Take it higher

OKMETIC

Annual report 2010

Technology company Okmetic supplies tailor-made silicon wafers to sensor and semiconductor industries and sells its expertise to the solar cell industry. Okmetic provides its customers with solutions that boost their competitiveness and profitability.

Contents

Official financial statements are also published in the Investors section of Okmetic's website (www.okmetic.com).

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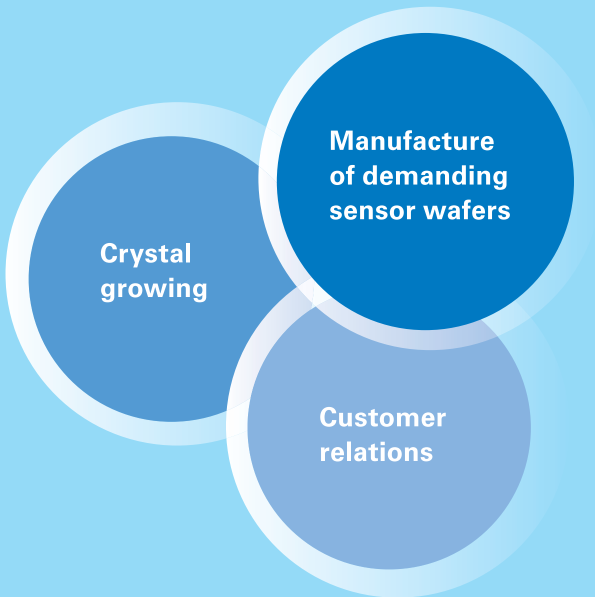
Okmetic in brief

Okmetic supplies innovative silicon-based solutions that generate added value for sensor, semiconductor, and solar cell industries. Okmetic is the world's leading sensor wafer manufacturer and a technological forerunner. The company has production plants in Finland and the United States, contract manufacturing in Japan and China and an efficient worldwide sales network. Okmetic, founded in 1985, is listed in NASDAQ OMX Helsinki.

The year 2010

Key figures	2010	2009
Net sales, 1,000 euro	80,907	54,361
Operating profit before depreciation (EBITDA), 1,000 euro	16,482	7,206
Operating profit, 1,000 euro	9,801	270
% of net sales	12.1	0.5
Profit for the period, 1,000 euro	9,952	-513
Basic earnings per share, euro	0.60	-0.03
Net cash flow from operating activities, 1,000 euro	16,594	6,315
Net interest-bearing liabilities, 1,000 euro	-18,047	-4,770
Equity ratio, %	76.6	78.9
Average number of personnel during the period	345	337

Okmetic's core competencies



Q1 January–March

- Kai Seikku started as Okmetic's President

Q2 April–June

- Esa Lager became board member and vice chairman of the board

Strategic choices

Customer areas

Okmetic supplies tailor-made silicon wafers for sensor and semiconductor industries and sells its technological expertise to solar cell companies. The company produces solutions that enhance its customers' competitiveness and profitability.

Objectives

Okmetic's strategy's objective is profitable growth, which is based on the company's core competencies and on the commercialisation and productisation of long-term product development schemes. The company's core competencies include crystal growing, sensor wafer manufacturing, and customer relations.

Prerequisites

Worldwide sales network, personnel's know-how, efficient own production, and reliable contract manufacturers create the prerequisites for profitable growth. The flexibility of production capacity is enhanced by increasing the amount of contract manufacturing.

