ILMARINEN

Ilmarinen in 2007

This publication includes Ilmarinen's financial statements 2007 and describes company's operations, taking into account the perspectives of social, financial and environmental responsibility.

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ILMARINEN
in 2007

As an authorised 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.

PREMIUMS WRITTEN

2,773 EUR mill.

BENEFITS PAID OUT

2,398 EUR mill.

NET INVESTMENT INCOME, AT FAIR VALUE

5.7%

ILMARINEN
key figures

	2007	Change-%	2006	2005	2004	2003
Premiums written, EUR mill.	**2,772.5**	**4.5**	2,652.6	2,346.0	2,217.3	2,229.6
Pensions paid out, EUR mill.	**2,398.4**	**7.1**	2,239.1	2,035.8	1,933.1	1,901.7
Total operating expenses, EUR mill.	**103.5**	**5.0**	98.6	98.2	98.5	87.8
Technical provisions, EUR mill.	**22,661.1**	**8.3**	20,917.2	18,891.3	16,375.6	15,275.0
Balance sheet total at fair value, EUR mill.	**25,964.0**	**9.9**	23,635.4	21,553.0	18,050.5	16,475.0
Solvency capital, EUR mill.	**6,068.8**	**4.1**	5,828.0	5,090.1	3,597.8	2,951.2
% of technical provisions	**32.5**		33.7	32.0	25.6	22.3
in relation to solvency border	**2.0**		2.4	2.5	2.3	2.2
Investment, EUR mill.	**23,663.6**	**2.9**	22,994.9	20,983.2	17,635.6	15,985.5
Investment income at fair value, %	**5.7**		8.5	12.1	7.9	8.7
Pension recipients	**262,971**	**2.0**	257,884	243,775	239,511	235,965
TyEL policies	**34,113**	**8.1**	31,551	31,386	31,572	31,927
Employees insured under TyEL	**417,000**	**7.8**	387,000	357,000	349,000	364,000
YEL policies	**51,289**	**2.8**	49,898	49,495	49,580	49,696
Permanent personnel, December 31	**545**	**0.4**	543	541	689	649

CHIEF EXECUTIVE OFFICER'S REVIEW

Ilmarinen's market position is clearly improving

HARRI SAILAS, President and CEO

During the last year, I have learned to respect the work that Ilmarinen's personnel have carried out over the long term on behalf of the company and the whole earnings-related pension scheme. I have also detected areas where there is room for improvement. If we tackle the development of these areas with determination we will improve our operations further and thereby promote the success of both the company and our clients.

Overall, Ilmarinen performed very well in 2007. I am especially pleased with the achievement of the best sales result in the company's history. Ilmarinen's customer base increased more than ever before and our market position will clearly improve. Investment returns were also moderately good in a very difficult market situation.

> Our high solvency gives us a good opportunity to continue to aim for competitive client bonuses in the future.

The mortgage credit crisis in the U.S. has not had any direct effects on the returns of Finnish employee pension investments, but the indirect effects may turn out to be significant if there is a permanent increase in the general uncertainty and economic growth in Finland slows down. Key risk factors continue to be uncertainty in the financial markets as well as the price of oil and its sharp volatility.

Last year was my first as Ilmarinen's CEO. During the last year, I have learned to respect the work that Ilmarinen's personnel have carried out over the long term on behalf of the company and the whole earnings-related pension scheme. I have also detected areas where there is room for improvement. If we tackle the development of these areas with determination we will improve our operations further and thereby promote the success of both the company and our clients.

COMPETITION IS INCREASING IN THE EMPLOYEE PENSION SECTOR

The employee pension sector has been criticised as lacking in competition and having too few actors. Employee pension insurance is a key part of Finnish social security, so part of it has been excluded from competition by legislation. For example, the level of statutory employee pension is the same for all companies.

Authorised pension companies compete on services, investment returns, client bonuses and efficiency. Including company pension funds and industry-wide pension funds, there are more actors in total than in the banking sector, for example, which is my own background. With the entry into force of TyEL last year, Etera also joined the competition. The movement of clients from one company to another was brisk and we are delighted that clients are concentrating a large amount of their insurances with Ilmarinen.

Competition will intensify further as a result of the ongoing competition survey, and in all likelihood there will be partial introduction of company-specific pricing in a few years. At Ilmarinen we have already started to prepare for this.

AN EMPLOYEE PENSION RECORD FOR EVERYONE

As of 2008, every employee and self-employed person of working age will receive an employee pension record each year that lists their private-sector employment data. Everyone's future pension will be based on these register data, so it is a good idea to check them. Ilmarinen is the first company to develop an Internet service for the employee pension record, which will be launched this spring. The Internet service is a fast and efficient way of checking individual data.

The employee pension record is part of Ilmarinen's service task. As a responsible actor, Ilmarinen's objective is to provide high-quality services in all its tasks and satisfy the needs of clients regardless of whether the services are offered to employers, the insured or pensioners.

IT PAYS TO BE A CLIENT WITH ILMARINEN

The best client bonuses in the sector have provided a clear financial benefit to Ilmarinen's clients. These bonuses are mainly the result of the long-term success of Ilmarinen's investment activities, but in the future they will also increasingly reflect the company's cost efficiency. In our investment activities, our chosen objective is to be a results-oriented and responsible investor that takes a long-term view. Our high solvency gives us a good opportunity to continue to aim for competitive client bonuses in the future. There is room for improvement in our cost efficiency, and we will work hard to improve it.

Our customer base will increase significantly this year as a result of the decisions to transfer insurances to Ilmarinen. We are delighted at this turn of events. It is a clear indication that we have succeeded in developing our operations. At the same time, it brings with it an obligation for continuous development and success in satisfying the needs of our growing customer base.

Ilmarinen offers services to policyholders both on its own and in cooperation with its partners. Ilmarinen's partnership with OP-Pohjola Group is one of the company's key trump cards. This partnership offers our clients the syndicate's global service network and comprehensive selection of financial services.

I would like to express my deepest gratitude to our clients for their trust. I promise you that we will continue to work hard to ensure our mutual success.

Harri Sailas
President and CEO

ILMARINEN

as a part of society

Social responsibility is an integral part of Ilmarinen's daily activities as a provider of statutory pension insurance. Ilmarinen's operations are guided by the company's values, good insurance practice, ownership policy, guidelines for responsible investment, and risk management policy.

Ilmarinen participates in the development of the Finnish earnings-related pension scheme and its long-term financing together with labour market organisations and other interest groups.

As an authorised pension company, Ilmarinen implements the objectives of pension reform by promoting the well-being of people at work, and their ability to continue working, through wellbeing-at-work services and related research, and occupational rehabilitation.

Social responsibility also includes creating and redeeming the trust of various stakeholder groups. The voices of customers, personnel and other stakeholder groups are heard in many ways at Ilmarinen. Ilmarinen is in constant dialogue with its stakeholder groups at various cooperation forums, such as the advisory committees of customers, the insured and pensioners.

Ilmarinen's social responsibility committee coordinates the company's social responsibility activities, and includes experts from the company's various business areas. In this report, we address Ilmarinen's responsibility to society from the perspectives of social, financial and environmental responsibility. Due to the nature of Ilmarinen's operations, the focus is on social and financial responsibility.

Ilmarinen follows the recommendation for listed companies on the governance and control systems of companies. Due to the legislation governing them, however, authorised pension companies must diverge from the recommendations in certain respects. On pages 26–27, there is a comparison of Ilmarinen's reporting with data in accordance with the GRI Guidelines.

Social income distribution statement, EUR mill.	2007	2006
Income formation		
Premiums written	2,772.5	2,652.6
TyEL employers' contribution	2,019.5	1,953.4
TyEL employees' contribution	559.1	517.8
YEL self-employed persons	193.9	181.4
Net investment income excluding operating expenses	1,347.6	1,810.0
Other income and expenses	1.4	1.4
Total income	4,121.5	4,464.0
Income distribution		
To pensioners	-2,396.1	-2,237.1
TyEL pension recipients	-2,199.5	-2,053.9
YEL pension recipients	-196.6	-183.2
Provision for future pensions	-1,344.6	-1,353.8
Provision for future risks	-275.8	-767.6
Buffering against potentially too small future investment income	-267.8	-751.3
Buffering against potential future losses in the underwriting business	-8.0	-16.3
Client bonuses	5.9	-3.1
Carried forward to the next year for client bonuses	-74.0	-81.0
Client bonuses paid	79.9	77.9
Staff expenses	-32.6	-32.6
Other service providers	-70.9	-66.0
Taxes withheld at source	-5.8	-2.1
Interest on guarantee capital	-1.6	-1.7
Donations	-0.1	-0.1
Total income distribution	-4,121.5	-4,464.0

ILMARINEN
in brief

Our mission

As an authorised 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-Pohjola 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.

CHRONOLOGY

Ilmarinen 2007

JANUARY

2 Ilmarinen and Pohjola launch an Internet service in which it is easy to insure workers hired by households.

5 Ilmarinen acquires an equity interest in Vera Oy. The fund management company invests in start-up technology companies and innovative service companies throughout Finland.

16 Ilmarinen participates in a real estate fund tailored for three major investors. Aberdeen Real Estate Fund Finland seeks to invest in properties with development potential.

FEBRUARY

1 Reijo Karhinen, CEO of the OP Bank Group, starts as a new member of Ilmarinen's Board of Directors.

21 Ilmarinen releases its 2006 results. The year was successful for the development of the insurance portfolio, and the company's market share is judged to have increased clearly. Investment income was also good, the company's solvency and cost-efficiency improved.

MARCH

8 Leila Kostiainen, General Secretary of the Finnish Confederation of Salaried Employees STTK, and Leena Niemistö, Managing Director of Dextra, are elected as new members of Ilmarinen's Board of Directors.

22 Seminar on treatment of dementia was held at Ilmarinen.

29 Hannu Leinonen, Group CEO of YIT, Tarja Lankila, President of the Financial Sector Union Suora, Jarmo Mikkonen, Managing Director of Securitas Group, Sinikka Mönkäre, Managing Director of RAY (Finland's Slot Machine Association), and Jaakko Nevanlinna, Managing Director of Aina Group are elected as new members of Ilmarinen's Supervisory Board.

APRIL

19 Members of the new Parliament are guests of Ilmarinen and the Federation of Finnish Enterprises to learn about entrepreneurship and the Finnish earnings-related pension scheme.

24 The Advisory Committee for Pensioners starts operations. At its meeting, the Advisory Committee elects Per-Erik Lundh as Chairman, who previously served as President of the Finnish Metalworkers' Union.

MAY

21 The International Actuarial Association's (IAA) pension and social security department started a three-day conference in Helsinki at Ilmarinen's premises. Hillevi Mannonen, Ilmarinen's Chief Actuary, has served 2007 as the President of the IAA.

AUGUST

30 Ilmarinen releases its interim financial report. The company posts a good result on the back of good investment income and increased sales of new insurance policies, as well as an excellent transfer result.

SEPTEMBER

26 Ilmarinen's Board of Directors approves the updated ownership policy and guidelines for responsible investment.

Important events during 2007 included an international actuarial conference, the release of the first Nordic climate change report, and a seminar on ownership.

Ilmarinen posted the best overall sales in the company's history.

OCTOBER

3 Ilmarinen and the Central Union for the Welfare of the Aged agree on long-term cooperation.

4 The first climate change report on Nordic companies prepared by the Carbon Disclosure Project, organised by the international investor community, is released at Ilmarinen. The keynote speaker at the event was Sauli Niinistö, Speaker of the Finnish Parliament.

4 Ilmarinen succeeded very well in the transfer of TyEL and YEL insurance policies both with respect to the full year and the fourth transfer period that ended in September. Ilmarinen's result was the best in the entire employee pension sector.

9 Ilmarinen participated as partner and host of the "well-being at work" workshop at the seminar on responsible corporate activity organised by the Finnish Business Society.

18 Ilmarinen starts to release quarterly information on the company's result. The development of the investment business and solvency will now be monitored in between the full-year and half-year results. Investment yield for the period 1 January–30 September 2007 was 6.8 per cent.

29 Ilmarinen and OKO Group jointly hold a seminar for their customers entitled "The many faces of ownership" in which ownership is examined from various points of view.

NOVEMBER

15 The Ilmarinen Prize for the 2007 Personnel Deed of the Year is awarded to Skanska Oy and NCC Construction Oy. This was the eighth time the prize has been awarded.

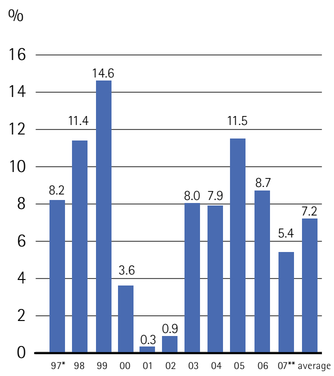
29 The Supervisory Board elects Markku Vesterinen, who started as CEO of Suomi Group on 1 January 2008, and Matti Viljanen, President of the Confederation of Unions for Professional and Managerial Staff in Finland (AKAVA), onto Ilmarinen's Board of Directors.

DECEMBER

17 Ilmarinen donated funds reserved for Christmas donations to the Central Union for the Welfare of the Aged to promote dignified old age. The organisation will use these funds to support recreational activities for the elderly.

20 The Board of Directors of the Nokia Pension Fund decided to transfer the statutory pension liability of Nokia's employees to Ilmarinen as of 1 March 2008. The transfer of responsibility concerns the basic pension security of a total of about 15,000 employees and about 5,000 retired Nokia employees.

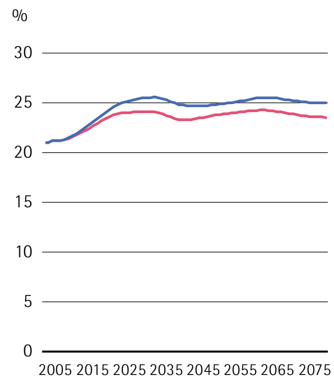
Annual return of employment pension funds on capital employed



* Only contain information on the companies
** Preliminary estimate for 2007

Source: The Finnish Pension Alliance TELA

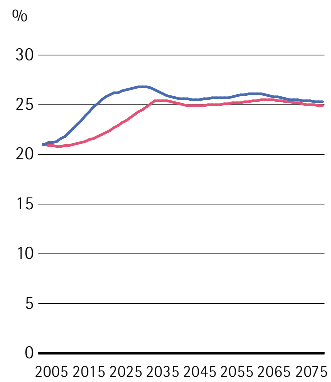
TyEL expenditure as % of payroll



Real return 4.5%
Real return 4%

Source: The Finnish Centre for Pensions

TyEL premium percentage by starting year of old age pension



68 years
63 years

Source: The Finnish Centre for Pensions

THE DEVELOPMENT OF THE EMPLOYEE PENSION SECTOR

Employee pensions are undergoing changes

During the current decade, significant changes have been made in the earnings-related pension scheme, enabling it to even better follow developments in society. The changes concerned rules for determining pensions and the details of the financing system, and they entered into force mostly in 2005 and 2007.

EMPLOYEE PENSION REFORM

The key objectives of the reform have been to ensure that employee pensions fulfil the expectations concerning them and at the same time the national economy's carrying capacity is sufficient to finance the pensions.

INTEGRATION OF PENSION LAWS

No new changes were agreed in 2007. In 2007, the focus was on the implementation of the Employees' Pensions Act (TyEL) during its first year in force. This Act is the result of the combination of three laws governing private-sector employee pensions.

The Finnish earning-based pension system is a decentralised system. There are nearly 50 authorised pension companies, company pension funds and industry-wide pension funds handling TyEL. This diversification creates competition, leading to better investment returns and development of services. However, some of the administrative tasks related to employee pensions are well-suited to cooperation. For example, a joint earnings register for authorised pension providers, which was made possible by the combination of employee pension laws, was launched in 2007 following a preparation project lasting several years.

INCENTIVES FOR REMAINING AT WORK

The promise of the earnings-related pension scheme is the maintenance of consumption in retirement reasonably close to the level during active employment. In setting the age limits for various pension laws and in carrying out changes in how pensions are determined, an effort has been made to find a balance between this basic task and incentives in the right direction.

It is important that continuing in gainful employment always produces a larger pension than retiring. Indeed, the capacity of the national economy to carry the costs arising from promised pensions depends crucially on people continuing to work long enough.

Average life expectancy has been increasing for decades and there is every reason to believe that this trend will continue. Pension reform included a life expectancy factor by which commencing pensions will be reduced in the future in line with the increase in average life expectancy. The pension-reducing effect can, however, be compensated by continuing in gainful employment. The compensation is made easier by the fact that starting from the age of 63 the rate at which employee pension accrues has been raised to a very high level.

The employment rates of old people have increased significantly since 2000. This positive development is partly due to a favourable stage of the business cycle but is certainly also partly a result of the incentives connected to the determination of pensions.

LIFETIME EARNINGS AS THE BASIS OF A PENSION

Previously, a pension was calculated on the basis of employment contracts, but in the future only wages in euros paid each year will determine the pension. Starting in 2008, an employee pension record will be sent annually to every person who has earned a wage in the private sector. The record contains information on registered employment contracts and their earnings so that the person can check them, as well as pension accrued up to that point in time. For older people, the record also contains an estimate of what that person's pension will be if they continue in gainful employment until the age of 63, 65 or 68, for example. Ilmarinen's website already has a calculator for carrying out alternative calculations of pensions.

BETTER RETURNS AS THE OBJECTIVE

Pensions are funded through employment pension contributions and returns on investment. Higher earnings mean that fewer funds need to be collected through employment pension contributions. Since the beginning of 1997, reforms were carried out to improve returns, which have enabled authorised pension companies to seek higher investment returns. Additional amendments in the same direction entered into force at the beginning of 2007. Furthermore, these reforms improved the risk bearing capacity of pension investors and at the same time shifted part of the stock market risk to be borne jointly.

The average investment earnings of authorised pension providers in the private sector were 7.5 per cent per year during the ten-year period 1997–2006. This exceeded inflation by 5.8 percentage points. Due to the business cycle, earnings were slightly lower in 2007 and in any case making a final estimate of the effects of the latest changes will only be possible several years from now.

JAAKKO TUOMIKOSKI, Deputy CEO

DECISION-MAKING ABILITY IS A STRENGTH

One of the strengths of the Finnish employee pension system is the way in which decisions about its development are made. When adjustments to changes in society are needed, a crucial role is played by key labour market organisations that represent future pensioners and parties that pay employment pension contributions. This has allowed employment pension insurance to be developed by taking the long view and in response to the challenges of the time.

A DECREASE IN THE FORECAST FOR THE INCREASE IN THE EMPLOYMENT PENSION CONTRIBUTION

In the autumn of 2007, the Finnish Centre for Pensions adjusted its forecasts for the future level of the employment pension contribution. In the latest forecasts, the increase is more moderate than in the earlier forecasts: According to the calculations, over the next 25 years the level of the employment pension contribution in the private sector will increase by about four percentage points and then level off at that level. The estimated increase is two percentage points lower than in earlier forecasts. Both the employer's contribution and the employee's contribution are forecast to increase by an average of less than 0.1 percentage points per year.

The responsible development of the earnings-related pension scheme requires that various uncertainties are examined and the alternative outlooks associated with them. The future level of contributions cannot be predicted with certainty. The contribution forecast is sensitive to the assumptions made about the increase in the retirement age and investment returns. The figure on page 8 illustrates some alternative scenarios.



ILMARINEN DRAWS STRENGTH FROM ITS

competent and motivated personnel

For Ilmarinen, social responsibility means responsibility for the company's clients, personnel and stakeholder groups, as well as handling our basic function to provide pension insurance. Responsibility for personnel means a fair personnel policy which guarantees the participation of employees in the company's decision-making, balancing work and leisure time and equality in salaries and career development. The company's most important resource is competent and motivated personnel who are willing to serve.

REINFORCING CUSTOMER-ORIENTATION

The starting point of Ilmarinen's personnel policy is a good working environment and respect for the individual. The objective is to create a good management environment in the company, which promotes responsible practices in personnel management. The key objectives of the personnel strategy are ensuring competence, reinforcing the customer-oriented approach, increasing efficiency and flexibility, and reforming operating practices.

At the present time, the average length of employment is 14 years. Employee turnover was 3.1 per cent in 2007. As a result of the long-term employment and continual training, Ilmarinen's personnel are experienced and competent. The company has found that transmitting tacit knowledge to younger employees is important. The company also encourages internal mobility, and half of all recruitments in 2007 were carried out internally.

Personnel surveys have shown that Ilmarinen's personnel have always considered the company to be a good employer, although there have been some areas where there is room for improvement. In the 2007 personnel survey, the response percentage was 82. The highest average grade in the survey was to the statement "Ilmarinen is a good employer" (4.4 on a scale from 1 to 5). The survey highlighted change management and the handling of problem situations as areas where improvements are necessary.

A WORK COMMUNITY THAT BELIEVES IN EQUALITY OF OPPORTUNITY

At Ilmarinen, equality of opportunity means the same chances for career development regardless of a person's sex or age. In the Executive Group, 44 per cent of members are women and 56 per cent are men. Among middle management, 46 per cent are women and 54 per cent are men. A majority of group supervisors are women at 79 per cent. Men make up the majority of the Supervisory Board and Board of Directors. 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 contractual salaries. Seventy-three per cent of the company's employees are women and 27 per cent are men. The average age of female employees is 45 years and the average age of male employees is 44 years.

Employees have broad representation in the company's various bodies from Ilmarinen's Executive Group to the management teams of various business areas and various committees. Thus, personnel have a good opportunity to influence the company's operations.

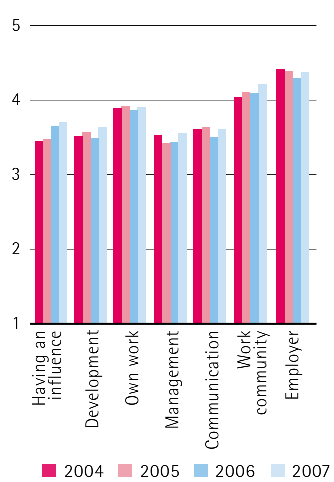
WELL-BEING FROM GOOD SUPERVISORY WORK

The well-being of personnel is furthered by developing competence, work procedures and tools, and by taking care of working ability and health. A wide range of leisure-time club activities also help to promote well-being in the work community.

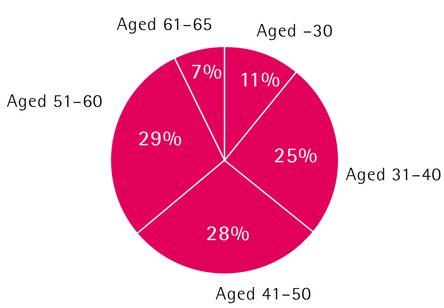
Good supervisory work also has a material impact on well-being at work. A supervisor training programme lasting about one year was launched in the autumn of 2007. All supervisors in charge of personnel participated in the programme. The objective of the training is to help supervisors to develop in their own work and especially in managing people. The training programme also has the objective of harmonising the company's management culture. In a survey serving as the basis for the supervisor training programme, the overall feedback received by supervisors was fairly good (3.8 on a scale from 1 to 5).

Personnel are encouraged to develop themselves and their work. The competence of employees is improved through various training projects, by rotating employees between tasks and by mentoring. Last year's training focused on skills in providing employee pensions, training for supervisors and training in customer service and data systems. Skills are also honed more and more through study via the Internet. All in all, four training days were arranged per Ilmarinen employee.

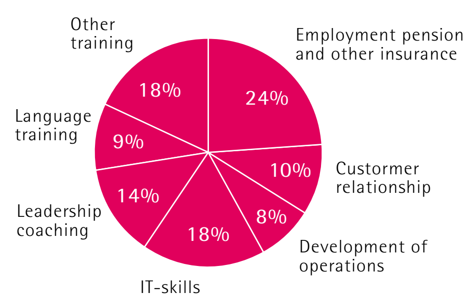
Results of the personnel survey



Staff age 2007



Contents of personnel training 2007



CLIENTS trust Ilmarinen

Ilmarinen succeeded very well in 2007 both in the sales of new insurances and transfers between pension insurers. As a result of the best sales result in the history of the company, the number of clients increased among small, medium-sized and large companies.

Ilmarinen handles the employee pension insurance of over 700,000 Finnish employees, self-employed persons and pensioners. In all of its operations, Ilmarinen takes into account the responsibility connected with the handling of statutory employee pension insurance and the resulting obligations. The company's market share is about one-third of the total premiums written by authorised pension companies. Ilmarinen is Finland's largest insurer of self-employed persons. The company's key services are insurance, pension and well-being at work services, occupational rehabilitation and financing and office services.

Employment pension companies reduce their corporate clients' employment pension contributions by client bonuses, the amount of which is 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. Ilmarinen transferred a total of EUR 688 million into client bonuses in 1997–2007. That is more than any other pension insurer during the same period of time, both in absolute terms and per customer. In 2007, Ilmarinen transferred EUR 74 million on client bonuses.

CLIENTS ARE SATISFIED WITH THE SERVICE

The opinions of clients have a decisive role in the development of services. That is why Ilmarinen regularly surveys the satisfaction of its clients in its services using various questionnaires. Medium-sized and large clients have traditionally been very satisfied with the company, and this client group gave an excellent grade on all the surveyed areas in last year's survey. According to the surveys, the satisfaction of smaller companies and self-employed persons has also remained good. Another indication of the views of clients is the fact that many clients have concentrated all their employee pension insurance at Ilmarinen once this became possible at the start of 2007.

A RECORD SALES RESULT

Ilmarinen's overall result in the sale of insurances, EUR 351 million, set a record and the number of clients clearly increased. At the end of the year, Ilmarinen handled the employee pension insurance of 34,113 companies and 51,289 self-employed persons for a total of about 468,000 people. Sales of new insurances was more active throughout the whole year than in previous years, and in terms of the number of insurances the growth was 20 per cent compared with 2006.

> Clients' opinions are of decisive importance for the development of Ilmarinen's services.

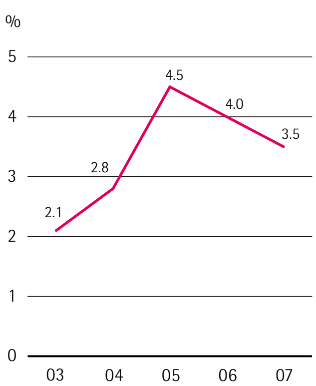
The transfer of TyEL insurances between pension insurers was at a historically good level for Ilmarinen. Measured by premiums written, the total transfer result for the year was about EUR 82 million. The new TyEL Act gave clients the opportunity of concentrating all their insurances at Ilmarinen, and about 2,300 clients decided to do so. Ilmarinen posted a clearly positive transfer result in relation to its competitors. There was an increase in the customer base with respect to small, medium-sized and large companies.

Sales of self-employed person's pensions clearly exceeded the results of previous years. Measured by annual premiums written, the sale of new insurances was about EUR 17.5 million and a total of 5,540 new insurances were sold. The transfer result on YEL insurances was positive by 900 insurances.

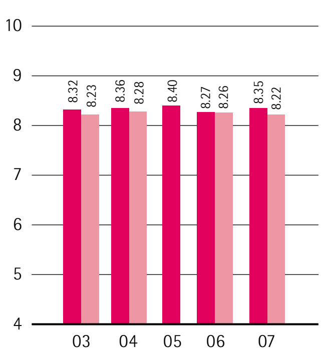
Ilmarinen's partners, OP-Pohjola and Pohjantähti, played key roles in the sales of both self-employed person's pensions and employee pensions for SMEs. In addition, customer service and the effectiveness of sales have been improved through Ilmarinen's own national network of account managers. Internet services have also become more popular in the provision of employee pension insurance and Internet sales were significant during the financial year, totalling over EUR 9 million.

