilmarinen's Board of Directors has approved the ethical guidelines complied with in the company's operations.

Ilmarinen's Social Responsibility Committee, which includes experts from all of the company's areas of operations, acts as a coordinator of social responsibility issues.

RESPONSIBILITY FOR EARNINGS-RELATED PENSIONS

Ilmarinen, for its part, bears the responsibility for the development of Finnish employment pension coverage and its financial sustainability. This means, for example, providing extensive expert assistance for the law drafting work concerning the sector.

The company promotes the ability of the employees of its client companies to cope and remain at work by means of working capacity maintenance and rehabilitation programs. The company wants thus to be involved in creating the preconditions for a good and long working career.

In 2006 Ilmarinen established a national guidance and advice service for clients whose application for a disability pension has been rejected. The service includes an opportunity to discuss the grounds for rejection with experts and chart the alternatives related to gaining an income and continuing in employment.

SATISFIED CLIENTS

Good client service and satisfied clients are among the main goals for the company's operations. Ilmarinen and its partners are committed to observing good insurance practice in all client relations.

Part of the financial gain from the company's business is distributed to corporate clients in the form of client bonuses. For its part, Ilmarinen wishes to participate in improving the operational conditions for Finnish companies and, at the same time, promoting employment by investing employment pension assets in Finnish companies extensively and in a versatile manner. At the end of 2006 about 38 per cent of the company's equity portfolio of about EUR 9 billion was invested in Finnish equities.

Client satisfaction and the corporate image are surveyed annually and the voice of clients is also heard, for example through advisory committees. The task of the advisory committees of insurance clients, the insured and pension matters is to deepen cooperation and interaction, to contribute to bringing development needs forward and to improve the consideration of regional aspects in decision-making.

In 2006 Ilmarinen was the first employment pension company to establish an advisory committee also for pension recipients so as to pay better attention to their point of view in the company's operations.

PROFITABLE OPERATIONS

Ilmarinen aims to achieve good results through goal-oriented management, performance assessment and reward systems. The goals set out in the corporate scorecard are consistent with the company's values.

Company's economic responsibility is based on its social obligation to ensure the pension system's sustainability. To guarantee payment of future pensions, Ilmarinen seeks the best possible yield for the pension funds within the framework of our risk tolerance. Another aim is cost-effective and transparent operations.

In its investments Ilmarinen observes the ownership policy approved by the company's Board of Directors and the ethical guidelines concerning the responsible nature of investment objects. In accordance with Ilmarinen's ownership policy, the investments it makes should not only be profitable but also socially responsible and ethically sustainable.

Ilmarinen signed the UN guidelines for responsible investment in November 2006. More information about Ilmarinen's principles for responsible investment is provided on pages 16–17 of the annual report.

A CONSTANTLY IMPROVING WORKING ENVIRONMENT

The main principles of Ilmarinen's human resource policy are good working and management environments and valuation of the individual. Internal atmosphere studies have been conducted for over thirty years and their results have been systematically utilized in the development of operations. According to the studies, Ilmarinen's employees have always valued the company as a good employer, even if they also have observed targets for development. The average length of employment relationships at Ilmarinen is about fourteen years. The leaving turnover is less than six per cent.

At Ilmarinen equality means equal career development opportunities regardless of gender and age, among other things. 81 per cent of immediate supervisors and 41 per cent of the middle and top management are women. Employees are widely represented on the various bodies within the company and, therefore, have a considerable say in the company's operations. Equal opportunities are also reflected in salaries: women's salaries are slightly higher than men's in the pay categories, while men's salaries are higher in positions above pay categories.

Last year four days of training were used for each employee. The main part of the training was related to the development of processes and client service. Competence is more and more built by learning at work.

The main goals of Ilmarinen's human resource strategy are ensuring expertise, developing the client service spirit, increasing efficiency and flexibility, and renewing procedures. The coping and well-being of the personnel is also promoted in many ways. Motivated and trained staff enable the implementation of the company's strategy and achieve the desired results.

ENVIRONMENTAL RESPONSIBILITY

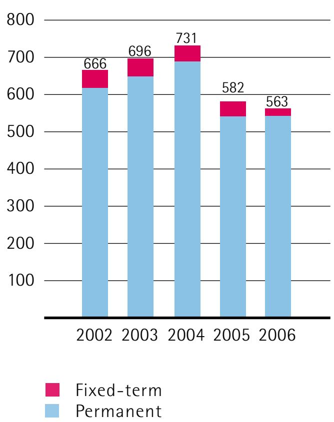
Because the employment pension insurance business consists of services and data processing, the environmental effects of Ilmarinen's own operations are very low. However, Ilmarinen pays attention to the environmental effects of its own operations and the management of environmental issues by its subcontractors.

Environmental responsibility is an integral part of Ilmarinen's real estate investments. The company actively promotes environmentally sound operating models and environmentally sound construction in the real estate business. Ilmarinen's partners are required to comply with the principles of environmental responsibility and life-cycle thinking, which affect the choices of materials, technical solutions, waste management and consumption of water and energy.

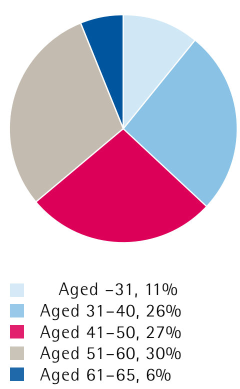
In 2006 Ilmarinen defined its acquisition principles for real estate maintenance and construction services, which include the financial independence of the acquisition function, fairness, openness and market-based operations.

Ilmarinen's personnel report for 2006 is found in Finnish on the company's website www.ilmarinen.fi.

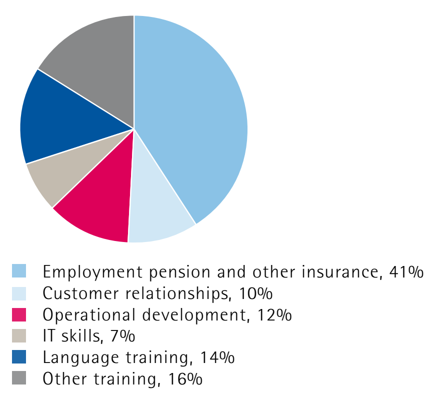
Trend in staff number



Staff age 2006



Personnel training 2006



CORPORATE GOVERNANCE AND CONTROL

Ilmarinen is a mutual employment pension insurance company owned (subject to the conditions set out in the Articles of Association) by its clients, i.e. policyholders, employees insured by Ilmarinen, and the owners of Ilmarinen's guarantee capital.

The governance and control of employment pension insurance companies are subject to the Companies Act, the Insurance Companies Act, the Act on Employment Pension Insurance Companies, and each company's Articles of Association. In addition, Ilmarinen complies with the corporate governance recommendations issued by the Helsinki Stock Exchange. Legislative provisions require employment pension insurance companies to deviate from this recommendation in some respects.

SHAREHOLDERS' MEETING

Ultimate corporate control rests with the Annual General Meeting of Ilmarinen's shareholders. Shareholders can exercise their voting power at Annual General Meetings in person or through authorised representatives.

The Annual General Meeting deals with matters relating to the annual financial statements, as required under applicable insurance company legislation, and any other matters indicated on the meeting notice.

The 2006 Annual General Meeting was held on April 6, 2006 at Ilmarinen's headquarters. It addressed the matters required under Ilmarinen's Articles of Association and heard the President's review of 2005. The Annual General Meeting also changed Ilmarinen's Articles of Association so as to reduce the voting rights of guarantee capital stockholders gradually from 55 to 5 votes/guarantee shares during the years 2006–2011. All decisions were passed unanimously.

SUPERVISORY BOARD

Under the Act on Employment Pension Insurance Companies, Ilmarinen is required to have a supervisory board whose duties are provided by applicable law and the company's Articles of Association. Ilmarinen's Supervisory Board is responsible for supervising the corporate governance actions undertaken by the company's Board of Directors and President and CEO.

The Supervisory Board consists of twenty-eight members elected at the Annual General Meeting for a term of two years. At least one-half of these members will be chosen from persons nominated by central labor market organizations representing employers and employees. Seven of the members are proposed by employers and seven proposed by employees.

One-half of the members of the Supervisory Board are elected each year. The Supervisory Board elects a Chairman from its membership for each calendar year. The Supervisory Board met twice in 2006. The Annual General Meeting of Ilmarinen's shareholders adjusted the fees payable to the members of the Supervisory Board slightly. Following the approval at the Annual General Meeting on April 6, 2006, the Chairman of the Supervisory Board is paid a fee of EUR 5,000 per year, while the Deputy Chairman is paid a fee of EUR 3,800 and other Board members are paid EUR 2,500 per year. The Chairman's meeting fee and review fee are EUR 350 per board meeting. The members' meeting fee and review fee are EUR 300 per board meeting. The members of the Supervisory Board are presented on page 26.

BOARD OF DIRECTORS

The Board of Directors directs and organizes the administration of the company. The key duties of Ilmarinen's Board of Directors consist of decisions regarding the strategy of the company, the preparation of an annual investment and risk management plan, and the preparation of matters addressed at the company's Annual General Meeting. The Board also has an appointment and compensation committee and an audit committee.

The Supervisory Board elects twelve members and four deputy members to the Board of Directors for a term of four years. At least one-half of the members and deputy members of the Board of Directors will be elected from persons nominated by central labor market organizations representing employers and employees so that the candidates of both the employer and employee organizations are equally represented.

The term of office of the members and deputy members of the Board of Directors begins at the start of the financial year following their election and expires at the end of the fourth financial year following their election. The present Board members' term of office started on January 1, 2006, and ends in 2009. At the beginning of each calendar year, the Board of Directors elects a Chairman from among its members. In 2006, the Board met ten times. The average meeting attendance rate of the Board members was 78 percent. The Chairman of the Board is paid EUR 20,000, the Deputy Chairman EUR 15,000, regular Board members EUR 10,000, and deputy Board members EUR 6,500 per year. The Chairman's meeting fee is EUR 400, the Deputy Chairman's fee is EUR 375, while the Board members and deputy Board members are paid a fee of EUR 275 per meeting. The members of the Board of Directors are presented on pages 26–27.

PRESIDENT AND CEO, DEPUTY CEO AND EXECUTIVE VICE PRESIDENT

The Board of Directors appoints the company's President and CEO, as well as an Executive Vice President who will stand in for the President and CEO as needed.

Kari Puro served as the company's President and CEO until December 31, 2006, when he was succeeded by Harri Sailas. The company's Deputy CEO is its Executive Vice President, Jaakko Tuomikoski.

OTHER ORGANIZATIONAL ASPECTS AND RESPONSIBILITIES

The Board of Directors also appoints the company's Senior Vice Presidents, who are responsible for operations in their respective sectors and make decisions on related matters within the framework of the approved strategy, corporate scorecards and budgets.

The company's Executive Group meets regularly for the purpose of assisting the President and CEO in his decision-making. The Executive Group takes part in the preparation of solutions that affect all of Ilmarinen, and in guiding and monitoring their implementation. The Executive Group is presented on pages 28–29.

MANAGEMENT REMUNERATION AND RETIREMENT AGE

Ilmarinen operates a Board-approved incentive system that covers all employees. The amount of the bonus is determined by the degree to which certain corporate, business unit, and personal performance targets are achieved. Investment line managers and professionals have their own remuneration system.

The retirement age for senior management differs from the retirement age established by law for managers appointed prior to July 1,1992, whose retirement age is 60. The retirement age of the President and CEO is 62 years.

Ilmarinen's chief executive officer was paid a total of EUR 546,490 in salary and incentives in 2006.

CORPORATE INSIDERS

Ilmarinen has a set of insider guidelines, the current one being agreed by the Board on February 2, 2006. The purpose of these guidelines is to promote public confidence in the investment operations of Ilmarinen. Persons who by virtue of their position or duties have regular access to inside information are considered permanent insiders. These insider guidelines also apply to temporary insiders who may receive inside information on a specific project. The objective is to increase awareness of insider regulations and to prevent any violations, including inadvertent ones.

RISK MANAGEMENT AND CONTROL SYSTEMS

Details of Ilmarinen's risk management and supervision arrangements are given on pages 71–75. Auditors and the Supervisory Board members elected annually to examine the company's pension solution and investment operations, as well as Board of Directors committee members are listed on page 27.

Ilmarinen paid its auditors PricewaterhouseCoopers Ltd. a total of EUR 310,055 for audit services, EUR 50,238 for tax advice and EUR 139,961 for other advisory services in the course of 2006, including VAT.

CORPORATE GOVERNANCE

Ilmarinen's Board of Directors: Eino Halonen, Timo Parmasuo, Jukka Hienonen, Jukka Alho, Reijo Karhinen and Eero Ylä-Soininmäki

SUPERVISORY BOARD, THE BOARD OF DIRECTORS AND INSPECTORS

SUPERVISORY BOARD

Timo Peltola, Chairman
CEO of Huhtamäki Oyj,
due to resign in 2008

Antti Herlin, Deputy Chairman
Board Chairman of Kone Corporation,
due to resign in 2007

Matti Viljanen, Deputy Chairman
President of The Union of Professional Engineers in Finland IL, due to resign in 2008

Jorma Eloranta
President and CEO of Metso Corporation,
due to resign in 2008

Maija-Liisa Friman
President and CEO of Aspocomp Group Plc,
due to resign in 2007

Henrik Gayer
B.Sc (Econ), Finance and Accounting,
due to resign in 2008

Kim Gran
President, Nokian Tyres plc,
due to resign in 2008

Pertti Hagren
Chief Steward of BEMIS Valkeakoski Oy,
due to resign in 2007

Ilpo Jalasjoki
President and CEO of YIT Construction Ltd,
due to resign in 2007

Liisa Joronen
Board Chairman of SOL Palvelut Oy,
due to resign in 2008

Kai Korhonen
Senior Executive Vice President of Stora Enso Oyj, due to resign in 2008

Veikko Kuusakoski
Board Chairman of Kuusakoski Group Oy,
due to resign in 2008

Antti Lagerroos
President and CEO of Finnlines Plc,
due to resign in 2007

Simo Leivo
Executive Director of the Financial Sector Union SUORA (Finland),
due to resign in 2007

Matti Lievonen
President of Fine and Speciality Papers, UPM-Kymmene Corporation,
due to resign in 2008

Juhani Maijala
Board Chairman of Lassila & Tikanoja Plc,
due to resign in 2008

Markku Niskala
Secretary General of IFRC (International Federation of Red Cross and Red Crescent Societies), due to resign in 2007

Krister Olsson
Chairman of The Finnish Taxi Association,
due to resign in 2007

Kirsti Piponius
Deputy Board Chairman of Sodexho Oy,
due to resign in 2007

Veli-Matti Puutio
President of Osuuskauppa Arina,
due to resign in 2007

Markku Ruohonen
Counsellor of Social Welfare,
due to resign in 2007

Timo Räty
President of the Finnish Transport Workers' Union (AKT), due to resign in 2008

Markku Rönkkö
Managing Director of Karelia Corporation,
due to resign in 2007

Pirjo Terilehto
Chief Financial Officer of Union of Salaried Employees TU, due to resign in 2008

Kalevi Vanhala
President of the Wood and Allied Workers' Union, due to resign in 2007

Erkki Varis
Managing Director of Oy Metsä-Botnia Ab,
due to resign in 2008

Esa Vilkuna
President of the Finnish Post and Logistics Union, due to resign 2008

Esko Vuorinen
President of Kolmeks Group,
due to resign 2007

BOARD OF DIRECTORS

The term of office of all Board members and deputy members will expire on December 31, 2009.

Hannu Syrjänen, Chairman
President and CEO of SanomaWSOY Corporation
b. 1951, B.Sc (Econ), Master of Laws

Leif Fagernäs, Deputy Chairman
Director General of Confederation of Finnish Industries, EK
b. 1947, LLM

Lauri Ihalainen, Deputy Chairman
President of the Central Organization of Finnish Trade Unions (SAK)
b. 1947

Arto Hiltunen, Hannu Syrjänen, Marja Usvasalo, George Berner, Erkki Vuorenmaa, Leif Fagernäs, Lauri Ihalainen, Risto Piekka, Seppo Junttila and Hannu Rautiainen

Jukka Alho
President and CEO of Finland Post Corporation
b. 1952, M.Sc (Tech)

George Berner
Managing Director of Berner Corporation
b. 1948, MS in Civil Engineering

Eino Halonen
President and CEO of Suomi Mutual Life Assurance Company
b. 1949, B.Sc (Econ)

Jukka Hienonen
President and CEO of Finnair Plc
b. 1961, M.Sc (Econ)

Arto Hiltunen
President and CEO of HOK-Elanto
b. 1958, B.Sc (Econ)

Seppo Junttila
General Secretary of the Finnish Confederation of Salaried Employees (STTK)
b. 1947, Process Technician.

Reijo Karhinen
Executive Chairman of OP Bank Group
b. 1955, M.Sc (Econ)

Leena Niemistö
Managing Director of Oy Dextra Ab
b. 1963, MD, PhD
(since March 9, 2007)

Risto Piekka
President of the Confederation of Unions for Academic Professionals (AKAVA)
b. 1948, MPolSc

Marja Usvasalo
President of Kalevala Koru Group
b. 1947, M.Sc (Econ)
(until March 8, 2007)

Deputy members

Timo Parmasuo
Board Chairman of Meconet Ltd
b. 1950, ME

Hannu Rautiainen
Chief Solicitor of the Confederation of Confederation of Finnish Industries, EK
b. 1952, LLM, B.Sc (Econ)

Erkki Vuorenmaa
President of the Metalworkers' Union
b. 1947

Eero Ylä-Soininmäki
CEO of Pohjantähti Mutual Insurance Company
b. 1952, Grad. Eng.