Vision and values

Okmetic's vision is to

- **be the global market leader and technological pioneer in silicon-based solutions in its chosen customer areas**
- **be the best partner for its customers**
- **offer an inspiring and challenging high-tech workplace for its personnel**
- **grow profitably and add shareholder value**

The values guiding Okmetic's operations are

- **customer orientation and co-operation**
- **know-how and continuous improvement**
- **profitability**

Q3 July–September

- Fab lite -model as part of new strategy
- Organisational redesign and launch of worldwide supply chain function
- Juha Jaatinen started as Senior Vice President, Finance, IT, and Communications and as member of the executive management group
- Petri Antola appointed Senior Vice President, Technology Projects and member of the executive management group

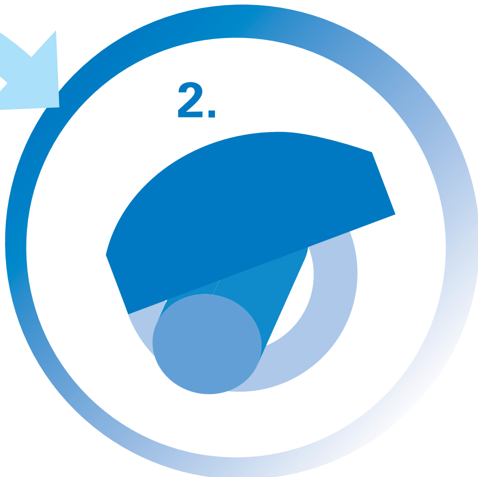
www.okmetic.com

Q4 October–December

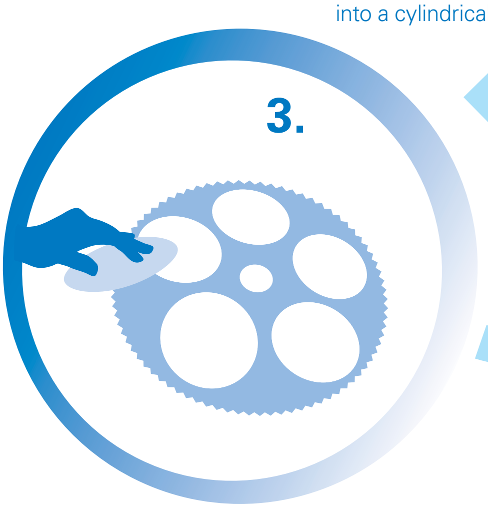
- Investments on SOI production line development proceeded, the highest SOI productivity of 2010 was achieved in December
- All-time-high level of annual net sales was reached

The tale of the silicon wafer

Silicon wafer manufacturing begins when polycrystalline silicon is melted and a seed crystal is dipped into the melt. During the growth process the seed crystal transforms into a cylindrical single crystal.



The crystal is cut, ground, and sliced into wafers according to customer specifications.



The wafer is treated in various mechanical and chemical processes to increase its strength and to ensure its uniform thickness and a flawless surface. As purity is the most important feature of a silicon wafer, significant part of the wafer processing takes place in a clean room.

The wafer manufacturing process often includes different kinds of further processing stages. Finished wafers are checked, packed, and dispatched to the customer.

Information for shareholders

Annual general meeting

The annual general meeting of Okmetic Oyj will be held on Thursday 7 April 2011 at 10.00 a.m. in the Akropolis hall of Technopolis. Technopolis is located near the Helsinki-Vantaa International Airport, at Teknobulevardi 3–5. The registration and the distribution of voting tickets will commence at 9.30 a.m.

All shareholders, who have by 28 March 2011 been recorded as shareholders in the list of owners kept by Euroclear Finland Ltd., have the right to attend the meeting.

Shareholders who wish to attend the meeting should register their attendance by 10 a.m. on Monday 4 April 2011:

by email	shareholders@okmetic.com
by telephone	+358 9 5028 0406
by mail	Okmetic Oyj, Share Register, P.O. Box 44, FI-01301 Vantaa, Finland
in person	at the company's head office at Piitie 2, Vantaa, Finland

The possible proxy statements should be delivered to the head office of Okmetic Oyj within the registration period.

Proposal for profit distribution

Board of directors proposes to the annual general meeting that a dividend of 0.30 euro per share be paid for financial year 2010. If the annual general meeting decides upon distributing the dividend, it will be payable to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd. on 12 April 2011. The board proposes that the dividend payments be made on Tuesday 19 April 2011.