In December, Nokia Corporation made the important decision to transfer the pension insurance of 15,000 of its employees from the company pension fund to Ilmarinen as of 1 March 2008.

Client bonuses % of employer contribution under TyEL



TyEL policyholders' evaluation of Ilmarinen



Survey of labour-market decision-makers by Taloustutkimus Oy
In-house TyEL customer survey

SINI KIVIHUHTA, Senior Vice President, Client Relations

AN EXCELLENT YEAR

The year 2007 was a great success for Ilmarinen in the sale of insurances and indeed we achieved the best overall sales result in the history of the company. With the entry into force of the TyEL Act, clients demonstrated their confidence in us by comprehensively concentrating their employee pension insurances at Ilmarinen. I am especially delighted at the large number of new clients. Nokia's decision to become our client highlights our ability to serve large clients.

The good result was achieved on the back of our own sales work and sales carried out in cooperation with our partners. We want to continue to respond to our clients' needs with high-quality services and to be a responsible provider of employee pension insurance.

INSURANCE AND PENSION MATTERS CAN BE handled on the Internet

Finns are very used to dealing with matters on the Internet and about 75 per cent of Finns handle their bank transactions on the Internet. The handling of employee pension insurance matters on the Internet is also growing in popularity.

Ilmarinen has the most comprehensive and widely-used services on the Internet; they make it easy to handle employee pension insurance and pension matters. The services are available for our clients free of charge, anywhere, anytime.

With the entry into force of the TyEL Act, temporary employers such as households can also handle their insurance matters through Ilmarinen's online services. A new Insurance Claim Service was introduced at the end of 2007 which clients can use to fill in and send TyEL and YEL applications.

Over the last two years, the Web Pension Service has become an important communications channel between Ilmarinen and private customers. Visitor numbers are increasing continuously and in 2007 growth compared with the previous year was 25 per cent. 80 per cent of the preliminary assessments of old-age pensions carried out by Ilmarinen are already done via the Internet. Compared with other pension insurers and the Social Insurance Institution of Finland (Kela), Ilmarinen receives the largest number of electronic old-age pension claims.

Ilmarinen's online services for pensioners are also the most comprehensive in the industry. A certificate of the pension paid and electronically changing bank accounts have proven to be especially popular services. The certificate can be used as an official proof of

WHAT IS THE EMPLOYEE PENSION RECORD?

The purpose of the employee pension record is for checking of one's own work data. Employee pensions will eventually be calculated on the basis of the data in the record so the data must be accurate. In the case of data older than five years, the responsibility for checking the data will gradually shift from the authorised pension provider to the employee.

The record lists private-sector jobs and information on self-employment as well as social benefits that have resulted in the accrual of pension. In addition, the record contains a calculation of the amount of pension accrued at the end of 2007. For individuals over the age of 50 and self-employed customers, the record contains an estimate of old-age pension for the ages of 63–68.

The record does not contain the following information:

- employment in the public sector, such as the State, municipality or the Evangelical Lutheran Church of Finland
- work abroad
- supplementary pension insurance from the current employment and insurance for unregistered pensions

The record is not sent to individuals living outside Finland, individuals who have only worked in the public sector, or to retired persons except for individuals receiving a part-time pension.

Ilmarinen sends the record by post during May–November to individuals and self-employed persons insured by the company. Public-sector employees whose last gainful employment in the private sector was insured by Ilmarinen will also receive an employee pension record from Ilmarinen. In May, Ilmarinen will launch an online service on the employee pension record which is a free service that is available around the clock.

the amount of pension when applying for various benefits, for example. It is also possible to use the Internet to increase the tax rate used in the payment of pensions. Other authorised pension companies do not offer similar services to their own pension recipients.

GOOD GRADES FOR ONLINE SERVICES

The satisfaction of customers with online services is studied annually through a survey on the Internet. In the 2007 survey, customers gave the online Pension Service an overall grade of 8.5 (on a scale from 1 to 10). The best grades were given for changing a bank account and address, due to the ease of use and clarity of the services. Ninety-one per cent of respondents would recommend the service to their colleagues and friends.

The online Insurance Service was given an overall grade of 8.4 by companies and self-employed persons. The most easy-to-use services were found to be the printing of certificates, sending of TyEL annual notifications and files, and browsing the TyEL statement of annual account (grades 8.7–8.9). Self-employed persons liked the opportunity of seeking flexibility in their contributions through the Internet (grade of 8.3) most of all. 97 per cent of the respondents would definitely or probably recommend the service to their colleagues.

RELIABLE INFORMATION ABOUT PENSION INSURANCE

Statutory employee pensions are an essential part of social security in Finnish society. An employee pension ensures a livelihood not only in old age, but also in other situations in life such as in case of incapacity for work or the death of the breadwinner.

Through its centralised advice services, Ilmarinen provides information about pension matters concerning all the stages and situations of its private customers, such as matters relating to pension applications, pension awards or pension payments.

The speed of decision-making is significant for the income security of pensioners. Ilmarinen's key operating principles include the ability to make fair, prompt decisions which are communicated in as clear a form as possible. The processing times of applications are significantly shorter for nearly all pension benefits than on average in other pension insurance companies.

Ilmarinen remains the only authorised pension company that offers its customers who have received a negative disability pension decision a guidance service on issues such as securing a livelihood and continuing in working life. The service, launched in 2006, is provided by rehabilitation research institutes and work clinics throughout Finland that have concluded cooperation agreements.

In 2007, Ilmarinen received about 200,000 telephone calls relating to pensions, and customers had to wait an average of 30 seconds before being served. Customers also contact Ilmarinen by online service and by e-mail. A customer satisfaction survey carried out in the autumn of 2007 of individuals who had received a pension decision showed that respondents considered the quality of the service to be excellent (grade of 4.5 on a scale from 1 to 5).

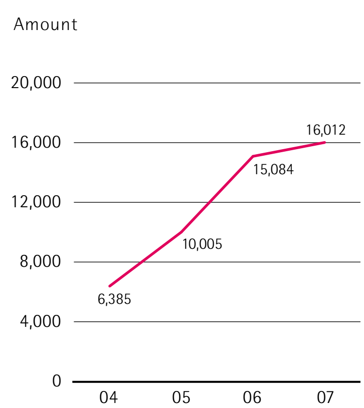
> The processing times of pension applications are significantly shorter than on average in the industry in all pension benefits.

EMPLOYEE PENSION RECORD STARTING FROM 2008

During May–November 2008, Ilmarinen will send an employee pension record to all employees and self-employed persons aged 18–67 who are insured by Ilmarinen. A total of 710,000 people will receive the record from Ilmarinen. The employee pension records are sent so that each individual can check the work data that forms the basis of their pensions and inform their own pension insurer of any deficiencies or errors.

During 2007, Ilmarinen has prepared for the increased need for customer services caused by the distribution of employee pension records through training, increasing the number of personnel and changes in its systems, for example. Ilmarinen will also launch an online employee pension service where an individual insured by Ilmarinen can access their own employee pension record and request corrections in the data in the record from Ilmarinen.

Number of online service agreements
of TyEL policyholders



WELL-BEING AT WORK IS a factor in a company's success

Ilmarinen's objective is to help its client companies to maintain their personnel's ability to work in order to improve well-being at work and to extend the length of employees' careers. This is beneficial to the employee, the company and society. That is why Ilmarinen offers its clients well-being at work services and easy-to-use information on managing the risks of incapacity for work.

Disability pensions and early retirement cause significant expenses for many companies. In many cases these expenses could be reduced through good personnel management. The development of supervisory work and management practices is an integral part of the improvement of well-being at work, and that is usually the focus of the efforts of Ilmarinen's clients in their well-being at work projects.

To manage the risks of incapacity for work, Ilmarinen also offers its clients advice and training for various life situations and assists in the development of the processes of occupational rehabilitation from the point of view of the company and personnel management.

INTERNET SERVICES AND SEMINARS ON WELL-BEING AT WORK

Ilmarinen's clients receive a large amount of information and tools for personnel management in various situations from the Web pages on well-being at work. The "early care" model launched in the autumn of 2007 is one example of a practical tool. The model guides customers in putting common practices in place in the company to prevent unnecessary sickness absences through early detection and prompt measures – in other words "early care".

Ilmarinen holds open seminars on well-being at work annually for all its clients. In 2007, twelve Motivo seminars and five seminars on topical issues were held throughout Finland. The seminars addressed many different aspects of well-being at work from the basics of supervisory work to managing the work community, competence and well-being at work, as well as the transmission of tacit knowledge. In addition, last year Ilmarinen held well over 100 customer-specific events dealing with the development of well-being at work.

Ilmarinen wants to have an impact on the development of Finnish working life. In 2007, the company participated in a multi-day event for decision-makers on well-being at work and the CSR Forum dealing with social responsibility, and awarded the traditional Personnel Action of the Year award.

REHABILITATION EXTENDS CAREERS

Working ability maintenance and rehabilitation programmes are one way to support the maintenance of the capacity to work and well-being at work. Occupational rehabilitation is support given by an authorised pension provider for returning to work and changing jobs and careers when, due to their health, the employee can no longer continue to carry out their previous tasks and they are at risk of going on disability pension in the near future. Finding a job or occupation that suits the employee's health can be accomplished with the help of job coaching, work experiments or apprenticeship training supported by Ilmarinen.

Following a successful rehabilitation programme, an employee can continue in working life despite their illness. The employer also saves on pension expenditure and retains the employee's professional skill and competence in its company. The objective of rehabilitation is to detect the potential risk of disability soon enough to prevent it or at least to postpone its onset.

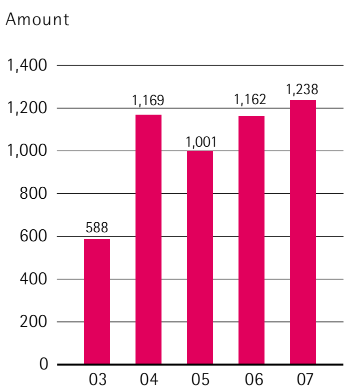
All the indicators show that the occupational rehabilitation supported by Ilmarinen is becoming more popular and successful. The number of rehabilitation applications continued to grow for the fourth successive year. As in previous years, the effectiveness of the rehabilitation, in other words the percentage of rehabilitated persons who return to work or the labour market following rehabilitation, exceeded 65 per cent. Fast and precise processing of rehabilitation applications is important and the processing times of applications have fallen by half over the last few years. Annual surveys also indicate that clients have been satisfied in the quality of Ilmarinen's customer service.

ADVICE AND GUIDANCE ARE IMPORTANT

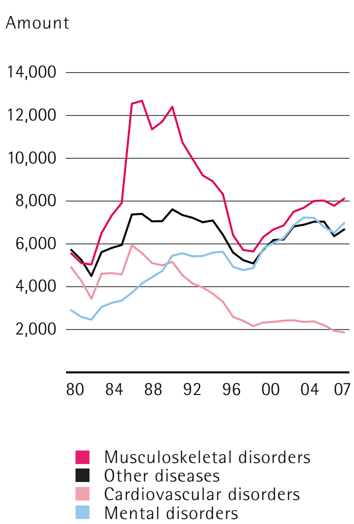
The advice and customer guidance given by rehabilitation experts is an important part of Ilmarinen's rehabilitation operations. Ilmarinen pays particular attention to customer guidance when a concrete plan for returning to work is being developed as well as when starting rehabilitation. If the employee's employment contract is in force, an effort is made to implement the solutions for returning to work in cooperation with the employer. If the person being rehabilitated does not have the opportunity to return to work to their previous employer, local service providers can be used when necessary in preparing the plan.

In 2007, Ilmarinen made the work of its clients easier by making agreements for work testing and their application electronic. Instructions given to persons being rehabilitated were also improved by, for example, developing the material on the website and the instructions given to clients on how to start their rehabilitation quickly.

Rehabilition applications via Ilmarinen



Grounds for granting disability pensions in Finland



Source: The Finnish Centre for Pensions

KATI HUOPONEN, Department Head, Well-being at work services

WELL-BEING AT WORK NEEDS A CONTINUOUS DEVELOPMENT

The well-being at work of aging employees and retaining them in work pose a challenge for working life now and in the future. Experienced and professional personnel are an irreplaceable resource for a company, especially with the looming labour shortage. The employee, the company and all of society are winners if early retirements are reduced.

Ilmarinen wants to support its clients in responding to this challenge. Fair management and good and flexible work arrangements also make it possible to keep aging employees motivated to remain in working life. When employees are content, the company is agile and operates effectively and this is reflected in the work results.

It is very important for a company's effectiveness and ability to operate that the transmission of so-called tacit knowledge from senior employees to the younger generation is ensured systematically. It is equally important that the company uses an operating model that enables the detection of problems connected to well-being at work and the capacity to work as early as possible. Ilmarinen's well-being at work services offer support in these situations, for example.

Taking care of well-being at work must be a continuous activity: regular surveys and monitoring of the present situation and addressing problem areas.

INVESTMENT ACTIVITIES

results-oriented and responsible

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 level of returns reduces the pressure for higher pension contributions in the future and allows Ilmarinen to offer competitive client bonuses. Short-term fluctuations in value are not important for the basic task of investment activities as long as the targets set for solvency and an adequate solvency margin is achieved. The average long-term yield target for Ilmarinen's investment assets is 6 per cent and the expected standard deviation of the yield is 8 per cent.

ACTIVELY AT THE FOREFRONT OF DEVELOPMENT

Ilmarinen aims to achieve high returns from investment activities with a well-diversified investment portfolio and professional evaluation of investment targets and investment risks. Ilmarinen carries investment risk so that its level is in a balanced relationship with risk-carrying ability, and on the other hand the expected returns on the investments are as high as possible. The possibility of paying client bonuses is based to a large extent on the result of investment activities. Ilmarinen's client bonuses have been the best in the industry over the last ten years.

Ilmarinen wants to continue to stand out from its competitors with its competitive investment returns and for that reason is paying special attention to the development of the competitive factors of investment activities. These include the long-term development of an investment portfolio with a significant amount of shares, an active role in the investment market, and good knowledge of various investment targets and their income potential. Ilmarinen's investment unit always aims to achieve a better result than the market average through active portfolio management.

DIVERSIFICATION INCREASES INCOME OPPORTUNITIES

Ilmarinen aims for the highest possible investment returns through long-term selection of the risk position and active and wide-ranging portfolio management. The company is well known for its selective utilisation of new investment opportunities. Broad diversification of investments and seeking the best expertise for each class of investments produces the best possible results for the long-term investor. The company's Board of Directors approves an investment plan annually in which the company chooses the asset class weightings; in other words, the basic allocation and investment activities targets.

In addition to its own investment organisation, external managers are used for some investments such as the emerging markets, private equity funds, investment funds and hedge funds. The share of external asset managers is about 15 per cent.

ILMARINEN INVESTS IN FINLAND

Ilmarinen has an ownership policy approved by the company's Board of Directors which was updated in September 2007. Active ownership has a positive effect on the development of the value of holdings and lowers the risk inherent in investments. This means participating in shareholders' meetings and keeping in contact with the management of companies; for example, during 2007, Ilmarinen's participation rate in domestic shareholders' meetings was over 75 per cent. Ilmarinen's investment organisation met the management of various companies over 500 times last year, and over half of the meetings concerned domestic companies.

Ilmarinen promotes professional administration and management at the companies it owns by taking part in the selection of the members of Boards of Directors. In its public ownership policy memorandum Ilmarinen offers its opinion on, for example, the management structure, dividend policy and incentive programmes.

The pension scheme success depends on the development of the Finnish economy. Ilmarinen wants to be an active investor in Finland. In 2007, about one-third of all of Ilmarinen's investments i.e. over EUR 8 billion was invested in Finnish society in one form or another.

RESPONSIBLE INVESTMENT ACTIVITIES

Ilmarinen's ownership policy also takes a stand on responsibility: the company's investments should not only be profitable but also socially responsible and ethically sustainable. Ilmarinen does not exclude any industry segment; the investment targets are chosen from among all companies that operate in line with the principles of sustainable development. Ilmarinen believes these companies will fulfil their economic obligations better than the average company and in a more transparent fashion.

In the update of its ownership policy last autumn, Ilmarinen listed the international norms which it requires that the companies it owns follow. These norms included ILO's working life conventions, the UN Global Compact, the OECD's guidelines for multinational companies and the UN Declaration of the Rights of the Child. The norms address issues such as environmental investments, appropriate treatment of employees and rules connected to human rights. The principles are used in Ilmarinen's own direct investments and investments in shares and fixed-income. In selecting funds, the evaluation focuses on the accountability and transparency of the asset management company.

As part of the examination of the accountability of Ilmarinen's investment targets, Ilmarinen's long-term partner GES Investment Service audits Ilmarinen's portfolio twice a year. If some company violates chosen principles, Ilmarinen can withhold its investment or sell its holdings. During 2007, Ilmarinen sold one security and withheld from investing in many others. The engagement process is a new operating model; last year Ilmarinen engaged with seven companies. One of these (BP) was concluded. In the other cases, discussions are ongoing.

During 2007, Ilmarinen participated for the first time in the Carbon Disclosure Project (CDP: see page 25). In addition, Ilmarinen has signed the UN's principles for responsible investment and participates in two international organisations that develop good governance, ICGN and ECGI.

THE ENGAGEMENT PROCESS

- The investor expresses its dissatisfaction and concern with the operations of the company to its management.
- The intention is to get the company to halt its undesirable activity through active dialogue.
- The objective of the engagement process is not to transfer operational management to the investor.
- The objective of the process is to reduce the financial and image risks connected to the company's operations.

THE ENGAGEMENT PROCESS AND BP

Ilmarinen was part of a group of international investors that expressed their concern over shortcomings in BP's work and environmental safety. There was an explosion in 2005 at BP's refinery in Texas which claimed human lives. The following year there was a large oil spill in Alaska which was only detected five days later. In both cases, experts found serious deficiencies in safety and delays in corrective measures which the company had neglected to carry out, citing costs. During trials and the hearings of the committee established to investigate the case, BP representatives refused to testify and appealed to their right not to give testimony on the causes of the event.

Negotiations between investors and BP have led to a situation in which BP has admitted its mistakes and paid compensation to various parties. To improve safety, BP has hired external experts and increased the transparency of its operations. Furthermore, BP is studying the possibility of adding safety indicators to its management remuneration systems.

THE RETURN OF ILMARINEN'S INVESTMENTS WAS 5.7 per cent

The return of Ilmarinen's investment assets at fair value was 5.7 per cent or about EUR 1.3 billion. In real terms, the return of the company's investments was about 3.0 per cent, slightly lower than in previous years. The return of the company's investment operations exceeded the benchmark index.

The return of the stock markets was moderate last year. There were large differences in return between different stock markets. In Finland, the OMHEX weight-limited index increased by 8.1 per cent. In Sweden, share prices listed in local currency decreased by almost 7 per cent. In the United States, dollar-denominated share prices increased by 5 per cent, and in Japan yen-denominated share prices fell by over 11 per cent.

Last year, Ilmarinen continued to increase its investments in listed shares. At the end of the year, listed shares made up almost 41 per cent of investment assets. The return of investments in listed shares was 5.8 per cent. The return of private equity remained at a high level just as last year and stood at 42.5 per cent. The company's new investments in private equity funds stood at EUR 500 million and their share of investment funds rose to 2 per cent.

Ilmarinen increased its investments in hedge funds by about EUR 435 million and their share of the company's total investment portfolio increased by 2 percentage points to over 3 per cent. The return from hedge funds was almost 19 per cent.

The general economic trend remained positive well into 2007. Economic growth slowed down during the final part of the year, especially in the United States where the mortgage credit crisis started to be reflected in the general economic situation. The growth of the world economy slowed down to 4.9 per cent. The price of oil rose, and at the end of the year the price of one barrel of oil was close USD 100.

LONG-TERM INTEREST RATES CONTINUED TO RISE IN THE EUROZONE

Looking at all of last year, inflation remained steady at the international level, but the increase in prices accelerated toward the end of the year, due, among other things, to the increase in the prices of raw materials and food. Inflation accelerated in Finland during the year, and was 2.5 per cent on average.

During the latter half of the year, the U.S. Federal Reserve lowered the key Fed funds target rate three times by a total of one percentage point to 4.25 per cent to prevent the spreading of the mortgage credit

Ilmarinen's investments, December 31, 2007

	Risk breakdown EUR mill.	Risk breakdown %	Return %
Fixed-income investments	**10,033.9**	**42.4**	**2.3**
Loan receivables	1,239.3	5.2	4.5
Bonds	8,626.0	36.5	2.0
Other money market instruments and deposits	168.5	0.7	4.0
Equities and shares	**10,372.7**	**43.8**	**7.7**
Listed equities and shares	9,625.3	40.7	5.8
Private equity investments	520.0	2.2	42.5
Unlisted equities and shares	227.4	1.0	28.5
Real estate investments	**2,165.3**	**9.2**	**9.5**
Direct real estate investments	1,916.0	8.1	9.0
Real estate funds and joint investments	249.3	1.1	14.5
Other investments	**1,091.7**	**4.6**	**30.8**
Hedge fund investments	801.2	3.4	18.6
Commodity investments	238.6	1.0	-
Other investments	51.9	0.2	-
Total investments	**23,663.6**	**100.0**	**5.7**

crisis. On the other hand, the European Central Bank raised its main refinancing rate twice during the first half of the year by a total of 0.5 percentage points to 4.0 per cent. The U.S. dollar weakened against the euro by about 10 per cent. The depreciation of the currency was due to the narrowing of the difference in short-term interest rates between the two currency areas and the deterioration of the U.S. economic outlook. On average, the euro also appreciated against other currencies. The decrease in the value of Ilmarinen's foreign-currency-denominated investments totalling EUR 5.6 billion was dampened by currency hedging, which eliminated over half of Ilmarinen's currency risk. Currency hedging of foreign shares increased their return by 2 percentage points to about 4 per cent.

> The return of the stock markets was moderate last year. There were large differences in return between different stock markets.

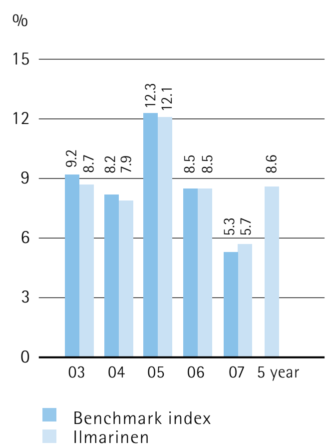
In the United States, long-term interest rates fell during the year by about half a percentage point to just over 4.1 per cent. In the eurozone, the tightening of monetary policy and the fact that the economic outlook remained positive boosted long-term interest rates by just under half a percentage points to about 4.3 per cent. At the end of the year, yield curves were flat in both the United States and Europe. As a result of the increase in long-term interest rates in the eurozone, the return of Ilmarinen's bond portfolio was about 2 per cent. The loan portfolio of emerging economies had the best yield at 6.1 per cent. The development of return was least favourable in corporate loans where the yield spreads compared with state loans increased clearly as a result of the international credit crisis.

THE REAL ESTATE MARKET HAD A BUSY YEAR

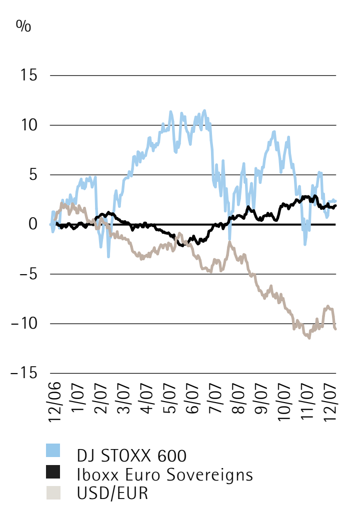
The level of activity in the Finnish real estate market remained high during last year. The trading volume of investment properties reached the record level achieved during the previous year and international investors increased their holdings in the Finnish real estate market. Rents of offices and residences increased clearly due to higher demand. The level of construction activity continued to increase, especially in the Helsinki area, as a result of the high demand for investments and premises. The period of uncertainty in the international financial markets that started in the second half of the year was also reflected in the real estate market. This was apparent in the halt in the fall of return requirements that had continued for several years and the decrease in trading volumes. Share prices of listed real estate companies fell by 30 per cent in Europe following the sharp rises in the previous year and as a result of the increase in general uncertainty in the financial markets. The return of Ilmarinen's real estate portfolio was 9.5 per cent, which was made up of a return of 14.5 per cent in indirect real estate investments and a yield of 9.0 per cent in direct ownership. The fair values of direct real estate investments appreciated by EUR 48 million.

The loan portfolio of corporate financing increased by EUR 100 million last year to EUR 1.2 billion. The return of the loan portfolio was 4.5 per cent and the interest rate of new loans was 5.0 per cent. A total of EUR 351 million in new loans were taken out.

Comparison of investment income



Market retuns in 2007



ILMARINEN'S FINANCIAL POSITION is strong

Ilmarinen's solvency is very good and its risks have been controlled in relation to the extent of the solvency buffers. At the end of 2007, the solvency capital which measures the company's financial strength was 32.5 per cent in relation to technical provisions.

Ilmarinen's position as an insurance company providing statutory pension insurance requires as a material part that the company takes care of its financial position and manages the risks connected to it. This requires both annual and long-term examination of the result and evaluation of the adequacy of the solvency buffers in relation to the company's liabilities and risks.

Risk management is described in more detail on pages 46 of the report on operations and on pages 79–83 of the notes to the accounts.

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. In the long run, the most important risk of the underwriting business is uncertainty about life expectancy. In the nearer term, the key risk is uncertainty about the number and size of commencing pensions.

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. Tariffs are the same for all authorised pension insurance companies. According to the law, the company must grant all insurances applied for from it.

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

The commencement rate of disability pensions has settled far below its usual rate, apparently on a long-term basis. For this reason, the equalisation provisions of all employment pension companies have been decreased by setting the disability contribution at a lower level than the estimated cost of disability pensions and by giving a temporary discount on the disability contribution. This will also be done in 2008.

INVESTMENT ACTIVITIES

The framework for the risk management of investment activities is set by the solvency rules of pension insurance companies. The solvency capital, comprising assets in excess of the company's pension liabilities and equalisation provision, is intended to form a fluctuation reserve against investment risks.

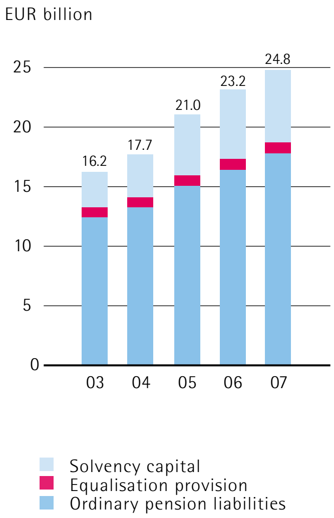
The minimum solvency margin requirement, solvency border, the maximum for the solvency capital and other monitoring limits set out in Finnish insurance legislation are all dependent on the company's investment risks. The greater the investment risk, the greater the solvency capital required. The company's Board of Directors decides on the overall level of risk in investment activities.