INSPECTORS OF PENSION DECISION OPERATIONS

Members
Henrik Gayer
Ilpo Jalasjoki
Antti Lagerroos
Simo Leivo
Krister Olsson
Kalevi Vanhala

Deputies
Jorma Eloranta
Liisa Joronen
Kai Korhonen
Veikko Kuusakoski
Timo Räty
Erkki Varis

INSPECTORS OF INVESTMENT OPERATIONS

Members
Maija-Liisa Friman
Kim Gran
Matti Lievonen
Juhani Maijala
Markku Rönkkö
Esa Vilkuna

Deputies
Antti Herlin
Kirsti Piponius
Veli-Matti Puutio
Pirjo Terilehto
Matti Viljanen
Esko Vuorinen

APPOINTMENT AND COMPENSATION COMMITTEE

Hannu Syrjänen, chairman
Leif Fagernäs
Lauri Ihalainen

AUDIT COMMITTEE

George Berner, chairman
Seppo Junttila
Hannu Rautiainen

AUDITORS

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

Sirkku Valkjärvi, APA,
PricewaterhouseCoopers Oy

Deputy auditors
Sari Airola, APA,
PricewaterhouseCoopers Oy

Marja-Terttu Sotka, APA,
PricewaterhouseCoopers Oy

C

CORPORATE GOVERNANCE

Ilmarinen's Executive Group: Harri Sailas, Tuula Kosonen, Hillevi Mannonen and Jaakko Tuomikoski

EXECUTIVE GROUP AND OTHER MANAGEMENT

EXECUTIVE GROUP

HARRI SAILAS
President and CEO
b. 1951, M.Sc (Econ. & Bus. Adm.)
He has worked for Ilmarinen since 2006

JAAKKO TUOMIKOSKI
Deputy CEO
b. 1950, M.A., FASF.
He has worked for Ilmarinen since 1981

SINI KIVIHUHTA
Senior Vice President, Client Relations
b. 1959, LLM
She has worked for Ilmarinen since 1983

TIMO ARO
Senior Vice President, Pension Services
b. 1955, MD, PhD, M.Sc
He has worked for Ilmarinen since 1994

JUSSI LAITINEN
Senior Vice President, Investments
b. 1956, MBA, B.Sc (Econ)
He has worked for Ilmarinen since 2001

JUHANI KARJASILTA
Senior Vice President, Administration, Personnel and IT
b. 1959, Grad. Eng.
He has worked for Ilmarinen since 2002

PIRKKO AUVINEN
Senior Vice President, Legal Matters
b. 1950, LLM
She has worked for Ilmarinen since 1974

HILLEVI MANNONEN
Chief Actuary
b. 1958, M.Sc (Math), FASF.
She has worked for Ilmarinen since 1997

SATU MEHTÄLÄ
Senior Vice President, Corporate Communications
b. 1960, MBA
She has worked for Ilmarinen since 2001

TUULA KOSONEN
Personnel representative
b. 1959, BBA (tradenomi),
She has worked for Ilmarinen since 1999

Juhani Karjasilta, Sini Kivihuhta, Pirkko Auvinen, Timo Aro, Satu Mehtälä and Jussi Laitinen

OTHER MANAGEMENT, 1 MARCH, 2007

CLIENT RELATIONS

Major Client Relations
Jani Mikkola

Major Client Insurance
Tiina Nurmi

Kirsti Koponen
Major Client Services

Maarit Wilén
Specialist Services

CLIENT SERVICES
Irmeli Kesonen

Paula Ojala-Ruuth
Client Services

Juha Junnelin
Insurance Services

Markku Riikonen
Collection and Payments

Minna Hakkarainen
Development Services

MARKETING
Ari Jaatinen

PENSION SERVICES

Tarja Hurskainen
Pension Benefits

Anne Koivula
Disability and Rehabilitation Decisions

Seppo Kettunen
Medical Insurance Specialists

Eeva-Liisa Rahikainen
Pension Payments

Anu Suutela-Vuorinen
Employer Pension Services

Jari Matveinen
Pension Advisor Services

ADMINISTRATION

Olli-Veikko Kurvinen
Administration

Arja Savolainen
Personnel

Jukka Hirvinen
IT-Management

Kristiina Hämäläinen
Operating Costs Accounting

Toni Äikäs
Business Planning and Research

INVESTMENTS

Investments
Mikko Mursula

Jari Eskelinen
Fixed Income and International Equities

Matti Rusanen
Equities, Finland

Ville Helske
Allocation and Alternative Investments

Other Investments
Esko Torsti
Alternatives

Tomi Aimonen
Direct Real Estate Investments

Vesa Pohjankoski
Corporate Finance

Investment Administration
Heidi Koskinen

FINANCIAL AND ACTUARIAL SERVICES

Hillevi Mannonen
Actuarial Services

Pirjo Pohjankoski
Accounts and Bookkeeping

INTERNAL AUDITING

Markku Alho

ADVISORY COMMITTEE FOR INSURANCE CLIENTS

Juha Ahvenniemi
Pertti Ailio
Juha Edgren
Olli Eräkivi
Petri Heino
Eero Heliövaara
Irene Hämäläinen
Ari Impivaara
Hannu Isotalo
Lasse Johansson
Ilkka Jokinen
Timo Juvakoski
Jarkko Järvinen
Eija Karivaara
Aku Keltto
Jukka Kihlman
Seppo Kinkki
Matti Korkiatupa
Reijo Kärkkäinen
Pasi Lahtinen
Timo Laitinen
Ilkka Lantto
Johanna Lehtonen
Tuomas M. S. Lehtonen
Liisa Leiva
Jari Lemmetyinen

Pekka Lerkkanen
Matti Manner
Linnea Meder
Jari Mellas
Simo Moisio
Ahti Myllys
Mikko Nevalainen
Jussi Niemelä
Jukka Niemi
Jukka-Pekka Nikula
Tuula Paalimäki
Tahvo Pekkinen
Katri Pietilä
Matti Pörhö
Matti Pöyry
Eeva Rantala
Antti Rantalainen
Taisto Riski
Seppo Saarelainen
Veli Saarenheimo
Pekka Sahamies
Ossi Saksman
Ari Sandberg
Erik Sjöberg
Magnus Sjöblom
Janne Skogberg

Riitta Smolander
Aimo Takala
Kari Tarkiainen
Olli Tasala
Pentti Tiainen
Eija Tolvanen
Reijo Tuomela
Ilkka Tuominen
Jorma Turunen
Seppo Vekka
Harry Viiala
Jorma Väthärautio
Ritva Välimäki
Antti Zitting
Christian Österberg

ADVISORY COMMITTEES FOR THE INSURED AND ON PENSION AFFAIRS

ADVISORY COMMITTEE FOR THE INSURED

Eila Ahonen

Erik Bussman

Katja Eriksson

Seppo Fahlström

Anne Gärding

Kai Halminen

Arto Halonen

Inkeri Hanki

Juha Häkkinen

Isto Kaarnalehto

Markku Kankainen

Kari Koivisto

Jukka Korhonen

Lauri Korkeakoski

Paula Koskinen

Reija Koskinen

Hanna Laitila

Vesa Leskinen

Tarja Malén

Anneli Myllärinen

Esa Mäenpää

Juha Nevalainen

Maritta Niemelä

Esa Pitkälä

Seija Pyökeri

Pekka Rissanen

Reijo Ruppa

Raino Salmi

Eero Saloranta

Tarja Savolainen

ADVISORY COMMITTEE ON PENSION AFFAIRS

Representatives of Empoyees

Eija-Sisko Huhtala

Erkki Rimpiläinen

Saana Siekkinen

Aleksei Solovjew

Representatives of Employer

Timo Höykinpuro

Hannu Rautiainen

Representatives of Ilmarinen

Timo Aro

Anne Koivula

Presenting Officers

Seppo Kettunen

Petri Järvinen

Ilkka Käppi

Mika Niskanen

F

FINANCIAL STATEMENTS

REPORT ON OPERATIONS AND FINANCIAL STATEMENTS 2006

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 Report on Operations. The following notes were omitted:

- investment in real estate
- specification of investment in affiliated undertakings and participating interests
- changes in tangible and intangible assets
- specification of receivables
- 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 Finnish-language official financial statements of Ilmarinen and the Group are on display on the company's website at www.ilmarinen.fi and at Ilmarinen's offices at Porkkalankatu 1, Helsinki.

The concepts and terms used in the financial statements are explained in the guide for readers on pages 78–79.

REPORT ON OPERATIONS

ECONOMIC DEVELOPMENT

In 2006, both the global and the Finnish economies performed better than anticipated. In Finland, total production grew by more than five percent, which could largely be attributed to export demand and investment growth. Meanwhile, the European economic growth rate settled at approximately three percent. Besides the price of oil, other key uncertainty factors affecting economic development include the intensity of the expected slowdown of the US economy and the cascading effects of the rising economies in Asia.

The employment situation has seen rapid improvement. In 2006, the employment situation continued to improve in all major industries with the exception of primary production. More than 40,000 new jobs were created, and the average annual unemployment rate fell by more than half a percentage point from the previous year to 7.7 percent. The employment rate in the age group that is important for the employment pension system, namely those aged between 60 and 64, has climbed from approximately 25 percent to almost 40 percent in five years.

During the year, inflation accelerated in Finland, and at two percent it reached the overall level of the euro zone. Interest rates began to rise in the first half of the year, but towards the year-end, interest began sliding again. On the whole, the year turned out to be difficult for interest investors.

Share prices continued to rise briskly in early 2006, until they took a downward turn in April. In June, share prices were more or less at the same level as at the turn of the year. However, share prices rose steadily during the autumn and full-year performance turned out to be positive for investors in most markets. Japan was the only exception to the positive development trend.

As a result of favorable economic development, the demand for office premises picked up and utilization rates were up. Rents for office premises rose particularly in the Helsinki region.

DEVELOPMENT OF THE EMPLOYMENT PENSION SYSTEM

One of the objectives of the pension reform that came into effect at the beginning of 2005 was to encourage people to work longer instead of opting for early retirement. Experiences gained in 2005 and 2006 suggest that a change is clearly taking place in retirement trends. If continued, this positive development would significantly alleviate the upward pressure on pension expenditure and would thereby further strengthen the financial durability of the employment pensions system.

The new Employees' Pensions Act (TyEL) came into effect at the beginning of 2007, replacing the previous Employees' Pensions Act (TEL), the Temporary Employees' Pensions Act (LEL) and the Pensions Act for Performing Artists and Certain Groups of Employees (TaEL). In the long run, this act will significantly simplify the practices and procedures involved in employment pension insurance. As the new act took effect, the special status of the Etera Mutual Pension Insurance Company was removed and it started to compete with existing TEL institutions for the clientele currently insured under TyEL and under the Self-Employed Persons' Pensions Act (YEL).

The legislative changes will involve considerable modifications to the information systems and operating practices. They have and will require significant development efforts from Ilmarinen and other employment pensions companies.

The survey on the investment of employment pension assets launched by the key labor market organizations at the end of 2004 was completed in January 2006. Based on the survey, the organizations agreed on the changes to be made to the regulations concerning employment pension investments on January 27, 2006. The resulting legislative amendments were ratified on December 8, 2006. To make the entire employment pension system bear a part of the price risk involved in equity investments, the change in technical provisions will be partly tied to the average return on equity investments. Solvency capitals that serve as pension-institution-specific investment buffers will be strengthened to some degree. Furthermore, some details of the funding of old-age pensions will be changed a little. These changes are believed to relieve the upward pressure on employment pension contributions by 1 or 2 percentage points in the long run.

In this connection, legislation regarding the cover for employment pension institutions' technical provisions and the calculation of the solvency border was reformed. As of the beginning of 2007, the classification of assets associated with these regulations will reflect the actual risk, and the pension institution's Board of Directors must confirm the principles applied in this classification.

Similarly, some parts of the legislation concerning the administrative bodies of employment pension insurance companies were amended effective as of the beginning of 2007. These changes involved more detailed qualification criteria for members of the Supervisory Board and Board of Directors as well as for the President and CEO, a requirement for mandatory committees dealing with appointments, remuneration and auditing, and a requirement for a special election committee, which prepares the election of members to the Supervisory Board and the Board of Directors and has equal representation from both employer and employee organizations.

Legislation regarding the solvency capital transferred in connection with portfolio transfers and the transfer of funds was amended in 2006 to the effect that transferring of solvency capital is twice the amount compared to the median of employment pension institutions' solvency border. This amount will be confirmed semiannually and represents 22.5 percent of the technical provisions at the beginning of 2007.

On January 11, 2007, the Ministry of Social Affairs and Health published a report on the competitive situation regarding the employment pension system. The report looks at the competitive environment for the employment pension system as a whole and in relation to the key purpose of the employment pension system. Other background reasons include statements from the Finnish Competition Authority and its motions regarding competition issues. According to the report, the different legislative amendments implemented for competition-related reasons have, to some extent, clouded the fact that the execution of the employment pension system is built on an insurance principle rather than on the principles of a savings fund. Special attention is paid to the need to measure and assess the effectiveness of the decentralized execution of the employment pension system. The report is now in circulation for comments.

RESULTS AND SOLVENCY

Ilmarinen benefited from the choices made in its investment strategy as share prices rose, making 2006 a positive year for Ilmarinen in terms of investments and solvency. The company's net investment income calculated at market value was 8.5 percent (12.1 percent in 2005). Solvency capital grew to EUR 5,828.0 million from EUR 5,090.1 million a year earlier.

At the end of 2006, Ilmarinen's solvency capital stood at 33.7 (32.0) percent of the technical provisions used in solvency calculations and 60 (63) percent of the maximum capital. Solvency capital was 2.4 times its solvency border compared with 2.5 in 2005. The monitoring limits of employment pension companies' solvency capital depend on the risk content of its investment portfolio.

The information on the company's results and solvency presented below is based on the indicators and analyses shown in the notes to the financial statements, calculated primarily at market value.

Ilmarinen's overall result for 2006 totaled EUR 850.3 (1,514.9) million. The underwriting business recorded a profit of EUR 19.9 (51.2) million, while the loading profit amounted to EUR 22.9 (11.7) million. Net investment income at market value totaled EUR 1,803.0 (2,174.1) million and it exceeded the EUR 995.5 (722.1) million interest credited to technical provisions by EUR 807.6 (1,452.0) million.

According to the actuarial principles confirmed by the Ministry of Social Affairs and Health, the profit from the underwriting business will be transferred to the equalization provision, except for EUR 3.5 million which was the amount by which the equalization provision for the TEL supplementary pension insurance would otherwise have exceeded its upper limit.

The amount available for discounts to be granted on TEL contributions, or client bonuses, continued to be determined by the company's solvency capital and solvency position in 2006. A total of EUR 81.0 (78.0) million was earmarked for use as client bonuses. This represented 0.70 (0.76) percent of the total wage bill insured and EUR 209 (218) per employment relationship insured with Ilmarinen. As of fiscal 2007, the amount available for client bonuses will be determined primarily on the basis of the company's solvency capital but partly also on the basis of its loading profit.

The remainder of the overall result is retained in the company's solvency capital apart from the guarantee capital interest to be paid after the financial statements have been adopted.

POLICIES AND INCOME FROM PREMIUMS

The number of people insured under TEL showed particularly favorable development in 2006. At the end of 2006, the company had 31,551 (31,386) TEL policies, showing an increase of 0.5 percent during the year. At the end of the year, TEL policies covered 387,000 (357,000) insured persons; an increase of 8.4 percent on the previous year. The average number of persons covered by a TEL policy in 2006 grew to 12 from 11 the year before.

The total wage bill insured with Ilmarinen under TEL was EUR 11,505.6 (10,268.0) million, showing an increase of 12.1 percent on the previous year. The market share calculated from the total wage bill insured under TEL in 2006 is estimated to have risen considerably from the 32.4 percent in 2005.

At the end of the year, Ilmarinen had 49,898 (49,495) YEL policies. Ilmarinen is clearly the biggest provider of YEL insurance, and its market share in the past few years has been in the region of 31–31 percent measured by the number of insured people. The average YEL

REPORT ON OPERATIONS

income was EUR 18,510 (17,759) per year. This grew by some 4.2 percent from the previous year; slightly more than the increase of 3.4 percent in the wage coefficient to which YEL is tied. The average YEL income is significantly lower than the average earnings of TEL employees.

Ilmarinen's premiums written in 2006 totaled EUR 2,652.6 (2,346.0) million.

TEL premiums written amounted to EUR 2,471.2 (2,166.6) million, which means the income from TEL contributions rose by 14.1 percent. The discounts granted on TEL contributions or client bonuses totaled EUR 72.4 million, compared with EUR 41.6 million a year earlier. The key factor in the change in income from TEL contributions was a higher wage bill for persons insured.

Premiums written in YEL policies were up by 1.1 percent to EUR 181.4 (179.4) million.

Bad debts from unpaid TEL contributions amounted to EUR 4.3 (6.9) million, and EUR 3.5 (2.9) million from unpaid YEL contributions. Ilmarinen did not incur any losses from unpaid YEL contributions because the government compensates for any contributions not paid by the policyholders under the YEL system.

Total sales result for the financial year was passable. Growth in the number of policies and income from premiums in 2006 resulted from the good sales performance in the previous years and the increase in the total wage bill insured. The transfer of TEL policies from other employment pension companies to Ilmarinen or vice versa produced a positive result (approximately EUR 4.8 million measured with income from premiums). Small client company transfers to Ilmarinen developed particularly well.

Sales of pension insurance policies for entrepreneurs also exceeded the set targets. In terms of annual income from premiums, sales were approximately EUR 15 million, with 4,964 new policies sold. During the year, the transfers of YEL policies showed a positive result with 308 policies after several loss-making years. In terms of the YEL policies, the competitive situation in 2006 was asymmetrical as entrepreneurs were able to transfer their insurance policies from other employment pension insurance companies to Etera, but not the other way around.

Ilmarinen introduced a new local level key account organization on August 1, 2006 to bolster its employment pension insurance sales. The company also tightened its co-operation with its partner network (Pohjola, A-vakuutus, OP Bank Group, Pohjantähti). During the year, electronic channels became increasingly popular: almost half of the corporate clients used Ilmarinen's web services.

CONTRIBUTION RATE

The average TEL contribution confirmed for 2006 was 21.6 percent, which is the same as a year earlier. The employee contribution for people aged under 53 was 4.3 percent and for those aged 53 and over 5.4 percent. The employer's contribution was 17.1 percent on average. The contribution rate payable by the employer depends on the policy and on the client bonuses granted by the employment pension company. Ilmarinen's client bonuses were, on average, 4.0 percent (2.6) of the employer's contribution. Employers within the tariff premium system are granted a maximum discount of 0.6 percentage points to reduce the equalization provision for disability pensions.

In 2007, the TyEL contribution will be approximately 21.6 percent of the earnings, representing the same level as the TEL contribution in 2006. Employees' age-specific employee pension contributions remain unchanged. The average employer contribution will be 17.0 percent. This reduction is due to the refunding of assets tied to the Finnish Center for Pensions' credit insurance after the Center sold its shares in Garantia Insurance Company. In 2007, as in the previous year, employers within the tariff premium system will be granted a temporary discount to reduce the equalization provision for disability pensions. The amount of the discount depends on the employer's size and is 0.6 percentage points at most.

The YEL contribution in 2006 was 20.8 percent of the reported income confirmed for entrepreneurs. However, for entrepreneurs who had turned 53 before the beginning of the fiscal year, the YEL contribution was 21.9 percent. These contributions remain unchanged in 2007.

PENSIONS AND MAINTAINING WORKING CAPACITY

In 2006, Ilmarinen paid out a total of EUR 2,239.1 (2,035.8) million in pensions.

Pension expenditure by type of pension in 2006, EUR mill.

	TEL	YEL	Total	% of total expenditure
Old-age pensions	1,187.3	106.6	**1,293.9**	57.8
Early old-age pensions	146.2	15.6	**161.8**	7.2
Part-time pensions	28.9	7.7	**36.6**	1.6
Disability pensions	347.4	27.8	**375.2**	16.8
Individual early retirement pensions	19.1	1.2	**20.3**	0.9
Unemployment pensions	138.2	2.4	**140.6**	6.3
Survivors' pensions	188.8	21.9	**210.7**	9.4
Total	2,055.9	183.2	**2,239.1**	100.0

The figures in the table include payments made directly to pension recipients and through the pay-as-you-go pool.

Number of pension recipients, December 31, 2006			
Benefits under basic coverage			
Pension type	TEL	YEL	Total
Old-age pensions	128,137	16,606	144,743
Early old-age pensions	13,041	2,912	15,953
Part-time pensions	3,875	1,161	5,036
Disability pensions	36,153	4,458	40,611
Individual early retirement pensions	1,157	129	1,286
Unemployment pensions	10,610	253	10,863
Survivors' pensions	33,033	6,359	39,392
Total	226,006	31,878	257,884

Pension decisions in 2006	2006	2005	Change %
Old-age pensions	5,142	5,783	–11.1
Early old-age pensions	371	424	–12.5
Part-time pensions	904	931	–2.9
Disability pensions	6,112	5,252	16.4
Individual early retirement pensions	7	53	–86.8
Unemployment pensions	2,678	1,949	37.4
Survivors' pensions	2,597	2,609	–0.5
New pension decisions, total	17,811	17,001	4.8
All pension decisions, total	31,659	29,162	8.6

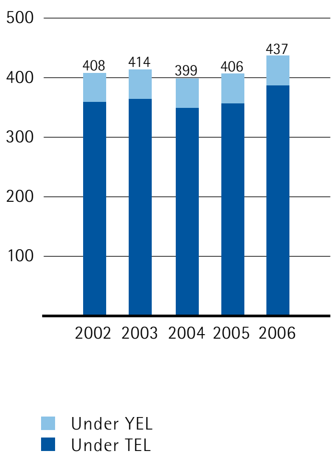
At the end of the year, the number of pension recipients was 257,884, showing an increase of 5.8 percent from 243,775 a year earlier. The higher than usual growth percentage can be attributed to the pensions received through portfolio transfers. At the end of the year, TEL pensions were paid out to 226,006 (212,468) pension recipients, and YEL pensions to 31,878 (31,307) pension recipients.

Old-age pensioners represented 62 percent of all pension recipients and disability pension recipients 16 percent. Recipients of individual early retirement pension accounted for half a percent. Unemployment pension recipients accounted for about four percent and part-time pension recipients for less than two percent. Survivors' pension recipients represented 15 percent of all pension recipients.