Financial calendar 2011

Financial statements bulletin 2010	10 February
Annual report 2010 on the company website	week 11
Annual general meeting	7 April
Interim report January-March	27 April
Interim report April-June	26 July
Interim report July-September	25 October

Investor relations

The objective of Okmetic's communications and investor relations is to continuously provide correct, adequate and up-to-date information fairly to all market participants. In its operation, Okmetic aims at transparency and good service.

All the Okmetic's stock exchange releases and financial reviews are available on the company website immediately after their publication. On the website, IR material is gathered under the Investors section.

Okmetic's investor relations are the responsibility of President Kai Seikku. All questions addressed to him concerning the company can be sent by email to communications@okmetic.com.

Investor relations and communications contacts:

Senior Vice President, Finance, IT, and, Communications Juha Jaatinen
Communications Officer Marika Mäntymaa
Communications Officer Laura Ristimäki

Switchboard	+ 358 9 502 800
Fax	+358 9 5028 0200
Email	communications@okmetic.com firstname.lastname@okmetic.com

Silent period

Okmetic's representatives will not comment the company's financial situation nor meet with any capital market representatives during a period of two weeks prior to the publication of financial statements and interim reports.

Publication orders

Okmetic's financial reviews and releases are published in Finnish and English.

Stock exchange releases and annual reports can be ordered:

by telephone	+ 358 9 502 800
by email	communications@okmetic.com
by mail	Okmetic Oyj, Communications, P.O. Box 44, FI-01301 Vantaa, Finland
on the Internet	www.okmetic.com

President's review

Strong year for silicon wafers

The year 2010 was preceded by the silicon wafer industry's steepest decline of the decade and a historic recovery in demand, which started in the latter half of 2009. As the demand picked up, the prices recovered from the level of 2009. The market overheated, especially in the second and third quarter of the year, resulting in increased order backlogs and unprecedented delays in shipments across the silicon wafer industry.

The semiconductor market grew around 30 percent and the sensor market around 18 percent. Okmetic was able to meet the challenges of growth, as shown by an increase of almost 50 percent in net sales. The net sales exceeded the 80 million euro mark for the first time in the company's history. Simultaneously, the business turned clearly profitable as the operating profit reached nearly 10 million euro. Unlike in the profitable years of 2006–2008, technology sales had a comparatively minor role in 2010. This time silicon wafers played a more accentuated role in the company's record sales. The focus of technology sales has moved from license sales to solar crystal trade, thanks to the rapid development of the solar cell market.

In addition to the positive market trend, there were many factors which contributed to the good results in 2010. One of the central factors was supply chain management. Both in-house production and subcontracting were able to respond to the increase in orders. The fab lite operating model based on contract manufacturing that was launched during the year enabled a record number of semiconductor wafer shipments. Also the production volumes of the strategically important silicon-on-insulator (SOI) wafers increased over the year.

Okmetic’s success in 2010 is based on its core competencies: crystal growing, the production of demanding sensor wafers, and long-term customer relationships – strengths which are the result of many years of work. We must persevere with these long-span efforts in order to secure future growth. Continuous improvement of cost-efficiency and processes is equally important.

Aiming at a higher market share

Based on the market outlooks, the on-going year seems calmer than its predecessor. In 2011, customer industries are expected to continue their growth in all of Okmetic’s main product groups. However, the growth forecasts remain moderate. The main objective is thus to increase market share in product groups important to Okmetic. Investments in sensor wafers and increasing the production capacity of SOI wafers in line with the market will continue to be key focus areas in the coming years. The demand for sensor wafers is promoted by the break-through of sensors in consumer electronics, portable terminals, and various smart system applications.

I would like to thank our skilled personnel, loyal customers, shareholders, and other important stakeholders for their commitment and trust. Seamless interfacing with our customers’ sensitive and demanding worldwide production processes and the ever-increasing performance requirements of these processes is at the core of Okmetic's business. Even closer co-operation with customers and understanding their long-term needs form the basis for all actions in the company.