Annual interest must be credited to technical provisions, which depends primarily on the average level of solvency of authorised pension providers, but also on the average return of their investments in shares. The latter feature transfers part of the market risk to the whole of the earnings-related pension scheme. If investment income

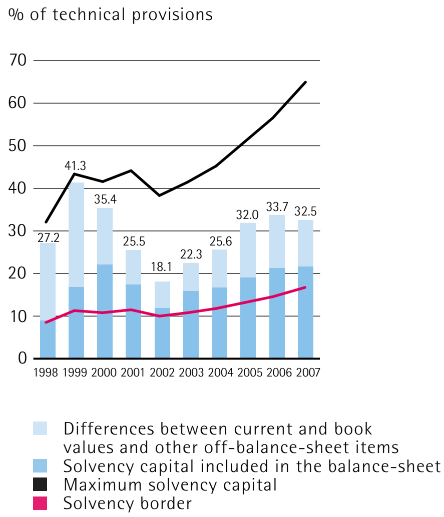
Profit at current value in 2007, EUR mill.

	Underwriting business	Other business	Invest-ment	Loading profit	Total
Premiums written	571.0	2 104.7	–1.5	98.3	2,772.5
Net investment income at current value			1,347.7		1,347.7
Claims paid	–530.7	–1 866.4	1.0		–2,396.1
Change in technical provisions	–23.3	–238.2	–1,010.0		–1,271.5
Total operating expenses	–8.1		–9.8	–85.6	–103.5
Other income and expenses			0.0	1.4	1.4
Taxes			–5.8		–5.8
Profit at current value	**9.0**	**–0.0**	**321.6**	**14.1**	**344.6**
Change in equalisation provision					–8.0
Change in provision for future bonuses					–339.0
Change in difference between current and book values					77.7
Change in depreciation difference					4.6
Transfer to client bonuses					–74.0
Net income for the financial year in the official income statement					5.9

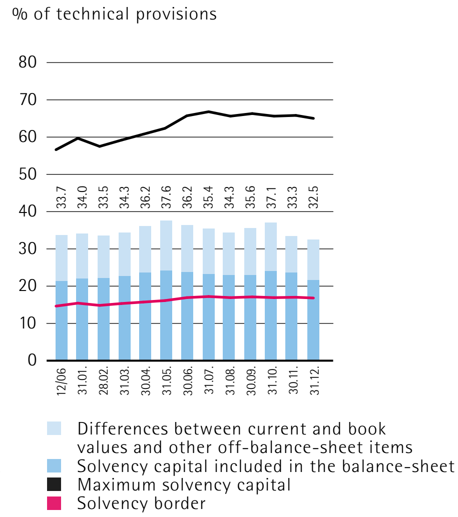
Ilmarinen's pension assets



Solvency, annual



Solvency, monthly



exceeds the interest credited to technical provisions, the difference is added to the solvency capital. In the opposite scenario, the necessary amount is deducted from the solvency capital. A good solvency position will also mean larger client bonuses.

ILMARINEN'S FINANCIAL POSITION

Ilmarinen's overall result in 2007 was EUR 344.6 million and the balance sheet total at fair value was EUR 25,964.0 million. Key figures and analyses contained in the official financial statements are presented on pages 73–78.

The result of Ilmarinen's investment activities in 2007 was quite satisfactory taking into account the difficult market situation during the autumn. The result after deduction of interest credited to technical provisions was EUR 321.6 million. The solvency capital increased in 2007 by EUR 240.8 million to EUR 6,068.8 million. The development of the buffer depending on income from shares followed the performance of the stock markets and at the end of the year this new buffer stood at EUR 6.8 million. The solvency capital was 32.5% (2006: 33.7%) of the technical provisions that define the basis of the solvency margin requirements, and was 2.0 (2.4) times the solvency border. For Ilmarinen's solvency capital to fall to the solvency limit, share prices would have had to fall by about 37% or the general rate of interest rise by about 7 percentage points.

The company's strong solvency capital is sufficient to withstand the fluctuations inherent in the investment market 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. Pages 79–83 of the notes to accounts present information on the management of the risks inherent in the company's investment activities, such as a sensitivity analysis of the investment portfolio.

The technical provisions, equalisation 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 of the insurance portfolio, unlike the equalisation provision and the solvency capital, which are subject to fluctuations in the underwriting business result and investment result. Ilmarinen's solvency is very good and its risks have been controlled in relation to the extent of the solvency buffers.

Balance sheet at current value, 31 December, 2007, EUR mill.

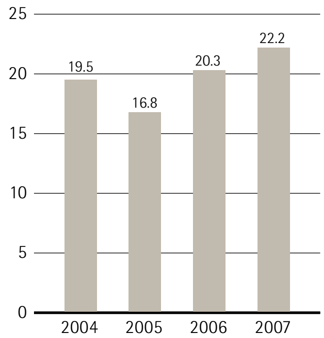
Assets		Liabilities	
Investment at current value	23,663.6	Capital and reserves after proposed distribution of profits	90.5
Receivables	2,236.6	Depreciation difference	10.2
		Difference between current and book value	2,100.2
Other assets	63.8	Provision for current bonuses	3,937.1
		Other solvency capital items	–69.2
		Solvency capital	**6,068.8**
		Equalisation provision	917.9
		Capital base	**6,986.7**
		Provision for current bonuses (to client bonuses)	75.1
		Supplementary insurance liability tied to income from shares	6.8
		Technical provision *)	17,724.2
		Other liabilities **)	1,171.2
Assets total	**25,964.0**	**Liabilities, total**	**25,964.0**

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

**) Includes off-balance-sheet items deducted from the solvency capital, EUR 69.2 million, as well as the proposed distribution of profit, EUR 1.7 million

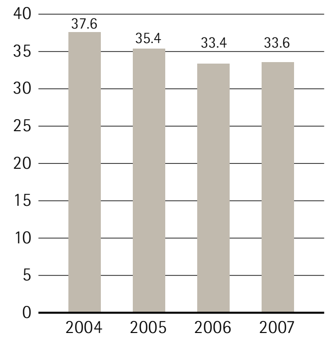
Electricity consumption

kWh/m³/year



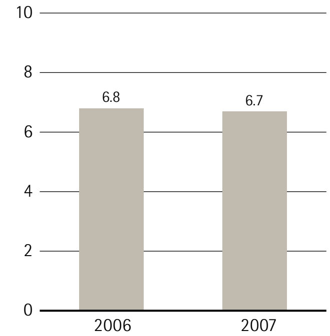
Heat consumption

MWh/m³/year



District cooling consumption

MWh/m³/year



Ilmarinen has monitored energy consumption in the maintenance of real estate since 2004. District cooling was included in the monitoring in 2006. The monitoring includes buildings that are maintained entirely by Ilmarinen. The tables do not include consumption data on absolute net rent properties because in these properties the tenant is responsible for maintenance, repairs and energy consumption.

MONITORING OF ENVIRONMENTAL RESPONSIBILITY relating to real estate

Ilmarinen's environmental responsibility primarily relates to the real estate owned by the company and the evaluation of the environmental impacts of other investment targets. As a pension insurer, Ilmarinen's own operations do not include activities that place a significant burden on the environment. Today, for example, the challenges connected to climate change concern all companies regardless of their industry.

Ilmarinen requires that its investment targets follow the principles of sustainable development (see page 19). In practice, Ilmarinen requires, for example, that a company in which it invests complies with both international and local laws and carries out sufficient environmental investments required by its operations.

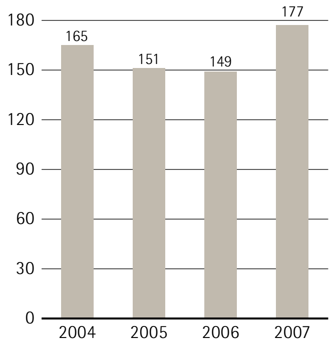
Ilmarinen is a major investor in real estate in Finland and aims to guide the management of environmental matters at the properties it owns. Significant environmental matters connected to real estate include energy consumption, waste management, the sorting and utilisation of waste, and recycling. Ilmarinen has developed methods that can be used to observe and monitor environmental responsibility in real estate investments as well as in property maintenance services.

RESPONSIBLE CONSTRUCTION

Ilmarinen actively promotes environmentally friendly operating models and construction solutions in the real estate business. In construction projects, Ilmarinen requires that its partners operate in an environmentally responsible fashion and apply lifespan thinking. The responsible operating procedures required by Ilmarinen are included in maintenance and construction contracts. Responsible operating procedures include environmental responsibility which comprises basic principles on, for example, the selection of materials, technical solutions, the measurement of energy and water consumption, as well as the maintenance manual and the development of environmental competence.

Water consumption

l/m³/year



In the construction business, environmental responsibility is incorporated in the indicators used to monitor construction. In new construction and renovation, good construction practices approved by the authorities should be followed. Ilmarinen also wants to preserve the architectural value of the real estate it owns in cooperation with the authorities.

> Ilmarinen actively promotes environmentally-friendly solutions in the construction and the real estate business.

Ilmarinen has participated in the energy conservation agreement for the real estate and construction sector (KRESS) in 2001–2007. In 2007, Ilmarinen took part in the "energy conservation week" event held at The Post House in Helsinki. Ilmarinen's real estate unit has for several years focused on looking for ways to manage energy consumption of properties, and to develop waste management and handle refrigerants. This means changing over to district cooling, which conserves energy and the environment, in the renovation of properties, for example.

Ilmarinen has also paid special attention to energy consumption, waste management and the sorting, recycling and utilisation of waste at its own office building. Ilmarinen has succeeded in sharply reducing overall energy consumption at its own office building. Thanks to the sorting of waste, most of the wastepaper is recycled. Ilmarinen has taken environmental management into consideration in the cleaning of its own office building. One of the criteria in choosing detergents, for example, has been that they place the smallest possible burden on the environment. Ilmarinen's environmental responsibility also includes ensuring that service providers handle environmental matters in a fashion that is acceptable to Ilmarinen.

ANNA HYRSKE, Senior Adviser, CSR

CLIMATE CHANGE FROM THE INVESTOR POINT OF VIEW

Climate change is an important issue for the investor too. Predictability becomes more difficult, and as a result it becomes increasingly challenging to identify good investment targets. The objective of the investor is to find companies that promote the development of cleaner power production or assist others in adapting their own operations to the new environment. Companies that develop new technologies to reduce emissions or reform manufacturing processes are also interesting investment targets.

Climate change poses a great challenge for the investor but it is also an opportunity as it creates new companies and industries. Ilmarinen is a member of the Carbon Disclosure Project (CDP), a global investor community. CDP's objective is to produce information for investors on how corporations are preparing for the challenges and opportunities created by climate change. In 2007 CDP produced the fifth global report. The first Nordic report was launched on 4 October at Ilmarinen's headquarters.

One of the key findings of this report was that companies already have a great deal of information about climate change. Investors are also increasingly interested in the effects of climate change but only a few tools exist for the systematic assessment of the effects. This assesment work has already started at Ilmarinen and portfolio managers take climate change into consideration as one variable when making investment decisions.

GRI GUIDELINES
as a frame of reference

In 2005, a broad-based internal working group at Ilmarinen studied the question of what social responsibility means at Ilmarinen and what effects the company's operations have on stakeholder groups. A permanent social responsibility working group has continued this work and developed Ilmarinen's accountability practices and reporting every year.

The Global Reporting Initiative (GRI) is an international community that develops guidelines on the reporting of sustainable development. The purpose of GRI is to promote the reporting of reliable, understandable and comparable information. Applying the GRI Guidelines in company reporting is completely voluntary but it has become an important and widely-used standard in the reporting of social responsibility issues.

The enclosed table compares the data released in Ilmarinen's annual report and Web pages with the GRI Guidelines. These guidelines have been used as a frame of reference at Ilmarinen in developing reporting although the company does not report directly according to them. The data required by GRI are not material in all respects for a Finnish authorised pension company.

	Included	Page/source	Comments
1. Strategy and analysis			
1.1 Statement from the CEO	Yes	Page 2	
1.2 Description of key impact risks, and opportunities	In part	Pages 4-5	
2. Organisational profile			
2.1–2.9 Basic information about Ilmarinen	Yes	Pages 1, 5, 28	
2.10 Rewards and recognitions	No		
3. Report profile			
3.1–3.4 Report profile	In part	Page 26, www.ilmarinen.fi	
3.5–3.11 Report scope and calculation boundaries	No		
3.12 GRI content comparison	Yes	Pages 26-27	
3.13 External assurance	No		
4. Governance practices and commitments			
4.1–4.10 Governance	In part	Pages 28-33	
4.11–4.13 Commitment to external initiatives concerning social responsibility	Yes	Pages 19, 25	
4.14–4.17 Stakeholder engagement	In part	Pages 4, 34-35, 41	
5. Governance structure and key indicators			
Governance structure	Yes	Page 29	
INDICATORS			
ECONOMIC RESPONSIBILITY			
EC1 Direct economic value generated and distributed	Yes	Page 4	Social income distribution statement
EC2 Effects of climate change	In part	Page 25	
EC3 Coverage of the organisational pension commitments	Yes	Page 55	Financial statement data
EC4–EC9	Irrelevant		

SOCIAL RESPONSIBILITY	Included	Page/source	Comments
LA1 Total workforce by employment type and employment contract	Yes	Page 46, www.ilmarinen.fi	
LA2 Employee turnover	Yes	Page 11	Staff exit turnover Internal recruitment
LA3 Benefits for fixed-term and permanent employees	No		
LA4–LA6	Irrelevant		
LA7 Rates of injury, absenteeism	Yes	www.ilmarinen.fi	Occupational accidents Sick-leaves
LA8–LA9	Irrelevant		
LA10 Average hours of training	Yes	Page 11	Training days Contents of training
LA11 Programmes for training and lifelong learning	Yes	Page 11	
LA12 Employees receiving career development reviews	Yes	www.ilmarinen.fi	Coverage of development reviews
LA13 Composition of governance bodies and breakdown of employees by category	Yes	Page 11	Breakdown by sex Average age
HR1–HR3	Irrelevant		
HR4 Incidents of discrimination	Case sensitive		Personnel survey
HR5–HR9	Irrelevant		
SO1	Irrelevant		
SO2–SO3 Risk analysis and training related to corruption	In part	www.ilmarinen.fi	Ilmarinen's guidelines on good insurance practice Ownership policy / Guidelines on responsible investment
SO4 Actions taken in response to incidents of corruption	Case sensitive		
SO5 Policy positions and participation in public policy development	In part	Page 8, www.ilmarinen.fi	Participation in the development of the earnings-related pension scheme
SO6 Financial subsidies to political parties	No		
SO7 Non-compliance with competition regulations	Case sensitive		
SO8 Non-compliance with major laws and regulations	Case sensitive		
PR1–PR4	Irrelevant		
PR5 Customer satisfaction	Yes	Page 12	Customer satisfaction surveys
PR6–PR9 Principles and cases of noncompliance connected to marketing communication and privacy protection	Case sensitive	www.ilmarinen.fi	Ilmarinen's guidelines on good insurance practice

ENVIRONMENTAL RESPONSIBILITY			
EN1–EN3	Irrelevant		
EN4 Indirect energy consumption	Yes	Page 24, www.ilmarinen.fi	Electricity and heat consumption in real estate monitored by Ilmarinen
EN5 Energy savings achieved by improving efficiency	In part	Pages 24–25, www.ilmarinen.fi	
EN6 Initiatives connected to the provision of energy-efficient products and services and products and services produced using renewable energy	In part	Page 25	KRESS energy saving agreement District cooling
EN7 Initiatives connected to reduce indirect use of energy and the reduction in energy use obtained through such initiatives	In part	Page 25	Energy saving week Water consumption at business premises
EN8 Water withdrawal by source	Yes	Page 25	Water consumption by properties monitored by Ilmarinen
EN9–EN17	Irrelevant		
EN18 Initiatives to reduce emissions of greenhouse gases	Yes	Sivu 25	Carbon Disclosure Project
EN19–EN21	Irrelevant		
EN22 Total amount of waste by type	Yes	www.ilmarinen.fi	Breakdown of waste in real estate maintained by Ilmarinen
EN23–EN27	Irrelevant		
EN28 Major cases of non-compliance with environmental laws and regulations	Case sensitive		
EN29 Significant environmental impact of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	No		
EN30 Expenditure on environmental protection and environmental investments	No		

Read more about the GRI Guidelines on the website: www.globalreporting.org

ILMARINEN'S GOVERNANCE and control

GENERAL

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 with 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 to these laws, Ilmarinen follows the recommendation for listed companies on the governance and control systems of companies. However, 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 agenda of the Annual General Meeting includes discussion of measures connected to the financial statements required by legislation and other matters listed in the invitation to the meeting.

The 2007 Annual General Meeting was held on 29 March 2007 at Ilmarinen's headquarters. The meeting discussed the matters required by the Articles of Association, and also heard the Chief Executive Officer's review of 2006.

SUPERVISORY BOARD

Under the Act on Employment Pension Insurance Companies, Ilmarinen is required to have a Supervisory Board whose duties are based on applicable legislation 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 Chief Executive Officer.

The Supervisory Board consists of 28 members elected at the Annual General Meeting for a term of two years. At least half of the members are elected from among individuals nominated by the most important central organisations representing employers and employees, so that seven of these individuals were nominated by employers and seven by employees.

One-half of the members of the Supervisory Board are elected each year. The Supervisory Board elects its Chairman from among its members once every calendar year. The Supervisory Board met twice in 2007. The Chairman of the Supervisory Board is paid a fee of EUR 5,000 per annum, the Deputy Chairman is paid a fee of EUR 3,800 per annum, 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 30.

ELECTION COMMITTEE

The Election Committee prepares a proposal for the Annual General Meeting on the members of the Supervisory Board and a proposal on the fees of the members and the basis of travel costs.

Similarly, the Election Committee prepares a proposal for the Supervisory Board on the members of the Board of Directors, and a proposal on the fees of the members and the basis of travel costs. The Committee's proposals are not binding on the Annual General Meeting or the Supervisory Board; these administrative bodies retain the right to decide on appointments pursuant to company law.

Once each calendar year, in its last meeting of the year, the Supervisory Board elects six members into the Election Committee. The members must be members of either the company's Supervisory Board or the Board of Directors. The Election Committee has a Chairman and a Deputy Chairman; the Supervisory Board must elect the person nominated by the representatives of the insured into one or the other of these positions. Half of the members are elected from among the individuals nominated by the representatives of the policyholders and half from among individuals nominated by representatives the insured.

The members' meeting fee is EUR 500. The members of the Election Committee are presented on page 31.

BOARD OF DIRECTORS

The Board of Directors directs and organises 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. In addition, the Board of Directors has a Nomination Committee, Compensation Committee and Audit Committee.

The Supervisory Board elects 12 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 labour market organisations representing employers and employees so that the candidates of both the employer and employee organisations 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 term of office of the present members of the Board of Directors started on 1 January 2006 and ends in 2009. The Board of Directors elects its Chairman from among its members at the start of each calendar year. In 2007, the Board met 11 times. The average meeting attendance rate of the Board members was 84 per cent.

As decided by the Supervisory Board on 29 November 2007, as of 1 January 2008 the annual fee of the Chairman of the Board of Directors is EUR 26,000, the fee of the Deputy Chairman is EUR 19,000, the members' fee is EUR 12,000 and the deputy members' fee is EUR 9,000. The meeting fee of all members of the Board of Directors is EUR 500 per meeting. The members of the Board of Directors are presented on pages 30–31.

PRESIDENT AND CEO, DEPUTY CEO AND EXECUTIVE VICE PRESIDENT

Ilmarinen has a President and CEO appointed by the Board of Directors and an Executive Vice President who will stand in for the President and CEO as needed.

Harri Sailas has served as the President and CEO since 1 January 2007. The company's Deputy CEO is its Executive Vice President Jaakko Tuomikoski.

OTHER ORGANISATIONAL ASPECTS AND RESPONSIBILITIES

Ilmarinen has Senior Vice Presidents appointed by the Board of Directors 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 members of the Executive Group are presented on pages 32-33.

MANAGEMENT REMUNERATION AND RETIREMENT AGE

Ilmarinen operates an incentive system approved by the Board of Directors that covers all employees. The size of the bonus is affected by the degree to which the company's objectives are achieved, the degree to which the objectives of the employee's own unit are achieved, and personal performance. The management and experts of the investment business have their own remuneration system.

Members of management who were appointed before 1 July 1992 have a retirement age of 60, which differs from the statutory retirement age. The retirement age of the Chief Executive Officer is 62 years.

Ilmarinen's Chief Executive Officer was paid a total of EUR 388,159 in salary and incentives in 2007.

CORPORATE INSIDERS

Ilmarinen has corporate insider guidelines, which were last approved by the Board of Directors on 2 February 2006. The purpose of these guidelines is to promote public confidence in Ilmarinen's investment operations. 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

Ilmarinen's risk management and control systems are described on pages 79–83. Auditors, monitors of pension solution operations and investment activities, and members of committees are listed on pages 31.

Ilmarinen paid its auditors PricewaterhouseCoopers Ltd a total of EUR 246,720 for audit services, EUR 85,190 for tax advice and EUR 48,939 for other advisory services in the course of 2007, including VAT.

SUPERVISORY BOARD, BOARD OF DIRECTORS AND INSPECTORS

BOARD OF DIRECTORS starting from the top left: Reijo Karhinen, Arto Hiltunen, Hannu Syrjänen, Leif Fagernäs, Leila Kostiainen, Hannu Rautiainen and Lauri Ihalainen

SUPERVISORY BOARD

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

Antti Herlin, Deputy Chairman
Board Chairman of Kone Corporation,
due to resign in 2009

Maija-Liisa Friman
M.Sc (Eng), due to resign in 2009

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

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

Pertti Hagren
Chief Steward of BEMIS Valkeakoski Oy,
due to resign in 2009

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

Kai Korhonen
Senior Adviser of Stora Enso Oyj,
due to resign in 2008

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

Antti Lagerroos
LL.Lic, due to resign in 2009

Tarja Lankila
President of the Trade Union Suora,
due to resign in 2009

Hannu Leinonen
Group CEO of YIT Corporation,
due to resign in 2009

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

Jarmo Mikkonen
Country President of Securitas Oy,
due to resign in 2009

Sinikka Mönkäre
Managing Director of RAY (Finland's Slot
Machine Association), due to resign in 2009

Jaakko Nevanlinna
Managing Director of Aina Group Oyj,
due to resign in 2009

Markku Niskala
Secretary General of IFRC (International
Federation of Red Cross and Red Crescent
Societies), due to resign in 2009

Krister Olsson
President of The Finnish Taxi Owners
Federation, due to resign in 2009

Timo Peltola
B.Sc (Econ), due to resign in 2008

Veli-Matti Puutio
President of Osuuskauppa Arina,
due to resign in 2009

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

Markku Rönkkö
M.Sc (Econ), due to resign in 2009

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 2009

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

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

BOARD OF DIRECTORS

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

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

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

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

starting from the top left: George Berner, Leena Niemistö, Markku Vesterinen, Jukka Hienonen, Timo Parmasuo, Jukka Alho, Erkki Vuorenmaa and Matti Vijanen

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

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

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

Arto Hiltunen
President and CEO of SOK
b. 1958, B.Sc (Econ)

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

Leila Kostiainen
General Secretary of the Finnish Confederation of Salaride Employees (STTK)
b. 1950, LLM

Leena Niemistö
Managing Director of Oy Dextra Ab
b. 1963, MD

Markku Vesterinen
President and CEO of Suomi Mutual Life Assurance Company
b. 1951, Lic.Phil., FASF

Matti Viljanen
President of the Confederation of Unions for Academic Professionals (AKAVA)
b. 1949, ME

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

SUPERVISORS OF PENSION DECISION OPERATIONS

Supervisors
Jorma Eloranta
Veikko Kuusakoski
Hannu Leinonen
Sinikka Mönkäre
Timo Räty
Erkki Varis

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

SUPERVISORS OF INVESTMENT OPERATIONS

Supervisors
Antti Herlin
Jarmo Mikkonen
Jaakko Nevanlinna
Timo Peltola
Veli-Matti Puutio
Pirjo Terilehto

Deputies
Henrik Gayer
Liisa Joronen
Antti Lagerroos
Tarja Lankila
Krister Olsson
Kalevi Vanhala

APPOINTMENT AND COMPENSATION COMMITTEE
Hannu Syrjänen, chairman
Leif Fagernäs
Lauri Ihalainen

AUDIT COMMITTEE
George Berner, chairman
Leila Kostiainen
Hannu Rautiainen

ELECTION COMMITTEE
Jorma Eloranta, chairman
Esa Vilkuna, deputy chairman
Leila Kostiainen
Hannu Leinonen
Hannu Syrjänen
Matti Viljanen

AUDITORS
PricewaterhouseCoopers Oy,
Auditor-in-charge:
Juha Wahlroos, APA
Sirkku Valkjärvi, APA

Deputy auditors
Pekka Pesonen, APA
Hannu Sohlman, APA

EXECUTIVE GROUP starting from the top left: Harri Sailas, Tuula Kosonen, Pirkko Auvinen, Sini Kivihuhta, Jaakko Tuomikoski, Satu Mehtälä, Juhani Karjasilta, Hillevi Mannonen, Timo Aro and Jussi Laitinen

EXECUTIVE GROUP
and other management

EXECUTIVE GROUP

HARRI SAILAS
President and CEO
b. 1951, M.Sc
He has worked for Ilmarinen since 2006

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

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

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

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

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

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

JUSSI LAITINEN
Senior Vice President, Investments
b. 1956, MBA, B.Sc (Econ)
He has worked for Ilmarinen since 2001
(until 3 April 2008)

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

OTHER MANAGEMENT, 1 MARCH, 2008

CLIENT RELATIONS

Major Client Relations
Jani Mikkola

Major Client Insurance
Tiina Nurmi

Kirsti Koponen
Major Client Services

Maarit Wilén
Pension Fund and IFRS/US Gaap 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
Kati Huoponen (acting)
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
(until 31 May 2008)

Toni Äikäs
Business Planning and Research

INVESTMENTS

Investments
Mikko Mursula

Jari Eskelinen
Fixed Income and International Equities

Ville Helske
Allocation and Alternative Investments

Matti Rusanen
Equities, Finland

Real Estate and 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

Taisto Riski, chairman

Juha Ahvenniemi

Martti Ala-Härkönen

Marjo Berglund

Olli Eräkivi

Petri Heino

Eero Heliövaara

Arto Herranen

Maija-Leena Hirvijärvi

Irene Hämäläinen

Ari Impivaara

Mikko Isotalo

Vesa Juola

Timo Juvakoski

Jarkko Järvinen

Eija Karivaara

Päivi Karjalainen

Aku Keltto

Sauli Kiuru

Petri Kupiainen

Ritva Laakso-Manninen

Seppo Lahti

Pasi Lahtinen

Kaarina Laine-Häikiö

Timo Laitinen

Ilkka Lantto

Johanna Lehtonen

Tuomas M S Lehtonen

Jorma Lehtovuori

Jari Lemmetyinen

Pekka Lerkkanen

Kimmo J Lipponen

Jari Mellas

Ahti Myllys

Harri Mäkinen

Jyrki Mäkynen

Jukka Niemi

Jukka-Pekka Nikula

Harri Nordström

Hannu Nyyssölä

Juha Paanila

Tahvo Pekkinen

Katri Pietilä

Pertti Purovesi

Matti Pöyry

Eeva Rantala

Antti Rantalainen

Ilkka Ruohola

Seppo Saarelainen

Pekka Sahamies

Ossi Saksman

Ari Sandberg

Magnus Sjöblom

Janne Skogberg

Riitta Smolander

Aimo Takala

Kari Tarkiainen

Eija Tolvanen

Jorma Turunen

Pirjo Weisell

Harry Viiala

Markku Vähä-Mustajärvi

Ritva Välimäki

Helena Ylikylä-Leiva

Antti Zitting

ADVISORY COMMITTEES

for the insured, on pension affairs and for pension recipients

ADVISORY COMMITTEE FOR THE INSURED

Pekka Rissanen, chairman

Eila Ahonen

Erik Bussman

Katja Eriksson

Seppo Fahlström

Anne Gärding

Kari Halminen

Arto Halonen

Inkeri Hanki

Heikki Harakka

Piri Harju

Hannu Juppi

Isto Kaarnalehto

Markku Kankainen

Kari Koivisto

Paula Koskinen

Reija Koskinen

Hanna Laitila

Tarja Malén

Esa Mäenpää

Juha Nevalainen

Maritta Niemelä

Lars Pekkanen

Seija Pyökeri

Tiina Rakennuskoski

Raino Salmi

Kari Salminen

Tarja Savolainen

Rauno Seppänen

Risto Tikka

Vesa Vauhkala

Heli Vesterinen

ADVISORY COMMITTEE ON PENSION AFFAIRS

Representatives of employees

Eija-Sisko Huhtala

Erkki Rimpiläinen (until 24 October 2007)

Jaana Ylitalo (since 25 October 2007)

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

Pauliina Ripatti

ADVISORY COMMITTEE FOR PENSION RECIPIENTS

Eira Aalto-Setälä

Eljas Aarnio

Aarto Aarrekorpi

Marjatta Ahonen

Antti Aitonurmi

Kaj Bergholm

Matti Hellsten

Raili Hämäläinen

Matti Illikainen

Pekka Jussila

Antti Lanamäki

Ilkka Launo

Per-Erik Lundh

Terho Mäkelä

Pekka Mäntynen

Kyllikki Pohjola

Pekka Ruola

Vesa Sokka

Heikki Takkunen

Mirja Tanhuanpää

Ulla Torkkeli

Esko Valtonen

Juhani Virtanen

Leena Välimäki

REPORT ON OPERATIONS AND

financial statements 2007

CONTENTS

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 group companies 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 86–87.