Ilmarinen issued a total of 31,659 pension decisions in 2006, which is about 8.6 percent more than in 2005. The number of new pension decisions grew by 4.8 percent to 17,811. The number of old-age pension decisions decreased; this is because the comparison figure for the previous year was exceptionally high as several age cohorts had the opportunity to retire on old-age pension in 2005. The pension reform will gradually abolish individual early retirement pensions altogether, which to some extent increased the number of disability pensions. However, the key factor explaining the increase in the number of disability pensions and unemployment pensions granted was the increase in the number of insured people. The exceptionally sharp rise in the number of new unemployment pensions also reflects the special demographic characteristics: In 2006, the first of

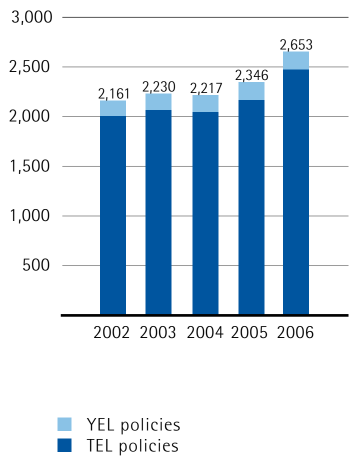
Number of people insured

In thousands



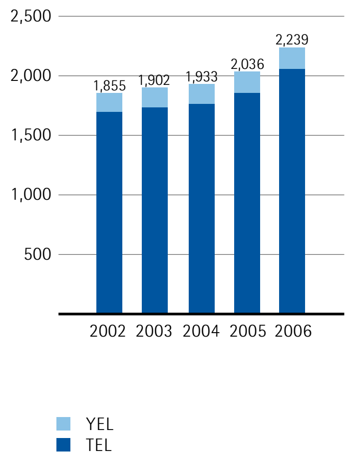
Premiums written

EUR mill.



Benefits paid out

EUR mill.



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the baby-boomer generations reached the age of 60, which is a typical age for an unemployment pension to begin.

Ilmarinen measures the efficiency of its pension application processing in terms of average processing time per type of pension, and the quality of its pension decisions in terms of the permanence of the rulings at appellate level. Measured with both indicators, the company has outperformed its benchmark group. This was also true in 2006, except in the case of disability pension decisions where processing times were temporarily prolonged. In the case of disability pensions, refusals represented 22.1 (22.1) percent. Of those Ilmarinen's pension decisions that were appealed, 6.3 (4.5) percent, were reversed by the Pension Appeals Board and 13.3 (14.9) percent by the Insurance Court.

In April 2006, Ilmarinen was the first employment pension company to introduce a new service to assist those customers who were refused disability pension. This guidance service is provided by rehabilitation research institutes and occupational clinics under a contractual relationship with Ilmarinen in different parts of Finland.

A total of 22,020 (21,499) individual pension coverage reports were prepared in response to requests from clients.

In 2006, Ilmarinen organized 49 various occupational wellbeing seminars around Finland for personnel in its customer companies in charge of operations, human resources and development. In addition to these, several individual training programs designed for customer companies were organized.

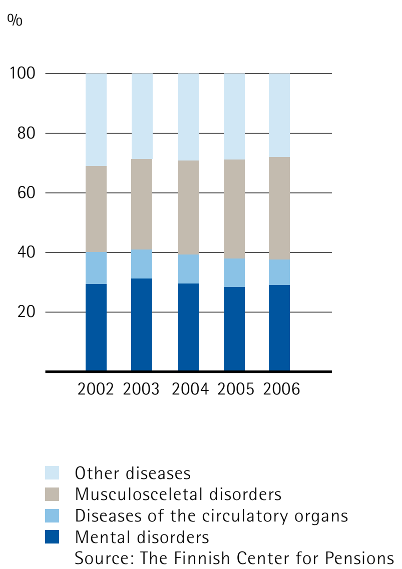
Ilmarinen continued to support vocational rehabilitation in its client companies by offering advisory training in this area as well as counseling and expert help at the initial stage of rehabilitation planning, for both rehabilitees and client company personnel. During the actual rehabilitation period, the company pays benefits in accordance with employment pension legislation to ensure an adequate income for the rehabilitee and to reimburse the costs incurred during training. In 2006, Ilmarinen granted rehabilitation allowance or a pension-related rehabilitation increment in 1,106 (918) cases for vocational rehabilitation. These payments increased by 20 percent from the previous year.

UNDERWRITING BUSINESS, TECHNICAL PROVISIONS AND PORTFOLIO TRANSFERS

At the end of 2006, technical provisions amounted to EUR 20,917.2 (18,891.3) million. In net terms, the provision for future bonuses grew by EUR 648.3 million and totaled EUR 3,588.3 (2,940.1) million at the year-end. In other respects, technical provisions increased by 8.6 percent.

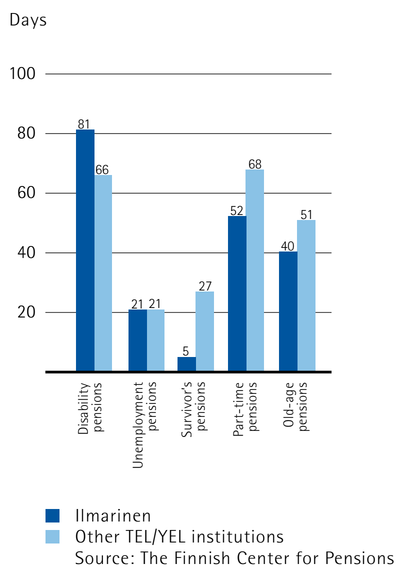
The company recorded an underwriting result of EUR 19.9 (51.2) million. In terms of disability pensions, the result of the underwriting

Disability pensions



Source: The Finnish Center for Pensions

Processing times for pension applications 2006



Source: The Finnish Center for Pensions

business was in the red because disability contributions were set at a lower level than the anticipated disability expenditure to curb the growth of equalization provision. Change in equalization provision was EUR 16.3 million and it grew to EUR 909.9 million. The transfer to the equalization provision was EUR 3.5 million less that the technical underwriting result, as the equalization provision for the TEL supplementary pension insurance reached its upper limit.

The technical rate of interest that regulates the percentage of investment income to be transferred to technical provisions was 6.0 percent until June 30, 2006 after which it was 6.5 percent. As of the beginning of 2007, the technical rate of interest will be replaced with a calculated interest included in the calculation bases for TyEL insurance, the amount of which will be determined on the basis of the average solvency of pension institutions and will be 5.5 percent in the first half of 2007. As of 2007, the percentage of investment income to be transferred to technical provisions will be determined on the basis of a pension liability adjustment factor derived from the average solvency rate of pension institutions on the one hand, and from a new equity linked buffer on the other hand.

Assets covering technical provisions totaled EUR 21,927.6 (20,582.4) million.

In 2005, the amount of the liability transferred from the three TEL pension foundations was significant, almost one billion euro in total. In 2006, the adjustment items related to these transfers were EUR 5.0 million with the provision for future bonuses accounting for EUR 0.5 million. New transfers of liability or portfolio transfers were not carried out during the fiscal year.

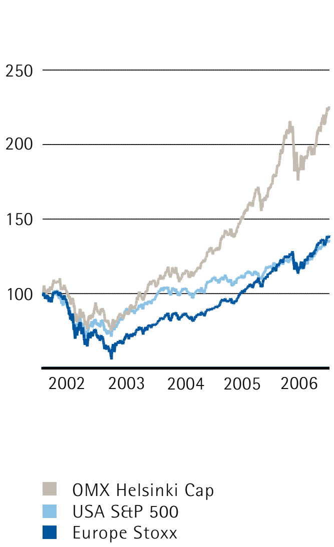
INVESTMENT

In the basic allocation, or target investment breakdown, adopted by the Board of Directors each year, the proportions for various types of investment are designed to maximize the overall yield expectation within the risk limits set by the Board. The principle behind the assessment of the risk limits is the company's average solvency across economic cycles.

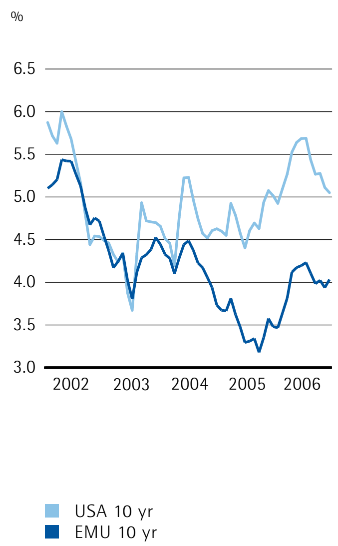
At the end of 2006, the total market value of Ilmarinen's investments was EUR 22,994.9 (20,983.2) million. Return on investments at market value was 8.5 percent, which corresponds to a real return of 6.8 percent. Return on investment portfolio a year ago was 12.1 percent. The average annual return at market value over the past five years has been 7.3 percent, which corresponds to an average real annual return of 6.2 percent.

Bonds, interest-rate funds and other financial market instruments accounted for 46 (51) percent of Ilmarinen's investment assets. Their capitalization was EUR 10,543.1 (10,715.8) million, and return at market value was 1.2 (4.3) percent. Government bonds rep-

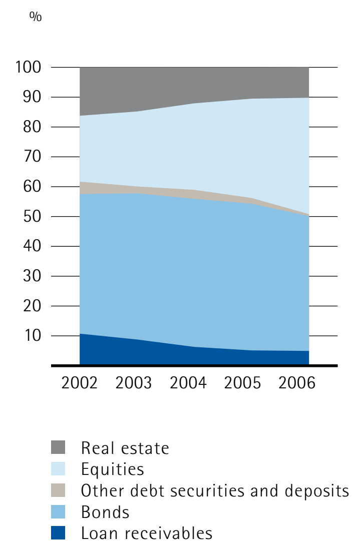
Stock market performance
(Dec. 31, 2001=100)



Long-term interest rates



Structure of Ilmarinen's assets



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resented EUR 5,733.0 (6,184.6) million or 54.4 (57.7) percent. Money market investments accounted for EUR 155.9 (398.3) million, or 1.5 (3.7) percent and a return of 3.8 (4.5) percent. The remaining 44.1 percent consisted of corporate bonds, loans to developing economies, and investments in fixed-income funds. Most corporate bonds had high credit ratings. The breakdown of credit ratings is presented in the notes to the financial statements under 'Risk Management'. At the end of the year, the average time-to-maturity of the bond portfolio was 4.4 (4.7) years.

Equities accounted for 39 (33) percent of investments, excluding the interest-rate and real estate funds included in them in the balance sheet. As a result of the continued upward trend in share prices in 2006 and share purchases, their value increased to EUR 8,959 (6,987.8) million. Domestic equities accounted for 38 (37) percent of this, or about EUR 3,424.5 (2,613.2) million. Domestic equities represented 40 (40) percent of the listed equities investments. The equity markets showed a favorable trend, although not as good as a year earlier. The positive performance raised the return on Ilmarinen's equity investments calculated at market value to 20.2 (30.8) percent.

Ilmarinen's equity portfolio also includes investments in venture capital funds and hedge funds, as well as investments in commodities, which the company has been increasing over the past few years. At the end of the year, they accounted for about 3.1 (2.8) percent of total investment assets. Private equity funds accounted for EUR 370.8 million, hedge funds for EUR 325.8 million, and investments in commodities for EUR 10.3 million. The return on capital employed in hedge funds totaled an average of 6.6 percent and of private equity funds 40.0 percent.

These figures also include the derivatives used at market value. Derivatives are used for hedging and modifying the allocation of investment assets.

According to the ethical investment principles stated in Ilmarinen's ownership policy, the company has disposed of investments in four companies between the years 2003 and 2004. No investments were disposed of for ethical reasons in 2005 or 2006.

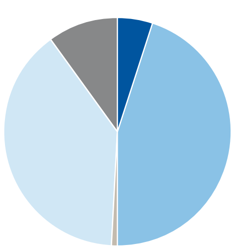
Ilmarinen's real estate portfolio at the end of 2006 amounted to EUR 2,353.7 (2,203.6) million showing a change of 6.8 percent from the previous year. Real estate investments represented 10 (11) percent, with one percentage point of indirect investment. Real estates in direct ownership accounted for EUR 2,122.0 million.

At the end of the year, Ilmarinen agreed to sell an approximately EUR 300 million real estate portfolio to Aberdeen Real Estate Fund Finland, with Ilmarinen as an investor with a holding of one third. This deal was finalized in January 2007.

Investments in real estate funds continued both in Finland and abroad. At the end of the year, investments worth a total of EUR

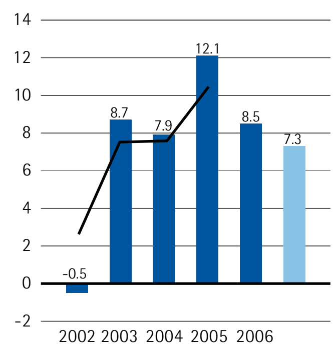
Breakdown of investment assets on Dec. 31, 2006

Total EUR 22,994.9 mill.



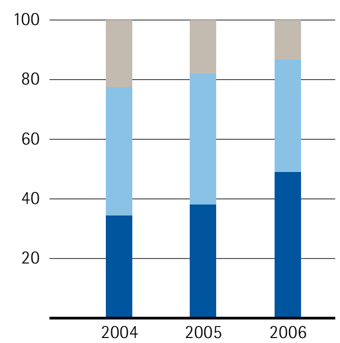
- Loan receivables 5%
- Bonds 45%
- Other debt securities and deposits 1%
- Equities 39%
- Real estate 10%

Net investment income, at current value



- Ilmarinen's annual income
- Other TEL companies on average
- Average 5-year return for Ilmarinen

Breakdown of listed equity by business sector



- Growth
- Defensive
- Cyclical

231.6 million had been made. Indirect investments accounted for 10 percent of the real estate portfolio at year-end.

Despite the difficult market conditions for office property, the occupancy rate of property in Ilmarinen's direct ownership improved. The occupancy rate at year-end was 91.2 (89.9) percent.

Prices of real estate were up as the requirements on net income decreased as a result of strong investment demand. Listed real estate companies showed a particularly strong increase in value.

The total return on the company's real estate portfolio was 8.0 (5.6) percent. The return on property in Ilmarinen's direct ownership was 7.2 (4.7) percent. The market values of properties were revised primarily based on property estimates prepared by external appraisers, which had a net effect of some EUR 39 million on the result. The return on indirect real estate investments was 20.8 (21.5) percent.

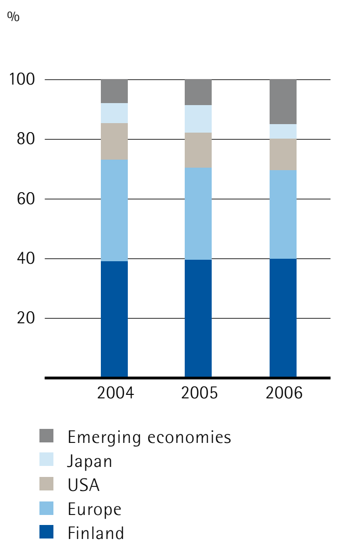
Loans granted to clients grew by approximately 5.9 percent. Loan receivables represented 5 (5) percent of investment assets at the year-end. New loans amounted to EUR 317.1 (273.1) million in 2006, and EUR 253.1 (306.4) worth of loans was repaid. The entire loan portfolio totaled EUR 1,139.1 (1,076.0) at the year-end, including accrued interest. The return on loan receivables was 4.6 (4.6) percent.

Client loan portfolio, EUR mill.

	1996	2001	2006	Percentage return
TEL loans	1,962.5	1,192.2	380.6	4.5
Investment loans	288.8	428.4	758.5	4.4
Total (incl. interest accrued)	2,251.3	1,620.6	1,139.1	4.4
Of total portfolio, %	27	11	5	

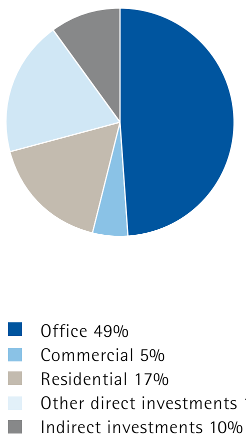
Employment pension insurance companies were given significantly more opportunities to assume investment risks as of the beginning of 1997 when the conditions of investment activities were modified. A large number of further revisions were made to these regulations in early 2007 with the objective of improving the return on employment pension funds invested. In the ten year period from 1997 to 2006, when the previous regulations were in effect, the total average return on Ilmarinen's investments was approximately 7.6 percent per year, which corresponds to a real annual return of 6.0 percent. This is the best rate of return any employment pension company has been able to achieve.

Geographical breakdown of listed equity (incl. funds)



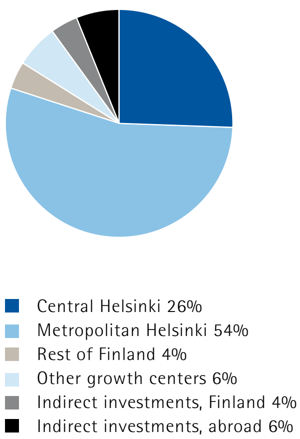
Real estate investment structure on Dec. 31, 2006

Total EUR 2,353.7 mill.



Real estate investments by region on Dec. 31, 2006

Total EUR 2,353.7 mill.



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RISK MANAGEMENT

The aim of risk management at Ilmarinen is to prevent any risks threatening the company from being realized, to minimize any damage or losses caused by them, and to secure business continuity. Meanwhile, another objective is to allow the company to benefit from the opportunities of controlled risk taking in its business, especially in investments. The key priority is to safeguard the rights of the insured persons, pension recipients and policyholders, in every situation.

Changes in the legislation regarding benefits and the insurance business, as well as changes in the conditions of investment activities introduced in early 2007, will, to some extent, change some of the risk management focus areas and practices. Preparations were made in 2006 for these changes.

Legislation sets specific quantitative and qualitative requirements on the assets covering technical provisions, but the regulations were simplified effective as of the beginning of 2007. The covering assets will be calculated at market value, and the key purpose of the regulations regarding cover is now to avoid risk concentrations. Ilmarinen bears the investment risk associated with the coverage of its technical provisions and return requirements. However, a system will be gradually introduced between 2007 and 2011 in which the entire employment pension system will bear a percentage of the price risk associated with equity investments representing 10 percent of total investments. The solvency regulations for employment pension insurers will continue to provide the framework for the risk management of investments, but the number of different levels of monitoring limits will be reduced. As of the beginning of 2007, investments will be classified in accordance with the same principles and based on the real risk of investments in the regulations regarding coverage and when calculating solvency requirements.

Ilmarinen has a risk management plan covering all of the company's activities approved annually by the Board of Directors. The company has a risk management committee comprising representatives from business sectors and support functions for the purposes of coordinating and developing risk management at the company level, which updated the risk survey and risk assessment in view of the company's operations in 2006. This risk analysis was discussed at the meeting of the Board of Directors' Audit Committee in December and it will serve as a basis for the risk management plan update in spring 2007.

A contingency plan covering the company's critical operations required by the Insurance Company Act was finalized at the beginning of the year and it was approved by the Board in May.

Risk management is described in more detail in the notes to the financial statements.

PERSONNEL

The average number of personnel in Ilmarinen Group was 673 in 2006 compared with 687 a year earlier. The parent company Ilmarinen employed an average of 525 (547) personnel. These average figures include 48 (48) part-time employees whose input has been adjusted for calculation purposes to correspond with the working hours of full-time personnel. During the year, an average of 27 (30) people were on family leave and other unpaid leave. At the year-end, the total number of people employed by the parent company Ilmarinen was 563 (582), of whom 543 (541) were permanent employees.

INFORMATION TECHNOLOGY

The most significant IT project in 2006 involved building a joint earnings information system for the employment pension companies, pension institutions and the Finnish Center for Pensions required by the amalgamation of pension laws, as well as making the corresponding adjustments to Ilmarinen's own information systems. The new system will be introduced in two stages during 2007 when the new Employees' Pensions Act (TyEL) will take effect. Arek Oy, a service company owned by the employment pension companies, together will its suppliers, is in charge of the development of the earnings information system and is responsible for providing the related IT services.

Ilmarinen's own IT systems development and maintenance is primarily handled by TietoIlmarinen, a joint venture established with TietoEnator. This company's second year of operations went as planned in terms of service deliveries and company development. The company was able to keep service costs in check while strengthening IT competence and improving operating practices. IT operating services development continued with WM data and the new computer center operating environment was completed. The financial objectives associated with the arrangements were reached. An extension of the operating service co-operation is being prepared with the information management personnel of the OP Bank Group.

With regard to data security maintenance, a development project was launched in order to harmonize management procedures and technologies, initially with Ilmarinen's own information systems. The management of external systems and IT services provided to clients and business partners will be included in the project later.

OPERATING EXPENSES

Ilmarinen's operating expenses have developed in line with the strategy approved earlier by the Board of Directors, which states that as a result of legislative reforms affecting employment pensions, service development and changes in the personnel's age structure operating expenses and the number of personnel were allowed to grow temporarily, but by 2007 the number of personnel should return to the level of 2002 and the loading profit to its previous high level.