Vantaa, 1 February 2011

Kai Seikku
President

Silicon wafers played a more accentuated role in the company's record sales.

From silicon wafer to end product

Okmetic's silicon wafers are delivered to sensor and semiconductor customers who use them as raw material in their manufacturing processes. The customers manufacture their components on the surface or inside the silicon wafer by using different mechanical and chemical methods. After this, the component is tested and the silicon wafer is diced. One wafer produces several hundreds or even tens of thousands of components. Finally, the components are packed. Packaging protects the components and allows their incorporation into a module or directly into the end product.

Sensor and semiconductor components can be found inside many products around us such as cars, mobile devices, game consoles, and medical applications such as pacemakers and insulin pumps.

Customers and markets

Okmetic supplies silicon wafers to the world's leading sensor and semiconductor companies and sells crystals and technological expertise to the solar cell industry. The year 2010 was a period of unprecedented growth for Okmetic's customer industries. The company was able to respond to the rapidly-growing demand and increase its market share in the wafer sizes it supplies.

Okmetic is the leading wafer supplier for demanding, silicon-based MEMS sensors. The company's customer base covers almost all major sensor manufacturers. Customers in the sensor industry use Okmetic's silicon wafers, e.g., in pressure sensors, accelerometers, gyroscopes, and oscillators. Silicon-on-insulator (SOI) technology is increasingly used in sensor manufacturing, and Okmetic is a pioneer in offering this technology.

In the semiconductor industry, Okmetic's silicon wafers are most commonly used in discrete semiconductors, especially in power discretes, and in power management and BiCMOS IC circuits. Sensors and semiconductors processed from the silicon wafers are used in automotive, aviation, and medical as well as in consumer electronics applications.

A year of strong growth

In 2010, the demand of the electronics industry was record-breaking. The electronics industry's demand increased by over 30 percent compared to the previous year's level, and reached 298 billion US dollars for the first time. Gyroscopes and other micro sensors have become more popular in consumer electronics applications, which paced the sensor industry for 18 percent growth figures.

The strengthening of customer markets increased silicon wafer sales as the whole supply chain sought to replenish their end product and component stocks they had depleted in 2009. Demand was extremely strong in the first three quarters and then slowed down towards the end of the year in accordance with normal seasonal fluctuation.

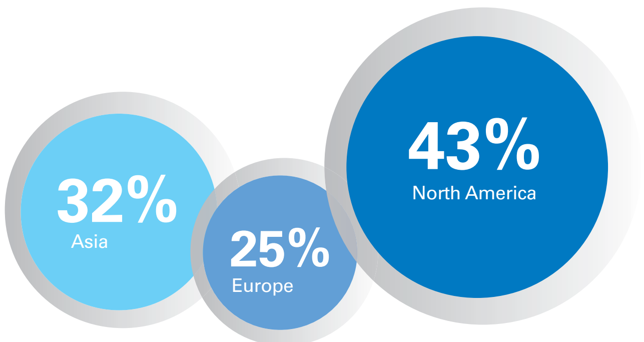
Okmetic was able to respond to the growing demand by increasing its sensor wafer capacity and tripling the subcontracting volume of semiconductor wafers in the latter half of the year.

The solar cell industry's demand accelerated during 2010. The industry's shipment volumes nearly doubled compared to the previous year. Companies manufacturing solar cells increased their capacity investments considerably. In 2010, Okmetic's technology sales focused on crystal shipments which are based on long-term agreements with solar cell companies.