REPORT ON OPERATIONS

ECONOMIC DEVELOPMENT

The positive development of the world economy and Finland's national economy, which has lasted for several years, continued well into 2007. During the final part of the year, economic growth slowed down, particularly in the U.S., where the mortgage credit crisis started to be reflected in the general economic environment. The growth of the world economy also slowed down, and ended up at about 4.5 per cent.

Employment continued to improve rapidly in Finland. During 2007 the number of unemployed people was at all times about 30,000 smaller than during the corresponding period of previous year. The number of employed persons increased in all sectors except for agriculture and forest, and the average unemployment rate for the year decreased by about half a percentage point from the previous year, to six per cent. The employment rate for 60–64 year-olds, which is important with respect to the earnings-related pension scheme, has increased from less than 25 per cent to 40 per cent over a period of a few years.

Inflation remained steady at the international level, but the increase in prices accelerated toward the end of the year, due among other things to the increase in the prices of raw materials and food. Global inflation settled at about 3.5 per cent, and in Finland and elsewhere in Europe inflation increased close to 3 per cent. Due to the more subdued development of inflation during the early part of the year, the rate of increase in consumer prices in Finland settled at an annual rate of 2.5 per cent. Both long-term and short-term interest rates increased, and the year turned out to be difficult for fixed-income investors, particularly due to the increase in credit risk premiums.

Fluctuations in the investment markets increased in the second half of the year as the view of the economy started to change. In the final part of the year, the stock markets were characterised by sharp falls followed by periods of recovery. The sharp fluctuations signalled a transition to a new, period of uncertainty. Finally, equity market returns for the full year turned out to be moderate, but there were great differences in return between different stock markets. The performance of the Finnish equity market was good.

The mortgage credit crisis in the U.S. did not have any direct effects on the returns of Finnish employee pension investments, but the indirect effects may turn out to be significant if there is a permanent increase in general uncertainty and economic growth in Finland slows down.

DEVELOPMENT OF THE EARNINGS-RELATED PENSION SCHEME

The forecasts of the future development of the employment pension contribution have moved in a positive direction. The positive development of employment and the average retirement age signify the easing of upward pressure on both pension expenditure and the employment pension contribution, and thus further strengthen the financial soundness of the earnings-related pension scheme. According to the latest forecasts released by the Finnish Centre for Pensions in the autumn of 2007, the level of the employment pension contribution is predicted to increase from its present level by about four percentage points over the next twenty years, to settle finally at about 25 per cent. This level is about two percentage points lower than earlier forecasts. The change is a result of the latest predictions of the development of the population and employment and the higher assumed level of average yield from employee pension investments over the long-term.

The changes made in the assumptions upon which the forecast is based were affected by pension reform, one of the objectives of which was to encourage people to remain in working life longer instead of retiring early, and the reform of the regulation for investing pension assets that entered into force at the beginning of 2007 which means that employee pension investors can seek higher yields in making their investments. Equity risk was partially transferred to be covered by the earnings-related pension scheme by tying the change in technical provisions partly to the average yield from investments in shares. At the same time, the legislation governing the assets covering technical provisions of authorised pension institutions and the calculation of the solvency border were reformed. As of the beginning of 2007, the classification of assets is made based on the actual risk when this differs from the risk estimated on the basis of the legal form of the investment.

The changes on benefits, included in pension reform for the most part entered into force at the start of 2005. The most important matter currently being implemented is the employee pension record. As of the beginning of 2008, information on gainful employment registered in the earnings-related pension scheme will be sent annually to all individuals in the private sector who are covered by statutory earnings-related pension insurance. The main purpose of the pension record is to facilitate the checking of the register data, but at the same time it also makes it easier to get an idea of the level of pension that has already accrued and which will accrue from gainful employment in the future.

The Employees' Pensions Act (TyEL), which entered into force at the beginning of 2007, replaced three previous employee pension laws. With its entry into force, the customers covered at the present time by TyEL and the Self-Employed Person's Pension Act (YEL) constitute a single joint competitive market for pension institutions which in the past operated pursuant to separate laws. The residual pressures resulting from the separation of the laws were unwound during the first transfer round of 2007.

There were also amendments in 2007 to the legislation governing the administrative bodies of authorised pension insurance companies. The competence requirements for members of the Supervisory Board and Board of Directors as well as the Chief Executive Officer were made more precise. Committees handling nominations, remuneration and audits became mandatory as well as a special Election Committee established to prepare for the selection of members of administrative bodies, in which organisations representing employers and employees have equal representation.

On 11 January 2007, the Ministry of Social Affairs and Health published a report on the competitive conditions of the earnings-related pension scheme. This will eventually lead to the enactment of legislation, the content of which cannot be foreseen in all respects at the present time. One of the proposals in the report is a modest reduction in the regulation of technical bases. Authorised pension insurance companies evaluated themselves in terms of competition law with respect to this subject in 2007. The finding of this evaluation was that the operation of the earnings-related pension scheme requires the maintenance of mainly joint technical bases but in some respects changes toward company-specific technical bases would be possible and justified. The most suitable aspects to be made company-specific are the determination of the part of the employment pension contribution that is collected for business expenses and the division of bonuses and rebates between customers. The change is relatively large and for this reason it is likely that the earliest year that company-specific technical bases would be applied is 2010.

The principle for calculating the refund transfer based on investment activities was changed in association with investment reform so that the maximum amount of transfer only depends on the company's absolute solvency and no longer on solvency in relation to the risks of the company's investment portfolio. The change was justified in terms of seeking higher yields on investments because according to the earlier rules, an increase in investment risk with other factors remaining unchanged led to the deterioration of competitiveness on bonuses and rebates over the short term. Starting in 2007, cost-effectiveness also has an impact on bonuses and rebates.

ILMARINEN'S RESULT AND SOLVENCY

The year 2007 was very positive for Ilmarinen in terms of the increase in its customer base. The development of investment operations and solvency also continued until the middle of the year in the favourable direction established over the last few years, as the company benefited from the choices it made in its investment strategy as share prices rose. The investment climate started to change during the second half of the year and investment yields fell, but despite this the company's solvency only fell slightly and remained at a high level.

The net yield of Ilmarinen's investments, calculated at fair value, was 5.7 per cent (8.5 per cent in 2006). The solvency capital, i.e. the difference between the company's assets and liabilities measured at fair value, increased to EUR 6,068.8 million from EUR 5,828.0 million in the previous year. At the end of 2007, the solvency capital was 32.5 (33.7) per cent of the technical provisions used in the calculation of solvency and 50 (60) per cent of its maximum amount.

The solvency capital is intended to cover the risks inherent in investments. The control limits of the solvency capital of authorised pension companies are determined by the level of risk inherent in the company's investments which is estimated by dividing the investments into classes according their risk and by calculating the so-called solvency limit based on the classification. From the beginning of 2007, the classification has been made on the basis of the actual risk of the investment when this is clearly different than the risk of the investment based on its legal nature. The change lowered Ilmarinen's solvency border from 14.1 per cent by 0.3 percentage points at the start of the accounting period, but changes in the investment portfolio during the accounting period increased it to 16.3 per cent. At the end of 2007, Ilmarinen's solvency margin was 2.0 times the solvency limit, while in 2006 it was 2.4 times the limit.

The data on the result and solvency presented below are based on key figures and analyses presented in the notes to the financial statements which are calculated mainly at fair value.

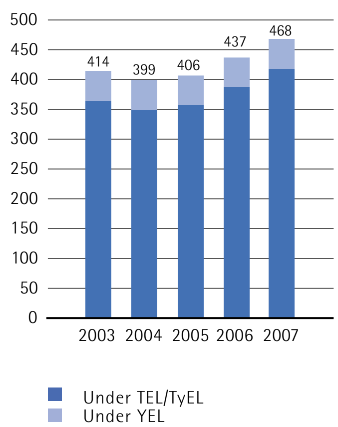
Ilmarinen's overall result in 2007 was EUR 344.6 (850.3) million. The result of the underwriting business under the company's own responsibility was EUR 9.0 (19.9) million and its loading profit was EUR 14.0 (22.9) million. The technical underwriting result is the difference between premium components intended to cover risks and claims incurred. The loading profit shows how much the expense loading components and other similar income exceed the operating expenses to be covered by them. Net yields from investments activities calculated at fair value were EUR 1,325.0 (1,803.0) million. They exceeded the total of the EUR 996.6 (995.5) million in interest refunded on technical provisions and the EUR 6.8 million growth in technical provisions tied to the yield from shares by EUR 321.6 (807.6) million.

The result of the underwriting business under the company's own responsibility will be transferred to the equalisation provision in line with the principles affirmed by the Ministry of Social Affairs

REPORT ON OPERATIONS

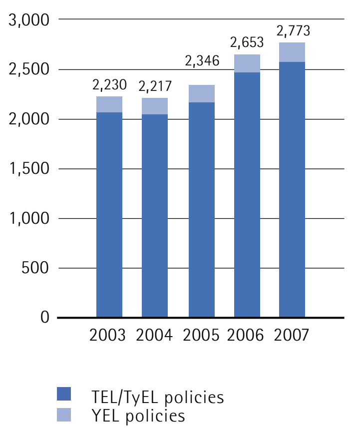
Number of people insured

In thousands



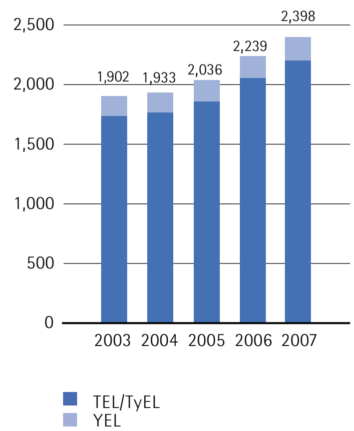
Premiums written

EUR mill.



Benefits paid out 2007

EUR mill.



and Health, except for EUR 1.0 million, the amount by which the equalisation provision of supplementary pension insurance pursuant to TEL (Employees' Pensions Act) would otherwise have exceeded its upper limit.

The amount allocated for discounts on TyEL contributions, i.e. bonuses and rebates, is determined in 2007 mainly based on the company's solvency capital, but partly also based on the result of administrative costs. EUR 74.0 (81.0) million will be allocated for bonuses and rebates. The transfer is 0.60 (0.70) per cent of the insured payroll and EUR 177 (209) per employee insured at Ilmarinen.

The rest of the overall result will be retained to strengthen the company's solvency capital, except for interest paid on guarantee capital after the approval of the financial statements.

INSURANCE PORTFOLIO AND PREMIUMS WRITTEN

Changes in employee pension legislation as of the beginning of 2007 altered concepts in some respects when comparing figures with the amounts in 2006. When the earlier Employees' Pensions Act (TEL) was in force each employer that had insured its employees at Ilmarinen concluded an insurance contract with the company. While TyEL is in force, most employers act in this fashion, but those using temporary employees can pay their employer contributions to authorised pension insurance companies without signing an actual insurance contract. Below, "policyholder" refers to a client that has concluded an insurance contract with Ilmarinen and "TyEL employee" refers to an employee who has been employed by such an employer.

The development of Ilmarinen's TyEL insurance portfolio was very good in 2007. At the end of 2007, there were 34,113 (31,551) TyEL insurances, so the number of insurances increased by 8.1 per cent during the year. In addition, 1,458 temporary employers paid TyEL contributions to Ilmarinen. At the end of the year, there were 417,000 (387,000) insured persons covered by TyEL insurances, which was 7.8 percent more than the number of TEL-insured individuals at the end of the previous year. The average size of a TyEL insurance was about 12 persons in 2007 or the same as the average size of a TEL insurance in 2006.

The amount of TyEL payrolls insured at Ilmarinen was EUR 12,425.5 (11,505.6) million. This was 8.0 per cent more than TEL payrolls in the previous year. Market share, calculated on the basis of the amount of insured TyEL payrolls, is estimated to have increased clearly in 2007 from the corresponding figure in 2006, which was 30.2 per cent. When calculating this corresponding figure, all authorised pension insurance companies which provide insurance pursuant to TyEL from 2007 are included.

Ilmarinen had 51,289 (49,898) YEL (Self-Employed Persons' Pension Act) insurances at the end of the year. Ilmarinen is clearly the largest insurer of self-employed persons, and its market share has been in the range 30-32 per cent in recent years, measured on the basis of premiums written. The average annual reported income for YEL insurances was EUR 19,285 (18,510). It increased by about 4.2 per cent from the previous year, which is more than the wage coefficient to which YEL-reported income is tied and which increased by 2.18 per cent. YEL-reported income is on average significantly lower than the average earnings of TyEL employees.

In 2007, Ilmarinen's premiums written stood at EUR 2,772.5 (2,652.6) million.

EUR 2,578.7 (2,471.2) million in TyEL contributions were received, i.e. TyEL premiums written increased by 4.4 per cent compared to TEL premiums written in 2006. Discounts given to TyEL contributions in 2007, i.e. bonuses and rebates, totalled EUR 79.9 million, compared with EUR 77.9 million in the previous year. The most important factor affecting the change in TyEL premiums written was the growth in the insured payroll. Nevertheless, the growth in premiums written fell short of the increase in the insured payroll due to adjustment contributions for previous years included in 2006 premiums written.

Premiums written from YEL insurances stood at EUR 193.9 (181.4) million, an increase of 6.9 per cent.

Credit losses on unpaid TEL contributions were EUR 6.0 (4.3) million. Credit losses on unpaid YEL contributions were EUR 3.2 (3.5) million. Ilmarinen will not, however, incur losses from credit losses on YEL contributions because in the YEL system, the State's share compensates for insurance premiums not received from policyholders.

The overall result from sales was at a record level during the accounting year and the number of clients increased clearly. At the end of the year, Ilmarinen managed the employee pension insurance of 34,114 companies and 51,289 self-employed persons, and as a result provided employee pension insurance for a total of about 468,000 individuals in working life. Sales of new insurances was more active throughout the whole year than in previous years, and in terms of the number of insurances growth was 20 per cent compared with 2006.

The transfers of TyEL insurances between Ilmarinen and other authorised pension companies had a better net positive result for Ilmarinen than ever before. Measured in terms of premiums written, it increased to about EUR 82 million. The whole employment pension market was affected by the combination of employee pension laws and the dismantling of the earlier monopoly. The change gave Ilmarinen's clients the opportunity to concentrate their employment pensions at Ilmarinen. This decision was made by 2,300 clients. Ilmarinen posted a clearly positive transfer result in relation to most of its competitors. There was an increase in the customer base with respect to small, medium-sized and large companies.

A total of 5,540 new YEL insurances were sold. This will boost YEL premiums written by EUR 17.5 million and clearly exceeds the sales result during previous years. The transfer result on YEL insurances was also positive by 900 insurances.

Ilmarinen's partners OP-Pohjola and Pohjantähti played key roles in the sales of both self-employed person's pension and employee pension for SMEs. Obtaining employee pension insurance through Ilmarinen's Internet service has also become more popular, and during the accounting year total direct sales were significant, at over EUR 9 million. In addition, the effectiveness of sales and customer service has been improved through Ilmarinen's own national network of account managers.

Nokia Corporation decided in December 2007 to transfer the pension insurances of all of its about 15,000 employees from the company pension fund to Ilmarinen from 1 March 2008.

CONTRIBUTION RATE

The confirmed average TyEL contribution for 2007 was 21.6 per cent or the same as last year's TEL contribution. The contribution of employees under the age of 53 was 4.3 per cent and the contribution of over 53-year-olds was 5.4 per cent. The average employer contribution was 17.0 percentage points. The level of the employer contribution varies depending on the insurance and also depends on the authorised pension company's bonuses and rebates. Ilmarinen's bonuses and rebates were on average 4.0 (4.0) per cent of the employer's contribution. Small and medium-sized employers were also granted a maximum discount of 0.6 percentage points to reduce the equalisation provision relating to disability pensions.

The confirmed TyEL contribution for 2008 is on average 21.8 per cent of the earnings, i.e. 0.2 percentage points higher than in 2007. The employment pension contribution percentages of employees by age class will fall by 0.2 percentage points, so that the contribution of under 53-year-olds is 4.1 per cent, and the contribution of those 53 years or older is 5.2 per cent. The average employer contribution is 17.5 percent. In 2008, small and medium-sized employers will again be granted a temporary discount to reduce the equalisation provision relating to disability pensions. The amount of the discount depends on the size of the employer and is a maximum of 1.0 percentage points.

The YEL contribution for 2007 was 20.8 per cent of confirmed earnings. The YEL contribution of self-employed persons who turned 53 before the start of the accounting year was 21.9 per cent. In 2008, the YEL contribution is 0.2 percentage points lower than in 2007, i.e. 21.7 per cent for self-employed persons who turned 53 before the start of the accounting year and 20.6 per cent for others.

PENSIONS AND MAINTAINING WORKING CAPACITY

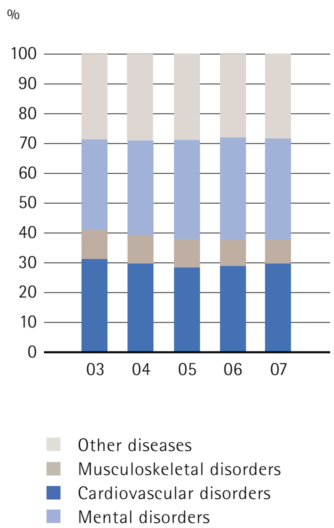
In 2007, Ilmarinen paid a total of EUR 2,398.4 (2,239.1) million in pensions.

Pension expenditure by type of pension in 2007, EUR millions

	TyEL	YEL	Total	% of total pension expenditure
Retirement pensions	1,310.1	117.4	1,427.5	59.5
Early retirement pensions	151.8	16.4	168.2	7.0
Part-time pensions	27.1	7.7	34.8	1.5
Disability pensions	363.4	28.9	392.3	16.4
Individual early retirement	11.6	0.7	12.3	0.5
Unemployment pensions	141.4	2.5	143.9	6.0
Survivors' pensions	196.4	23.0	219.4	9.1
Total	**2,201.8**	**196.6**	**2,398.4**	**100.0**

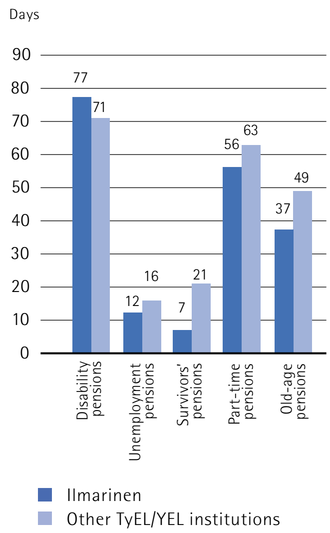
REPORT ON OPERATIONS

Disability pensions



Source: The Finnish Centre for Pensions

Processing times of pension applications 2007



Source: The Finnish Centre for Pensions

The figures in the table contain both items paid directly to pension recipients and items paid through a pay-as-you-go pool.

Number of pension recipients on 31 December 2007

Type of pension	TyEL	YEL	Total
Retirement pensions	132,205	17,094	149,299
Early retirement pensions	13,127	2,960	16,087
Part-time pensions	3,723	1,159	4,882
Disability pensions	36,549	4,514	41,063
Individual early retirement pensions	671	59	730
Unemployment pensions	10,950	253	11,203
Survivors' pensions	33,282	6,425	39,707
Total	230,507	32,464	262,971

At the end of the year, there were 262,971 pension recipients, i.e. 2.0 per cent more than a year earlier, when there were 257,884. At the end of the year, 230,507 (226,006) pension recipients received TyEL pension, and 32,464 (31,878) received YEL pension.

A total of 63 per cent of pension recipients received retirement pension and 16 per cent received disability pension. Recipients of individual early retirement pension made up less than half a per cent of all pension recipients. Just as last year, the share of unemployment pension recipients was about 4 per cent, the share of part-time pension recipients was slightly under 2 per cent and the share of survivors' pension recipients was 15 per cent of all pension recipients.

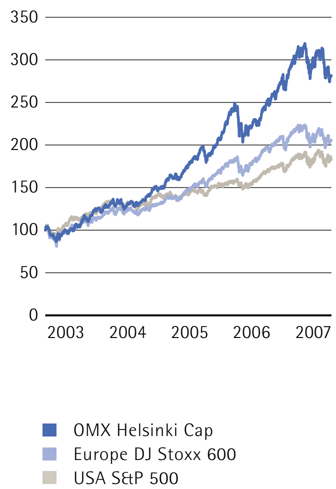
Pension decisions in 2007

	2007	2006	Change %
Retirement pensions	**5,328**	5,142	3.6
Early retirement pensions	**455**	371	22.6
Part-time pensions	**1,240**	904	37.2
Disability pensions	**5,979**	6,112	-2.2
Individual early retirement pensions	**0**	7	-100.0
Unemployment pensions	**2,913**	2,678	8.8
Survivors' pensions	**2,749**	2,597	5.9
Total new pension decisions	**18,664**	17,811	4.8
Total pension decisions	**31,354**	31,659	-1.0

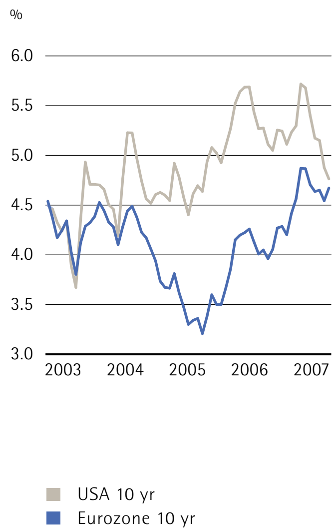
During 2007, Ilmarinen made a total of 31,354 pension decisions, or about one per cent less than during the previous year. The number of new pension decisions increased by 4.8 per cent and stood at a total of 18,664. Slightly more retirement pensions were awarded than in the previous year. Individual early retirement pensions were eliminated entirely due to pension reform, and none were granted in 2007. The number of disability pensions granted fell and the number of unemployment pensions increased. Slightly more survivors' pensions were granted than in the previous year. The largest proportional increase was in the number of part-time pension decisions.

Ilmarinen measures the efficiency of the processing of pension claims using the average processing time for each type of pension and the quality of pension decisions according to stability of the decisions vis-à-vis the degree of seeking a change. The company has traditionally performed better than the benchmark group using both

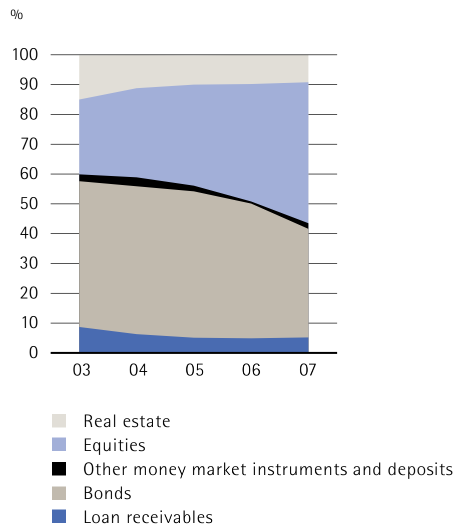
Stock market performance
(Dec. 31, 2002 =100)



Long-term interest rates



Structure of Ilmarinen's assets



indicators. This was also the case in 2007 with the exception of the processing period of disability pension decisions. The share of negative decisions among disability pension decisions was 21.1 (22.1) per cent. Of those Ilmarinen decisions that were sent to appeal bodies, 4.5 (6.3) per cent of the decisions sent to the Pension Appeal Court (Työeläkeasioiden muutoksenhakulautakunta TELK) were amended against Ilmarinen's position, and 19.1 (13.3) per cent of the decisions sent to the Insurance Court were amended against Ilmarinen's position.

Ilmarinen remains the only authorised pension company that offers its customers who have received a negative disability pension decision a guidance service on issues such as securing a livelihood and continuing in working life. The service is provided by rehabilitation research institutes and work clinics throughout Finland that have concluded cooperation agreements. Feedback received from customers, employers and service providers has been positive.

A total of 22,120 (22,020) individual pension insurance analyses were carried out in response to customer queries.

In 2007, Ilmarinen held a total of 16 seminars on well-being at work throughout Finland for individuals responsible for the operations, staff and development of its customer companies. In addition to these events, numerous training sessions were held for customer companies.

Ilmarinen continued to support the occupational rehabilitation of the personnel of its customer companies by offering training in occupational rehabilitation and, during the rehabilitation planning stage, guidance and expert support for both employees seeking rehabilitation and the staff of the customer companies. During the actual rehabilitation period, the company pays benefits pursuant to employee pension legislation, which support the individual's livelihood during the rehabilitation and compensates for the costs of the training. In 2007, Ilmarinen paid a rehabilitation allowance or a rehabilitation increment tied to a pension during occupational rehabilitation in 1,268 (1,106) cases. The number of these payments increased by 15 per cent from the previous year.

UNDERWRITING BUSINESS, TECHNICAL PROVISIONS, PORTFOLIO TRANSFER AND FUND TRANSFER

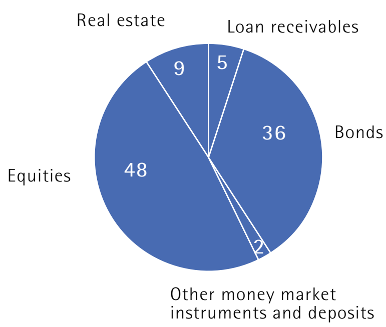
At the end of 2007, technical provisions stood at a total of EUR 22,661.1 (20,917.2) million. Provision for future bonuses increased by net EUR 348.8 million and stood at EUR 3,937.1 (3,588.3) million at the end of the year. The increase in the other parts of technical provisions was 8.1 per cent.