In 2006, streamlining of processes and the automation of operations continued as part of the company's cost-containment regime. Furthermore, some administrative services were outsourced.

Despite the growth of volume in operations, operating expenses decreased. Total operating expenses amounted to EUR 85.9 (87.6) million; a decrease of 1.8 percent from the previous year. Investment charges totaled EUR 9.2 (9.4) million, or 0.04 percent of the total amount of investments. These charges were financed using the return on investments. Working capacity maintenance costs, which were financed using the administrative component for disability risk included in the insurance premium, totaled EUR 4.2 (3.8) million. Other operating costs except for the legal administrative charge to be included as of 2006 (EUR 0.8 million in 2006) were financed using the expense loading component included in premiums, and they were EUR 22.9 (11.7) million or 24.2 (13.6) percent below this. The legal administrative charge is used to cover the costs of the Pension Appeal Court. Similar costs were previously included in the costs of the Finnish Center for Pensions, which are shown as a separate item in the Profit and Loss Account under "Statutory charges".

ADMINISTRATION

After Gretel Ramsay resigned from Ilmarinen's Board of Directors, in its meeting on March 16, 2006, the Supervisory Board elected Marja Usvasalo in her place for the remainder of her term, until the end of 2009. After Antti Tanskanen resigned from Ilmarinen's Board of Directors effective as of January 1, 2007, in its meeting on November 27, 2006, the Supervisory Board elected Reijo Karhinen in his place for the remainder of his term, until the end of 2009.

In its meeting on February 2, 2007, the Board of Directors re-elected Hannu Syrjänen as Chairman of the Board, and Lauri Ihalainen and Leif Fagernäs as Deputy Chairmen. The Chairpersons also act as the Board's Nomination and Compensation Committee. The Audit Committee consists of George Berner, Seppo Junttila and Hannu Rautiainen.

The Articles of Association of employment pension companies must be amended to comply with the legislation that entered into force on January 1, 2007, with concern to the members of administrative bodies within two years, and with concern to the managing director and committees within one year from the effective date of the law. Consequently, the amendments required in Ilmarinen's Articles of Association will be prepared for the Annual General Meeting to be held in spring 2007.

President and CEO Kari Puro retired on December 31, 2006 after leading Ilmarinen since the beginning of 1991. In its meeting on May 3, 2006 Ilmarinen's Board of Directors elected Harri Sailas the new President and CEO effective as of January 1, 2007.

THE GROUP

The Ilmarinen Group comprises the parent company Ilmarinen and mostly real estate companies. TietoIlmarinen is part of the Group on the basis of Ilmarinen's voting rights, which comprise 70% of all votes to which TietoIlmarinen's shares entitle, although Ilmarinen only owns 30% of the shares. The number of subsidiaries on December 31, 2006 was 157. The number of real estate subsidiaries decreased by 31 when the divestment of real property discussed in connection with investments was realized.

As a result of the ownership arrangements carried out at Oy Porasto Ab in 2006 Ilmarinen's holdings in the company and its voting rights dropped from 26.3% to 12.8%, which means Porasto is no longer Ilmarinen's affiliate. After the Finnish Center for Pensions surrendered its ownership of Garantia Insurance Company on December 20, 2006, Ilmarinen raised its holdings to 23.57 percent, making Garantia its affiliate.

Suomi Mutual Life Assurance Company and Pohjantähti Mutual Insurance Company are companies in which Ilmarinen has a participating interest.

REPORT ON OPERATIONS

GUARANTEE CAPITAL

Ilmarinen has EUR 22,994,653.31 in guarantee capital, divided into 13,672 guarantee shares. On December 31, 2006 the owners of the guarantee capital and their shares were as follows:

	Guarantee shares	Ownership, %
Suomi Mutual Life Assurance Company	13,412	98.1
Pohjantähti Mutual Insurance Company	260	1.9
	13,672	100.0

FUTURE PROSPECTS

The positive development of the stock market has further strengthened Ilmarinen's solvency compared with the situation at the turn of the year. At the end of January, solvency capital had risen to 34.0 percent of the technical provisions used to calculate solvency. Since January, the company's solvency has seen continued favorable development.

Significant changes were made to the solvency framework for employment pension companies' investment activities at the beginning of 2007. The change in the solvency limit calculation principles adopted on January 1, 2007 and the asset classification criteria approved by Ilmarinen's Board of Directors on January 30, 2007, lowered the solvency border at the turn of the year by approximately 0.3 percentage points but the increased equity weighting in the investment portfolio has subsequently raised it by about one percentage point. At the end of January, the solvency capital was 2.3 times solvency limit according to the new criteria. As of the beginning of 2007, technical provisions will be affected by the provision for bonuses tied to equity income, associated with the new system where the entire employment pension system will bear part of the price risk associated with equity investments, but owing to the gradual introduction of this reform its impact is currently insignificant.

The framework, which was effective until the end of 2006, was in place for a period of ten years, a period that has seen skyrocketing share prices followed by deep plunges. Practical experiences proved that the solvency capital mechanism worked as intended over these economic cycles. The changes now made to the conditions of employment pension investment activities were based on an assumption that in order to improve the expected return from employment pension investments, the pension companies' risk-bearing ability must be further developed. With the reform, the proportion of equity investments or other high-risk, high-yield investments of employment pension companies' investment portfolios is expected to grow by about ten percentage points over the next few years.

Under the previous employment pension insurers' solvency framework, Ilmarinen had already invested in equities more than its competitors to get a better return in the long run. In the future, it is now possible and likely for Ilmarinen to increase its investments in domestic and foreign equities. As a result stronger fluctuations are to be expected in the annual return on investments. This does not, however, contribute substantially to the impact of fluctuations in equity markets on annual results, because under the new solvency framework, part of the share price risk will be borne jointly.

The result for 2007 will depend largely on the developments in the investment markets. Ilmarinen expects that its relative standing in the competition between employment pension companies over bonuses will remain good in the longer term. This is supported by the new principles regarding the determination of the bonuses to be paid on the basis of long-term results in investment activities, and the company's cost-efficiency, which as of 2007 will have a more direct impact on client bonuses. Measures taken to succeed in the competition in the TyEL market, which is more extensive than the TEL market, include active customer management and new web services.

PROFIT AND LOSS ACCOUNT

	PARENT COMPANY		GROUP	
EUR mill.	**2006**	2005	**2006**	2005
TECHNICAL ACCOUNT				
Premiums written	**2,652.6**	2,346.0	**2,652.6**	2,346.0
Investment Income	**2,941.3**	2,236.3	**2,924.8**	2,227.5
Claims incurred				
Claims paid	**-2,256.6**	-2,054.5	**-2,255.2**	-2,053.3
Change in provision for claims outstanding				
Total change	**-784.8**	-569.7	**-784.8**	-569.7
Portfolio transfers	**7.6**	278.8	**7.6**	278.8
Insurance portfolio transfers	**-**	-3.0	**-**	-3.0
	-777.2	-293.9	**-777.2**	-293.9
	-3,033.7	-2,348.4	**-3,032.4**	-2,347.2
Change in provision for unearned premiums				
Total change	**-1,241.1**	-1,945.9	**-1,241.1**	-1,945.9
Portfolio transfers	**-2.6**	657.6	**-2.6**	657.6
Insurance portfolio transfers	**-**	-2.8	**-**	-2.8
	-1,243.7	-1,291.2	**-1,243.7**	-1,291.2
Statutory charges	**-12.7**	-10.6	**-12.7**	-10.6
Operating expenses	**-55.4**	-55.7	**-53.4**	-54.1
Investment charges	**-1,237.2**	-868.3	**-1,231.4**	-865.6
Balance on technical account	**11.2**	8.1	**3.8**	4.6
NON-TECHNICAL ACCOUNT				
Balance on technical account	**11.2**	8.1	**3.8**	4.6
Other income	**1.4**	1.3	**1.7**	1.4
Other expenses	**-1.9**	-1.9	**-1.7**	-1.8
Income taxes on ordinary activities	**-2.1**	-2.0	**-2.7**	-2.6
Profit/loss on ordinary activities	**8.6**	5.4	**1.1**	1.6
Appropriations				
Change in accelerated depreciation	**0.8**	2.0	**-**	-
	0.8	2.0	**-**	-
Minority interest	**-**	-	**-0.7**	-0.2
Profit for the financial year	**9.4**	7.4	**0.4**	1.4

BALANCE SHEET

	PARENT COMPANY		GROUP	
EUR mill.	**2006**	2005	**2006**	2005
ASSETS				
Intangible assets				
Intangible rights	**3.2**	4.3	**3.3**	4.4
Other long-term expenditure	**–**	0.0	**–**	0.0
Prepayments	**0.5**	0.5	**0.5**	0.5
	3.7	4.8	**3.8**	4.9
Investments				
Real estate				
Real estate and shares in real estate	**1,325.9**	1,355.0	**1,799.2**	1,838.7
Loans to affiliated undertakings	**488.2**	497.7	**–**	-
Loans to participating interests	**8.3**	8.3	**8.3**	8.3
	1,822.5	1,861.0	**1,807.6**	1,847.0
Investments in affiliated undertakings and participating interests				
Interests in affiliated undertakings	**0.2**	0.2	**–**	-
Interests in participating interests	**21.8**	11.3	**21.8**	11.3
Loans to participating interests	**18.7**	20.6	**18.7**	20.6
	40.6	32.0	**40.5**	31.9
Other investments				
Shares and holdings	**7,658.9**	6,012.3	**7,658.9**	6,012.3
Debt securities	**9,465.8**	9,741.9	**9,465.8**	9,741.9
Loans guaranteed by mortgages	**316.4**	304.9	**316.4**	304.9
Other loans	**793.5**	739.1	**793.5**	739.1
Deposits	**75.1**	5.3	**79.8**	9.3
	18,309.7	16,803.4	**18,314.4**	16,807.5
	20,172.8	18,696.5	**20,162.4**	18,686.4
Debtors				
Direct insurance debtors				
Policyholders	**101.6**	55.7	**101.6**	55.7
Other debtors	**911.8**	438.9	**881.4**	435.1
	1,013.4	494.6	**982.9**	490.8
Other assets				
Tangible assets				
Machinery and equipment	**5.2**	6.9	**5.6**	7.5
Other tangible assets	**1.8**	1.7	**1.8**	1.7
	6.9	8.6	**7.4**	9.2
Cash at bank and in hand	**1.8**	29.2	**2.5**	30.0
	8.7	37.9	**9.9**	39.2
Prepayments and accrued income				
Interests and rents	**209.4**	208.1	**209.6**	208.4
Other	**49.6**	29.9	**49.8**	30.2
	259.0	238.0	**259.5**	238.5
Assets in total	**21,457.6**	19,471.8	**21,418.4**	19,459.9

EUR mill.	PARENT COMPANY 2006	2005	GROUP 2006	2005
LIABILITIES				
Capital and reserves				
Guarantee capital	**23.0**	23.0	**23.0**	23.0
Other reserves				
Funds and reserves under the Articles of Association	**55.4**	49.5	**55.4**	49.5
Other reserves	**–**	–	**0.6**	0.6
	55.4	49.5	**56.0**	50.1
Profit brought forward	**–**	–	**–5.4**	0.6
Profit for the financial year	**9.4**	7.4	**0.4**	1.4
	87.8	79.9	**73.9**	75.0
Minority interest	**–**	–	**25.7**	25.3
Accumulated appropriations				
Depreciation difference	**14.7**	15.5	**–**	–
	14.7	15.5	**–**	–
Technical provisions				
Provision for unearned premiums	**14,305.5**	13,064.3	**14,305.5**	13,064.3
Provision for claims outstanding	**6,611.7**	5,826.9	**6,611.7**	5,826.9
	20,917.2	18,891.3	**20,917.2**	18,891.3
Creditors				
Direct insurance creditors	**17.9**	38.7	**17.9**	38.7
Loans from credit institutions	**–**	–	**0.7**	1.0
Other creditors	**353.2**	350.7	**310.6**	330.8
	371.1	389.4	**329.2**	370.4
Accruals and deferred income	**66.7**	95.7	**72.4**	97.9
Liabilites in total	**21,457.6**	19,471.8	**21,418.4**	19,459.9

CASH FLOW STATEMENT

	PARENT COMPANY		GROUP	
EUR mill.	**2006**	2005	**2006**	2005
Cash flow from operating activities				
Profit (loss) from operating activities	**8.6**	5.4	**1.1**	1.6
Adjustments				
Change in technical provisions	**2,025.9**	2,515.7	**2,025.9**	2,515.7
Write-downs and write-ups of investments	**15.8**	-57.0	**14.3**	–59.1
Planned depreciations	**14.8**	15.1	**52.8**	51.5
Other adjustments	**–941.5**	-898.6	**–939.5**	-900.0
Cash flow before changes in working capital	**1,123.6**	1,580.5	**1,154.5**	1,609.7
Change in working capital:				
Short-term non-interest-bearing trade receivables increase (–) / decrease (+)	**–539.8**	-147.3	**–513.1**	-148.3
Short-term non-interest-bearing trade liabilities increase (+) / decrease (–)	**–47.3**	175.2	**–66.6**	188.5
Cash flow from operations before financial items and taxes	**536.5**	1,608.4	**574.8**	1,649.9
Direct taxes paid	**–2.1**	-2.0	**–2.7**	-2.6
Cash flow before exceptional items	**534.4**	1,606.4	**572.1**	1,647.3
Cash flow from operating activities	**534.4**	1,606.4	**572.1**	1,647.3
Cash flow from investments				
Asset purchases (excl. financial assets)	**–22,078.1**	-20,750.6	**–22,075.6**	-20,758.3
Capital gains on investments (excl. financial assets)	**21,518.8**	19,127.8	**21,478.6**	19,094.1
Investments and capital gains (net) related to intangible and tangible assets and other assets	**–1.1**	-0.8	**–1.1**	-1.9
Cash flow from investments	**–560.4**	-1,623.5	**–598.2**	-1,666.1
Cash flow from financing				
Dividends paid / interest in guarantee capital and other distributions of profits	**–1.5**	-1.4	**–1.5**	-1.4
Cash flow from financing	**–1.5**	-1.4	**–1.5**	-1.4
Change in financial assets	**–27.4**	-18.5	**–27.5**	-20.2
Financial assets at the start of the financial year	**29.2**	47.7	**30.0**	50.2
Financial assets at the end of the financial year	**1.8**	29.2	**2.5**	30.0
	–27.4	-18.5	**–27.5**	-20.2

NOTES TO THE ACCOUNTS

Accounting principles

Ilmarinen's financial statements are prepared in accordance with the Accounting Act, the Companies Act, the Insurance Companies Act, and the Act on Employment Pension Insurance Companies. Ilmarinen's financial statements also comply with the Ministry of Social Affairs and Health's decree on the financial statements of insurance companies and related consolidated financial statements, the basis of calculation and regulations of the Ministry of Social Affairs and Health and with the regulations and guidelines of the Insurance Supervision Authority.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements cover the parent company and all subsidiaries in which the parent company, directly or indirectly, controls more than one-half of the voting rights. Ilmarinen's subsidiaries are real estate companies, with the exception of a subsidiary that provides IT services to Ilmarinen.

The consolidated financial statements are drawn up by combining the income statements, balance sheets and notes of the parent company with those of its subsidiaries and eliminating inter-company receivables and payables, revenues and expenses, profit distributions and equity ownerships. Subsidiaries acquired during the year are consolidated as of their acquisition date, and companies sold during the year are consolidated up to their date of sale. Minority interests are segregated from net income and from capital and reserves.

Inter-company equity ownership is eliminated based on the purchase method. Consolidation goodwill is allocated to the assets of subsidiaries and expenses in accordance with their respective amortization schedules.

Write-downs, related reversals and write-ups relating to real estate subsidiary shares have been reversed in the consolidated financial statements. In the consolidated balance sheet, the corresponding entries are allocated to the real estate holdings of subsidiaries at fair value.

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

However, holdings in housing and real estate companies are not consolidated. Since the expenses for these companies are covered by shareholders, the effect of this on consolidated net income and distributable reserves is not significant.

The consolidated income statement includes the Group's equity in the income of associated undertakings. In the consolidated balance sheet, the Group's share of an associated undertaking's cumulative income since acquisition is added to or deducted from the cost of the associated undertaking.

BOOK VALUE OF INVESTMENTS

Buildings and structures are shown in the balance sheet at the lower of cost less scheduled depreciation or fair value. The cost basis of assets includes purchase-related variable costs. Shares in real estate entities and land and water areas are shown in the balance sheet at the lower of cost or fair value. The values of some real estate investments have been written up in previous years. Scheduled depreciation is also deducted from the written-up portion of buildings, if recognized as income.

Other shares and equity interests classified as investment assets are shown in the balance sheet at the lower of cost or fair value. The book value of some shares has been written up in previous years.

Debt securities are reported at the lower of cost or market. However, any changes in value caused by fluctuations in interest rates are not reported. The difference between the amount repayable at maturity and the purchase price of debt securities is recognized as interest income or deducted from interest income over the remaining life of the instruments. The offsetting entry is an increase or a decrease in the cost of the instrument in question.

THE COST BASIS OF ASSETS IS BASED ON ASSET CLASS AVERAGES

Shares and equity interests regarded as fixed assets are reported in the balance sheet at cost less permanent value impairments. The cost basis of assets is calculated using the FIFO method.

Investments regarded as receivables are reported in the balance sheet at the lower of nominal value or fair value.

Previously recorded write-downs on investments are reversed through the income statement in cases where the fair value of investments has risen.

Equity, fixed-income, raw material and currency derivatives were used during the reporting year. Hedge accounting is used for derivatives only for the currency swaps, although some of the other derivatives do provide effective hedges. All currency derivatives that constituted effective hedges are treated as hedges for solvency and coverage purposes. Derivative contracts are valued individually for balance sheet purposes at the lower of cost or fair value. Any income/losses on closed and mature derivatives positions are recognized in full.

Year-end information on securities lent or borrowed under lending agreements is given in the notes to the financial statements. Lent

NOTES TO THE ACCOUNTS

Accounting principles

securities are included in the balance sheet. Borrowed securities have been sold forward and selling proceeds are reported in the balance sheet as a current liability at the higher of the selling price or the market price on the balance sheet date. All loans are collateralized.

BOOK VALUE OF ASSETS OTHER THAN INVESTMENTS

Intangible assets and equipment are reported in the balance sheet at cost less accumulated scheduled depreciation. The cost basis of assets includes purchase and manufacturing-related variable costs.

Premiums receivable and other receivables are reported in the balance sheet at the lower of nominal value or their likely realizable value.

SCHEDULED DEPRECIATION

Depreciation follows a predefined depreciation schedule. Scheduled depreciation on buildings and structures is calculated based on the cost of individual buildings and on recognized write-ups. Depreciation is based on the estimated useful life of buildings and the straight-linemethod.

Depreciation periods for new buildings and structures are as follows:	
Residential and office buildings	50 years
Hotels, commercial and industrial properties	40 years
Building components	10 years
Other assets	Business Taxation Act
Write-ups	same as buildings

A 20% salvage value has been fixed for some buildings and structures. Scheduled amortization on intangible assets and equipment has been calculated based on the mean cost of specified groups of assets. Amortization is based on the estimated useful life of asset groups and the straight-line method.

The amortization periods are as follows:	
Intangible rights (user licenses for software)	5 years
Other capitalized expenditures	5 years
Vehicles and computer hardware	5 years
Other equipment	10 years

WRITE-UP OF INVESTMENTS

The book values of land and water areas, buildings and securities can be written up. Write-ups of assets classified as investments are reported in the income statement, and write-ups of items classified as fixed assets are entered in the revaluation reserve. If a write-up proves unfounded, a related loss is recognized in the income statement or the revaluation reserve is adjusted accordingly.

Write-ups on buildings are expensed in accordance with the applicable depreciation schedule.

FAIR VALUE OF INVESTMENTS AND VALUATION DIFFERENCES

The notes to the financial statements itemize the remaining cost basis, the remaining cost basis of investments, and the book value and fair value of investments and derivatives. The difference between the first two values consists of write-ups, while the difference between the latter two indicates valuation differences not reflected in the balance sheet.

The fair value of real estate investments has been defined on a property by property basis, primarily using the income approach. The market value method, based on regional market price statistics, has also been used to supplement this approach. Valuations also consider the purpose and condition of the property, together with existing lease agreements and the current market rent level. The fair value of real estate investments is determined annually by in-house appraisers.