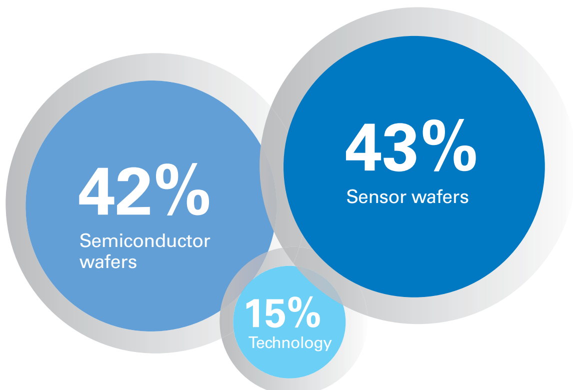
The market situation will moderate in 2011

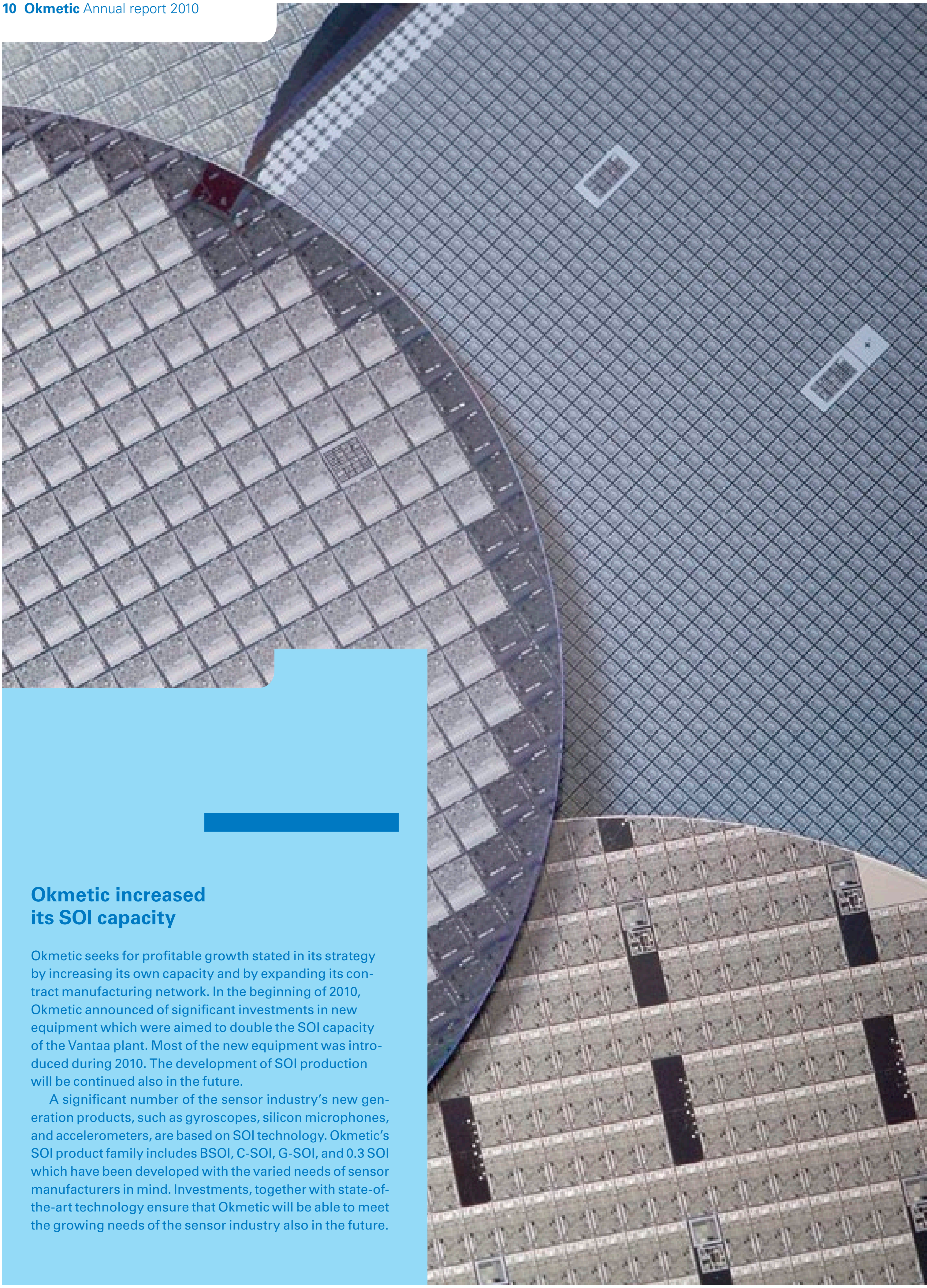
The growth of Okmetic's customer industries is expected to smoothen in 2011. Semiconductor sales are predicted to grow five percent and sensor sales 10–15 percent. The demand for silicon wafers follows the shipment volumes of customer industries and is believed to remain positive in 2011. In the sensor industry, the demand for SOI wafers is expected to have the greatest proportional increase.