The result of the underwriting business under the company's own responsibility was EUR 9.0 (19.9) million. The equalisation provision increased by EUR 8.0 million to EUR 917.9 million. The transfer into the equalisation provision was EUR 1.0 million less than the result of the underwriting business since the equalisation provision of TEL supplementary pension insurance was near its maximum.

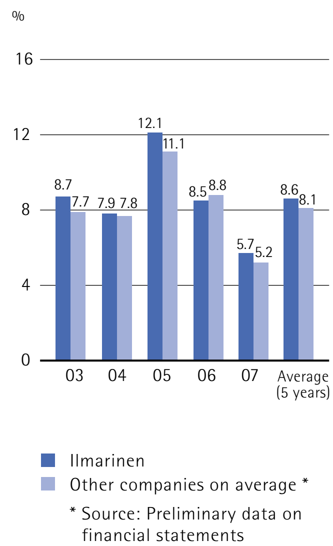
A share of the investment income corresponding to the technical bases is credited to technical provisions. According to the amendment in legislation that entered into force from the beginning of 2007,

REPORT ON OPERATIONS

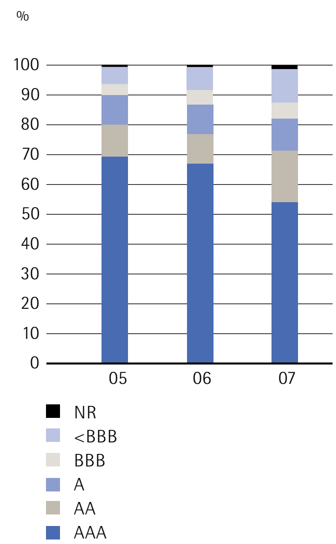
Breakdown of investment assets on Dec. 31, 2007, %



Net investment income, at fair value



Credit rating classes of bonds (incl. fixed-income funds)



part of the required return on the technical provisions of pension institutions is determined on the basis of their average solvency, which corresponds to the technical rate of interest used earlier, and the rest is tied to the average yield on the listed shares owned by the pension institutions. The amendment enters into force with a five-year transition period so that in 2007 the weight of the part based on the solvency of pension institutions was 98 per cent, from which it declines by two percentage points per year and is 90 per cent as from 2011. In practice, this part of the required return is calculated by adding the supplementary multiplier of the pension liability, given in the technical bases, to the three per cent discount rate. In 2007, the supplementary factor of pension liabilities was 2.46 per cent until the middle of the year, and 2.96 per cent after that. The average yield on the listed shares owned by the pension institutions was 2.77 per cent. The total required rate of return on technical provisions was 5.6 per cent in 2007. The technical rate of interest use to calculate insurance premiums was 5.5 per cent in the first half of the year and 6.0 per cent in the second half.

Assets that cover technical provisions stood at EUR 23,748.6 (21,927.6) million.

In 2007, two TyEL pension funds transferred all or part of their liability to Ilmarinen and a fund transfer from Ilmarinen to one pension fund was carried out. The transferred liability was net EUR 51.4 million, of which provision for future bonuses made up EUR 9.8 million.

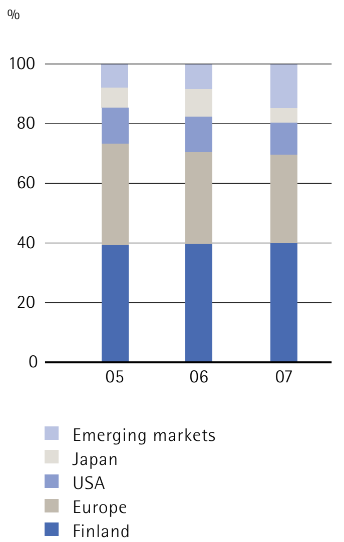
INVESTMENT

The objective of Ilmarinen's investment activities is to achieve the highest possible return within the framework of the level of risk set by the Board of Directors. The starting point for the evaluation of the level of risk is the company's average solvency across business cycles.

At the end of 2007, Ilmarinen's total investments calculated at fair value were EUR 23,663.6 (22,994.9) million. Return on investments calculated at fair value was 5.7 per cent, which corresponds to real return of 3.0 per cent. In the previous year, return on investment for the whole investment portfolio was 8.5 per cent. Calculated at fair value, average annual return over the last five years has been 8.6 per cent, which corresponds to average annual real return of 7.2 per cent.

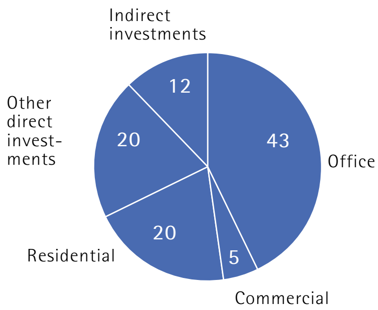
Bonds, fixed-income funds and money market instruments made up 38 (46) per cent of the value of Ilmarinen's investment assets. Their total market value was EUR 9,058.3 (10,543.1) million and return at fair value was 2.1 (1.2) per cent. A total of EUR 2,715.3 (5,733.0) or 30.0 (54.4) per cent was invested in government loans. The share of money market instruments was EUR 447.2 (155.9) million or about 4.9 (1.5) per cent and the yield was 4.0 (3.8) per cent. The remaining 65.1 per cent were corporate loans, emerging market loans and investments in fixed-income funds. Most of the corporate loans had a high credit rating. At the end of the year, the average time-to-maturity of the bond portfolio was 4.3 (4.2) years.

Geographical breakdown of listed equity (incl. funds)

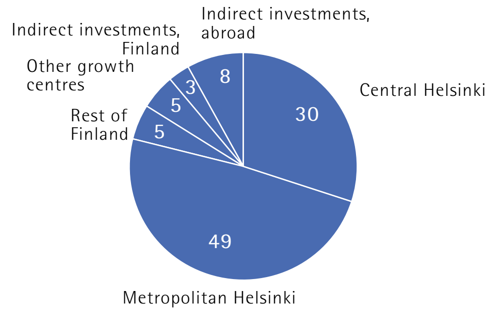


Real estate investment structure on Dec. 31, 2007

Total EUR 2,165.3 mill



Real estate investments by region on Dec. 31, 2007, %



Equity investments excluding bond and real estate funds, which are included in this category in the balance sheet, made up 47 (39) per cent of investments. As a result of share prices and share purchases, their value in 2007 rose to EUR 11,200.7 (9,053.1) million. Investments in domestic shares made up about 36 (38) per cent of this, or EUR 4,000.7 (3,424.5) million. Domestic shares made up 39 (40) per cent of the value of investments in listed shares. The development of stock markets was variable during the year, and the yield from investments in shares, calculated at fair value, settled at 9.1 (20.3) per cent.

These figures include the value of derivatives calculated at fair value. Equity, currency and interest derivatives are used both for hedging and to shape the distribution of investments.

Equities include investments in private equity funds and hedge funds as well as investments in commodities, all of which Ilmarinen has increased over the past few years. At the end of the year, they made up about 5.8 (3.1) per cent of the market value of investment assets. Of this, private equity funds made up EUR 520.0 million, hedge funds made up EUR 801.2 million, and investments in commodities made up EUR 2.8 million. The risk-weighted value of commodity investments, which are in the form of derivatives, was significantly higher than this, EUR 238.6 million. The total distribution of investments according to risk is presented in its entirety in the Risk Management in the financial statements. Hedge funds had an average yield of 18.6 per cent and private equity funds an average yield of 42.5 per cent on invested capital.

In line with Ilmarinen's principles for socially responsible investment, investments in a total of five companies have been removed from the company's investment portfolio in 2003, 2004 and 2007, and furthermore Ilmarinen refrained from investing in several securities. Seven processes aiming at influencing on companies were under way during the previous year, one of which was concluded. Discussions are continuing in the case of the other processes, with the aim that the companies would stop activities that violate against Ilmarinen's principles of responsible investment.

At the end of 2007, the market value of Ilmarinen's real estate investments stood at EUR 2,165.3 (2,259.5) million. Change from the previous year was -4.2 per cent. The share of real estate investments accounted for 9 (10) per cent, of which indirect investments made up one percentage point. The value of directly-owned properties was EUR 1,916.0 million.

In January 2007, Ilmarinen sold a real estate portfolio with a value of nearly EUR 300 million to Aberdeen Real Estate Fund Finland; Ilmarinen took a one-third ownership in this fund.

Investments in real estate funds continued both in Finland and abroad. At the end of the year, a total of EUR 435 million in investment commitments had been made. At the end of the year, indirect investments and investment commitments made up about 19 per cent of real estate investments.

The capacity utilisation rate of properties directly owned by Ilmarinen was boosted among other things by the improvement in

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the conditions of the office property market. The capacity utilisation rate of real estate stood at 94.1 (91.2) per cent at the end of the year.

The total return of the company's real estate investments was 9.5 (7.3) per cent. Return from directly-owned properties was 9.0 (7.2) per cent. The return on indirect real estate investments was 14.5 (11.2) per cent.

The portfolio of loans granted by Ilmarinen to its customers increased by 8.8 per cent. At the end of the year, loan receivables made up 5 (5) per cent of investment assets. During 2007, there were EUR 351.3 (317.1) million in new loans while EUR 250.5 (253.1) million in loans were repaid. At the end of the year, the total loan portfolio was EUR 1,239.3 (1,139.1) million including accrued interest. The return on loan receivables was 4.5 (4.4) per cent.

Portfolio of customer loans, EUR millions

	1997	2002	2007	Percent-age return
Premium loans	1,559.1	1,089.4	**284.8**	4.4
Other than premium loans	220.0	470.3	**954.5**	4.6
Total (incl. interest accrued)	1,779.1	1,559.7	**1,239.3**	4.5
Share of total portfolio, %	19	11	**5**	

As of the start of 2007, a number of changes were made to the regulations on the investment activities of authorised pension insurance companies, the purpose of which is to further improve the investment return on employee pension funds, in particular by increasing investments in equities. The last amendments aimed at the same objective were made in 1997, and in the following ten-year period the average overall return at fair value of Ilmarinen's investments was 7.6 per cent per year. This corresponded to an annual real return of 6.0 per cent. This was the best return of all authorised pension companies.

RISK MANAGEMENT

The objective of Ilmarinen's risk management is to prevent the realisation of risks threatening the company, to minimise the financial and other damage caused by realised risks, and to ensure the continuity of operations. On the other hand, the objective is that the company can utilise the opportunities offered by managed risk taken in business operations, especially in investment activities. It is important above all that the rights of the insured, pensioners and policyholders are ensured in all situations.

The quantitative and qualitative requirements on the assets covering technical provisions, imposed through legislation as of the start of 2007, were amended to become simpler. The admissible assets are calculated at fair value and the main objective of the regulations is to avoid concentrations of risk. Ilmarinen carries the investment risk connected to the covering of its technical provisions and return requirement. By 2011, however, there will be a gradual shift to a system in which a part of the risk of share investments corresponding to 10 per cent of all investments will be carried at the level of the whole earnings-related pension scheme. The joint solvency regulations of pension institutions continue to function as the framework for risk management of investment activities, but the number of monitoring limits at various levels connected to it has decreased. As of the start of 2007, the classification of investments has been carried out, both in the regulations governing assets held to cover technical provisions and when calculating solvency requirements, on the basis of the same principles and based on the (actual risk of the investments.

Ilmarinen has a risk management plan that covers the entire operations of the company and is approved annually by the Board of Directors. There is a risk management committee for the company-level coordination and development of risk management that is made up of representatives of business units and support units. The risk management committee updates the survey and evaluation of the risks facing the company with respect to its operations every six months. This risk analysis was discussed by the Audit Committee and by the Board of Directors in January 2008.

The risk monitoring and reporting to the Board of Directors of investment activities will be transferred to the company's actuarial unit as of 1 April 2008. The objective of this organisational change is to further improve the independence of the reporting of investment activities and risk management from the operations taking risk.

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

PERSONNEL

In 2007, the average number of employees in the Ilmarinen Group was 668, compared with 673 a year earlier. The average number of employees in the Ilmarinen parent company was 525 (525). This figure includes 57 (48) part-time employees, whose work contribution has been adjusted to correspond to the working hours of full-time employees when calculating the averages. An average of 24 (27) persons were on family leave or other unpaid leave during the year. At the end of the year, the parent company Ilmarinen employed 580 (563) persons, of whom 545 (543) were under permanent employment.

A management training package was started in the autumn of 2007 for all supervisors at Ilmarinen, and its central themes are strategy, one's own enthusiasm, the customer, and processes, as well as change and reform. The training will continue until the following autumn. The preparation of a joint operating model started at the middle of the year for the evaluation of the difficulty of tasks in all of the company's operations. The procedure will be utilised to support personal development, will form the basis of salary development and will support salary discussions included in the new collective bargaining agreement.

INFORMATION TECHNOLOGY

During 2007, Ilmarinen, along with other pension insurance companies, gradually adopted the use of a joint earnings data system in several different stages as planned. During the phase of the amendment of employee pension laws, the new data system handles the registration of the employment data required by TEL and the earnings data pursuant to TyEL. The development, maintenance and production of the system is handled by Arek Oy, a service company owned by authorised pension providers and the Finnish Centre for Pensions, together with Arek's suppliers. With the entry into force of the new legislation, the production of the statutory employee pension record , delivered to the insured for the first time in 2008, was planned, and the technical implementation of the production of the records started in the latter part of the year.

Cooperation with OP-Pohjola Group continued for the provision of IT business services in the future, and a tender process was carried out in the latter part of the year. The alternatives available to Ilmarinen and the opportunities for further cooperation will become clear in 2008. As before, the development and maintenance of the company's own data systems will be handled by Ilmarinen's and TietoEnator's joint venture TietoIlmarinen. The procedure for the comprehensive and uniform information system authorization and access management of authority to use IT system was finalised and the implementation of centralised technology for authority to use was started.

OPERATING EXPENSES

Ilmarinen's total operating expenses were EUR 103.5 (98.6) million, up 5.0 per cent from the previous year.

Total operating expenses contained EUR 5.3 million in statutory fees, which will be financed through a separate part of the insurance premium allocated to statutory fees. In 2007, the sum includes the share of the costs of the Finnish Centre for Pensions, the supervision fee of the Insurance Supervisory Authority and the fee of the Pension Appeal Court (EUR 13.9 million in 2006). Of these items, the share of the costs of the Finnish Centre for Pensions was presented in the past as a separate statutory fee item in the income statement.

Total operating expenses, excluding statutory fees, were EUR 98.2 million in 2007, up 16.0 per cent from 2006 when they were EUR 84.7 million. The increase was due to, for example, the increases in service compensations to partners resulting from Ilmarinen's exceptionally good sales result and costs resulting from the start-up of the operations of the joint earnings data register of pension institutions.

Operating expenses of investment activities were EUR 9.8 (9.2) million, or 0.4 per mil of the total amount of investments. They are financed from the income from investment activities. The costs of maintaining work capacity, which are financed from the administration part of the disability risk premium contained in the insurance premium, were EUR 2.8 (4.2) million. Other operating expenses are financed from the expense loadings contained in the insurance premium and other similar income, the total amount of which they fell short of by EUR 14.0 (22.9) million or 14.1 (24.2) per cent.

MANAGEMENT

After Marja Usvasalo resigned from Ilmarinen's Board of Directors as of 8 March 2007 the Supervisory Board, at its meeting on 8 March 2007, elected Leena Niemistö as a member of the Board of Directors for the remainder of the term of office; i.e., until the end of 2009.

After Seppo Junttila resigned from the Board of Directors from 1 July 2007 the Supervisory Board elected Leila Kostiainen as a member of the Board of Directors for the remainder of the term of office; i.e., until the end of 2009.

After Risto Piekka resigned from Ilmarinen's Board of Directors as of 1 December 2007 the Supervisory Board, at its meeting on 29 November 2007, elected Matti Viljanen as a member of the Board of Directors for the remainder of the term of office.

After Eino Halonen resigned from Ilmarinen's Board of Directors as of 1 January 2008 the Supervisory Board elected Markku Vesterinen as a member of the Board of Directors for the remainder of the term of office; i.e., until the end of 2009.

Eero Ylä-Soininmäki, resigned as deputy member of the Board of Directors at the turn of the year.

At its meeting on 21 January 2008, the Board of Directors re-elected Hannu Syrjänen as its Chairman and Lauri Ihalainen and Leif Fagernäs as Vice-Chairmen. The Chairman and Vice-Chairmen also function as the Nomination Committee and Compensation Committee of the Board of Directors.

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The members of the Audit Committee are George Berner as Chairman, Leila Kostiainen and Hannu Rautiainen.

At its meeting on 29 November 2007, Ilmarinen's Supervisory Board established an Election Committee at Ilmarinen as required by legislation governing authorised pension insurance companies. Its task is to prepare a proposal for the Annual General Meeting on the members of the Supervisory Board and their remuneration. The Election Committee also prepares a proposal for the Supervisory Board on the members of the Board of Directors and their remuneration.

The members of the company's first Election Committee are Jorma Eloranta as Chairman, Esa Vilkuna as Vice-Chairman, Leila Kostiainen, Hannu Leinonen Hannu Syrjänen and Matti Viljanen.

Of the six members of the Election Committee, half are individuals nominated by representatives of policyholders on the Supervisory Board, and the other half are individuals nominated by representatives of the insured on the Supervisory Board.

GROUP

In addition to the Ilmarinen parent company, the Ilmarinen Group includes mainly real estate companies. Based on voting rights, TietoIlmarinen belongs to Ilmarinen Group as Ilmarinen's ownership of TietoIlmarinen's shares gives it control of 70 per cent of the votes, although Ilmarinen only owns 30 per cent of the share capital. On 31 December 2007, there were a total of 124 subsidiaries. Garantia Insurance Company Ltd is associate of Ilmarinen.

Suomi Mutual Life Assurance Company and Pohjantähti Mutual Insurance Company are participating interests of Ilmarinen.

GUARANTEE CAPITAL

Ilmarinen has guarantee capital of EUR 22,994,653.31, which is divided into 13,672 guarantee shares. On 31 December 2007, the owners of the guarantee capital and their shares of the guarantee capital were as follows:

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

OUTLOOK

Increased factors of uncertainty connected to economic development led to an exceptionally sharp decline in share prices during the first weeks of 2008. At the present time it is too soon to judge whether this indicates that a significant economic downturn will occur in 2008, or that economic growth will slow down moderately. Key risk factors continue to be the uncertainty in the financial markets as well as the price of oil and its sharp volatility.

Due to the poor performance of the stock markets, Ilmarinen's solvency has been slightly lower during the early part of the year than at the turn of the year. The 2008 result will be determined to a great extent by the development of the investment markets.

Already within the framework of the previous solvency regulations for authorised pension insurance companies, Ilmarinen has carried out investment activities aiming at a good return over the long term. In the future, a significant part of investments will continue to be targeted at domestic and foreign shares, while at the same time investments are diversified into other investment categories with high expected returns. This will not, however, significantly increase the effects of fluctuations in the stock markets on the annual result because following the amendments made at the start of 2007, authorised pension providers jointly carry part of the risk of shares. On the other hand, even greater volatility than in the past can be expected in the annual returns on investments.

Amendments concerning the boundary conditions of investment activities are reflected in the investment strategies of Ilmarinen and its competitors. Various authorised pension insurance companies have altered their investment strategies quickly in the direction pioneered by Ilmarinen, and also now seek higher returns. Ilmarinen believes that its relative position in the competition on bonuses and rebates between authorised pension companies will remain good over the long term. This judgement is supported by the determination of the transfer of bonuses and rebates based on the long-term result, directly on the basis of solvency, and the company's improving cost efficiency which as of 2007 has a more immediate effect on bonuses and rebates.

Ilmarinen offers services to policyholders both on its own and in cooperation with its partners. One of the company's best competitive advantages is its partnership with OP-Pohjola Group which has a nationwide service network.

PROFIT AND LOSS ACCOUNT

	PARENT COMPANY		GROUP	
EUR mill.	2007	2006	2007	2006
TECHNICAL ACCOUNT				
Premiums written	**2,772.5**	2,652.6	**2,772.5**	2,652.6
Investment income	**3,251.0**	2,941.3	**3,239.4**	2,924.8
Claims incurred				
Claims paid	**–2,418.4**	–2,256.6	**–2,416.9**	–2,255.2
Change in provision for claims outstanding				
Total change	**–1,003.9**	–784.8	**–1,003.9**	–784.8
Porfolio transfers	**18.0**	7.6	**18.0**	7.6
Insurance portfolio transfers	**–4.4**	–	**–4.4**	–
	–990.3	–777.2	**–990.3**	–777.2
	–3,408.7	–3,033.7	**–3,407.2**	–3,032.4
Change in provision for unearned premiums				
Total change	**–740.0**	–1,241.1	**–740.0**	–1,241.1
Porfolio transfers	**44.4**	–2.6	**44.4**	–2.6
Insurance portfolio transfers	**–6.6**	–	**–6.6**	–
	–702.2	–1,243.7	**–702.2**	–1,243.7
Operating expenses	**–69.8**	–68.1	**–67.7**	–66.1
Investment charges	**–1,835.5**	–1,237.2	**–1,827.8**	–1,231.4
Balance on technical account	**7.4**	11.2	**7.0**	3.8
NON-TECHNICAL ACCOUNT				
Balance on technical account	**7.4**	11.2	**7.0**	3.8
Other income	**1.4**	1.4	**1.7**	1.7
Other expenses	**–1.6**	–1.9	**–1.5**	–1.7
Income taxes on ordinary activities	**–5.8**	–2.1	**–6.6**	–2.7
Profit/loss on ordinary activities	**1.4**	8.6	**0.6**	1.1
Appropriations				
Change in depreciation difference	**4.6**	0.8	**–**	–
	4.6	0.8	**–**	–
Minority interest	**–**	–	**–0.9**	–0.7
Profit/loss for the financial year	**5.9**	9.4	**–0.3**	0.4

BALANCE SHEET

	PARENT COMPANY		GROUP	
EUR mill.	2007	2006	2007	2006
ASSETS				
Intangible assets				
Intangible rights	**2.1**	3.2	**2.2**	3.3
Prepayments	**-**	0.5	**-**	0.5
	2.1	3.7	**2.2**	3.8
Investments				
Real estate				
Real estate and real estate shares	**1,095.6**	1,325.9	**1,550.9**	1,799.2
Loans to group companies	**492.1**	488.2	**-**	-
Loans to participating interests	**7.7**	8.3	**7.7**	8.3
	1,595.4	1,822.5	**1,558.6**	1,807.6
Investments in group companies and participating interests				
Shares and participations in group companies	**0.2**	0.2	**-**	-
Shares and participations in participating interests	**21.2**	21.8	**20.7**	21.8
Loans to participating interests	**16.9**	18.7	**16.9**	18.7
	38.3	40.6	**37.6**	40.5
Other investments				
Shares and participations	**10,237.9**	7,658.9	**10,237.9**	7,658.9
Money market instruments	**7,907.1**	9,465.8	**7,907.1**	9,465.8
Loans quaranteed by mortgages	**466.1**	316.4	**466.1**	316.4
Other loans	**746.3**	793.5	**746.3**	793.5
Deposits	**86.5**	75.1	**91.0**	79.8
	19,443.9	18,309.7	**19,448.4**	18,314.4
	21,077.6	20,172.8	**21,044.6**	20,162.4
Receivables				
Direct insurance operations				
Policyholders	**102.0**	101.6	**102.0**	101.6
Other receivables	**2,382.4**	911.8	**2,378.0**	881.4
	2,484.4	1,013.4	**2,480.0**	982.9
Other assets				
Tangible assets				
Furniture and fixtures	**3.7**	5.2	**4.0**	5.6
Other tangible assets	**1.8**	1.8	**1.8**	1.8
	5.4	6.9	**5.8**	7.4
Cash at bank and in hand	**56.2**	1.8	**56.8**	2.5
	61.7	8.7	**62.6**	9.9
Prepayments and accrued income				
Accrued interests and rent	**170.8**	209.4	**171.2**	209.6
Other prepayments and accrued income	**67.2**	49.6	**67.5**	49.8
	238.0	259.0	**238.6**	259.5
Total assets	**23,863.8**	21,457.6	**23,828.0**	21,418.4

EUR mill.	PARENT COMPANY 2007	2006	GROUP 2007	2006
LIABILITIES				
Capital and reserves				
Guarantee capital	**23.0**	23.0	**23.0**	23.0
Other reserves				
Funds and reserves under the Articles of Association	**63.2**	55.4	**63.2**	55.4
Other reserves	**–**	–	**0.6**	0.6
	63.2	55.4	**63.8**	56.0
Profit/loss brought forward	**–**	–	**-14.5**	-5.4
Profit/loss for the financial year	**5.9**	9.4	**-0.3**	0.4
	92.1	87.8	**72.0**	73.9
Minority interest	**–**	–	**22.6**	25.7
Accumulated appropriations				
Depreciation difference	**10.2**	14.7	**–**	–
	10.2	14.7	**–**	–
Technical provisions				
Provision for unearned premiums	**15,045.4**	14,305.5	**15,045.4**	14,305.5
Provision for claims outstanding	**7,615.6**	6,611.7	**7,615.6**	6,611.7
	22,661.1	20,917.2	**22,661.1**	20,917.2
Liabilities				
Direct insurance operations	**18.9**	17.9	**18.9**	17.9
Loans from financial institutions	**–**	–	**0.3**	0.7
Other liabilities	**957.5**	353.2	**927.8**	310.6
	976.4	371.1	**947.1**	329.2
Accruals and deferred income	**124.0**	66.7	**125.2**	72.4
Total liabilities	**23,863.8**	21,457.6	**23,828.0**	21,418.4

CASH FLOW STATEMENT

EUR mill.	PARENT COMPANY 2007	2006	GROUP 2007	2006
Cash flow from operations				
Profit /loss on ordinary activities	**1.4**	8.6	**0.6**	1.1
Adjustments				
Change in technical provisions	**1,743.9**	2,025.9	**1,743.9**	2,025.9
Impairments and revaluations on investments	**452.1**	15.8	**452.8**	14.3
Planned depreciations	**15.0**	14.8	**46.2**	52.8
Other adjustments	**–832.6**	–941.5	**–837.8**	–939.5
Cash flow before change in working capital	**1,379.7**	1,123.6	**1,405.6**	1,154.5
Change in working capital				
Short-term non-interest-bearing receivables increase (–) / decrease (+)	**–1,450.0**	–539.8	**–1,476.2**	–513.1
Short-term non-interest-bearing liabilities increase (–) / decrease (+)	**662.6**	–47.3	**670.6**	–66.6
Cash flow from operations before financial items and taxes	**592.4**	536.5	**600.1**	574.8
Direct taxes paid	**–5.8**	–2.1	**–6.6**	–2.7
Cash flow before exceptional items	**586.6**	534.4	**593.5**	572.1
Cash flow from operations	**586.6**	534.4	**593.5**	572.1
Cash flow from investments				
Asset purchase (exl. financial assets)	**–25,527.9**	–22,078.1	**–25,528.0**	–22,075.6
Capital gains on investments (exl. financial assets)	**24,997.8**	21,518.8	**24,990.9**	21,478.6
Investments and capital gains (net) on intangible, tangible and other assets	**–0.4**	–1.1	**–0.4**	–1.1
Cash flow from investments	**–530.5**	–560.4	**–537.5**	–598.2
Cash flow from financing				
Interests paid on quarantee capital and other profit distribution	**–1.6**	–1.5	**–1.6**	–1.5
Cash flow from financing	**–1.6**	–1.5	**–1.6**	–1.5
Change in financial resources	**54.4**	–27.4	**54.4**	–27.5
Financial resources at the start of the financial year	**1.8**	29.2	**2.5**	30.0
Financial resources at the end of the financial year	**56.2**	1.8	**56.8**	2.5
	54.4	–27.4	**54.4**	–27.5

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 decree on the financial statements of insurance companies and related consolidated financial statements, the calculation principles 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. With the exception of the subsidiary that provides IT services for Ilmarinen, the company's subsidiaries are real estate companies.