The year's last bid quotation, or in the absence of this the last trading price, is used as the fair value of listed shares. The last available fund unit value calculated by the management company is taken as the market value of investment fund units. Private equity funds are valued at the management company's estimate of fair value or, if unavailable, at cost. The fair value of other investments in stock and equity interests is their likely realizable value, the remaining cost basis or their net asset value.

The fair value of debt securities is calculated using market quotations from banks. In the absence of such quotes, they are valued at cost.

The market price or the likely realizable value is used as the fair value of derivative contracts.

Receivables are valued at the lower of nominal value or net realizable value.

TECHNICAL PROVISIONS

The liability resulting from insurance contracts is reported in the balance sheet under technical provisions. It consists of provisions for unearned premiums and claims outstanding. The provision for unearned premiums relates to the company's future liability for pension contingencies, and the provision for claims outstanding relates to its liability for pensions already being paid out.

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

The provision for unearned premiums comprises a provision for future bonuses, which is counted in solvency capital, and a provision for current bonuses, which includes the amount intended for distribution as contribution discounts to policyholders. The provision for claims outstanding also incorporates an equalization provision, the purpose of which is to balance random fluctuations during years where contributions fail to meet total payouts.

NET INCOME FOR THE FINANCIAL YEAR AND CAPITAL AND RESERVES

The calculation principles confirmed by the Ministry of Social Affairs and Health specify the allocation of authorized pension insurance companies' earnings between changes in the equalization provision, provisions for future and current bonuses, and reported net income.

The notes to the financial statements include details on the distribution of the company's capital and reserves among the owners of the guarantee capital and the policyholders and the calculation of distributable profits.

SOLVENCY CAPITAL

The Insurance Supervision Authority monitors the solvency of insurance companies. One of the main indicators used is solvency capital, which refers to the difference between assets and liabilities at fair value. Technical provisions do not include provision for future bonuses in this context, which provides a buffer against investment risks. Solvency capital and capital and reserves have to meet the requirements laid down in the Act on Employment Pension Insurance Companies. In the case of non-hedging derivatives, the maximum potential amount of loss is deducted from solvency capital.

Solvency capital is presented in the notes to the financial statements.

Any change in the difference between fair and book values compared to the previous year; i.e. any change in valuation differences, forms part of the overall result for the financial year and is shown as a change in solvency capital.

DEFERRED TAX LIABILITIES AND ASSETS

Taxes for the accounting period and previous accounting periods are recognized in the income statement on an accrual basis.

Discretionary provisions and accelerated depreciation and amortization are included in capital and reserves on the consolidated balance sheet, after deduction for minority interest; changes in these items are included in the reported consolidated net income for the financial year.

Ilmarinen does not include deferred tax liabilities and assets in the parent company's balance sheet or in the consolidated balance sheet, and does not deduct deferred tax liabilities from the company's solvency capital because the realization of these liabilities and receivables cannot be considered likely in relation to the financial statements or consolidated financial statements of an insurance company engaged in the statutory earnings-based pension insurance business.

NON-EURO ITEMS

Transactions in foreign currencies have been reported at the rate quoted on the day of the transaction. Receivables and liabilities denominated in foreign currencies that are not settled at the end of the financial year and the fair values of investments are translated into Finnish currency at the rate quoted by the European Central Bank on the balance sheet date. Foreign exchange gains or losses arising during the financial year and at year-end are recognized as adjustments to related income and charges, or as investment income and charges if such gains or losses pertain to financing transactions.

FUNCTION-SPECIFIC OPERATING EXPENSES AND DEPRECIATION AND AMORTIZATION

Operating expenses and depreciation and amortization on equipment and capitalized expenditures are reported as function-specific items in the income statement. Expenses related to claims administration and the maintenance of employees' capacity for work are included in claims paid, and expenses related to investment management are treated as investment expenses. Only expenses related to the origination and administration of policies and administrative overhead charges are presented as operating expenses. Expenses incurred in other activities are defined as other expenses. Scheduled depreciation on buildings is reported as an investment expense.

PENSION ARRANGEMENTS FOR STAFF

The employment pensions of personnel and members of the Board of Directors and the Supervisory Board are covered through TEL insurance. Pensions paid during the year under review have been expensed on an accrual basis.

KEY FIGURES AND ANALYSES

All key figures and analyses concerning the company's financial performance are calculated and presented in accordance with regulations issued by the Insurance Supervision Authority regarding notes to the financial statements.

In the case of investment operations and solvency, figures are given at fair values.

The ratio of net income from investments at fair value to capital employed is calculated separately for each type and also on the total investment portfolio, taking into account the weighting of cash flows on a daily or monthly basis. The Modified Dietz formula is used for calculation purposes, where the capital employed is calculated by taking the market value at the start of the period and adding to it each period's cash flows, weighted by the relative time remaining from the transaction date or middle of the transaction month to the end of the period.

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

EUR mill.	2006	2005
SPECIFICATION OF PREMIUMS WRITTEN		
Direct insurance		
TEL basic coverage		
Employer contribution	**1,948.9**	1,669.2
Employee contribution	**517.8**	492.9
	2,466.6	2,162.0
TEL supplementary coverage	**6.6**	7.6
YEL minimum coverage	**181.3**	179.3
YEL supplementary coverage	**0.1**	0.2
	2,654.6	2,349.0
Transition contribution to the State Pension Fund	**0.0**	-1.0
Reinsurance	**0.0**	0.0
Premiums written before reinsurers' share	**2,654.7**	2,348.1
Reinsurers' share	**-2.1**	-2.1
Premiums written	**2,652.6**	2,346.0
Items deducted from premiums written		
Credit loss on outstanding premiums		
TEL	**-4.3**	-6.9
YEL	**-3.5**	-2.9
	-7.8	-9.7
SPECIFICATION OF CLAIMS PAID		
Direct incurance		
Paid to pensioners		
TEL basic coverage	**2,078.5**	1,901.1
TEL supplementary coverage	**50.3**	50.0
YEL minimum coverage	**207.4**	196.8
YEL supplementary coverage	**1.1**	1.1
	2,337.4	2,148.9
Payments to/refunds from the provision for clearing of PAYG pensions		
TEL pensions	**23.2**	-4.6
YEL pensions	**-10.1**	-3.7
Share of the unemployment insurance fund insurance contribution	**-96.2**	-89.2
YEL state share	**-15.2**	-15.6
	-98.3	-113.1
	2,239.1	2,035.8
Claims handling expenses	**15.3**	16.8
Working capacity maintenance costs	**4.2**	3.8
Claims before reinsures' share	**2,258.6**	2,056.5
Reinsures' share	**-2.0**	-2.0
Total claims paid	**2,256.6**	2,054.5

EUR mill.	PARENT COMPANY 2006	2005	GROUP 2006	2005
SPECIFICATION OF NET INVESTMENT INCOME				
Investment income				
Income from affiliated companies				
Dividend income	**0.4**	-	**-**	-
	0.4	-	**-**	-
Income from participating interests				
Share of associated undertaking profit/loss	**-**	-	**0.0**	-0.3
Dividend income from other participating interests	**0.3**	0.3	**0.3**	0.3
Interest income from other participating interests	**1.1**	1.3	**1.1**	1.3
	1.4	1.6	**1.4**	1.3
Income from investments in real estate				
Interest income				
From affiliated companies	**16.1**	14.0	**-**	-
From other than affiliated companies	**2.8**	5.3	**3.0**	5.4
Other income				
From affiliated companies	**1.9**	1.9	**-**	-
From other than affiliated companies	**156.8**	154.2	**162.0**	159.4
	177.7	175.4	**165.0**	164.8
Income from other investments				
Dividend income from other than affiliated companies	**157.8**	151.6	**157.8**	151.6
Interest income from other than affiliated companies	**395.3**	372.1	**395.3**	372.1
Other income from other than affiliated companies	**883.9**	433.0	**883.9**	433.0
	1,437.0	956.7	**1,437.0**	956.7
Total	**1,616.6**	1,133.6	**1,603.4**	1,122.9
Value readjustments	**54.2**	95.3	**50.8**	95.8
Capital gains	**1,270.6**	1,007.3	**1,270.6**	1,008.8
Total	**2,941.3**	2,236.3	**2,924.8**	2,227.5
Investment charges				
Charges on real estate investments	**-103.2**	-117.5	**-63.8**	-81.4
Charges on other investments	**-684.0**	-576.4	**-683.9**	-576.3
Interest charges and other charges on liabilities				
To affiliated companies	**-0.7**	-0.4	**-**	-
To other than affiliated companies	**-41.6**	-18.2	**-41.6**	-18.2
	-42.3	-18.6	**-41.6**	-18.2
Total	**-829.4**	-712.5	**-789.3**	-675.9
Value adjustments and depreciation				
Value adjustments	**-70.0**	-38.2	**-65.1**	-36.7
Planned depreciation on buildings	**-10.9**	-10.8	**-48.6**	-46.8
	-80.8	-49.1	**-113.7**	-83.5
Capital loss	**-326.9**	-106.7	**-328.4**	-106.2
Total	**-1,237.2**	-868.3	**-1,231.4**	-865.6
Net investment income before unrealized gains and losses	**1,704.1**	1,368.0	**1,693.5**	1,361.8
Net investment income in the profit and loss account	**1,704.1**	1,368.0	**1,693.5**	1,361.8

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

	PARENT COMPANY		GROUP	
EUR mill.	**2006**	2005	**2006**	2005
SPECIFICATION OF OPERATING EXPENSES				
Total operating expenses by activity				
Claims paid				
Claims handling expenses	**15.3**	16.8	**14.2**	15.7
Working capacity maintenance costs	**4.2**	3.8	**4.0**	3.7
	19.5	20.7	**18.2**	19.4
Operating expenses				
Commissions, direct insurance	**0.7**	0.5	**0.7**	0.5
Other policy acquisition costs	**7.8**	8.1	**7.7**	8.0
Acquisition costs, total	**8.5**	8.5	**8.4**	8.4
Portfolio administration expenses	**28.5**	29.4	**27.1**	28.3
Legal administrative charge	**0.8**	-	**0.8**	-
Other administrative expenses	**17.5**	17.7	**17.1**	17.4
	55.4	55.7	**53.4**	54.1
Investment charges				
Costs on real estate investment	**1.0**	1.8	**1.0**	1.8
Other	**8.1**	7.6	**8.0**	7.5
	9.2	9.4	**9.1**	9.2
Other expenses	**1.9**	1.9	**1.8**	1.8
Total operating expenses	**85.9**	87.6	**82.4**	84.6

SPECIFICATION OF STAFF EXPENSES AND MEMBERS OF CORPORATE ORGANS

	PARENT COMPANY 2006	PARENT COMPANY 2005	GROUP 2006	GROUP 2005
Staff expenses				
Salaries and remunerations	**26.3**	25.2	**33.9**	32.5
Pension expenditure	**4.6**	4.5	**5.9**	5.7
Other social security expenses	**1.7**	1.6	**2.2**	2.0
Total	**32.6**	31.2	**41.9**	40.2
Salaries and remuneration to the management				
Managing director and deputies	**0.8**	0.6	**0.9**	0.7
Board members and deputy members	**0.2**	0.2	**0.2**	0.2
Members of Supervisory Board and deputy members	**0.1**	0.1	**0.1**	0.1
Total	**1.1**	0.9	**1.2**	1.0

Pension commitments for the benefit of the executive management

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

Average staff number during the financial period	**525**	547	**673**	687

INVESTMENT

EUR mill.	Dec. 31, 2006			Dec. 31, 2005		
CURRENT VALUE OF INVESTMENTS 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	**441.3**	**448.4**	**559.2**	419.1	426.4	525.8
Shares in affiliated companies	**848.6**	**852.8**	**1,048.9**	898.9	903.1	1,038.0
Shares in participating interests	**8.3**	**8.3**	**8.7**	8.0	8.0	8.8
Other shares in real estate	**16.4**	**16.4**	**17.0**	17.5	17.5	18.1
Loans to affiliated companies	**488.2**	**488.2**	**488.2**	497.7	497.7	497.7
Loans to participating interests	**8.3**	**8.3**	**8.3**	8.3	8.3	8.3
Investment in affiliated companies						
Shares and holdings	**0.2**	**0.2**	**0.2**	0.2	0.2	0.2
Investments in participating interests						
Shares and holdings	**21.8**	**21.8**	**21.8**	11.3	11.3	11.3
Loan receivables	**18.7**	**18.7**	**18.7**	20.6	20.6	20.6
Other investments						
Shares and holdings	**7,658.1**	**7,658.9**	**9,473.7**	6,010.7	6,012.3	7,629.9
Debt securities	**9,465.8**	**9,465.8**	**9,402.1**	9,741.9	9,741.9	9,925.1
Loans guaranteed by mortgages	**316.4**	**316.4**	**316.4**	304.9	304.9	304.9
Other loan receivables	**793.5**	**793.5**	**793.5**	739.1	739.1	739.1
Deposits	**75.1**	**75.1**	**75.1**	5.3	5.3	5.3
	20,160.6	**20,172.8**	**22,231.6**	18,683.4	18,696.5	20,733.0
Remaining acquisition cost of debt securities includes the difference between the nominal value and acquisition cost, released to interest income (+) or charged to interest income (–)			**-48.6**			-58.5
Book value comprises:						
Revaluations entered as income			**12.2**			13.1
Difference between current and book value			**2,058.8**			2,036.5

CURRENT VALUE OF NON-HEDGING DERIVATIVES AND VALUATION ITEMS, PARENT COMPANY

		Book value	Current value		Book value	Current value
Other receivables						
Prepayments for option contracts		**633.4**	**658.6**		78.4	85.7
Other debts						
Prepayments on option contracts		**-140.6**	**-122.9**		-8.1	-5.5
Other prepayments and debts						
Future and forward contracts		**-44.8**	**31.4**		-39.4	-4.6
		448.0	**567.1**		30.9	75.7
Difference between current and book value			**119.1**			44.7

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Number of shares	Percentage of shares/votes	Book value EUR mill.	Current value EUR mill.
SHARES IN AFFILIATED UNDERTAKINGS				
Tietollmarinen Oy	1,530	30.00 / 70.00	0.2	0.2
PARTICIPATING INTERESTS				
Pohjantähti Mutual Insurance Company	120	100.00 / 15.53	10.2	10.2
Suomi Mutual Life Assurance Company	3	100.00 / 0.00	0.5	0.5
Garantia Insurance Company	14,141	23.57	11.1	11.1
Total			**21.8**	**21.8**
OTHER INVESTMENTS				
Shares and holdings				
Domestic companies, listed				
Ahlström Corporation	340,000	0.74	7.7	7.7
Aldata Solution Oyj	6,616,800	9.71	11.6	11.6
Alma Media Corporation	3,009,562	4.03	17.8	27.5
Amer Sports Corporation	1,448,950	2.02	13.3	24.1
Aspo Plc	251,006	0.96	1.7	1.7
Atria Group plc	220,700	0.96 / 0.21	4.0	4.0
CapMan Plc	548,500	0.71 / 0.37	1.4	1.6
Cargotec Corporation	588,042	0.92 / 0.39	7.7	24.7
Citycon Oyj	1,372,800	0.82	2.3	6.8
Componenta Corporation	257,600	2.57	2.2	2.2
Comptel Corporation	683,591	0.64	1.2	1.2
Cramo Plc	865,000	2.85	12.4	16.3
Elcoteq Group Plc	120,000	0.38 / 0.09	1.2	1.2
Elektrobit Group Oyj	2,273,140	1.76	4.7	4.7
Elisa Corporation	2,427,663	1.46	39.5	50.2
Exel plc	839,400	7.06	2.8	11.2
Finnair Plc	344,200	0.39	2.8	4.3
Finnlines Plc	4,021,286	9.88	56.2	69.2
Fiskars Corporation	816,990	1.05 / 0.16	8.0	10.0
Fortum Corporation	10,914,053	1.23	195.9	235.0
F-Secure Corporation	2,577,150	1.66	5.4	5.8
HK Ruokatalo Group Oyj	140,000	0.41 / 0.10	1.5	2.0
Huhtamäki Oyj	3,324,120	3.15	34.5	49.4
Ilkka-yhtymä Oyj	281,880	1.92 / 2.30	1.3	3.2
Incap Corporation	400,000	3.28	1.0	1.0
KCI Konecranes Plc	365,460	0.61	2.5	8.1
Kemira Oyj	2,318,900	1.86	27.0	39.5
Kemira Grow-How Oyj	365,320	0.64	2.0	2.5
Kesko Corporation	490,060	0.50 / 0.21	9.4	19.5
Kone Corporation	2,717,826	2.12 / 0.91	78.8	116.7
Kyro Corporation	624,400	0.79	1.6	2.6
Larox Corporation	329,700	3.51 / 0.66	1.2	2.9
Lassila & Tikanoja plc	3,051,728	7.92	23.9	66.1
Lemminkäinen Corporation	80,000	0.47	1.5	2.9
Lännen Tehtaat plc	153,800	2.43	1.8	3.7

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Number of shares	Percentage of shares/votes	Book value EUR mill.	Current value EUR mill.
Martela Oyj	335,400	8.07 / 2.14	2.2	2.2
Metso Corporation	3,494,328	2.46	86.8	133.6
M-real Corporation	8,562,541	2.61 / 7.43	41.0	41.0
Neste Oil Corporation	5,273,450	2.06	121.4	121.4
Nokia Corporation	17,532,989	0.43	271.4	271.4
Nokian Tyres plc	3,900,200	3.20	26.2	60.5
Okmetic Oyj	749,300	4.44	2.8	2.8
OKO Bank plc	21,111,700	10.38 / 5.57	217.1	267.9
Olvi plc	518,748	5.00 / 1.13	3.1	10.3
Oriola-KD Corporation	2,387,092	1.69 / 3.75	4.3	7.3
Orion Corporation	1,822,890	1.29 / 2.66	18.1	29.9
Outokumpu Oyj	4,727,236	2.61	70.3	140.2
Outokumpu Technology Oyj	1,116,000	2.66	14.0	25.3
Perlos Corporation	1,533,080	2.90	5.4	5.4
PKC Group Oyj	55,000	0.31	0.6	0.7
Pöyry Plc	2,252,170	3.87	18.1	26.5
Raisio plc	1,016,966	0.62 / 0.12	1.8	1.8
Ramirent Plc	971,700	3.59	29.1	43.5
Rapala Corporation	511,001	1.32	3.0	3.1
Rautaruukki Corporation	1,085,161	0.78	30.8	32.6
Salcomp Plc	500,000	1.28	1.3	1.3
Sampo plc	6,273,911	1.11 / 1.10	104.8	127.2
SanomaWSOY Corporation	3,881,145	2.35	50.9	82.2
Satama Interactive Plc	1,900,000	4.65	1.9	1.9
Scanfil plc	580,000	0.96	1.4	1.4
SSH Communications Security Corp	483,450	1.70	0.6	0.6
Stockmann plc	1,412,210	2.54 / 0.51	37.2	51.3
Stora Enso Oyj	7,763,671	0.98 / 1.64	93.2	93.2
Suominen Corporation	1,911,552	8.06	5.6	5.6
Tamfelt Corp.	2,047,823	7.43 / 4.59	17.5	21.8
Technopolis Plc	67,481	0.17	0.5	0.5
Tekla Corporation	608,370	2.69	2.8	4.7
Teleste Corporation	1,299,900	7.48	13.5	15.1
Tietoenator Corporation	1,856,340	2.45	45.4	45.4
Tiimari Plc	351,781	3.57	1.6	1.7
Tulikivi Corporation	1,902,380	5.12 / 1.55	2.0	6.7
UPM-Kymmene Corporation	8,803,144	1.68	160.5	168.1
UPM-Kymmene Corporation warrants	2,423,499	0.00	20.8	19.2
Uponor Corporation	2,096,550	2.86	22.8	59.2
Vacon Plc	70,500	0.46	0.9	1.8
Vaisala Corporation	1,293,429	7.10 / 1.56	33.2	42.4
Wärtsilä Corporation	1,058,230	1.11 / 0.56	25.2	43.2
YIT Corporation	3,692,300	2.91	24.1	77.3
Bank of Åland Plc	23,000	0.20 / 0.02	0.5	0.6
Other	1,270,000		1.6	1.8
Total			**2,224.7**	**2,943.0**