Sales per market area



Sales per customer area





Okmetic increased its SOI capacity

Okmetic seeks for profitable growth stated in its strategy by increasing its own capacity and by expanding its contract manufacturing network. In the beginning of 2010, Okmetic announced of significant investments in new equipment which were aimed to double the SOI capacity of the Vantaa plant. Most of the new equipment was introduced during 2010. The development of SOI production will be continued also in the future.

A significant number of the sensor industry's new generation products, such as gyroscopes, silicon microphones, and accelerometers, are based on SOI technology. Okmetic's SOI product family includes BSOI, C-SOI, G-SOI, and 0.3 SOI which have been developed with the varied needs of sensor manufacturers in mind. Investments, together with state-of-the-art technology ensure that Okmetic will be able to meet the growing needs of the sensor industry also in the future.

Products and product development

Okmetic provides a wide range of silicon wafers optimised for the manufacture of sensors and semiconductors. The company listens to its customers' needs carefully and monitors changes occurring in the market. New technologies and additional features for current products are developed in co-operation with customers and the leading research institutes in the field.

Okmetic offers its customers Ø 100–200mm silicon wafers with varying dopants, resistivities, and backside treatments. The product range includes single-side and double-side polished wafers and CAP-, epi-, and SOI wafers.

The SOI product family includes wafers which are used for demanding MEMS sensors and HV applications whose markets have increased year by year. Okmetic has long invested in developing the features and manufacturing process of SOI wafers.

Okmetic's whole product range is built on strong know-how in crystal growing. Many of the central features of silicon wafers are already determined in the crystal growing stage. Understanding the theory and practice of crystal growing and the long-term process development of it increase the competitiveness of Okmetic's silicon wafers and enable technology sales for the solar cell industry.

Continuous development creates a foundation for success

Okmetic's research and development work is based on nearly 30 years of experience and understanding customers' needs and market changes. The company works in close co-operation with its customers, from the very first stages of the design process, in order to find the right solutions to support their technologies.

The development work aims not only at developing new products but also at improving the performance of existing products. In addition to high-quality products, Okmetic is expected to have a faster, more flexible, and more cost efficient production process than before. The productivity and yield of Okmetic's own processes are developed using the Lean Six Sigma methods.

In 2010, the share of research and product development was 2.6 percent of net sales. Development work focused on SOI wafers with new additional features and on other further processed wafers as well as on improving the production processes.

Strategic research leads the way for product development

Okmetic is conducting long-term research on silicon together with universities and research institutes and takes part in national and EU funded technology projects. Some of Okmetic's partners are the VTT Technical Research Centre of Finland, the Aalto University School of Science and Technology and the German Fraunhofer institute. Okmetic is continuously searching for new opportunities to expand its partner network at a global level. In addition, the company is a member in several associations in the field such as SEMI, MIG, and MMC.

Interdisciplinary co-operation helps Okmetic to recognise the early trends in the field and to schedule and direct its product development in the right way. By developing its core compentencies of crystal growing and sensor wafer production the company can improve its competitiveness in the long run.

The development work aims not only at developing new products but also at improving the performance of existing products.

Organisation restructured in September

Okmetic's organisation was redesigned to support the execution of the company's strategy. The biggest changes were targeted on three most central business areas, which are customers and markets, supply chain, and products.