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 expensed in accordance with their respective amortisation schedules.

Impairments, 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.

Ownership interests of 20–50 per cent in housing companies 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 recognised 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 recognised. The difference between the amount repayable at maturity and the purchase price of debt securities is recognised as interest income or deducted from interest income over the remaining life of 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 impairments on investments are reversed through the income statement in cases where the fair value of investments has risen.

Equity, fixed-income, credit risk, raw material and currency derivatives were used during the accounting period. Hedging accounting is applied to derivatives only in the case of currency swaps, although some of the other derivatives transactions also function as effective hedging. All currency derivatives that constituted effective hedges are treated as hedges for solvency and coverage purposes. Derivative financial instruments are recognised in the balance sheet at the lower of cost or fair value, separately for each instrument. Any income/losses on closed and mature derivatives positions are recognised in full.

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

BOOK VALUE OF NON-INVESTMENT ASSETS

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

NOTES TO THE ACCOUNTS

Accounting principles

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

SCHEDULED DEPRECIATION

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

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	EVL
Write-ups	same as building

A 20% salvage value has been fixed for some buildings and structures.

Scheduled amortisation on intangible assets and equipment has been calculated on the mean cost of specified groups of assets. Amortisation is based on the estimated useful life of asset groups and the straight-line method.

The amortisation periods are as follows:	
Intangible rights (user licences for software)	5 years
Other capitalised expenditures	5 years
Vehicles and computer hardware	5 years
Other equipment	10 years

WRITE-UPS 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 recognised 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 recognised 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 MEASUREMENT DIFFERENCES

The notes to the financial statements itemise the remaining cost basis, book value and fair value of investments and derivatives reported in the balance sheet. The difference between the first two values above consists of write-ups of investments. The difference between the last two values above indicates measurement differences that are unrecognised in the balance sheet.

The fair value of real estate investments has been defined on a property-by-property basis, primarily utilising 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, together with existing lease agreements and the current level of market rents. External real estate valuers and the company's own experts participate in the annual determination of the fair value of real estate investments.

The year's last bid quotation, or in the absence of this the last trading price, is used as the fair value of quoted shares. The last available fund unit value reported 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 shares and equity interests is their remaining cost basis, likely realisable value, or 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 fair value of derivative financial instruments is generally the market price or the likely realisable value estimated by the counterparty. A more detailed description of the method of determining the fair value of derivatives is presented in the notes to the financial statements in the section "Off-balance sheet guarantee engagements and liabilities".

Receivables are valued at the lower of nominal value or net realisable 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 the solvency margin, and a provision for current bonuses, which includes the amount intended for distribution as contribution discounts to policyholders. As of 2007, the provision for unearned premiums contains a provision for bonuses tied to income from shares, which depends on the average yield of the share investments of pension institutions. It is used to dampen changes in the company's solvency resulting from fluctuations in yield from shares. In 2007, the share of the changes in technical provisions tied to yield from shares is two per cent, and will increase to ten per cent by

2011. It develops in the same way in all pension institutions and can increase their technical provisions by a maximum of five per cent or decrease it by a maximum of ten per cent.

The provision for claims outstanding also incorporates an equalisation provision, the purpose of which is to balance random fluctuations during years where contributions fail to meet total payouts.

PROFIT FOR THE PERIOD AND EQUITY

The calculation principles confirmed by the Ministry of Social Affairs and Health specify the allocation of authorised pension insurance companies' earnings between changes in the equalisation 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 equity and reserves among the owners of the guarantee capital and the policyholders, and the calculation of distributable profits.

SOLVENCY MARGIN

The Insurance Supervision Authority monitors the solvency of insurance companies. One of the main indicators used is the solvency margin, 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. The solvency margin and equity 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 loss is deducted from the solvency margin.

The solvency margin 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. 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 recognised in the income statement on an accrual basis.

Discretionary provisions and accelerated depreciation and amortisation are included in equity and reserves in the consolidated balance sheet, after deduction for minority interest; changes in these items are included in the reported consolidated net income for the accounting period.

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 margin because the realisation 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.

FOREIGN CURRENCY-DENOMINATED ITEMS

Transactions in foreign currencies have been recognised 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 accounting period 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 accounting period and at year-end are recognised 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 AMORTISATION EXPENSES

Operating expenses and depreciation and amortisation expenses on equipment and capitalised 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 and statutory fees 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.

STAFF PENSION ARRANGEMENTS

The employment pensions of personnel and members of the Board of Directors and the Supervisory Board are covered through TyEL insurance. Pensions paid during the year under review have been paid 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, key figures and analyses 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.	2007	2006
SPECIFICATION OF PREMIUMS WRITTEN		
Direct insurance		
TyEL basic coverage		
Employer contribution	**2,016.1**	1,948.9
Employee contribution	**559.1**	517.8
	2,575.2	2,466.6
TyEL supplementary coverage	**5.8**	6.6
YEL minimum coverage	**193.8**	181.3
YEL supplementary coverage	**0.0**	0.1
	2,774.9	2,654.6
Transition contribution to the State Pension Fund	**–**	0.0
Reinsurance	**0.0**	0.0
Premuims written before reinsurers' share	**2,774.9**	2,654.7
Reinsurers' share	**-2.4**	-2.1
Premiums written	**2,772.5**	2,652.6
Items deducted from premiums written		
Credit loss on outstandig premiums		
TyEL	**-6.0**	-4.3
YEL	**-3.2**	-3.5
	-9.2	-7.8
SPECIFICATION OF CLAIMS PAID		
Direct insurance		
Paid to pensioners		
TyEL basic coverage	**2,225.3**	2,078.5
TEL supplementary coverage	**51.3**	50.3
YEL minimum coverage	**218.8**	207.4
YEL supplementary coverage	**1.3**	1.1
	2,496.7	2,337.4
Payments to/refunds from the provision for clearing PAYG pensions		
TyEL pensions	**1.3**	23.2
YEL pensions	**-12.2**	-10.1
Share of the unemployment insurance fund insurance contribution and division of the costs of pension compoments accrued on the basis of unsalaried periods	**-76.1**	-96.2
YEL government share	**-11.3**	-15.2
State compensation pursuant to VEKL	**0.0**	-
	-98.3	-98.3
	2,398.4	2,239.1
Claims handling expenses	**19.5**	15.3
Working capacity maintenance costs	**2.8**	4.2
Claims before reinsurers' share	**2,420.6**	2,258.6
Reinsures' share	**-2.3**	-2.0
Total claims paid	**2,418.4**	2,256.6

EUR mill.	PARENT COMPANY 2007	2006	GROUP 2007	2006
SPECIFICATION OF NET INVESTMENT INCOME				
Investment income				
Income from group companies				
Dividend income	**0.7**	0.4	**–**	–
	0.7	0.4	**–**	–
Income from participating interests				
Share of the profit of associated companies	**–**	–	**0.7**	0.0
Dividend income form other participating interests	**1.8**	0.3	**0.5**	0.3
Interest income from other participating interests	**1.0**	1.1	**1.0**	1.1
	2.8	1.4	**2.2**	1.4
Income from investments in real estate				
Interest income				
From group companies	**18.2**	16.1	**–**	–
From other than group companies	**2.6**	2.8	**2.6**	3.0
Other income				
From group companies	**1.9**	1.9	**–**	–
From other than group companies	**131.8**	156.8	**136.1**	162.0
	154.5	177.7	**138.8**	165.0
Income from other investments				
Dividend income from other than group companies	**223.8**	157.8	**223.8**	157.8
Interest income from other than group companies	**431.3**	395.3	**431.3**	395.3
Other income from other than group companies	**1,252.4**	883.9	**1,252.4**	883.9
	1,907.5	1,437.0	**1,907.5**	1,437.0
Total	**2,065.4**	1,616.6	**2,048.5**	1,603.4
Value readjustments	**15.8**	54.2	**15.1**	50.8
Capital gains	**1,169.8**	1,270.6	**1,175.8**	1,270.6
Total	**3,251.0**	2,941.3	**3,239.4**	2,924.8
Investment charges				
Charges on real estate investments	**–87.2**	–103.2	**–49.4**	–63.8
Charges on other investments	**–898.0**	–684.0	**–897.8**	–683.9
Interest charges and other charges on liabilities				
To group companies	**–0.8**	–0.7	**–**	–
To other than group companies	**–38.6**	–41.6	**–38.6**	–41.6
	–39.4	–42.3	**–38.6**	–41.6
Total	**–1,024.6**	–829.4	**–985.9**	–789.3
Value adjustments and depreciation				
Value adjustments	**–467.9**	–70.0	**–467.9**	–65.1
Planned depreciation on buildings	**–11.6**	–10.9	**–42.6**	–48.6
	–479.5	–80.8	**–510.5**	–113.7
Capital loss	**–331.4**	–326.9	**–331.4**	–328.4
Total	**–1,835.5**	–1,237.2	**–1,827.8**	–1,231.4
Net investment income before revaluations and their adjustments	**1,415.5**	1,704.1	**1,411.6**	1,693.5
Net investment income in the profit and loss account	**1,415.5**	1,704.1	**1,411.6**	1,693.5

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

	PARENT COMPANY		GROUP	
EUR mill.	**2007**	2006	**2007**	2006
SPECIFICATION OF OPERATING EXPENSES				
Total operating expenses by activity				
Claims paid				
Claims handling expenses	**19.5**	15.3	**18.1**	14.2
Working capacity maintenance costs	**2.8**	4.2	**2.7**	4.0
	22.3	19.5	**20.8**	18.2
Operating expenses				
Acquisition costs:				
Commissions, direct insurance	**1.3**	0.7	**1.3**	0.7
Other policy acquisition costs	**12.7**	7.8	**12.5**	7.7
	14.0	8.5	**13.8**	8.4
Portfolio administration expenses	**33.9**	28.5	**32.5**	27.1
Administrative expenses:				
Statutory charges:				
Cost compoment of the Finnish Pension Centre	**11.0**	12.7	**11.0**	12.7
Judicial administration charge	**0.9**	0.8	**0.9**	0.8
Supervision charge of the Insurance Supervisory Authory	**0.4**	0.4	**0.4**	0.4
Other items	**–7.0**	-	**–7.0**	-
	5.3	13.9	**5.3**	13.9
Other administrative expenses	**16.7**	17.1	**16.2**	16.7
	69.8	68.1	**67.7**	66.1
Investment charges				
Costs on real estate investment	**1.4**	1.0	**1.3**	1.0
Other	**8.4**	8.1	**8.3**	8.0
	9.8	9.2	**9.6**	9.1
Other expenses	**1.6**	1.9	**1.5**	1.8
Total operating expenses	**103.5**	98.6	**99.7**	95.1
SPECIFICATION OF STAFF EXPENSES AND MEMBERS OF CORPRATE ORGANS				
Staff expenses				
Salaries and bonuses	**26.5**	26.3	**34.0**	33.9
Pension expenditure	**4.4**	4.6	**5.7**	5.9
Other social security expenses	**1.7**	1.7	**2.2**	2.2
Total	**32.6**	32.6	**42.0**	41.9
Salaries and bonuses to the management				
Managing director and deputies	**0.6**	0.8	**0.8**	0.9
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	**1.0**	1.1	**1.1**	1.2

Pension commitments for the benefit of the executive management

Members of management who were appointed before 1 July 1992 have a retirement age of 60, which differs from the statutory retirement age. The retirement age of CEOs is 62–63.

Average staff number during the financial period	**525**	525	**668**	673

EUR mill.	Dec. 31, 2007			Dec. 31, 2006		
INVESTMENT **FAIR VALUE OF INVESTMENTS AND DIFFERENCE BETWEEN CURRENT AND BOOK VALUE, PARENT COMPANY**	**Remaining acquisition cost**	**Book value**	**Fair value**	Remaining acquisition cost	Book value	Fair value
Investments in real estate						
Real estate	**427.1**	**427.1**	**552.1**	441.3	448.4	559.2
Shares in group companies	**656.0**	**660.2**	**880.3**	848.6	852.8	1,048.9
Shares in participating interests	**3.5**	**3.5**	**3.9**	8.3	8.3	8.7
Other shares in real estate	**4.8**	**4.8**	**5.4**	16.4	16.4	17.0
Loans to group companies	**492.1**	**492.1**	**492.1**	488.2	488.2	488.2
Loans to participating interests	**7.7**	**7.7**	**7.7**	8.3	8.3	8.3
Investments in group companies						
Shares and participations	**0.2**	**0.2**	**0.2**	0.2	0.2	0.2
Investments in participating interests						
Shares and participations	**21.2**	**21.2**	**21.2**	21.8	21.8	21.8
Loan receivables	**16.9**	**16.9**	**16.9**	18.7	18.7	18.7
Other investments						
Shares and participations	**10,237.4**	**10,237.9**	**11,923.0**	7,658.1	7,658.9	9,473.7
Money market instruments	**7,907.1**	**7,907.1**	**7,800.6**	9,465.8	9,465.8	9,402.1
Loans guaranteed by mortgages	**466.1**	**466.1**	**466.1**	316.4	316.4	316.4
Other loan receivables	**746.3**	**746.3**	**746.3**	793.5	793.5	793.5
Deposits	**86.5**	**86.5**	**86.5**	75.1	75.1	75.1
	21,072.9	**21,077.6**	**23,002.2**	20,160.6	20,172.8	22,231.6
Remaining acquisition cost of money market instruments includes:						
the difference between the nominal value and acquisition cost, released to interest income (+) or charged to interest income (–)			**–17.4**			–48.6
Book value comprises						
Revaluations entered as income			**4.7**			12.2
Difference between current and book value			**1,924.6**			2,058.8

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

	Dec. 31, 2007		Dec. 31, 2007	
FAIR VALUE OF DERIVATIVES AND VALUATION DIFFERENCE, PARENT COMPANY	**Book value**	**Fair value**	Book value	Fair value
Fair value of hedging derivatives and valuation difference				
Other receivables				
Price diffence of derivatives	**0.0**	**0.0**	0.0	0.0
Other prepayments and debts				
Currency swaps	**1.6**	**2.1**	0.9	0.9
Difference between current and book value		**0.5**		–0.0
Fair value of non-hedging derivatives and valuation items				
Other receivables				
Prepayments for option contracts	**675.2**	**644.1**	633.4	658.6
Other debts				
Prepayments for option contracts	**–252.5**	**–173.0**	–140.6	–122.9
Other prepayments and debts				
Future and forward contracts and total return	**–79.7**	**47.0**	–44.8	31.4
	342.9	**518.1**	448.0	567.1
Difference between current and book value		**175.2**		119.1

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Number of shares	Percentage of shares/votes	Book value EUR mill.	Fair value EUR mill.
SHARES IN GROUP COMPANIES				
TietoIlmarinen Oy	1,530	30.00 / 70.00	0.2	0.2
PARTICIPATING INTERESTS				
Pohjantähti Mutual Insurance Company	96	100.00 / 14.96	8.2	8.2
Suomi Mutual Life Insurance Company	3	100.00 / 0.00	0.5	0.5
Garantia Insurance Company	15,777	26.30	12.5	12.5
Total			**21.2**	**21.2**
OTHER INVESTMENTS				
Shares and participations				
Domestic companies, listed				
Affecto Plc	849,000	3.95	3.6	3.6
Ahlström Corporation	332,674	0.71	5.4	5.4
Aldata Solution Oyj	6,616,800	9.65	8.0	8.0
Alma Media Corporation	2,128,018	2.85	12.6	24.8
Amer Corporation	508,950	0.70	4.7	9.3
Aspo Plc	291,006	1.10	1.9	1.9
Atria Group Plc	220,700	0.78 / 0.20	3.8	3.8
CapMan Plc	548,500	0.69 / 0.41	1.4	1.8
Cargotec Corporation	1,307,833	2.04 / 0.87	41.1	41.4
Citycon Oyj	1,568,914	0.71	3.1	5.7
Comptel Corporation	683,591	0.64	1.0	1.0
Cramo Plc	1,192,652	3.89	20.6	20.6
Elektrobit Group Oyj	2,273,140	1.76	3.7	3.7
Elisa Corporation	8,150,000	4.90	160.7	170.8
Exel Plc	689,400	5.79	2.3	8.0
Finnair Plc	2,901,564	2.26	23.4	23.4
Finnlines Plc	4,106,000	10.09	57.6	62.6
Fiskars Corporation	1,516,990	1.96 / 0.30	17.1	20.2
Fortum Corporation	13,653,008	1.54	281.2	420.6
F-Secure Corporation	3,277,150	2.11	7.3	8.0
Glaston Corporation	624,400	0.79	1.6	1.7
HKScan Corporation	478,748	1.22 / 0.34	6.6	6.6
Huhtamäki Oyj	2,540,793	2.41	20.6	20.6
Ilkka-Yhtymä Oyj	281,880	1.92 / 2.30	1.3	3.2
Incap Corporation	500,000	4.10	0.7	0.7
Kemira Oyj	8,357,796	6.68	120.4	120.4
Kesko Corporation	543,392	0.56 / 0.87	16.8	20.3
Kone Corporation	2,720,567	2.12 / 0.91	94.5	130.3
Konecranes Plc	734,309	1.20	12.4	17.3
Larox Corporation	329,700	3.51 / 0.66	1.2	3.9
Lassila & Tikanoja plc	2,994,020	7.72	28.2	66.7
Lemminkäinen Corporation	80,000	0.47	1.5	2.5
Lännen Tehtaat plc	153,800	2.43	1.8	2.5
Marimekko Corporation	71,700	0.89	1.2	1.3
Martela Oyj	335,400	8.07 / 2.14	2.8	2.8
Metso Corporation	3,120,303	2.20	100.8	116.4
M-real Corporation	6,562,541	2.00 / 7.24	21.2	21.2
Neste Oil Corporation	6,010,676	2.34	144.7	144.7
Nokia Corporation	15,907,989	0.40	336.8	421.9
Nokian Tyres plc	4,134,200	3.34	40.0	99.4

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Number of shares	Percentage of shares/votes	Book value EUR mill.	Fair value EUR mill.
Okmetic Oyj	749,300	4.44	2.2	2.2
OKO Bank plc	20,335,090	10.00 / 5.37	209.1	265.8
Olvi plc	515,748	4.97 / 1.13	3.1	12.3
Oral Hammaslääkärit Plc	228,000	4.08	0.7	0.7
Oriola-KD Corporation	2,387,092	1.69 / 4.07	4.3	7.1
Orion Corporation	1,822,890	1.29 / 2.79	18.1	29.1
Outokumpu Oyj	4,433,704	2.45	89.1	94.0
Outotec Oyj	874,417	2.08	10.9	32.9
Powerflute Plc	1,000,000	1.14	1.0	1.0
Pöyry Plc	2,877,883	4.91	28.6	49.8
Raisio plc	1,016,966	0.62 / 0.12	1.5	1.5
Ramirent Plc	2,372,828	2.18	18.1	26.6
Rapala VMC Corporation	511,001	1.29	2.8	2.8
Rautaruukki Corporation	3,058,240	2.18	90.7	90.7
Salcomp Plc	500,000	1.28	1.6	2.0
Sampo plc	7,440,911	1.29 / 1.28	134.5	134.5
SanomaWSOY Corporation	3,789,770	2.29	54.8	74.2
Scanfil plc	580,000	0.96	1.1	1.1
Sponda Plc	471,092	0.42	3.8	3.8
SRV Group Plc	275,000	0.75	1.4	1.4
SSH Communications Security Corp	483,450	1.69	0.8	0.8
Stockmann plc	1,003,731	1.79 / 0.36	26.4	29.8
Stonesoft Corporation	724,900	1.27	0.2	0.2
Stora Enso Oyj	12,795,161	1.62 / 1.85	130.6	130.6
Suomen Terveystalo Oyj	6,385,922	9.37	12.3	12.3
Suominen Corporation	1,911,552	8.06	3.9	3.9
Talvivaaran Kaivososakeyhtiö	3,974,600	1.78	14.8	16.0
Tamfelt Corp.	2,047,823	7.43 / 4.59	17.5	23.1
Tekla Corporation	760,370	3.37	4.4	9.7
Teleste Corporation	894,776	5.06	6.0	6.0
Tietoenator Corporation	1,585,751	2.14	24.3	24.3
Tiimari Plc	351,781	3.41	1.6	1.7
Trainers' House Plc	1,900,000	2.55	1.9	2.3
Tulikivi Corporation	1,902,380	5.12 / 1.55	2.0	3.0
Turvatiimi Corporation	3,100,000	4.69	0.6	0.6
UPM-Kymmene Corporation	5,700,993	1.11	78.7	78.7
UPM-Kymmene Corporation warrants	1,338,693	0.00	7.1	7.1
Uponor Corporation	1,783,710	2.44	22.5	30.7
Vacon Plc	70,500	0.46	0.9	2.0
Vaisala Corporation	1,243,429	6.83 / 1.50	32.2	43.0
Wärtsilä Corporation	1,886,016	1.97 / 0.83	64.3	98.2
YIT Corporation	2,684,447	2.11	17.5	40.2
Bank of Åland Plc	23,000	0.20 / 0.02	0.5	0.6
Other	709,881		2.4	2.8
Total			**2,766.1**	**3,449.8**

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Number of shares	Percentage of shares/votes	Book value EUR mill.	Fair value EUR mill.
Domestic companies, non-listed				
Aloitusrahasto Vera Oy	500	2.19	1.0	1.0
Arek Oy	2,520,000	18.00	2.5	2.5
Enfo Oyj	11,202	2.00	0.8	0.8
Fingrid Oyj	350	10.53 / 4.68	11.8	11.8
GreenStream Network Plc	1,200,000	19.87	6.7	6.7
Medivire Hoiva Holding Oy	38,150	10	0.2	2.4
OneMed Group Oy	2,239,198	10.67	1.9	1.9
Osuuskunta KPY	761,900	13.73	12.1	12.1
PHP-Holding Oy	3,568	1.81 / 0.21	3.7	3.7
Northern Power Company Ltd.	1,500,000	4.29	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	7,231,240	16.28	24.4	24.4
Tornator Oy	375,000	7.50	6.0	27.0
VVO group Plc	951,520	15.83	22.3	22.3
Other	222,383		2.0	2.0
Total			**181.5**	**204.7**

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
Foreign companies, listed		
Austria		
Erste Bank der Oestrerreichischen Sparkassen	1.7	1.7
Belgium		
Colruyt SA	8.6	8.7
Dexia	1.1	1.1
Fortis Group	10.4	10.4
InBev NV	24.6	24.6
KBC Bankverzekerings NPV	5.3	5.3
Denmark		
Den Danske Bank A/S	14.1	14.1
Novo Nordisk A/S	3.0	3.0
Estonia		
Tallinna Vesi AS	2.9	3.7
France		
Accor SA	6.0	6.0
Air Liquide SA	9.6	10.8
Alcatel-Lucent SA	6.3	6.3
AXA SA	11.7	11.7
BNP Paribas SA	21.7	21.7
Cap Gemini SA	14.3	14.3
Carrefour SA	16.7	19.1
Cie Generale de Geophysique Veritas	2.5	2.8
Compagnie de Saint-Gobain	3.2	3.2
Dassault Systemes SA	4.0	4.0
EDF Energies Nouvelles SA	1.1	1.8
Electricite De France	8.6	12.4
France Telecom	16.6	19.2
Lafarge SA	7.3	7.5
LVMH Moet Hennessy Louis Vuitton SA	16.9	16.9

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
Michelin	3.9	3.9
Pinault-Printemps	5.2	5.2
Publicis Groupe	3.1	3.1
Renault SA	5.8	5.8
Rhodia SA	0.5	0.5
Sanofi-Aventis SA	19.8	19.8
Schneider Electric SA	8.0	8.8
Societe Generale SA	9.9	9.9
Suez SA	19.2	26.2
TotalFinaElf SA	40.6	53.3
Vallourec SA	4.3	4.6
Vinci SA	9.6	11.6
Vivendi SA	11.2	12.7
Other	0.0	0.0
Germany		
Allianz SE	20.7	21.1
BASF AG	11.5	12.6
Bayer AG	24.7	30.5
Commerzbank AG	5.4	5.4
Continental AG	1.3	1.3
Daimler AG	20.4	23.5
Deutsche Bank AG	4.4	4.5
Deutsche Post AG	6.0	7.0
Deutsche Telekom AG	11.2	13.1
E.On AG	28.2	35.7
GEA Group	4.0	4.6
Infineon Technologies AG	5.4	5.4
Linde AG	6.9	7.7
MAN AG	8.8	10.3

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
Münchener Rückversicherungs-Gesellschaft AG	11.0	11.3
Porshce AG	2.9	4.1
RWE AG	1.5	1.5
SAP AG	15.4	15.4
Siemens AG	36.5	45.8
Stada Arzneimittel AG	12.7	13.3
Thyssen Krupp AG	3.7	3.8
Volkswagen AG	10.6	10.6
Great Britain		
Anglo American Plc	17.5	21.2
Astra Zeneca Group Plc	8.7	8.7
BAE Systems Plc	14.2	14.6
BG Group Plc	12.7	16.9
BP Plc	57.7	63.2
British American Tobacco Plc	10.6	11.9
British Energy Plc	7.8	7.8
British Sky Broadcasting Group Plc	1.3	1.3
Diageo Plc	14.4	16.6
Experian Group Ltd	0.9	0.9
GlaxoSmithKline Plc	37.7	37.7
Intertek Group Plc	4.7	6.1
Kazakhgold Group ADR	0.8	0.8
Marks & Spencer Group Plc	11.4	11.4
National Grid Plc	4.5	4.9
Northumbrian Water Group Plc	3.8	3.8
Pearson Plc	3.4	3.4
Punch Taverns Plc	2.3	2.3
Reckitt Benckiser Group Plc	9.1	20.0
Rio Tinto Plc	8.5	15.9
Royal Bank of Scotland Group Plc	0.3	1.3
Royal Dutch Shell	47.0	62.8
Sainsbury Plc	3.6	3.6
Scottish & Newcastle Plc	3.0	3.0
Tesco Plc	19.0	26.2
Unilever Plc	20.8	22.7
Vodafone Group Plc	46.4	54.6
WPP Group Plc	7.4	7.4
Ireland		
CRH Plc	7.1	7.1
Italy		
Assicurazioni Generali S.p.A	11.0	11.0
Enel S.p.A	18.5	18.5
ENI S.p.A	23.2	23.4
Fiat S.p.A	6.7	6.7
Intesa Sanpaolo	11.5	11.6
Mediaset S.p.A	2.1	2.1