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Number of shares	Percentage of shares/votes	Book value EUR mill.	Current value EUR mill.
Domestic companies, non-listed				
Aloitusrahasto Vera Oy	500	2.97	1.0	1.0
Arek Oy	1,260,000	18.00	1.3	1.3
Enfo Oyj	11,202	1.97 / 1.31	2.6	2.6
Fingrid Oyj	350	10.53 / 4.68	11.8	11.8
Medivire Oy	38,150	10.00	0.7	0.7
NamPac Acquisition Oy	1,695,657	16.96	1.7	1.7
Osuuskunta KPY	7,619	0.00	12.1	12.1
Northern Power Company Ltd.	1,500,000	4.34	82.0	82.0
Oy Porasto Ab	1,144	12.80 / 12.82	0.6	0.6
PRT-Forest Oy	6,000	10.02	3.6	3.6
Sato Corporation	361,562	16.45	21.7	21.7
Suomen Terveystalo Oyj	5,535,922	11.73	12.1	12.1
Tornator Timberland Oy	3,750,000	7.50	6.0	6.0
VVO group Plc	951,520	15.83	22.3	22.3
Other	222,446		2.0	2.0
Total			**181.4**	**181.4**

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Book value EUR mill.	Current value EUR mill.
Foreign companies, listed		
Belgium		
Dexia	4.1	4.1
Fortis Group	9.2	10.8
InBev NV	17.2	21.4
Umicore	6.2	7.0
Denmark		
Den Danske Bank A/S	10.1	10.4
Estonia		
Tallinna Vesi AS	2.9	4.4
France		
Atos Origin SA	1.3	1.3
AXA SA	23.2	25.0
BNP Paribas SA	36.6	43.0
Carrefour SA	17.8	20.3
Danone Group SA	10.9	17.2
EDF Energies Nouvelles SA	1.1	1.5
France Telecom	7.3	8.1
Legrand SA	8.5	8.9
Publicis Groupe	11.4	12.3
Sanofi-Aventis SA	19.0	19.0
Societe Generale SA	14.8	15.3
Suez SA	21.0	30.5
Technip SA	6.1	6.7
TotalFinaElf SA	45.8	57.9
Vallourec SA	9.0	11.0
Vinci SA	13.6	17.4
Vivendi SA	18.2	20.1

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Book value EUR mill.	Current value EUR mill.
Muut	0.0	0.0
Germany		
Adidas AG	7.5	7.5
Allianz SE	17.9	22.2
Bayer AG	19.1	22.0
Commerzbank AG	6.0	6.1
Daimler Chrysler AG	12.5	14.1
Deutsche Bank AG	19.6	21.2
Deutsche Post AG	12.1	13.7
E.On AG	36.9	39.4
Infineon Technologies AG	3.7	4.5
RWE AG	21.9	26.3
SAP AG	15.1	15.7
Siemens AG	27.6	31.1
Stada Arzneimittel AG	3.4	5.0
Symrise AG	3.0	3.4
Great Britain		
Alliance Boots Plc	2.6	6.0
Anglo American Plc	16.9	18.9
Aviva Plc	24.2	26.7
Bodycote International Plc	3.7	7.2
BP Plc	56.8	63.9
British American Tobacco Plc	21.7	21.7
Carnival Plc	3.9	3.9
Diageo Plc	13.0	18.3
Gallaher Group Plc	2.3	4.1
GlaxoSmithKline Plc	47.3	47.3
HSBC Holding Plc	6.9	8.3

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Book value EUR mill.	Current value EUR mill.
Intertek Group Plc	7.2	8.7
LogicaCMG Plc	1.7	1.9
Marks & Spencer Group Plc	8.3	10.6
National Grid Transco Plc	14.0	14.6
Pearson Plc	8.7	8.7
Prudential Corporation Plc	5.0	5.8
Reckitt Benckiser Plc	9.1	17.5
Rexam Plc	4.9	5.1
Rio Tinto Plc	24.8	27.5
Royal Bank of Scotland Group Plc	12.7	15.1
Royal Dutch Shell	50.8	56.5
Scottish Power Plc	9.0	9.1
Tesco Plc	14.1	19.9
Vedanta Resources Plc	3.6	3.6
Vodafone Group Plc	45.8	47.7
Wolseley Plc	13.9	14.7
Xstrata Plc	14.4	18.7
Greece		
Hellenic Telecom Organization	4.1	5.0
Ireland		
CRH Plc	15.4	18.9
Grafton group Plc	1.1	4.8
Italy		
Enel S.p.A	26.0	27.0
ENI S.p.A	20.3	22.0
Fastweb S.p.A	2.2	2.6
SanPaolo IMI S.p.A	12.6	13.6
Telecom Italia S.p.A	6.3	6.6
Unicredito Italiano S.p.A	13.7	14.8
Japan		
NEC Corporation	1.5	1.5
Netherlands		
ABN Amro Holding N.V.	13.2	13.8
Akzo Nobel N.V.	8.2	12.7
Fugro N.V.	9.7	10.3
Heijmans N.V.	4.1	7.8
Heineken N.V.	15.8	20.5
ING Groep N.V.	34.1	34.1
Koninklijke Philips Electronics N.V.	13.7	15.4
Vedior N.V.	6.1	6.6
Norway		
Norske Skogsindustrier ASA	8.8	9.6
Statoil ASA	13.5	14.0
Telenor ASA	4.2	9.8
Russia		
Mobile TeleSystems ADR	2.3	2.7
Spain		
Banco Bilbao Vizcaya Argenta	21.0	21.0

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Book value EUR mill.	Current value EUR mill.
Banco Santander Central Hispano S.A.	23.6	26.7
Iberdrola S.A.	4.3	7.8
Inditex S.A.	3.3	3.3
Telefonica S.A.	14.2	18.7
Sweden		
Ericsson LM AB	11.6	12.2
Getinge AB	4.6	5.7
Husqvarna AB	5.6	7.2
Nobia AB	5.5	6.9
Nordea Bank AB	78.1	93.8
Skandinaviska Enskilda Banken AB	7.8	9.2
Tele2 AB	1.7	2.0
TeliaSonera AB	45.1	59.6
Switzerland		
Credit Suisse Group	17.6	19.6
Holcim Ltd	14.5	17.4
Kuehne & Nagel International AG	1.2	5.5
Nestle SA	27.7	36.3
Novartis AG	38.4	42.9
Roche Holdings SA	30.8	40.7
Syngenta AG	6.3	8.5
UBS AG	29.0	29.1
Zurich Financial Services AG	14.1	14.3
United States		
Cisco Systems, Inc.	1.6	2.1
Corning Inc.	3.5	3.5
ECI Telecom Limited	1.5	2.0
Intel Corporation	8.9	9.0
Johnson & Johnson	10.0	10.0
Motorola, Inc.	4.9	4.9
Tellabs, Inc.	2.7	2.7
Texas Instruments Inc.	2.2	2.2
Walgreen Co.	7.6	8.2
Wyeth	8.7	9.0
Total	**1,676.0**	**1,946.7**

If Ilmarinen owns 0.005% or less of the company's shares or voting rights, it will be shown as zero.

Foreign companies, non-listed		
United States		
Other	0.2	0.2

Fixed-income funds		
ABN Amro Global Emerging Markets Bond Fund (USD) I	50.3	82.8
AXA IM US Short Duration High Yield $ A-class	85.5	90.0

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Book value EUR mill.	Current value EUR mill.
AXA WF US High Yield Bonds USD 1 CAP	22.7	22.8
Evli European High Yield B	15.7	21.4
Fidelity Funds - US High Yield	84.8	84.8
Goldman Sach Global High Yield Portfolio Class I	222.4	229.1
ING (L) RENTA FUND EMD (LOCAL C) CAP. -P-	66.6	77.0
ING INTL (II) / EMERGING MARKETS (USD) C	55.8	70.5
Invesco Navigator Fund (Offshore), Ltd	9.1	9.2
IXIS-Loomis Sayles High Yield Fund	15.8	16.3
Julius Baer Local Emerging Bond Fund	37.2	38.0
OP Obligaatio A	50.0	55.3
OP Vaihtovelkakirjalaina A osuudet	10.0	13.2
RMF European Loan Opportunities	5.0	5.2
Stone Tower Offshore Credit Fund Ltd	11.4	11.5
T.Rowe Global high Yield Bond Fund	31.4	36.1
Total	**773.7**	**863.2**
Equity funds		
Aberdeen Asian Smaller Companies Fund	41.9	61.3
Aberdeen Global Asia Pacific Fund New	41.1	65.7
Aberdeen Int. Plc – China Opportunities Fund	45.7	75.6
ABN Amro Latin America Equity Fund	46.5	74.1
Alfred Berg Small Cap B (kasvu) sijoitusrahasto	6.0	13.1
AXA Pan-European Small Cap Alpha Fund	60.0	99.9
AXA Rosenberg Japan Small Cap Alpha Fund	29.5	29.5
CAF Asian Growth Fund s.I7 new	40.8	42.2
CAF Emerging Markets Institutional Fund s.I7	176.8	178.6
Carnegie Fund – Medical Sub-Fund 1A	47.0	60.0
Carnegie Global Health Care Fund	24.7	36.4
DCF Baltic States Cap. Fund	3.7	17.5
East Capital Balkan Fund	14.0	24.1
East Capital Bering Ukraine Fund	5.0	6.7
Evli Greater Russia B	10.0	17.1
FIM Fenno	9.0	22.2
Fourton Odysseus	15.0	17.3
Fourton Stamina	10.0	11.3
Health Care Select Sector SPDR ETF Fund	41.5	41.5
Hermes European Focus Fund	50.0	58.9
JP Morgan Fleming Funds Europe Small Cap Fund s.A	81.3	119.7
Montanaro European Small Cap Fund Euro	40.0	42.4
OMXH25 indeksiosuus	56.6	71.7
OP-Amerikka Indeksi A	14.0	18.0

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Book value EUR mill.	Current value EUR mill.
OP-Suomi Arvo A	6.6	13.8
OP-Suomi Pienyhtiöt A	20.9	28.9
Prosperity Voshkod Fund Limited	15.8	17.2
Russel Japan Equity Fund A Accum	195.2	227.2
Russell Emerging Equity Fund A	57.1	97.1
SEB Gyllenberg European Equity Value Fund	50.0	59.6
Seligson & Co Russian Prosperity Fund Euro K	65.0	73.6
SPDR Trust series 1 ETF	680.2	680.2
Total	**2,001.0**	**2,402.1**
Real estate funds		
Icecapital European Property Fund B	20.2	42.4
Aberdeen Indirect Property Partners Asia	1.5	1.5
Aberdeen Real Estate Fund Finland L.P.	37.6	37.6
Arlington European Logistics Fund	7.2	7.2
Carlyle Europe Real Estate Partners II, L.P.	5.9	5.9
European Office Income Venture	14.0	16.6
European Property Investors, LP	13.1	13.2
European Retail Income Venture	11.2	11.2
Logistis II	8.8	8.8
Pradera European Retail Fund	16.2	17.2
Rockspring German Retail Box Fund	17.6	17.9
Other	0.4	0.4
Total	**153.6**	**180.0**
Private equity funds *)		
Access Capital LP	8.0	8.6
Advent Private Equity Fund III D	3.9	3.9
Alpha Private Equity Fund V	6.5	6.5
Apax Europe V - D, L.P.	13.9	16.5
Apax Europe VI - D, L.P.	17.9	18.2
Apax France VI	2.9	4.0
Arcadia Beteiligungen BT GmbH & Co. KG	3.3	10.0
Atlas Venture VI	1.6	1.6
Baltic Investment Fund III L.P	1.7	2.0
Baltic Rim Fund Limited	1.6	2.3
BC European Capital VII	8.4	8.4
BC European Capital VIII	3.9	3.9
Bio Fund Ventures II Ky	2.5	2.5
Bio Fund Ventures II Jatkosijoitusrahasto Ky	0.7	0.7
Bridgepoint Europe II B	8.5	8.5
Bridgepoint Europe III	4.9	4.9
CapMan Buyout VIII Fund A L.P.	2.7	2.7
Capman Equity VII B L.P.	6.6	8.9
Coller International Partners IV-FD, L.P.	3.6	7.2
Coller International Partners V	2.1	2.1
Doughty Hanson & Co IV, Limited Partnership 4	15.5	15.5

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Book value EUR mill.	Current value EUR mill.
Eqvitec Teknologiarahasto I Ky	0.9	0.9
Eqvitec Teknologiarahasto II Ky	6.9	6.9
Eqvitec Teknologiarahasto III Ky	0.9	0.9
European Strategic Partners	16.7	17.8
Fenno Rahasto Ky	0.8	0.8
Finnventure Rahasto IV	1.0	1.2
Finnventure Rahasto V Ky	0.9	4.2
Gilde Buy-Out Fund II	1.7	8.5
GrowHow I Ky	1.4	1.4
HarbourVest Partners VI-Buyout Partnership Fund LP	3.3	3.4
HarbourVest Partners VI-Partnership Fund L.P.	6.4	6.4
HG Capital 5	5.0	5.0
Ilmarisen Suomi-Rahasto 1 KY	1.1	1.1
Industri Kapital 1997 L.P. II	1.7	1.7
Industri Kapital 2000 L.P. I	7.8	11.5
KKR European Fund II, LP	13.0	13.0
LGV 4 Private Equity Fund Limited Partnership	1.7	5.4
LGV 5 Private Equity Fund Limited Partnership	1.2	1.2
MB Equity Fund II	0.9	2.3
MB Equity Fund III Ky	4.0	5.5
MediaTel Capital	1.0	1.0
Midinvest Fund I Ky	0.5	2.0
Nordic Capital IV Limited	1.2	1.3
Nordic Capital V	15.9	20.3
Nordic Capital VI	15.0	15.0
Permira Europe II LP2	6.3	6.3
Permira Europe III LP	14.8	17.8
Permira Europe IV LP	5.4	5.4
Promotion Capital I Ky	1.7	1.7
Proventure & Partners Scottish Limited Partnership	2.6	3.4
Proventure Managed The First European Fund Inv L.P	8.4	8.8
Savon Kasvurahasto	0.5	0.6
Seedcap Ky	0.9	0.9
Sentica Kasvurahasto II Ky	2.0	2.4
Sention Kasvurahasto KY	0.9	1.9
SFK99- Rahasto Ky	0.8	0.8
Sponsor Fund II	2.1	10.4
Teknoventure II Ky	1.1	1.2
The Third Cinven Fund Limited Partnership	12.8	15.3
Veronis Suhler Stevenson Communications PartnersIV	2.0	2.0
Other	2.7	14.4
Total	**296.6**	**370.8**

SHARES AND HOLDINGS, PARENT COMPANY, DEC. 31, 2006	Book value EUR mill.	Current value EUR mill.
Other funds		
Absolute Alpha Fund PCC Ltd Diversified Euro	23.1	29.8
AlphaGen Crusis Fund	10.0	10.1
BGI Global Ascent Fund	10.0	10.6
Bluecrest Capital Int'l Ltd, Class F Euro	10.0	10.5
Brevan Howard Fund B Class Limited	10.0	10.0
Centennier Ltd	9.6	9.6
CS Sapic II	3.9	4.1
CS Sapic-98 hedge fund-of-funds	10.1	14.5
D.E Shaw Composite International Fund s. New Issue	14.9	15.8
DRD FUND	23.2	105.8
EGS-SUP Fund	20.0	86.1
Goldman Sachs Global Alpha Fund	9.6	9.6
Green Way Limited – Class B fund-of-funds	4.6	6.5
JP Morgan Multi-Strategy Fund Ltd s. A	19.3	22.1
Och Ziff Europe Overseas Fund Ltd	10.5	13.4
OP Raaka-aine A osuudet	5.0	5.7
Paulson Credit Opportunities	11.8	12.6
Polygon Global Opportunities Fund	14.9	15.8
RMF Absolute Return Strategies I Ltd.	28.1	29.1
RMF Inv. Strategies Limited VV1 Top 20 class II	15.0	17.5
SDB Fund	14.2	67.1
Shepherd Investment International Ltd	10.0	10.9
Solon Capital, Ltd	39.9	45.0
Ursus International Ltd.	9.1	9.1
Vicis Capital Fund (International)	14.7	14.7
Other	0.3	0.3
Total	**351.8**	**586.3**
Total	**7,658.9**	**9,473.7**

*) Real estate funds are not included

The book value of shares and holdings listed here exceed EUR 500,000.

The shares loaned have not been deducted.

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

EUR mill.	2006	2005
OPEN SECURITIES AGREEMENTS		
Shares loaned		
Number	**1,804,050**	3,627,898
Remaining acquisition costs	**38.5**	41.3
Current value	**45.6**	59.1
Bonds loaned		
Nominal value	**2,187.5**	-
Number	**2,200.9**	-
Current value	**2,192.7**	-

The securities loaned are listed shares and bonds.
All loans can be realized at any time.
Collateral for loans has been provided by the borrower.

LOANS

Loans itemised by type of collateral		
Loans guaranteed by mortgages	**316.4**	304.9
Other loans		
Bank guarantee	**189.2**	257.8
Guarantee insurances	**206.8**	221.0
Other	**65.2**	41.5
Unsecured loans to		
banks and finance companies	**63.8**	100.5
other	**268.4**	118.4
Remaining acquisition cost, total	**1,109.8**	1,043.9

TOTAL PREMIUM LOANS BY BALANCE SHEET ITEM, PARENT COMPANY

Loans guaranteed by mortgages	**12.6**	21.3
Loans to participating interests	**18.7**	20.6
Other loans	**344.0**	486.0
Remaining acquisition cost, total	**375.2**	527.8

EUR mill.	PARENT COMPANY 2006	2005	GROUP 2006	2005
SPECIFICATION OF CAPITAL AND RESERVES				
Capital and reserves				
Guarantee capital	**23.0**	23.0	**23.0**	23.0
Other reserves				
Reserves under the Articles of Association				
Jan. 1	**49.5**	44.5	**49.5**	44.5
Transfer from previous year's profit	**5.9**	5.0	**5.9**	5.0
Other reserves	**–**	–	**0.6**	0.6
	55.4	49.5	**56.0**	50.1
Profit brought forward				
Jan. 1	**7.4**	6.4	**2.0**	6.9
Distributed interests on guarantee capital	**–1.4**	–1.3	**–1.4**	–1.3
Donations	**–0.1**	–0.1	**–0.1**	–0.1
Transfer to reserves under the Articles of Association	**–5.9**	–5.0	**–5.9**	–5.0
	–	–	**–5.4**	0.6
Profit for the financial year	**9.4**	7.4	**0.4**	1.4
	87.8	79.9	**73.9**	75.0
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	**1.7**	1.4	**1.7**	1.4
Policyholders' share	**63.2**	55.5	**49.3**	50.6
Total	**87.8**	79.9	**73.9**	75.0

Main principles of the Articles of Association governing guarantee shares:

The guarantee capital is divided into 13,672 guarantee shares. The guarantee shares carry equal rights to company's assets and distribution of profits.

In connection with the arrangement relative to the distribution of assets, the holders of the guarantee shares shall be entitled to a proportion of the company's assets in excess of debts equal to the guarantee capital, and to a reasonable return calculated on it as defined in the Articles of Association. The remaining assets in excess of debts shall belong to the policyholders as part of the insurance portfolio. The interest left unpaid as a consequence of the restrictions imposed by law on the distribution of profits will be paid out in the first year in which no restrictions on profit distribution affect the company.