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
Telecom Italia S.p.A	6.1	6.1
Unicredit S.p.A	17.0	17.0
Luxemburg		
ArcelorMittal	10.2	13.5
Netherlands		
Aegon N.V.	3.6	3.6
Akzo Nobel N.V.	10.3	16.7
ASML Holding N.V.	4.9	5.0
EADS European Aeronautic Defence and Space Company	2.6	2.6
Elsevier N.V.	12.6	12.7
Fugro N.V.	5.2	6.5
Heineken N.V.	6.7	10.7
ING Groep N.V.	15.0	15.0
Koninklijke KPN N.V.	8.6	8.9
Koninklijke Philips Electronics N.V.	28.3	28.6
TNT N.V.	1.8	1.8
Norway		
Acergy SA	6.2	6.2
DnB NOR ASA	3.6	3.7
StatoilHydro ASA	5.8	6.4
Telenor ASA	2.4	4.5
TGS Nopec Geophysical Company ASA	3.7	3.7
Portugal		
Portugal Telecom	2.2	2.2
Russia		
Halyk Savings Bank of Kazakhstan	1.0	1.0
NovaTek OAO	1.9	2.6
OAO Rosneft- GDR	1.9	2.0
Polymetal	0.7	0.7
Southern Telecommunications Company	1.2	1.2
VTB Bank OSJC GDR	2.1	2.1
Spain		
Altadis S.A.	25.2	25.3
Banco Bilbao Vizcaya Argenta	18.8	18.8
Banco Popular Espanol S.A.	2.9	2.9
Banco Santander S.A.	29.6	29.6
Iberdrola Renovables	3.2	3.4
Iberdrola S.A.	0.9	1.1
Telefonica S.A.	21.1	32.8
Union Fenosa S.A.	9.9	11.1
Sweden		
Atlas Copco AB	3.1	3.1
Black Earth Farming	4.2	4.2
Ericsson LM AB	4.8	4.8
Hennes & Mauritz AB	20.8	20.8
Husqvarna AB	5.6	6.4

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
Nordea Bank AB	376.1	376.1
Sandvik AB	2.4	2.4
Skandinaviska Enskilda Banken	2.2	2.2
Swedbank AB	1.0	1.0
Swedish Match AB	2.4	2.9
Svenska Handelsbanken AB	5.9	6.0
Tele2 AB	2.6	3.3
TeliaSonera AB	80.6	86.0
Volvo AB	4.6	4.6
Switzerland		
ABB AG	9.9	13.8
Credit Suisse Group	9.0	9.0
Holcim Ltd	9.2	11.6
Julius Baer Holding AG	2.0	2.0
Kuehne & Nagel International AG	0.6	3.0
Nestle SA	34.8	43.7
Nobel Biocare	7.3	7.3
Novartis AG	48.3	48.3
Roche Holdings SA	32.8	37.0
STMicroelectronics N.V.	2.4	2.4
Swatch Group AG	14.4	14.4
Swiss Reinsurance AG	4.9	4.9
Syngenta AG	2.4	3.4
UBS AG	16.1	16.1
XSTRATA	12.3	19.0
Zurich Financial Services AG	14.4	14.4
United States		
Motorola, Inc.	3.5	3.5
Sirf Technology Holdings Inc.	4.3	4.3
Total	**2,094.4**	**2,307.9**
Foreign companies, non listed		
United States		
Other	0.3	0.3

Holding percentage in foreign companies 0.002–1.451%.
Holding higher than 1%: Tallinna Vesi AS 1.45%,
Nordea Bank AB 1.27%

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
Fixed-income funds		
Aberdeen Global Emerging Bond Fund A class ACC	34.3	34.3
AXA IM US Short Duration High Yield $ A-class	84.4	84.4
AXA WF US High Yield Bonds USD 1 CAP	56.1	56.1
Evli European High Yield B	15.7	21.2
Fidelity Funds – US High Yield	77.6	77.6
Goldman Sach Global High Yield Portfolio Class I	207.7	207.7
ING (L) Renta Fund – Emerging Markets Debt (LOCAL C) CAP. -P-	103.9	117.5
ING International (II) / Emerging Markets Debt (USD) C	74.7	82.3
Invesco Navigator Fund (Offshore), Ltd	17.0	17.0
Julius Baer Local Emerging Bond Fund	37.2	39.8
Loomis Sayles Institutional High Income class S/D	22.1	22.1
McDonnell Loan Opportunity Fund (Offshore) class A	5.7	5.7
McDonnell Loan Opportunity Fund Offshore) class B	8.6	8.6
New Amsterdam Capital European Credit Fund	18.8	18.8
OP Vaihtovelkakirjalaina A osuudet	10.0	13.3
OP-High Yield Fund A	19.7	19.7
OP-Kehittyvät Korkomarkkinat A	45.2	45.9
PEMBA European Loan Opportunities Fund Class A	13.1	13.1
Stone Tower Offshore Credit Fund A-Initial Series	10.0	10.0
Stone Tower Offshore Credit Fund Ltd A-02-07	9.6	9.6
Sydinvest Emerging Market Local Currency Bonds	37.2	38.1
T.Rowe Global high Yield Bond Fund	31.4	33.6
Total	**939.9**	**976.3**
Equity funds		
Aberdeen Global Asia Pacific Fund A2	41.1	76.4
Aberdeen Global Asian Smaller Companies Fund A2	41.9	67.7
Aberdeen Global China Opportunities Fund A2	45.7	99.1
ABN Amro Latin America Equity Fund	46.5	96.8
ABN Amro Small Cap Finland B (kasvu) rahasto	6.0	15.6
AXA Pan-European Small Cap Alpha Fund	60.0	86.3
AXA Rosenberg Japan Small Cap Alpha Fund	23.8	23.8
CAF Asian Growth Institutional Fund Class VII	40.8	59.5
CAF Emerging Markets Institutional Fund Class VII	113.6	129.7
Carnegie Global Health Care Fund	24.7	37.8
Carnegie Medical	47.0	58.4
DB X-trackers MSCI ETF	454.9	454.9
DCF Baltic States Cap. Fund	3.7	16.5
East Capital Balkan Fund	14.0	32.9
East Capital Bering Balkan Fund USD	5.0	6.5
East Capital Bering Russia Fund	10.0	10.0
East Capital Bering Ukraine Fund class A Master	10.0	19.6
East Capital Bering Ukraine Fund class A July 07	7.4	7.9
Evli Greater Russia B	10.0	20.9
FIM Fenno	9.0	22.9
Fourton Hannibal	4.6	4.6
Fourton Odysseus A	15.0	17.9
Fourton Stamina A	10.0	12.0
Health Care Select Sector SPDR ETF Fund	55.7	55.7
Hermes European Focus Fund Leg 1	50.0	60.4
Hermes European Focus Fund Leg 2	25.0	25.6
Investec Pan Africa Fund I S6 USD	19.8	22.3
Investec Pan Africa Fund I S6-1 USD	9.8	10.2

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
JP Morgan Fleming Funds Europe Small Cap Fund s.A	69.1	94.3
Montanaro European Small Cap Fund Euro	59.8	59.8
OMXH25 indeksiosuus	19.1	19.1
OP Kehittyvä Aasia	49.8	49.8
OP-Suomi Arvo A	6.6	12.7
OP-Suomi Pienyhtiöt A	20.9	30.1
Prosperity Russia Domestic Fund Limited	23.7	23.7
Prosperity Voskhod Fund Limited	32.7	35.3
Russel Japan Equity Fund A Accum	191.3	191.3
Russell Emerging Equity Fund A	93.6	159.1
SEB Gyllenberg European Equity Value Fund	50.0	59.1
Seligson & Co Russian Prosperity Fund Euro K	65.0	76.0
SPDR Trust series 1 ETF	1,051.6	1,051.6
Total	**2,938.2**	**3,413.6**
Real estate funds		
Aberdeen Indirect Property Partners Asia	4.3	4.3
Aberdeen Real Estate Fund Finland L.P.	47.8	60.2
Babcock & Brown European Infrastructure Fund	1.0	1.0
Capman Re II KY	3.0	3.0
Carlyle Europe Real Estate Partners II, L.P.	14.3	14.4
European Office Income Venture	19.0	24.7
European Property Investors, LP	12.2	15.2
European Retail Income Venture	19.6	20.4
Frogmore Real Estate Partners, L.P	7.5	7.5
Goodman European Logistics Fund	19.9	20.8
Icecapital European Property Fund B	6.8	6.8
Logistis II	10.1	10.6
Pradera European Retail Fund	19.1	21.7
Real Estate Fund Finland I Ky	2.8	2.9
Rockspring German Retail Box Fund	20.1	21.4
The Archstone German Fund	22.1	22.1
Other	0.4	0.4
Total	**230.1**	**257.2**
Private equity funds *)		
Access Capital LP	3.1	6.9
Advent Private Equity Fund III D	2.8	2.8
Alpha Private Equity Fund V	11.1	13.0
Apax Europe V - D, L.P.	13.8	14.5
Apax Europe VI - D, L.P.	17.4	23.4
Apax Europe VII - B, L.P.	16.3	16.3
Arcadia Beteiligungen BT GmbH & Co. KG	1.4	4.1
Arcadia II	0.9	0.9
Atlas Venture VI	1.7	1.7

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
Axa Secondary Fund IV L.P.	4.7	4.7
Baltic Investment Fund III L.P	1.3	2.5
BC European Capital VII	7.7	8.2
BC European Capital VIII	5.5	5.5
Bio Fund Ventures II Jatkosijoitusrahasto Ky	0.7	0.7
Bio Fund Ventures II Ky	1.3	1.3
Bridgepoint Europe II B	8.2	12.4
Bridgepoint Europe III	16.7	17.8
CapMan Buyout VIII Fund A L.P.	6.1	6.1
Capman Equity VII B L.P.	2.3	8.5
Coller International Partners IV-FD, L.P.	1.9	7.6
Coller International Partners V	6.7	6.7
Doughty Hanson & Co IV, Limited Partnership 4	17.8	23.2
Doughty Hanson V	6.9	6.9
Eqvitec Teknologiarahasto I Ky	0.6	0.6
Eqvitec Teknologiarahasto II Ky	6.8	6.8
Eqvitec Teknologiarahasto III Ky	2.6	2.6
European Strategic Partners	14.3	16.4
Finnventure Rahasto IV	0.9	1.2
GrowHow I Ky	0.9	0.9
HarbourVest Partners VI-Buyout Partnership Fund LP	2.9	3.2
HarbourVest Partners VI-Partnership Fund L.P.	6.8	6.8
HG Capital 5	9.2	9.5
Ilmarisen Suomi-Rahasto 1 KY	7.4	7.4
Industri Kapital 1997 L.P. II	1.7	1.7
Industri Kapital 2000 L.P. I	5.6	9.1
Isis IV L.P.	2.2	2.2
KKR 2006 Fund L.P.	16.8	16.8
KKR Asian Fund L.P.	1.7	1.7
KKR European Fund II, LP	20.8	20.9
LGV 5 Private Equity Fund Limited Partnership	0.7	1.4
MB Equity Fund III Ky	4.3	5.7
MB Equity Fund IV	1.4	1.4
Midinvest Fund II Ky	0.9	0.9
Nordic Capital IV Limited	0.7	1.5
Nordic Capital V	16.3	24.9
Nordic Capital VI	29.1	30.2
Permira Europe II LP2	4.6	4.6
Permira Europe III LP	12.7	18.7
Permira IV LP	23.6	23.6
Proventure & Partners Scottish Limited Partnership	2.2	2.3
Seedcap Ky	0.8	0.8
Sention Kasvurahasto KY	0.9	2.8
Silver Lake Partners III L.P.	3.7	3.7

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
Sponsor Fund II	5.1	7.0
Teknoventure II Ky	1.1	1.4
The First European Fund Inv L.P (Amanda Capital)	7.9	8.0
The Fourth Cinven Fund Limited Partnership	16.9	16.9
The Third Cinven Fund Limited Partnership	11.0	14.1
Veronis Suhler Stevenson Communications PartnersIV	5.1	5.1
Total	3.6	40.9
Other	**410.4**	**520.0**
Other funds		
1861 Capital Offshore Fund Ltd., cl. A1 Series 2	14.7	14.7
1861 Capital Offshore Fund Ltd., cl. A1 Series 4	4.3	4.3
Absolute Alpha Fund PCC Ltd Diversified Euro	93.1	114.8
AlphaGen Crusis Fund	19.9	20.4
BGI Global Ascent (Euro), Ltd.	21.0	21.9
Black River Global Multi Strategy Fund Ltd (lev.)	17.9	17.9
Bluecrest Capital Int'l Ltd, Class F Euro	10.0	11.4
Brevan Howard Fund B Class Limited	10.0	12.2
Centennier Ltd C-1 class	8.2	8.2
Citadel Kensington Global Strategies LTD	25.0	25.3
D.E Shaw Composite International Fund	19.8	20.5
Davidson Kempner Int. Ltd. new issue class C	18.4	18.4
Goldman Sachs Global Alpha Fund	5.5	5.5
Green Way Limited - Class B fund-of-funds	4.6	7.1
HBK Offshore Fund Ltd class C	21.8	21.8
Highbridge Asia Opportunities Fund, Ltd.	19.7	19.7
JP Morgan Multi-Strategy Fund Ltd s. A	19.3	21.6
Och Ziff Europe Overseas Fund	21.0	23.9
Och-Ziff Asia Overseas Fund	9.4	9.5
Palmetto Catastrophe Fund, Ltd class A	9.7	9.7
Par IV Offshore Fund, Ltd	16.6	16.6
Paulson Credit Opportunities	11.8	78.6
Polygon Global Opportunities Fund	23.3	23.3
QVT Global L.P. Fund	20.2	23.3
RMF Absolute Return Strategies I Ltd.	84.2	84.2
RMF Inv. Strategies Limited VV1 Top 20 class II	15.0	19.1
Shepherd Investments International Ltd (Class A)	20.0	21.6
Solon Capital, Ltd	39.9	44.4

SHARES AND PARTICIPATIONS, PARENT COMPANY, DEC. 31, 2007	Book value EUR mill.	Fair value EUR mill.
Stark NatCat Offshore Fund Ltd	9.9	9.9
Temujin International Fund Ltd.	8.8	8.8
Thales International Fund Ltd.	11.9	11.9
Ursus International Ltd.	19.6	20.0
Vicis Capital Fund (International)	22.6	22.6
Total	**677.1**	**793.3**
Total	**10,237.9**	**11,923.0**

*) Real estate funds are not included.

The book value of shares and holding 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.	2007	2006
OPEN SECURITIES AGREEMENTS		
Equities loaned		
Number	**470,209**	1,804,050
Remaining acquisition costs	**5.3**	38.5
Fair value	**7.8**	45.6
Bonds loaned		
Nominal value	**–**	2,187.5
Remaining acquistion costs	**–**	2,200.9
Fair value	**–**	2,192.7

Loaned equities are listed shares.
All loans have a maturity under one year and can be halted any time.
Collaretal for loans has been secured by a guarantee.

LOAN RECEIVABLES		
Other loans itemised by guarantee		
Bank guarantee	**143.6**	189.2
Guarantee insurance	**200.0**	206.8
Other	**81.5**	65.2
Unsecured loans to		
banks and finance companies	**29.3**	63.8
other	**291.9**	268.4
Remaining acquisition cost, total	**746.3**	793.5
Total premium loan receivables itemised by balance sheet item, parent company		
Loans guaranteed by mortgages	**10.9**	12.6
Loans to participating interests	**16.9**	18.7
Other loans	**253.3**	344.0
Remaining acquisition cost, total	**281.1**	375.2

EUR mill.	PARENT COMPANY 2007	2006	GROUP 2007	2006
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	**55.4**	49.5	**55.4**	49.5
Transfer from unused donation funds	**0.1**	-	**0.1**	-
Transfer from previous year's profit	**7.7**	5.9	**7.7**	5.9
Other reserves	**–**	-	**0.6**	0.6
	63.2	55.4	**63.8**	56.0
Profit/loss brought forward				
Jan. 1	**9.4**	7.4	**–5.0**	2.0
Distributed interests on guarantee capital	**–1.7**	–1.4	**–1.7**	–1.4
Transfer to donations	**–0.1**	–0.1	**–0.1**	–0.1
Transfer to reserves under the Articles of Association	**–7.7**	–5.9	**–7.7**	–5.9
	–	-	**–14.5**	–5.4
Profit/loss for the financial year	**5.9**	9.4	**–0.3**	0.4
	92.1	87.8	**72.0**	73.9
Breakdown of capital and reserves after proposed distribution of profits:				
Owners guarantee capital				
Guarantee capital	**23.0**	23.0	**23.0**	23.0
Proposed distribution of profits to owners	**1.6**	1.7	**1.6**	1.7
Policyholders' share	**67.6**	63.2	**47.5**	49.3
Total	**92.1**	87.8	**72.0**	73.9

Main principles of the Articles of Association governig 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 its 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 distirbution 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 COMPANY 2007	2006	GROUP 2007	2006
Profit/loss for the financial year	**5.9**	9.4	**–0.3**	0.4
+ Other funds				
Reserves under the Articles of Association	**63.2**	55.4	**63.2**	55.4
+ Profit brought forward	**–**	-	**–14.5**	–5.4
- Amount of appropriations entered under capital and reserves	**–**	-	**–13.0**	–18.2
Distributable profits, total	**69.1**	64.8	**35.5**	32.2

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

EUR mill.		2007	2006
SPECIFICATION OF TECHNICAL PROVISIONS			
Provision for unearned premiums			
Future pensions		**11,026.4**	10,636.1
Provision for future bonuses		**3,937.1**	3,588.3
Provision for current bonuses		**75.1**	81.0
Supplementary insurance liability tied to income from shares		**6.8**	-
Total		**15,045.4**	14,305.5
Provision for claims outstanding			
New pension awarded		**6,697.7**	5,701.8
Equalisation provision		**917.9**	909.9
Total		**7,615.6**	6,611.7
Total technical provisions		**22,661.1**	20,917.2
SECURITIES AND FINANCIAL COMMITMENTS, PARENT COMPANY			
As security for own debts			
Mortgaged as security for rents		**0.3**	0.7
Assets pledged as security for derivative contracts		**231.8**	211.0
Assets pledged as security for equity lending		**1.0**	50.4
Off-balance-sheet commitments and liabilities			
Investment commitments			
Private equity funds		**920.9**	593.6
Other		**5.1**	9.5
Derivative contracts			
Hedging			
Currency derivatives			
Currency swaps			
Open,	underlying instrument	**16.6**	16.8
	fair value	**1.9**	0.9
Non-hedging			
Interest derivatives			
Future and forward contracts			
Open,	underlying instrument	**475.9**	598.6
	fair value	**0.0**	0.0
Option contracts			
Open,	underlying instrument	**197.6**	116.0
	fair value	**3.0**	0.0
Interest rate and credit default swaps			
Open,	underlying instrument	**–507.1**	–56.9
	fair value	**25.0**	0.6

EUR mill.		2007	2006
Currency derivatives			
Forward contracts			
Open,	underlying instrument	**3,489.5**	2,201.0
	fair value	**41.8**	22.1
Closed,	fair value	**2.7**	0.7
Option contracts			
Open,	bought, underlying instrument	**2,565.4**	0.0
	fair value	**53.8**	0.0
Open,	written, underlying instrument	**−1,460.8**	0.0
	fair value	**−13.1**	0.0
Currency swaps			
Open,	underlying instrument	**29.7**	16.0
	fair value	**−1.1**	−0.1
Equity derivatives			
Future and forward contracts			
Open,	underlying instrument	**−113.9**	−498.2
	fair value	**0.0**	0.0
Option contracts			
Open,	bought, underlying instrument	**3,859.4**	3,281.4
	fair value	**587.2**	658.6
Open,	written, underlying instrument	**−2,282.3**	−1,399.2
	fair value	**−159.9**	−122.9
Total returns swaps			
Open,	underlying instrument	**77.2**	−41.5
	fair value	**−23.7**	3.5
Commodity derivatives			
Future and forward contracts			
Open,	underlying instrument	**3.9**	0.0
	fair value	**0.0**	0.0
Total returns swaps			
Open,	underlying instrument	**234.8**	110.0
	fair value	**2.8**	4.6

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

Valuation principles

The fair values of listed derivatives are calculated using the price quoted on the stock exchange.

The fair values of unlisted interest, equity and commodity derivatives are based on the market prices of similar listed instruments or estimates of fair values by external parties. The fair values of currency derivatives are based on market quotes, estimates of fair values by external parties or they are determined using generally known theoretical pricing models.

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

EUR mill.	2007	2006
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	**17.6**	10.4
The liability has been calculated pursuant to regulations in force on 31 December 2007.		
Leasing and rent liabilities		
Due in the next year	**0.3**	0.2
Due in subsequent years	**0.3**	0.5
Other financial commitments	**3.7**	3.4
SOLVENCY CAPITAL		
Capital and reserves after proposed distribution of profits	**90.5**	86.1
Accumulated appropriations	**10.2**	14.7
Difference between current value and book value of assets	**2,100.2**	2,177.9
Provision for future bonuses	**3,937.1**	3,588.3
Other items	**–69.2**	–39.0
	6,068.8	5,828.0
Minimum solvency capital required under the Employee Pension Insurance Companies Act (TVYL), sector 17	**2,026.3**	1,630.5
The equalisation provision for years with heavy losses is included in the technical provision	**917.9**	909.9

Key figures and analyses

	2007	2006	2005	2004	2003
KEY FIGURES IN BRIEF					
Premiums written, EUR mill.	**2,772.5**	2,652.6	2,346.0	2,217.3	2,229.6
Pensions and other payments made, EUR mill. [1]	**2,396.1**	2,237.1	2,033.8	1,931.3	1,899.5
Net investment income at fair value, EUR mill.	**1,325.0**	1,803.0	2,174.1	1,276.8	1,281.1
ROCE, %	**5.7**	8.5	12.1	7.9	8.7
Turnover, EUR mill.	**4,200.9**	4,368.0	3,727.1	3,151.6	3,404.3
Total operating expenses, EUR mill.	**103.5**	98.6	98.2	98.5	87.8
Total operating expenses, % of turnover	**2.5**	2.3	2.6	3.1	2.6
Operating expenses covered by loading profit	**85.6**	71.8	74.4	75.4	68.6
% of TyEL and YEL payroll	**0.6**	0.6	0.7	0.7	0.6
Total profit, EUR mill.	**344.6**	850.3	1,514.9	698.5	818.3
Technical provisions, EUR mill.	**22,661.1**	20,917.2	18,891.3	16,375.6	15,275.0
Solvency capital, EUR mill.	**6,068.8**	5,828.0	5,090.1	3,597.8	2,951.2
% of technical provisions [2]	**32.5**	33.7	32.0	25.6	22.3
in relation to solvency border	**2.00**	2.38	2.52	2.27	2.16
Equalisation provision, EUR mill.	**917.9**	909.9	893.6	842.8	814.6
Pension assets, EUR mill. [3]	**24,761.2**	23,095.1	20,972.5	17,649.2	16,181.0
Transfer to client bonuses, % of TyEL payroll	**0.60**	0.70	0.76	0.46	0.33
TyEL payroll, EUR mill.	**12,425.5**	11,505.6	10,268.0	9,766.9	9,879.4
YEL payroll, EUR mill.	**989.1**	923.6	879.0	850.7	812.4
TyEL policies	**34,113**	31,551	31,386	31,572	31,927
Employees insured under TyEL	**417,000**	387,000	357,000	349,000	364,000
YEL policies	**51,289**	49,898	49,495	49,580	49,696
Pensioners	**262,971**	257,884	243,775	239,511	235,965

[1] Claims paid in Profit and Loss account exluding 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
[4] Insurance policies of employers that have concluded insurance contracts

NOTES TO THE ACCOUNTS

Key figures and analyses

EUR mill.	2007	2006	2005	2004	2003
PERFORMANCE ANALYSIS					
Source of profits					
Technical underwriting result	**9.0**	19.9	51.2	34.2	38.5
Investment income at fair value	**321.6**	807.6	1,452.0	657.4	770.7
+ Net investment income at fair value	**1,325.0**	1,803.0	2,174.1	1,276.8	1,281.1
– Return requirement on technical provisions	**–1,003.4**	–995.5	–722.1	–619.4	–510.4
Loading profit	**14.0**	22.9	11.7	6.9	9.1
Total result, total	**344.6**	850.3	1,514.9	698.5	818.3
Distribution of profits					
Increase/decrease solvency (+/–)	**270.6**	769.3	1,436.9	653.5	785.3
Equalisation provision (+/–)	**8.0**	16.3	50.8	28.2	35.4
Solvency capital (+/–)	**262.7**	753.0	1,386.1	625.3	749.9
Change in provision for future bonuses	**339.0**	647.7	573.0	252.8	623.7
Change in difference between current and book values	**–77.7**	96.6	807.7	367.6	119.5
Change in accumulated appropriations	**–4.6**	–0.8	–2.0	–1.5	1.2
Profit for the financial year	**5.9**	9.4	7.4	6.4	5.5
Transfer to client bonuses	**74.0**	81.0	78.0	45.0	33.0
To augment the provision for current bonuses [1]					
Total	**344.6**	850.3	1,514.9	698.5	818.3

[1] On Dec. 31, 2007, EUR 8.7 million of the transfer to augment the provision made in 2002 for current bonuses remained unamortised

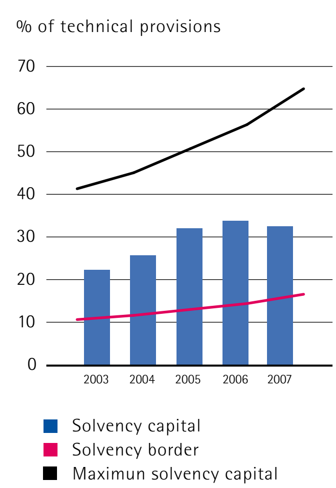
SOLVENCY, %

Solvency capital and limits
(% of the technical provision used in calculating the solvency border)

	2007	2006	2005	2004	2003
Solvency border	**16.3**	14.1	12.7	11.3	10.3
Maximum solvency capital	**65.0**	56.5	50.8	45.1	41.3
Solvency capital	**32.5**	33.7	32.0	25.6	22.3

[1] For the period before 2007 the upper limit of the target zone

Solvency



	2007		2006		2005		2004		2003	
	EUR mill.	**%**	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%
BREAKDOWN OF INVESTMENTS (FAIR VALUE)										
Loan receivables [1]	**1,239.3**	**5.2**	1,139.1	5.0	1,076.0	5.1	1,110.9	6.3	1,403.0	8.8
Bonds [1] [2]	**8,611.1**	**36.4**	10,387.2	45.2	10,317.5	49.2	8,750.7	49.6	7,831.5	49.0
incl. fixed-income funds	**984.4**	**4.2**	871.4	3.8	596.6	2.8	478.3	2.7	261.3	1.6
Other money market instruments and deposits [1] [2] [3]	**447.2**	**1.9**	155.9	0.7	398.3	1.9	532.7	3.0	367.8	2.3
Shares and participations	**11,200.7**	**47.3**	9,053.1	39.4	7,133.3	34.0	5,280.2	29.9	4,016.6	25.1
Real estate [4]	**2,165.3**	**9.2**	2,259.5	9.8	2,058.1	9.8	1,961.1	11.1	2,366.6	14.8
incl. investment funds and joint ventures*	**249.3**	**1.1**	137.5	0.6	38.8	0.2	9.2	0.1		
Investment total	**23,663.6**	**100.0**	22,994.9	100.0	20,983.2	100.0	17,635.6	100.0	15,985.5	100.0
Motified duration of the bond portfolio	**4.35**		4.21		4.65		5.11		4.65	

[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 money market instruments and deposits

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

[4] Including shares in mutual funds that invest in real estate or real estate corporations, and similar investments in collective investment funds