The company and the guarantee share holders 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 2006	Parent 2005	Group 2006	Group 2005
Profit for the financial year	**9.4**	7.4	**0.4**	1.4
+ Other funds				
Reserves under the Articles of Assocation	**55.4**	49.5	**55.4**	49.5
+ Profit brought forward	**–**	–	**–5.4**	0.6
– Amount of appropriations entered under capital and reserves	**–**	–	**–18.2**	–19.0
Distributable profits, total	**64.8**	56.9	**32.2**	32.4

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

EUR mill.	2006	2005
SPECIFICATION OF TECHNICAL PROVISIONS		
Provision for unearned premiums		
Future pensions	**10,636.1**	10,046.3
Provision for future bonuses	**3,588.3**	2,940.1
Provision for current bonuses	**81.0**	77.9
Total	**14,305.5**	13,064.3
Provision for claims outstanding		
New pension awarded	**5,701.8**	4,933.4
Equalization provision	**909.9**	893.6
Total	**6,611.7**	5,826.9
Total technical provisions	**20,917.2**	18,891.3
SECURITIES AND FINANCIAL COMMITMENTS, PARENT COMPANY		
As security for own debts		
Mortgaged as security for rents	**0.7**	0.7
Assets pledged as security for derivative contracts	**211.0**	105.1
Assets pledged as security for equity lending	**50.4**	51.6
Assets pledged as security for potential liabilities for damage	**–**	0.0
Off-balance-sheet commitments and liabilities		
Investment commitments		
Private equity funds	**593.6**	371.8
Other	**9.5**	9.5
Derivative contracts		
Hedging		
Current derivatives		
Currency swaps		
Open, underlying instrument	**16.8**	16.8
current value	**0.9**	-0.3
Non-hedging		
Interest derivatives		
Future and forward contracts		
Open, underlying instrument	**598.6**	-459.9
current value	**0.0**	0.0
Option contracts		
Open, bought, underlying instrument	**116.0**	-
current value	**0.0**	-
Currency derivates		
Forward contracts		
Open, underlying instrument	**2,217.0**	1,574.7
current value	**22.0**	-7.8
Closed, current value	**0.7**	1.0

EUR mill.	2006	2005
Equity derivatives		
Future and forward contracts		
Open, underlying instrument	**–539.8**	67.0
current value	**3.5**	3.6
Option contracts		
Open, bought, underlying instrument	**3,281.4**	128.5
current value	**658.6**	85.7
Open, written, underlying instrument	**–1,399.2**	–356.2
current value	**–122.9**	–5.5
Other derivate contracts		
Future and forward contracts		
Open, underlying instrument	**53.0**	271.3
current value	**5.2**	–1.4

Profits on closed and mature derivatives have been recognised in full in profit and loss account.

Valuation principles:
The current value of listed equity derivatives is the market value or an estimate by an outside party.
The current values of unlisted equity derivatives are based on the market prices of similar listed contracts or estimates by outside parties. The current value of closed forwards and futures is their actual yield. Profit on closed and mature derivatives is recognised in full profit and loss account.

Amount of joint and several liability

The company belongs to a tax liability group represented by OKO Bank Group Central Cooperative. Group members are collectively responsible for the value-added tax payable by the Group.

VAT deduction refund liabilities	**10.4**	11.0
Leasing and rent liabilities		
Due in the next year	**0.2**	-
Due in subsequent years	**0.5**	-
Other financial commitments	**3.4**	2.6

SOLVENCY CAPITAL

Capital and reserves after proposed distribution of profits	**86.1**	78.4
Accumulated appropriations	**14.7**	15.5
Difference between current value and book value of assets	**2,177.9**	2,081.3
Provision for future bonuses	**3,588.3**	2,940.1
Other items	**–39.0**	–25.1
	5,828.0	5,090.1
Solvency capital requirement under Chapter 17 of the Employee Pension Insurance Companies Act (TVYL)	**1,630.5**	1,346.9
The equalization provision for years with heavy losses is included in the technical provision	**909.9**	893.6

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

EUR mill.	**2006**	2005	2004	2003	2002
KEY FIGURES IN BRIEF					
Premiums written, EUR mill.	**2,652.6**	2,346.0	2,217.3	2,229.6	2,160.9
Pension and other payments made, EUR mill. [1]	**2,237.1**	2,033.8	1,931.1	1,899.8	1,853.3
Net investment income at current value, EUR mill.	**1,803.0**	2,174.1	1,276.8	1,281.1	-57.0
ROCE, %	**8.5**	12.1	7.9	8.7	-0.5
Turnover, EUR mill.	**4,368.0**	3,727.1	3,151.6	3,404.3	2,282.6
Total operating expenses, EUR mill.	**85.9**	87.6	87.7	79.4	70.6
Total operating expenses, % of turnover	**2.0**	2.3	2.8	2.3	3.1
Operating expenses covered by expense loading components,					
% of TEL payroll and reported YEL income	**0.6**	0.7	0.7	0.6	0.6
Total profit, EUR mill.	**850.3**	1,514.9	698.5	818.3	-591.2
Technical provisions, EUR mill.	**20,917.2**	18,891.3	16,375.6	15,275.0	13,863.5
Solvency capital, EUR mill.	**5,828.0**	5,090.1	3,597.8	2,951.2	2,243.1
% of technical provisions [2]	**33.7**	32.0	25.6	22.3	18.1
in relation to solvency border	**2.38**	2.52	2.27	2.16	1.90
Equalization provision, EUR mill.	**909.9**	893.6	842.8	814.6	779.2
Pension assets, EUR mill. [3]	**23,095.1**	20,972.5	17,649.2	16,181.0	14,650.0
Transfer to bonuses and rebates, % of TEL payroll	**0.70**	0.76	0.46	0.33	0.20
TEL payroll, EUR mill.	**11,505.6**	10,268.0	9,766.9	9,879.4	9,631.0
Reported YEL income, EUR mill.	**923.6**	879.0	850.7	812.4	780.6
TEL policies	**31,551**	31,386	31,572	31,927	31,689
Employees insured under TEL	**387,000**	357,000	349,000	364,000	359,000
YEL policies	**49,898**	49,495	49,580	49,696	49,322
Pension recipients	**257,884**	243,775	239,511	235,965	231,056

[1] Claims paid in Profit and Loss account excluding costs for claims handling and working capacity maintenance
[2] The ratio was calculated as a percentage of the technical provisions used in calculating the solvency border
[3] Technical provisions + differences between current and book values

EUR mill.	**2006**	2005	2004	2003	2002
PERFORMANCE ANALYSIS					
Sources of profits					
Underwriting result	**19.9**	51.2	34.2	38.5	53.1
Investment income at current value	**807.6**	1,452.0	657.4	770.7	-654.0
+ Net investment income at current value	**1,803.0**	2,174.1	1,276.8	1,281.1	-57.0
– Yield requirement on technical provisions	**-995.5**	-722.1	-619.4	-510.4	-597.0
Loading profit	**22.9**	11.7	6.9	9.1	9.7
Profits, total	**850.3**	1,514.9	698.5	818.3	-591.2
Disposal of profits					
Increase/decrease solvency (+/–)	**769.3**	1,436.9	653.5	785.3	-634.5
Equalization provision (+/–)	**16.3**	50.8	28.2	35.4	52.4
Solvency capital (+/–)	**753.0**	1,386.1	625.3	749.9	-686.9
Change in provision for future bonuses	**647.7**	573.0	252.8	623.7	-548.0
Change in difference between current and book values	**96.6**	807.7	367.6	119.5	-149.9
Change in accumulated appropriations	**-0.8**	-2.0	-1.5	1.2	5.1
Profit for the financial year	**9.4**	7.4	6.4	5.5	5.9
Transfer to bonuses and rebates	**81.0**	78.0	45.0	33.0	19.0
To augment the provision for current bonuses [1]					24.3
Total	**850.3**	1,514.9	698.5	818.3	-591.2

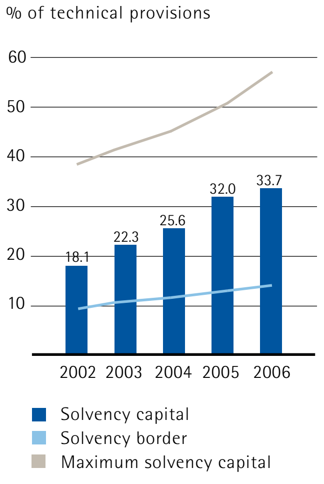
[1] On Dec. 31, 2006 , EUR 11.9 million of the transfer to augment the provision for current bonuses remained unamortised

SOLVENCY, %

Solvency capital and limits (% of the technical provisions used in calculating the solvency border)					
Solvency border	**14.1**	12.7	11.3	10.3	9.5
Maximum solvency capital [1]	**56.5**	50.8	45.1	41.3	38.1
Solvency capital	**33.7**	32.0	25.6	22.3	18.1

[1] Previously: upper limit target zone

Solvency



NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

	2006		2005		2004		2003		2002	
	EUR mill.	**%**	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%
BREAKDOWN OF INVESTMENTS (current value)										
Loan receivables [1]	**1,139.1**	**5.0**	1,076.0	5.1	1,110.9	6.3	1,403.0	8.8	1,559.7	10.7
Bonds [1] [2]	**10,387.2**	**45.2**	10,317.5	49.2	8,750.7	49.6	7,831.5	49.0	6,797.9	46.8
incl. fixed-income funds	**871.4**	**3.8**	596.6	2.8	478.3	2.7	261.3	1.6	55.0	0.4
Other debt securities and deposits [1] [2] [3]	**155.9**	**0.7**	398.3	1.9	532.7	3.0	367.8	2.3	600.2	4.1
Shares	**8,959.0**	**39.0**	6,987.8	33.3	5,114.8	29.0	4,016.6	25.1	3,205.8	22.1
Real estate [4]	**2,353.7**	**10.2**	2,203.6	10.5	2,126.5	12.1	2,366.6	14.8	2,356.9	16.2
incl. investment funds and joint ventures	**231.6**	**1.0**	136.1	0.6	126.4	0.7				
Investments, total	**22,994.9**	**100.0**	20,983.2	100.0	17,635.6	100.0	15,985.5	100.0	14,520.6	100.0
Motified duration of the bond portfolio	**4.21**		4.65		5.11		4.65		4.90	

[1] Accrued interest included

[2] Of the fixed-income funds, long-term fixed-income funds are included in bonds and short-term fixed-income funds in other debt securities and deposits

[3] Including deposits classified as investments on the balance sheet

[4] Including the investment fund shares of, and investments in comparable joint ventures that invest in real estate and real estate undertakings

EUR mill.	**2006**	2005	2004	2003	2002
BREAKDOWN OF INVESTMENT INCOME AND INVESTMENT RESULT					
Cash income	**789.4**	419.7	617.8	638.1	678.3
Loan receivables	**44.8**	46.5	56.8	65.6	71.5
Bonds	**306.0**	288.7	247.6	279.9	318.2
Other debt securities and deposits	**19.0**	29.7	9.8	9.3	18.9
Shares	**351.1**	-1.2	219.0	176.9	165.6
Real estate	**75.0**	59.6	87.5	112.9	108.4
Unallocated income, charges and operating expenses	**-6.4**	-3.7	-3.0	-6.5	-4.3
Changes in book value [1]	**917.0**	946.8	291.4	523.5	-585.4
Shares	**937.3**	745.8	143.0	350.9	-673.8
Bonds	**-15.9**	164.9	118.3	169.7	102.0
Real estate	**-4.2**	36.3	30.4	2.6	-13.2
Other	**-0.2**	-0.2	-0.3	0.2	-0.4
Net investment income at book value	**1,706.4**	1,366.5	909.2	1,161.6	92.9
Change in difference between current and book value [2]	**96.6**	807.7	367.6	119.5	-150.0
Shares	**271.2**	899.6	282.2	248.3	-357.1
Bonds	**-246.7**	-87.1	125.6	-133.7	171.1
Real estate	**72.1**	-4.8	-40.2	4.9	37.3
Other	**0.0**	0.0	0.0	-0.1	-1.3
Net investment income at current value	**1,803.0**	2,174.1	1,276.8	1,281.1	-57.1
Yield requirement on technical provisions	**-995.5**	-722.1	-619.4	-510.4	-597.0
Investment income at book value	**711.0**	644.3	289.8	651.2	-504.1
Investment income at current value	**807.6**	1,452.0	657.4	770.7	-654.1
The proportion of derivatives in the net income investments	**164.7**	-190.7	20.8	86.7	34.5

[1] Capital gains and losses and other changes in book values
[2] Changes in value not included in the balance sheet

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

NET INVESTMENT INCOME AT CURRENT VALUE, JANUARY 1–DECEMBER 31, 2006

	2006	**2006**	**2006**	2005	2004	2003	2002
	Current value [1] EUR mill.	**Capital employed [2] EUR mill.**	**ROCE, %**	ROCE, %	ROCE, %	ROCE, %	ROCE, %
Loan receivables	**44.5**	**1,009.3**	**4.4**	4.6	4.7	4.6	4.7
Bonds [3]	**106.5**	**10,225.3**	**1.1**	4.3	7.0	5.1	9.5
incl. fixed-income funds	**63.0**	**694.5**	**9.1**	4.3	11.9	21.9	12.4
Other debt securities and deposits	**19.0**	**496.0**	**3.8**	4.5	1.4	1.8	3.6
Shares	**1,468.7**	**7,282.5**	**20.2**	30.8	13.3	22.1	-21.8
Real estate [4]	**170.8**	**2,127.5**	**8.0**	5.6	4.2	5.2	5.6
incl. investment funds and joint ventures	**27.9**	**134.3**	**20.8**	21.5	19.3		
Investment, total	**1,809.5**	**21,140.6**	**8.6**	12.1	7.9	8.8	-0.4
Unallocated income, charges and operating expenses	**-6.4**	**21,143.7**	**0.0**	0.0	0.0	-0.1	-0.1
Net investment income, total	**1,803.0**	**21,143.7**	**8.5**	12.1	7.9	8.7	-0.5

[1] Net investment income at current value = Change in market value between the beginning and end of the reporting period less cash flows during the period. Cash flow means the difference between purchases/costs and sales/revenues
[2] Capital employed = Market value at the beginning of the reporting period + daily/monthly time-weighted cash flows
[3] Including income from fixed-income funds appearing in the statistics under the investment type at issue
[4] Including income from investment funds and joint ventures listed in the statistics under real estate investments

LOADING PROFIT

EUR mill.	**2006**	2005	2004	2003	2002
Expense loading components	**92.9**	84.2	80.5	75.7	68.6
Operating expenses covered by expense loading components	**-71.8**	-74.4	-75.4	-68.6	-61.1
Other income	**1.8**	1.8	1.7	2.1	2.2
Loading profit	**22.9**	11.7	6.9	9.1	9.7
Operating expenses of the loading profit, % [1]	**75.8**	86.4	91.6	88.3	86.3

[1] (operating expenses covered by expense loading + other expenses) / expense loading + other income

Risk management particularly focuses on risks that may affect the appropriate performance of the company's statutory responsibilities, the realization of the status of will stated in the company's operating plan for the next few years, the achievement of the main goals for the next few years and the key areas of development of the business. This requires identification and assessment of significant risk factors.

The purpose of risk management is to prevent risks identified as threats to the company from materializing, to minimize the financial and other loss arising from any risks that may have materialized, to safeguard the continuity of the company's operations and help the company benefit from the opportunities offered by different business models without taking inappropriate risks. Another aim is to set limits for risk-taking in a way that will leave the company enough room for maneuver if a controlled rise in the risk level could increase the company's profitability. Risk management also includes comparison of the costs of risk management measures against the potential costs of materialized risks, and thus ensures cost-effectiveness.

RISKS RELATED TO THE UNDERWRITING BUSINESS

In the underwriting business the risks are related to the sufficiency of premiums and technical provisions, where uncertainty related to life expectancies, the inceptions of pensions and the amount of claims play an important part. The following account is limited to Employees' Pension Act (TyEL) insurance, as Self-Employed Persons' Pensions Act (YEL) insurance is under the joint responsibility of pension institutions, and ultimately the State, and the volume of other insurance types is of minor importance (the technical provisions for the basic TEL insurance that corresponded to the current TyEL insurance was 98% of Ilmarinen's total technical provisions in the 2006 financial statements).

The underwriting business in question is divided into business under the responsibility of the company itself and business under the joint responsibility of pension institutions. The financially most significant risks concern the uncertainty related to mortality and the inceptions of disability pensions and the amount of credit losses from insurance premiums. These risks are managed by choosing insurance premiums and calculation bases.

Because the calculation bases are common to all employment pension companies, deviation from the average insurance portfolio in an unfavorable direction poses a risk for an individual company. In Ilmarinen's insurance portfolio, this risk is minor. If the technical provisions according to the calculation bases prove generally insufficient, the calculation bases must be changed and the technical provisions must be supplemented. However, a supplement does not pose a risk to an individual pension institution as, under the Employees' Pensions Act, pension institutions pay for the supplement jointly.

The company prepares for fluctuations in the result from the underwriting business under the company's responsibility by means of a buffer, the equalization provision included in the technical provisions for this purpose. The equalization provision has a lower and upper limit dimensioned according to insurance risks. At the end of 2006, Ilmarinen's equalization provision was about 64 per cent of the upper limit.

The aim of the risk management for the underwriting business is to ensure the prudence of the calculation bases according to the requirements of the law, for which the actuary of the company is responsible. In the case of the underwriting business under the company's responsibility, safeguarding prudence is based on monitoring the trends in the equalization provision, other analyses and reports concerning the underwriting business required by the authorities or considered necessary by the actuary and prognoses on the development of the company's underwriting business. This requires the development and maintenance of prognostic models and analysis methods.

In an employment pension company, uncertainty factors related to the pension expenses under the joint responsibility of the pension institutions and their financing (the equalization system) must be taken into account, in addition to the underwriting business under the responsibility of the company itself. The unfunded pension expenses (equalization pension expenses) are under joint responsibility, for which the share of the pensions being paid is financed by an annually collected part of the TyEL contribution, the equalization

NOTES TO THE ACCOUNTS

Risk management

part. In 2006 the equalization pension expenses represented approximately 77 per cent of Ilmarinen's basic TEL pension expenses, and the equalization part of the contribution represented approximately 74 per cent of the total premiums written on basic TEL insurance. The equalization liability included in the technical provisions of each pension institution serves as a buffer for the underwriting business under the joint responsibility of the pension institutions. In 2006 Ilmarinen's equalization liability corresponded to equalization pension expenses of about nine months.

The equalization pensions and the equalization premiums written are pooled between all pension institutions, so these pensions do not pose a pension-institution-specific risk. With regard to this, the common risk for the pension institutions is posed by the deterioration of the ratio between the pension expenses in question and the payroll of the private sector with regard to the assumptions used in the setting of insurance premiums. Because the coefficient of life included in the pension system from 2010 eliminates the main part of the risk related to life expectancy, the unexpected increase in index increases related to real earnings due to increased inflation or the work contribution proving to be smaller than expected due to demographic factors or unemployment may lead to the materialization of risk. The law requires that the equalization part of the premium be dimensioned so that it is sufficient with regard to the jointly paid expenses. In this case, the risk for pensions paid for jointly is channeled towards the payers of employment pension contributions.

The company's technical provisions (excluding the provision for future bonuses) are estimated to increase by about 6 to 7 per cent annually during the next few years; 65 per cent of the technical provisions are of a duration of more than 10 years and 40 per cent of a duration of more than 20 years. The technical provisions must be covered at all times. There was a total of EUR 21,928 million of assets suitable for covering the technical provisions on the basis of legislation and lower regulations in the 2006 financial statements, which exceeded the amount of technical provisions to be covered by about 5 per cent. In the long term, investments must deliver at least a return that is calculated as a weighted average of the calculated interest defined in the TyEL calculation bases and the return on equity investments so that after a transition period of four years the return on equity investments is given a weighting of 10 per cent. During the transition period, the weighting of equity investments increases steadily and is 2 per cent in the first year 2007.

RISKS RELATED TO INVESTMENT ACTIVITIES

Because employment pension insurance companies must maintain their ability to pay current and future pensions under their responsibility, investment activities must be safe and profitable. Profitable investment requires exposure to investment risks, which are limited to safeguard the prudence requirements. Market risks arising from fluctuations in economic cycles in the financial market are managed both through complying with the regulations on solvency capital and ensuring sufficient diversification of the investment portfolio. Other risks from investment activities that are managed are counterparty risk, liquidity risk and derivative risk.

The solvency mechanism used by employment pension insurance companies

Employment pension insurance companies, pension funds and pension foundations conduct their investment operations independently, yet under a common set of solvency regulations. Risks related to investment activities are prepared for by maintaining the solvency capital, which consists of the difference between the company's assets and liabilities. The most important items in the solvency capital are the company's equity, provision for future bonuses and valuation gains/losses on investments. If investment income exceeds the interest credited to technical provisions, the difference is added to the solvency capital. In the reverse situation, the necessary amount is deducted from the solvency capital.

The statutory minimum amount of solvency capital, the solvency border and other monitoring limits depend on the extent of the company's risk-taking and the differences between the compositions of investment assets of pension institutions. High-risk investments require more solvency capital. As of the beginning of 2007, the solvency requirements were changed so that the actual nature of investments must be taken into account, among others. The amended provisions did not significantly change Ilmarinen's solvency border on the balance sheet date. In the following, the solvency mechanism is described in accordance with the provisions valid on the balance sheet date.

The basic quantity used in the solvency requirements is the solvency border. The lower limit for the solvency capital target zone is double the solvency border and the upper limit quadruple. Rules have been defined for the calculation of the solvency border that are binding on all companies through the Decree. In the calculations, assets are divided into seven risk groups according to the expected yield and risk levels. The estimated correlations between incomes from different investment types are based on historical figures and they are taken into account accordingly. The following table describes the division of Ilmarinen's investments into solvency groups on December 31, 2006 in accordance with the Decree on solvency. The expected yield and volatility presented in the table also comply with the Decree.

Group	Yield exceeding the technical interest rate, percentage points	Volatility, %	Investments Dec. 31, 2006 %	Investments Dec. 31, 2005 %
I	0,1	1,0	1	2
II	0,6	3,5	31	35
III	0,6	4,4	12	13
IV	3,7	8,2	8	6
V	3,7	15,0	8	8
VI	6,2	21,4	31	27
VII	6,2	29,9	10	9
Total			100	100

On December 31, 2006, the solvency border according to the investment breakdown was 14.1 (12.7 in 2005) per cent of the technical provisions used in solvency calculations. With the solvency degree at 33.7 (32.0) per cent, Ilmarinen's solvency position was 2.38 (2.52) times the amount of the solvency border.

Composition of the investment portfolio

Ilmarinen's investment portfolio has been optimized based on expected yield from the various investment classes, fluctuations in yield and dependencies between asset classes. The calculations allow a maximum 5 per cent likelihood of a reduction of solvency capital to the solvency border within two years. This would be an acceptable drop from a level of solvency capital where allocation of investments can give optimal yield over an economic cycle without the company having to alter the composition of the investment portfolio before the end of the cycle for solvency reasons. The risk level of the investment portfolio is chosen on the basis of an investment market simulation model developed in the company.

In the optimization, the following expected long-term yields and volatilities were used for the main asset items (weighting of more than 10 per cent):

	Expected yield	Volatility
Listed shares	7.5%	17.5%
Bonds	4.0%	3.6%
Real estate	5.5%	8.0%

The expected yield from the 2006 allocation, based on optimization, was 5.5 per cent and volatility was 6.3 per cent. In this "basic allocation", the weightings of the main assets were as follows: listed shares 30 per cent, bonds 43 per cent, direct real estate investments 10 per cent, loan receivables 5 per cent and other asset classes 11 per cent. In addition to the basic allocation weighting, there are benchmark indexes for securities (shares, bonds and cash investments). Investment risks are managed both absolutely and with regard to benchmark indexes.

Investment portfolio on December 31, 2006

A breakdown of investments into main asset classes and the income from these investments are presented in the notes to the accounts under "Key figures and analyses".

Breakdown of listed equity investments	Percentage 2006	Percentage 2005	Breakdown of credit ratings of bonds, including fixed-income funds	Percentage 2006	Percentage 2005
Finland	40	40	AAA	67	69
Europe	30	31	AA	10	11
USA	11	12	A	10	10
Japan	5	9	BBB or lower	13*	9*
Others	15	9	Not rated	1	1

* the share of fixed-income funds is 8 (6) percentage points

A breakdown of the loan portfolio by collateral is presented in the notes to the accounts under "Loan receivables".

Structure of real estate investments	Percentage 2006	Percentage 2005
Residential	17	16
Office	49	56
Commercial	5	5
Hotel	8	5
Warehouse	4	4
Others	7	7
Indirect investments	10	6

NOTES TO THE ACCOUNTS

Risk management

The occupancy rate for real estate (locations under renovation excluded) was 91.2 (89.8) per cent.

Market risk

Market risk is formed by the daily changes in prices and values in the financial market. For Ilmarinen's investment assets, this contains equity risks, interest-rate risks, real estate risks, currency risks, commodity risks, volatility risks and credit risks. Market risk is measured with the RiskMetrics® risk management software and managed by monitoring the maximum loss at a certain probability (VAR, value at risk) and analyzing the financial effects of various risk scenarios.

The attached table illustrates the effects of market changes on Ilmarinen's solvency:

	Change in interest rate +1% point	Change in share prices −10%	Fair value of real estate −10%
Effect on			
– solvency capital (EUR million)	−391.7	−784.0	−205.0
- solvency position	−0.19	−0.23	−0.09
- yield percentage (% points)	−1.9	−3.8	−1.0
- solvency ratio (% points)	−2.2	−4.5	−1.2

In the case of investments at the end of the year, there was a 2.5 per cent possibility that the value of the investments could drop by at least EUR 574 (388) million within one month, constituting a value at risk (VAR) of 2.5 (1.9) per cent of the amount of investments and 9.8 (7.6) per cent of the solvency capital at the end of the year. If such a risk had actually materialized, the solvency capital would have dropped to 30.4 (29.5) per cent of the technical provisions.
Investments outside the euro zone pose a currency risk. As a rule, the currency risk of fixed-income investments is controlled using derivatives. For equity investments, the hedging policy is more active.

Risk concentrations

Risk concentrations are basically prevented by the regulations on assets covering the technical provisions, but the company has also taken actions to prevent them. The largest concentration of risks with regard to all investments of various types in a single organization, excluding governments, accounted for 2.1 (2.1) per cent of the investment assets in Ilmarinen's 2006 financial statements.

Counterparty risk

Counterparty risks related to bonds are managed through analyses of the issuers' credit ratings and by restricting both the total amount of investments in bonds of specific credit ratings and the percentage of bonds issued by a single issuer.

The primary means of managing credit risks in direct lending are company analyses and keeping the lending in proportion to companies' future solvency. The use of collateral is another means.

The counterparty risks related to OTC derivatives are managed both in accordance with risk reporting under regulations issued by the authorities and through more detailed counterparty-specific market risk simulations. Counterparty risks related to non-standard derivatives are also managed by using international standard agreements approved by the International Swaps and Derivatives Association (ISDA) with all parties.

Liquidity risk

In an employment pension insurance company, liquidity risks in relation to the liabilities of the company are easily managed as estimates of the amount of future pension expenditures are quite accurate and more than 81 (81) per cent of the assets consist of liquid investments in securities. Short-term liquidity risks based on poor convertibility of investment instruments are managed by making the company's own investments proportional to their average daily turnover in the market by investment object.

Derivatives

The equity risk incurred from equity derivatives stood at EUR −423.8 (+78.7) million at year-end, changing the equity risks related to the company's investments by −1.8 (+0.4) percentage points. Fixed-income derivatives were used to change the average maturity of fixed-income investments by +0.21 (-0.09) years. The maximum loss provision for other than hedging derivatives to be deducted from the solvency capital stood at EUR 35.3 (20.3) million on December 31, 2006.

OPERATIONAL RISKS

Management of most of the risks from the company's operations is carried out as part of the normal management of the operations of the business units, with the head of each unit being in charge of the risk management. The aim is that the operation of each unit is carefully performed, maintains a high quality and is economical and efficient. The most important risk factors related to the operations have been charted and identified and are managed under the company's separate risk management operations.

The most serious operational risks affecting the company's core responsibilities are errors and disturbances that could prevent the correct calculation or timely payment of pensions. Such risks also include disturbances in the operative information systems or the increasingly significant service production of online services that endanger their performance, management or security.

Management of operational risks has been taken care of by ensuring the personnel's expertise and employing a range of means related to information technology and operating methods, such as backup systems and backup communication connections, the use of benchmark data and monitoring systems.

In order to ensure a lack of disturbances in Ilmarinen's operations in normal and exceptional conditions, the company has drawn up plans that ensure the continuity of operations and guide operations in exceptional situations. The critical functions to be ensured have been chosen from the critical functions nominated in the 2005 Insurance Industry Preparedness Guideline.

RISK MANAGEMENT PROCESSES

The overall responsibility for ensuring that the company has a functioning control and risk management system in place lies with the Board of Directors and the President and CEO. In its investment plan the Board of Directors annually goes through the management of the most significant risks concerning investment operations and defines the risk level to be adopted. Similar matters are dealt with in the risk management plan of the Board of Directors in the case of strategic risks to the company's business operations. The Board of Directors has an audit committee that assists the whole Board of Directors in supervision tasks that concern the company's financial reporting, risks and internal supervision system, and the work of the internal inspector and auditors.

The Supervisory Board is responsible for supervising the corporate governance actions undertaken by the company's Board of Directors and President and CEO. Supervision of decision-making on pensions and investment operations is carried out on behalf of the Supervisory Board by inspectors appointed by the Supervisory Board from among its members.

In accordance with the general principles of internal auditing, internal auditing at Ilmarinen consists of independent, objective evaluation, checking and consultancy, with the aim of creating added value for the company and improving its operations. Internal auditing supports the organization's work in achieving its aims by providing a systematic approach to the evaluation and development of the efficiency of risk management, supervision, management and administrative processes. In addition to internal auditing, the effectiveness of the internal control system and the adequacy of the risk management operations are evaluated by supervisory auditing. At the same time, the auditors evaluate the effectiveness of the internal audit system and the relevance of its results to their own work.

A risk management committee, consisting of representatives from Ilmarinen's various business units, is responsible for coordinating, developing and monitoring the company's risk management system. The committee's work is also part of the internal audit system included in the general management of the company. The committee supports the business units in their work to improve operating methods that comply with good risk management practice.

PROPOSAL BY THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS

In accordance with the Articles of Association, the amount of interest paid on the guarantee capital equals the technical rate of interest plus one percentage point. Calculated in this way, the return in 2006 was 7.25 percent and the guarantee capital interest EUR 1,667,112.36.

The amount of retained consolidated non-restricted capital and reserves according to the financial statements on December 31, 2006, was EUR 32.2 million. The retained non-restricted capital and reserves of the parent company stood at EUR 64,838,701.59, with profit for the financial year accounting for EUR 9,428,373.96.

The Board of Directors proposes that EUR 1,667,112.36 be paid as interest on guarantee capital for 2006 and that EUR 50,000.00 be set aside for use at the Board's discretion for generally beneficial purposes. If the Board's proposal is adopted, the company's capital and reserves will stand as follows:

Restricted capital and reserves	
Guarantee capital	22,994,653.31
Non-restricted capital and reserves	
Contingency fund	63,121,589.23
Capital and reserves, total	86,116,242.54

Helsinki, February 20, 2007

Hannu Syrjänen

Lauri Ihalainen	Leif Fagernäs	Jukka Alho
George Berner	Eino Halonen	Jukka Hienonen
Arto Hiltunen	Seppo Junttila	Reijo Karhinen
Risto Piekka	Marja Usvasalo	Harri Sailas President and CEO

AUDITORS' REPORT

To the Annual General Meeting of Ilmarinen Mutual Pension Insurance Company

We have audited the accounting records, the Report on Operations, the financial statements and the administration of Ilmarinen Mutual Pension Insurance Company for the period January 1-December 31, 2006. The Board of Directors and the President have prepared the Report on Operations and the financial statements, which include the consolidated and parent company balance sheets, income statements, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements, as well as on the Report on Operations and on administration of the parent company.

PricewaterhouseCoopers Oy, Authorised Public Accountants, have been responsible for the supervisory audit, on which a separate report has been submitted.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the Report on Operations and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the Report on Operations and in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine whether the members of the Supervisory Board as well as Board of Directors and the President of the parent company have complied with the rules of the Employee Pension Insurance Companies' Act, the Insurance Companies' Act and the Companies' Act.

In our opinion the Report on Operations and the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The Report on Operations and the financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The Report on Operations is consistent with the financial statements. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board as well as the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of result for the period is in compliance with law.

Helsinki, March 7, 2007
PricewaterhouseCoopers Oy, Authorised Public Accountans

Juha Wahlroos, Authorised Public Accountant   Sirkku Valkjärvi, Authorised Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

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

In addition, the company's pension decision-making and investment activities have been reviewed by a number of Supervisory Board members selected by the Board itself for the purpose. No cause for concern was found in them.

The membership term of the Supervisory Board members listed below will expire at the 2007:

Antti Herlin	Ilpo Jalasjoki	Markku Niskala	Veli-Matti Puutio	Kalevi Vanhala
Maija-Liisa Friman	Antti Lagerroos	Krister Olsson	Markku Ruohonen	Esko Vuorinen
Pertti Hagren	Simo Leivo	Kirsti Piponius	Markku Rönkkö	

Helsinki, March 8, 2007
On behalf ot the Supervisory Board
Timo Peltola, Chairman

A GUIDE FOR READERS

The financial statements of a pension insurance company and the related key ratios 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 into groups on the basis of prudence. There are statutory provisions stipulating the maximum proportion of technical provisions covered by each group.

CLIENT BONUSES

Client bonuses are paid to TyEL policyholders in the form of discounts on contributions. They are distributed from the provision for current bonuses.

EQUALIZATION PROVISION

Equalization provision is a buffer accumulated from the technical underwriting result; it is used in years when an above-average number of new pensions are granted.

EXPENSE LOADING COMPONENT

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

INVESTMENT RESULT

The investment result 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 return on investment. The management charges incurred in maintaining working capacity that are included in claims incurred are deducted from the underwriting result. The loading profit is part of Ilmarinen's 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 loading profit that is distributed to policyholders in the form of a client bonus the following year.

PROVISION FOR FUTURE BONUSES

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

SOLVENCY REQUIREMENTS

The investment risk will affect the amount of solvency capital required. The requirements are determined on the basis of solvency limits, which comprise the solvency border and the related maximum solvency capital and minimum solvency capital (until December 12, 2006: upper limit of the target zone).

The solvency border is the figure expressing the limit within which any fluctuations over a period of one year should in all probability remain. It is calculated on the basis of the structure of the company's investments and the amount of technical provisions. The maximum solvency capital is four times the solvency border and the minimum solvency capital is two-thirds of the solvency border. The company's solvency capital is expected to remain between the solvency border and maximum solvency capital.

SOLVENCY CAPITAL

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

STATUTORY CHARGES

Statutory charges include the amount committed by the insurance institution toward financing the operations of the Finnish Centre for Pensions (the central body of the Finnish statutory earnings-related pension scheme). Insurance supervision charge is included in operating expenses in the profit and loss account as well as the legal administrative charge introduced in 2006 and used to cover the costs of the Pension Appeal Court.

TECHNICAL PROVISIONS

Technical provisions are the estimate of the pre-funded portion of future pension expenditure, which is entered in the financial statements. Technical provisions are divided into a provision for unearned premiums and a provision for outstanding claims. The provision for unearned premiums pertains to the liability of the company for future pension contingencies for pensions accrued by the end of the financial period. The provision for outstanding claims is an estimate of future expenditure on pension contingencies that have already occurred.

The provision for unearned premiums includes the provisions for current and future bonuses, and the provision for outstanding claims includes an equalization provision.

TECHNICAL PROVISIONS TO BE COVERED

The technical provisions to be covered equal the technical provisions entered in the financial statements plus liabilities in respect of pooled pension expenditure and owed to policyholders, less the provision for unearned premiums for self-employed persons' pension insurance.

TECHNICAL UNDERWRITING RESULT, NET

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

TURNOVER

Turnover means premiums written before credit losses and the reinsurers' share + net income of investment activities in accounting + other income.

VALUATION GAINS/LOSSES

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

YIELD REQUIREMENT ON TECHNICAL PROVISIONS

The yield requirement on technical provisions is the interest to be credited on technical provisions. It is calculated using the employment pension companies' joint calculation bases. In 2006 this so-called technical rate of interest was an average of 6.25%.

FINLAND'S STATUTORY EARNINGS-BASED PENSION SYSTEM

PENSION BENEFITS

The statutory earnings-based pension is the most important part of the Finnish pension system. It is a defined benefit pension at a level of roughly 60% of average career earnings after full years of service.

COVERAGE

The statutory earnings-based pension system applies to all employees and all self-employed persons. Employment-related pensions are governed by a number of laws. The most important of these laws is the Employees Pensions Act (TyEL), which covers over 50% of the employed labor force.

ADMINISTRATION AND SUPERVISION

The Finnish earning-based pension system is a decentralized system. TyEL pension coverage is managed by seven pension insurance companies (including Ilmarinen), eight industry-wide pension funds and 31 company pension funds. Pension benefits are independent of the managing institutions. The pension institutions that carry out pension laws are supervised by the Insurance Supervision Authority.

FUNDING

TyEL pensions are partially funded in advance. The funding of each type of pension is defined by law and the degree of funding does not depend on the pension institution. For employees under 55 years of age, the pre-funded portion of their old-age pension is increased each year by 0.5% of the employee's earnings. The disability pension is pre-funded when the pension benefits start, except when the person's earnings have been low in the years preceding retirement. Unemployment pensions are also pre-funded when the pension benefits start, with the exception of pensions based on paid-up policies. The pre-funded components of old-age pensions are augmented on an annual basis by investment income. The increase consists of the return on technical provisions accordant with the supplementary coefficient for pension funds included in the general calculation bases, and, in due course, also the amount by which the buffer tied to equity returns accumulated from the beginning of 2007 exceeds its upper limit. The supplementary coefficient for pension funds is determined by the semi-annual average solvency of TyEL pension institutions. In all, the funding rate is approximately one quarter.

The remaining three quarters, including all index adjustments, is financed on a pay-as-you-go basis and pooled between all TyEL institutions.
Arrangements under other Finnish pension laws, including those affecting the public sector, also involve advance funding to varying degrees. At the end of 2006, employee pension fund assets totaled EUR 114 billion, which represented roughly 68% of Finland's GDP.

TECHNICAL PROVISIONS

Technical provisions are based on principles approved by the Ministry of Social Affairs and Health that cover all TyEL institutions. At the individual level technical provisions equal the discounted present value of pre-funded pension obligations. A 3% discount rate is used and the present value calculation also takes into account life expectancy, disability incidence and the likelihood of re-employment after recovery from disability. In addition to these individually calculated provisions, technical provisions also include an IBNR (Incurred But Not Reported) reserve, a provision for future disability pensions, an equalization provision, and a provision serving as a buffer for pooled pension claims.

PREMIUMS WRITTEN

In 2007, the total TyEL contribution averages 21.6% of earnings. The employee contributes 4.3% (5.4% from 53 years of age) and the employer an average of 17.0%. Small and medium-sized employers are also granted a maximum discount of 0.6 percentage points to reduce the equalization provision relating to disability pensions. The total contribution is expected to rise by five or six percentage points in the next 30 years. This increase will be borne equally by employers and employees.

An employer with its own TyEL pension fund bears the full related insurance and investment risk. For employers that have their TyEL insurance with a pension insurance company, these risks are transferred to the insurer against the payment of TyEL contributions. For large employers, the TyEL contribution for disability pensions is determined by the premium category, which depends on the disability expenditure. For large employers, the TyEL contributions for unemployment pensions are determined by an experience rating. TyEL pensions handled through insurance arrangements are treated as defined contribution plans under IFRS.

Estimates of future pension costs can be based on long-term contribution level forecasts (see page 7). As of 2010, increasing average life expectancy will affect the size of new pensions, which will largely eliminate the effect of longer life expectancy on future contribution levels.

INVESTMENT ACTIVITIES

TyEL pension insurance companies and industry-wide and company pension funds conduct their investment activities independently but within common solvency requirements that automatically take into account differences in investment risk and the composition of asset portfolios. Investment income is used to boost solvency capital and to increase client bonuses. Between 2007 and 2011, a new system will be introduced in which the entire employment pension system will bear a percentage of the market risk associated with equity investments.

GUARANTEE SCHEME

If a pension institution becomes insolvent, the pension benefits of the insured persons are covered under a statutory joint liability system and any shortfall will be financed through higher future employer and employee contributions.

ANNUAL GENERAL MEETING

Ilmarinen's Annual General Meeting will take place at 10.00 a.m. on March 29, 2007 at the following address: Ilmarinen Mutual Pension Insurance Company, Porkkalankatu 1, Helsinki, Finland.

INTERIM REPORT

Ilmarinen will publish an interim report in August 2007.

ADDITIONAL INFORMATION ON THE INTERNET

Ilmarinen publishes printed versions of its Annual Report both in Finnish and in English. The Finnish and English versions and a Swedish summary are also available on the company's website, at www.ilmarinen.fi. You will also find Ilmarinen's earlier interim reports plus other financial information on the same site.

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ILMARINEN MUTUAL PENSION INSURANCE COMPANY
Street address: Porkkalankatu 1, Helsinki, Finland
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