* Exluding shares of real estate investment companies

NOTES TO THE ACCOUNTS

Key figures and analyses

EUR mill.	2007	2006	2005	2004	2003
BREAKDOWN OF INVESTMENT INCOME AND INVESTMENT RESULT					
Direct net income	**1,028.0**	789.4	419.7	617.8	638.1
Loan receivables	**51.5**	44.8	46.5	56.8	65.6
Bonds	**330.1**	306.0	288.7	247.6	279.9
Other money market instruments and deposits	**17.4**	19.0	29.7	9.8	9.3
Shares and participations	**583.2**	351.1	-1.2	219.0	176.9
Real estate	**68.0**	75.0	59.6	87.5	112.9
Other					
Unallocated income, costs and operating expenses	**-22.2**	-6.4	-3.7	-3.0	-6.5
Changes in book value [1]	**374.7**	917.0	946.8	291.4	523.5
Shares and participations	**439.1**	937.3	745.8	143.0	350.9
Bonds	**-119.7**	-15.9	164.9	118.3	169.7
Real estate	**55.3**	-4.2	36.3	30.4	2.6
Other	**0.0**	-0.2	-0.2	-0.3	0.2
Net investment incomet at book value	**1,402.7**	1,706.4	1,366.5	909.2	1,161.6
Change in difference between fair and book value [2]	**-77.7**	96.6	807.7	367.6	119.5
Shares and participations	**-86.5**	271.2	899.6	282.2	248.3
Bonds	**-29.3**	-246.7	-87.1	125.6	-133.7
Real estate	**38.1**	72.1	-4.8	-40.2	4.9
Other	**0.0**	0.0	0.0	0.0	-0.1
Net investment income at fair value	**1,325.0**	1,803.0	2,174.1	1,276.8	1,281.1
Yield requirement on technical provisions	**-1,003.4**	-995.5	-722.1	-619.4	-510.4
Investment income at book value	**399.3**	711.0	644.3	289.8	651.2
Investment income at fair value	**321.6**	807.6	1,452.0	657.4	770.7
The proportion of derivatives in the net investment income	**277.5**	164.7	-190.7	20.8	86.7

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

NET INVESTMENT INCOME AT FAIR VALUE, JANUARY 1– DECEMBER 31, 2007

	2007	2007	2007	2006	2005	2004	2003
	Fair value [1] EUR mill.	**Capital employed [2] EUR mill.**	**ROCE, %**	ROCE, %	ROCE, %	ROCE, %	ROCE, %
Loan receivables	**51.5**	**1,137.2**	**4.5**	4.4	4.6	4.7	4.6
Bonds [3]	**194.8**	**9,831.6**	**2.0**	1.0	4.3	7.0	5.1
incl. fixed-income funds	**13.3**	**991.4**	**1.3**	9.1	4.3	11.9	21.9
Other money market instruments and deposits	**17.4**	**439.2**	**4.0**	3.8	4.5	1.4	1.8
Shares and participations	**898.1**	**9,899.4**	**9.1**	20.3	30.7	13.4	22.1
Real estate [4]	**185.5**	**1,957.5**	**9.5**	7.3	4.7	3.6	5.2
incl. investment funds and joint ventures [*)]	**24.0**	**165.1**	**14.5**	11.2	10.3	–4.0	
Investment total	**1,347.2**	**23,265.0**	**5.8**	8.6	12.1	7.9	8.8
Unallocated income, costs and operating expenses	**-22.2**	**23,276.1**	**-0.1**	0.0	0.0	0.0	-0.1
Net investment income, total	**1,325.0**	**23,276.1**	**5.7**	8.5	12.1	7.9	8.7

[1] Net investment income at fair 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 ans 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 funs and joint ventures listed in the statistic under real estate investments

* Exluding shares of real estate investment companies

NOTES TO THE ACCOUNTS

Key figures and analyses

EUR mill.	**2007**	2006	2005	2004	2003
LOADING PROFIT					
Expense loading components	**93.6**	92.9	84.2	80.5	75.7
Premium components available to be used to cover operating expenses resulting from claims settlements	**4.4**				
Other income	**1.7**	1.8	1.8	1.7	2.1
Total loading profit	**99.7**	94.6	86.0	82.3	77.7
Activity-based operating expenses [1]	**–85.6**	–71.8	–74.4	–75.4	–68.6
Other expenses	**0.0**	0.0	0.0	0.0	0.0
Total operating expenses	**–85.6**	–71.8	–74.4	–75.4	–68.6
Loading profit, total	**14.0**	22.9	11.7	6.9	9.1
Operating expenses as a percentage of loading profit	**85.9**	75.8	86.4	91.6	88.3

[1] Excluding operating expenses from investment activities and activities to maintain ability to work and statutory charges

Risk management

The purpose of risk management is to manage especially the risks that may affect the appropriate performance of the company's statutory responsibilities, the achievement of the state of will stated in the company's operating plan for the next few years, and the main goals for the near future as well as the key areas of development of the business. This requires the identification and assessment of significant risk factors.

The purpose of risk management is to prevent the risks identified as threats to the company from materialising, minimise the financial and other loss arising from any risks that may have materialised, safeguard the continuity of the company's operations, and to 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 manoeuvre if a controlled rise in the risk level could increase the company's profitability. Risk management also involves comparing the costs of risk management measures against the potential costs of materialised risks, and thus ensures cost-effectiveness.

RISKS IN THE UNDERWRITING BUSINESS

In the underwriting business, the risks are related to the sufficiency of premiums and technical provisions, where uncertainty relating to life expectancies, the starting rate of pensions and the amount of claims play an important part. The following review is limited to TyEL insurance because YEL insurance is the joint responsibility of the pension institutions and ultimately the State, and the volume of other types of insurance is of minor importance (the technical provisions of TyEL insurance represented 98% of Ilmarinen's total technical provisions in the financial statements for 2007).

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 most financially significant risks concern the uncertainty related to the mortality rate and the starting rate of disability and unemployment pensions, as well as the amount of credit losses from insurance premiums. These risks are managed by choosing insurance contributions and calculation bases.

Because the calculation bases are common to all employee pension insurance companies, a deviation in the average insurance portfolio in an unfavourable 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, the supplementation does not pose a risk to individual pension institutions because, according to the Employees' Pensions Act, the pension institutions pay for the supplementation jointly.

The company prepares for fluctuations in the result of the underwriting business under the company's responsibility by means of a buffer, the equalisation provision included in the technical provisions for this purpose. The equalisation provision has a lower and an upper limit calculated according to the insurance risks. At the end of 2007, Ilmarinen's equalisation provision was around 76 per cent of the upper limit.

The aim of risk management in the underwriting business is to ensure the solvency of the calculation bases in accordance with 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 solvency is based on monitoring the trends in the equalisation provision, other analyses and reports concerning the underwriting business required by the authorities or considered necessary by the actuary, and forecasts on the development of the company's underwriting business. This requires the development and maintenance of forecasting models and analysis methods.

In employee pension insurance, uncertainty factors relating to pension expenditure under the joint responsibility of the pension institutions and its financing (the pay-as-you-go pool) must be taken into account, in addition to the underwriting business under the responsibility of the company itself. The unfunded pension expenditure (pooled pension expenditure) is under joint responsibility, of which the share of the pensions being paid out is financed by an annually collected part of the TyEL contribution, the pooled component. In 2007, pooled pension expenditure accounted for around 76 per cent of Ilmarinen's TyEL insurance pension expenditure, and the pooled component of the contribution was around 75 per cent of the total premiums written for TyEL insurance. The provision for pooled claims 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 2007, Ilmarinen's provision for pooled claims corresponded to about ten months' pooled pension expenditure.

The pensions paid out of a pool and pooled premiums written are pooled between all the pension institutions, so these pensions do not pose a pension-institution-specific risk. In this respect, a common risk to the pension institutions is created by a deterioration in the ratio between the pension expenditure in question and the total payroll of the private sector, with respect to the assumptions used in the setting of insurance premiums. Because the life expectancy coefficient included in the pension scheme from 2010 eliminates the majority of the risk relating to life expectancy, an 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 materi-

NOTES TO THE ACCOUNTS
Risk management

alisation of risk. The law requires that the pooled component of the premium is calculated so that it is sufficient with respect to the jointly financed expenses. Therefore, the risk concerning pensions that are jointly financed is directed towards the payers of employment pension contributions.

The company's technical provisions (excluding provision for future bonuses) are expected to increase by about 6–7 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 23,749 million in assets suitable for covering the technical provisions on the basis of legislation and lower regulations, which exceeded the amount of technical provisions to be covered by around 5 per cent. In the long term, investments must deliver at least a return, formed as the weighted average of the return on investments in equity and the technical rate of interest specified in the calculation bases for the TyEL, so that the return on investments in equity after a four-year transition period receives a 10 per cent weighting. The weighting of the return on shares will grow evenly during the transition period.

INVESTMENT RISKS

Because authorised pension insurance companies must maintain their ability to pay current and future pensions under their responsibility, investment activities must be safe and profitable. Profitable investing necessitates exposure to investment risks, which are limited to safeguard the solvency requirements. Market risks arising from fluctuations in economic cycles in the financial market are managed both through provisions on the solvency capital and by ensuring the investment portfolio is sufficiently diversified. Other risks from investment activities that are managed are counter-party risk, liquidity risk and derivative risk.

The solvency mechanism used by authorised pension insurance companies

Authorised pension insurance companies, industry-wide pension funds and company pension funds conduct their investment operations independently but in accordance with common solvency requirements. Provision is made for risks related to investment activities in each pension institution through the solvency capital, which is 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 the 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 opposite scenario, the necessary amount is deducted from the solvency capital. Part of the acquisition risk of the shares is borne jointly. For this reason, is has its own buffer, additional insurance liability tied to the yield on shares.

The statutory minimum solvency capital, the solvency border and other control limits depend on the extent of the company's risk-taking, and take into consideration the differences in the structure of the investments between the pension institutions. Higher-risk investments require greater solvency capital.

The basic quantity of the solvency requirements is the solvency border. The solvency border is calculated to establish the amount of safe solvency capital that will meet the risks of the pension institution's investments for one year. The upper limit of the solvency capital is quadruple the solvency border. Rules have been set for the calculation of the solvency border that are binding on all companies through a Decree.

When calculating the solvency border, the assets are divided into five main groups that each have several sub-classes. The aim is that the groups and sub-classes form clear overall entities that essentially have the same return and risk characteristics. Regulations have been laid down in law on classifications, which are based on the legal form of the investments.

In addition to this, the pension institution is obligated to monitor its investments according to the actual risks. If the investment clearly belongs to a different group or sub-class on the basis of the actual risk than according to the legal form, then it must be classified in a manner that best corresponds to the actual risk. The solvency border of the pension institution is thus calculated in accordance with the classification that is arrived at.

The solvency border is calculated by multiplying the pension institution's solvency technical provisions using the formula in the Decree by the calculated value, which is in any case a minimum of 5.0%. The Decree specifies the return and risk parameters for the sub-classes of assets. In the calculation, the yield expectations and risk contents are determined by weighting the sub-classes. The correlations between the yields of the various main groups are taken into account in line with the Decree. When calculating the amount of shares in the main group, the percentage of technical provisions tied to the yield from the shares of the investments is deducted from the sub-class, the risk of which corresponds to the risk of the shares that are the object of public trading in OECD states. In 2007, it was 2 percentage points and in 2008, 4 percentage points.

The table below shows the distribution of Ilmarinen's investments into solvency groups pursuant to the Solvency Decree as of 31 December 2007.

Group	Expected yield %	Volatility %	Investments, % 31. 12. 2007
I	3.5	2.2	5.7
II	5.7	5.5	36.6
III	6.8	9.4	9.1
IV	8.8	20.5	43.0
V	6.1	12.3	3.7

The solvency border pursuant to the investment distribution was, as of 31 December 2007, 16.3 per cent (14.1% in 2006) of the technical provisions used in the solvency calculation. When Ilmarinen's solvency ratio was 32.5 (33.7) per cent, the company's solvency position, i.e. the solvency capital ratio to the solvency border, was 2.00 times (2.38) that of the solvency border.

Composition of the investment portfolio

Ilmarinen's investment portfolio has been optimised based on the expected yield from the various investment classes, fluctuations in yield and dependencies between asset classes. The calculations allow a maximum 5% likelihood of a reduction in the solvency capital to the solvency border within two years. This would be an acceptable drop from a solvency capital level where the allocation of investments can produce an 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 optimisation, the following long-term yield expectations and volatilities are used for the main assets (weighting of 9% or above):

	Expected yield	Volatility
Listed shares	7.5%	17.5%
Bonds	4.0%	3.6%
Real estate	5.7%	8.4%

The expected yield from the 2007 allocation, based on the optimisation, was 5.8 per cent and the volatility was 8.3 per cent. In this "basic allocation", the weightings of the main assets were as follows: listed shares 40.0 per cent, bonds 35.0 per cent, investments in real estate 9.0 per cent, loans receivable 5.0 per cent and other asset classes 12.0 per cent. In addition to the basic allocation weighting, there are benchmark indices for securities (shares, bonds and cash investments). Investment risks are managed both absolutely and with regard to benchmark indices.

Investment portfolio on 31 December 2007

The 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". The Table below follows the method agreed together with the pension institutions on describing investment yields and risks.

Breakdown of investments in listed shares	Share (%) 2007	Share (%) 2006	Breakdown of credit rating of bonds including fixed-income funds	Share (%) 2007	Share (%) 2006
Finland	39	40	AAA	54	67
Europe	31	30	AA	17	10
USA	12	11	A	11	10
Japan	2	5	BBB or worse	17*	13*
Others	16	15	Not rated	1	1

* the share of fixed-income funds is 11 (8) percentage units

	Market value EUR mill.	Market value %	Risk breakdown EUR mill.	Risk breakdown %	Return %	Volatility %
Fixed-income investments	10,297.6	45.3	10,033.9	42.4	2.3	
Loan receivables	1,239.3	5.2	1,239.3	5.2	4.5	
Bonds	8,611.1	36.4	8,626.0	36.5	2.0	2.0
Other money market instruments	447.2	1.9	168.5	0.7	4.0	
Equities and shares	10,344.9	43.7	10,372.7	43.8	7.7	
Listed equities and shares	9,597.5	40.6	9,625.3	40.7	5.8	11.3
Private equity investments	520.0	2.2	520.0	2.2	42.5	
Unlisted equities and shares	227.4	1.0	227.4	1.0	28.5	
Real estate investments	2,165.3	9.2	2,165.3	9.2	9.5	
Direct real estate investments	1,916.0	8.1	1,916.0	8.1	9.0	
Real estate funds	249.3	1.1	249.3	1.1	14.5	
Other investments	855.8	3.6	1,091.7	4.6	30.8	
Hedge fund investments	801.2	3.4	801.2	3.4	18.6	5.0
Commodity investments	2.8	0.0	238.6	1.0	-	
Other investments	51.9	0.2	51.9	0.2	-	
Total investments	23,663.6	100.0	23,663.6	100.0	5.7	3.7

The modified duration of bonds on 31 December 2007 was 4.3 (4.2) years.

NOTES TO THE ACCOUNTS

Risk management

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

The structure of real estate investments

	Share (%) 2007	2006
Residential	20	18
Office	49	50
Commercial	5	5
Hotel	9	8
Warehouse	3	4
Others	7	7
Indirect investments	12	8

The occupancy rate of the real estate portfolio (locations under renovation excluded) was 94.1 per cent (91.2%).

Market risk

Market risk arises as a consequence of the daily changes in prices and values on the financial market. The types of risks directed at Ilmarinen's investment assets are equity risks, interest-rate risks, real estate risks, currency risks, commodity risks, volatility risks and credit risks. Market risk is measured using the RiskMetrics® risk management software and managed by monitoring the maximum loss at a certain probability (VAR, value at risk) and analysing the financial effects of various risk scenarios.

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

	Change in the interest level +1% point	Change in share prices -10%	Fair value of real estate -10%
Effect			
- solvency capital (EUR mill.)	–349.8	–1 078.2	–220.9
- solvency position	–0.14	–0.29	–0.08
- yield percentage (percentage points)	–1.5	–4.7	–1.0
- solvency ratio (percentage points)	–1.9	–5.7	–1.2

If the investments at the end of the year are taken as the starting point, there was a 2.5 per cent possibility that the value of the investments could drop by at least EUR 827 million (EUR 574) within one month, constituting a value at risk (VAR) of 3.5 (2.5) per cent of the amount of investments and 13.6 (9.8) per cent of the solvency capital at the end of the year. If such a risk had actually materialised, the solvency capital would have dropped to 28.0 (30.4) 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 hedged using derivatives. The hedging policy is more proactive for equity investments.

Risk concentrations

The prevention of risk concentrations is governed at a basic level by the regulations on assets covering technical provisions, but the company also takes action to prevent them. The largest concentration of risks with regard to investments of all the various types in a single object, excluding governments, accounted for 3.0 (2.1) per cent of the investment assets in Ilmarinen's 2007 financial statements.

Counterparty risk

Counterparty risks relating 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 lending in proportion to companies' future solvency. The risk is also managed through collateral arrangements.

The counterparty risks of 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 relating 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 expenditure are quite accurate and more than 78 (81) per cent of the assets consist of liquid investments in securities. Short-term liquidity risks based on the 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 27.8 (-423.8) million at year-end, which changed the equity risks on the company's investments by 0.1 (-1.8) percentage points. Fixed-income derivatives were used to increase the average maturity of fixed-income investments by +0.14 (+0.21) years. The maximum provision for losses other than for hedged derivatives that can be deducted from the solvency capital was EUR 67.1 (35.3) million at 31 December 2007.

OPERATIONAL RISKS

Managing the majority 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 operations of each unit are carefully performed, maintain a high quality, and are economical and efficient. The most important risk factors relating to the operations have been assessed and identified, and they are managed under the company's separate risk management operations.

The most serious operational risks in terms of the company's core responsibilities are errors and disturbances that could prevent the correct calculation or timely payment of pensions. These include disturbances to the operational data systems and the service provision of online services that are growing in importance, which compromise their performance, management or security.

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

In order to ensure operations free from disturbance under both normal and exceptional conditions, the company has drawn up plans for ensuring the continuity of operations and for controlling operations in exceptional circumstances, and they are monitored and maintained every year to keep them up-to-date. The critical functions to be safeguarded have been chosen from the critical functions mentioned in the Insurance Industry Preparedness Guidelines.

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 specifies the risk level to be adopted. Similar matters are dealt with in the risk management plan of the Board of Directors with regard to 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 control system and the work of the internal audit unit and external 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 auditors appointed by the Supervisory Board from among its members.

In accordance with the general principles of internal auditing, internal audit at Ilmarinen is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. In addition to the internal audit unit, the effectiveness of the internal control system and the adequacy of the risk management operations are evaluated by external auditors. At the same time, the external auditors evaluate the effectiveness of the internal auditing 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 control system included in the normal management work in the company. The committee supports the business units to improve operating methods to comply with good risk management practices.

The Board of Directors confirms the powers for operational investment activities annually in conjunction with the investment plan. The management, within the framework of its investments powers, may deviate from the weightings for the asset classes specified under the basic allocation.

The extent of the risk related to the basic allocation is monitored by the Asset Management Group, whose members represent the Investments unit and the Finance and Actuarial Matters unit. In its monitoring, the group takes into account the requirements set for the underwriting business and proposes adjustments to the risk level of the basic allocation, if necessary.

The chosen operative risk level (including derivatives) and the company's solvency situation are evaluated at the weekly meetings of the risk management group of the Investments unit, in which the Finance and Actuarial Matters unit is also represented.

The Board of Directors is presented with a report once a month on the investment operations, which is used for the supervision of the company's compliance with the risk-taking limits laid down in the investment plan, and the achievement of the goals of the investment operations. The company's solvency is monitored on a monthly basis by the financial administration; if necessary, information on the company's solvency position on any given day is available almost immediately. The correctness of the information is ensured by sufficiently frequent real-time reporting, regular matching routines and the organisational separation of decision-making on investments and reporting. The securities portfolio is matched regularly with the Accounts and Bookkeeping unit and external custodians. The pricing of securities and decision-making on valuations are carried out independently of the portfolio management. Fraud and misconduct risks are prevented by avoiding dangerous combinations of duties, issuing internal instructions, granting written powers and continuously monitoring the trading. Payment operations are separated from decision-making on investments.

PROPOSAL BY THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFIT

According to the Articles of Association, the rate of interest on the guarantee capital is the technical rate of interest plus one per cent. For 2007, the yield percentage calculated in this fashion is 6.75 and the interest on the guarantee capital is EUR 1,552,139.00.

Ilmarinen Group's distributable free equity in the financial statements dated 31 December 2007 is 35.5 EUR million. The parent company's distributable free equity is EUR 69,144,766.64, of which the profit for the period is EUR 5,928,750.32.

The Board of Directors proposes that EUR 1,552,139.00 is distributed as interest on the guarantee capital for 2007, EUR 50,000.00 is reserved for use by the Board of Directors as donations for the public good and the rest of the profit, EUR 4,326,611.32, is transferred into the contingency fund.

Helsinki, 20 February 2008

Hannu Syrjänen

Lauri Ihalainen	Leif Fagernäs	Jukka Alho
George Berner	Jukka Hienonen	Arto Hiltunen
Reijo Karhinen	Leila Kostiainen	Leena Niemistö
Markku Vesterinen	Matti Viljanen	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, 2007. 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 the 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, 5 March 2008
PricewaterhouseCoopers Oy
Authorised Public Accountans
Juha Wahlroos, Authorised Public Accountant Sirkku Valkjärvi, Authorised Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

The company's pension decision making and investment activities have been examined by a number of Supervisory Board members selected by the Board itself for the purpose. This examination was conducted in accordance with procedures drafted by the Supervisory Board in conjunction with the company's management. No cause for concern was found.

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.

The membership term of the Supervisory Board members listed below will expire at the 2008 Annual General Meeting:

Jorma Eloranta	Kai Korhonen	Juhani Maijala	Pirjo Terilehto
Henrik Gayer	Veikko Kuusakoski	Timo Peltola	Erkki Varis
Kim Gran	Matti Lievonen	Timo Räty	Esa Vilkuna
Liisa Joronen			

Helsinki, 6 March 2008
On behalf of the Supervisory Board
Antti Herlin, Deputy Chairman

GUIDE
to the reader

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.

ADDITIONAL PREMIUM TIED TO YIELD FROM SHARES
As of 1 January 2007, additional premium tied to yield from shares is a new part of technical provisions, the size of which depends on the average yield on investments in shares by pension institutions. It is used to dampen changes in the company's solvency resulting from fluctuations in yield from shares.

ASSETS COVERING TECHNICAL PROVISIONS
An insurance company must cover its technical provisions with its investments; certain requirements have been set on the diversification of these investments. The assets covering technical provisions are calculated at fair value.

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.

EQUALISATION PROVISION
Equalisation 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 fair value 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 similar income. The smaller the percentage – that is, the smaller the amount of the abovementioned income 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, which 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 in the value of investments.

SOLVENCY CAPITAL
The solvency margin is the difference between the company's assets, calculated at fair value, and its liabilities. Solvency margin is intended to cover the risks inherent in investments.

SOLVENCY REQUIREMENTS
The level of risk of investment operations affects the required amount of solvency, or solvency margin. The requirement is determined on the basis of solvency margin limits, which comprise the solvency border and the upper and lower limits of the solvency margin derived from it.

The solvency border is the figure expressing the limit within which yearly fluctuations in the value of investments should in all probability remain. It is calculated on the basis of the structure of the company's investment portfolio and the amount of technical provisions. The upper limit of the solvency margin is four times the solvency border and the lower limit of the solvency margin is two-thirds of the solvency border. The company's solvency margin is expected to remain between the solvency border and the upper limit of the solvency margin.

STATUTORY CHARGES

Statutory charges include the pension institution's contribution for paying for the operations of the Finnish Centre for Pensions which functions as the central organisation of the system, the judicial administration charge which pays for the costs of the Pension Appeal Court and the insurance supervision charge. As of 2007, statutory charges are included in operating expenses in the financial statements and they are covered by a part of the insurance premium included in it for this purpose.

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 accounting period. The provision for outstanding claims is an estimate of future expenditure on pension contingencies already occurred. The provision for unearned premiums includes the provisions for current and future bonuses and the additional insurance liability tied to yield on shares, and the provision for outstanding claims includes an equalisation provision.

TECHNICAL PROVISIONS TO BE COVERED

Technical provisions to be covered are the technical provisions in the financial statements, to which is added liabilities to the pay-as-you-go pool and policyholders and from which is deducted the provision for unearned premiums of pension insurance for self-employed persons.

TURNOVER

Turnover means premiums written before credit losses and the reinsurers' share + net income from investment in the accounts + other income.

UNDERWRITING RESULT

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

VALUATION GAINS / LOSSES

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

YIELD REQUIREMENT RETURN ON TECHNICAL PROVISIONS

The required return on technical provisions is an amount refunded on technical provisions under liabilities and shareholders' equity in the balance sheet, which is determined primarily by the discount rate (3 per cent) used in the calculation of technical provisions and the supplementary multiplier derived from the average solvency of pension institutions (2.71 per cent on average in 2007). For part of the technical provisions, the required return is determined by the average yield from share investments of pension institutions.

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 with a level of roughly 60% of average career earnings for 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 is the Employees Pensions Act, TyEL. It covers over 50 per cent of the employed labour force.

ADMINISTRATION AND SUPERVISION

The Finnish earning-based pension system is a decentralised system. TyEL pension coverage is managed by seven pension insurance companies (including Ilmarinen), eight industry-wide pension funds and 27 company pension funds. Pension benefits are independent of the managing institutions. The Insurance Supervisory Authority supervises pension institutions that implement pension laws.

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 small in the years preceding retirement. Unemployment pensions are also pre-funded when the pension benefits start, except for pensions that are based on paid-up policies only. For persons over the age of 54, the funded parts of retirement pensions are increased each year from investment income. The yield on technical provisions in accordance with the supplementary multiplier for pension liabilities contained in joint calculation bases is used for the increase, as well as the amount by which the buffer tied to income from shares, accrued as of the start of 2007, eventually exceeds its upper limit. The supplementary multiplier for pension liabilities is determined every six months by the 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 2007, employee pension fund assets totalled EUR 122 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 funds at the individual level, technical provisions contain a provision for pension cases that have already occurred but are not yet known, a provision for future disability pensions, the equalisation provision, and an equalisation provision that functions as a buffer for jointly-funded pensions.

PREMIUMS WRITTEN

In 2008, the total TyEL contribution averages 21.8% of earnings. The employee contributes 4.1% (5.2% from 53 years of age) and the employer an average of 17.5%. Small and medium-sized employers are also granted a maximum discount of 1.0 percentage points to reduce the equalisation provision relating to disability pensions. The total contribution is expected to increase by about 4 percentage points over the next 25 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 contribution for disability pensions is determined by the premium category, which depends on the disability expenditure. For large employers, the contribution for unemployment pensions is 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 8). As of 2010, growing average life expectancies will affect the size of new pensions, which will largely eliminate the effect of longer life expectancies on future contribution levels.

INVESTMENT ACTIVITIES

Authorised pension insurance companies, industry-wide pension funds and company pension funds conduct their investment operations independently but in accordance with common solvency requirements. Solvency requirements depend on the level of risk of investments and take into account differences between pension institutions vis-à-vis the structure of investment assets. Investment income is used to boost solvency and to increase bonuses and rebates. In 2007–2011 there will be a shift to a system in which part of the price-risk of shares is carried at the level of the whole earnings-related pension scheme.

GUARANTEE SCHEME

If a pension institution becomes insolvent, the benefits of 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 8 April, 2008 at the following address: Ilmarinen Mutual Pension Insurance Company, Porkkalankatu 1, Helsinki, Finland.

INTERIM REPORT

Ilmarinen will publish an interim report in August 2008.

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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