The most important goals of the customers and markets area include improving customer satisfaction and increasing net sales and gross profit. To support the achievement of these goals, responsible managers were appointed in technology sales and in new business development, and more resources were added to customer work.

The supply chain area concentrates on the management and development of in-house production and contract manufacturing. It is responsible for production capacity, productivity, and manufacturing costs. Along with the renewal, sourcing and logistics became the responsibility of the supply chain. New tasks were established in the contract manufacturing and SOI production at Vantaa plant.

All development resources of the company were gathered centrally in the products area, which is responsible for the product offering being compliant with the demand, and development of current and new products. Also, improvement of in-house production's yields belongs to the tasks of this area.

Personnel, quality, and environment

The most significant resource of Okmetic is its competent, motivated, and content personnel. The company has set as its objective to offer the personnel an interesting and safe high-technology working environment, and an opportunity for continuous learning and development. High-quality products and ecologically sustainable operation create the basis for the company's competitiveness and profitability.

2010 was a year of positive challenges for the personnel, because the market and number of orders grew record-breakingly. Due to increased demand, more employees were hired for both the Vantaa and Allen plants. Okmetic's long-span work to improve the productivity of labour input produced positive results. In crystal growing, the productivity increased by 13 percent, and in the silicon wafer production it increased by 9 percent. The productivity of white-collar personnel work also reached a new record.

The company develops the competence of its personnel in accordance with its strategy and action plan. The competence requirements of a work task are handled in development discussions, and a personal development plan is created. In 2010, the leadership training of the superiors and the competence training of the blue-collar employees were continued.

Long-term development of occupational well-being

Well-being at Okmetic is based on good leadership, work ergonomics, and control of physical fitness. According to the occupational well-being query carried out in the spring, almost 90 percent of the respondents were fairly or very happy with Okmetic as an employer. Other indicators of occupational well-being included a low level of absence due to illness (2.8%), long employment (average 10.3 years) and low turnover of personnel leaving the company (1.3%).

In 2010, a model of early support for maintaining the ability to work and promoting well-being at work was prepared together with personnel representatives. An age programme was also initiated for employees over 50 years old, the aim of which is to support well-being at work, and take age-related issues into consideration in the management.

The starting point of Okmetic's work safety is that all accidents can be prevented. In 2010, a special focus of work safety activity was on improving the safety of rotating machines and equipment.

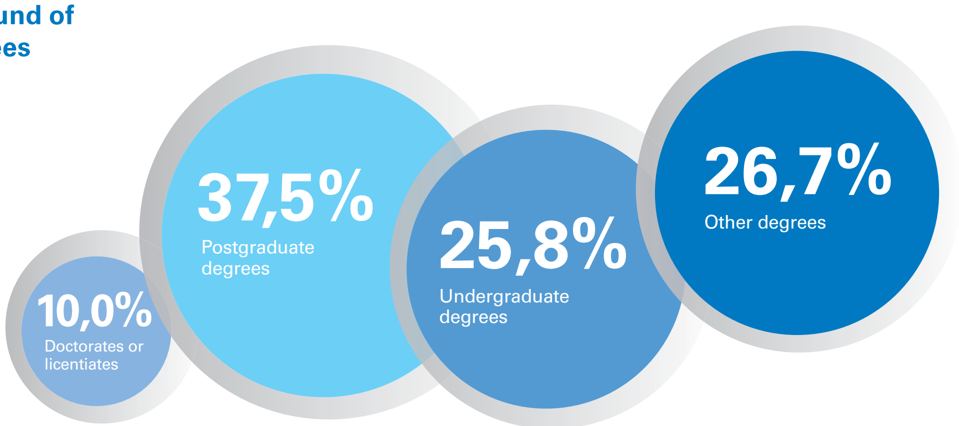
Quality and environment

The quality of Okmetic's products and operations is a competitive advantage acknowledged by the customers. The company's quality and environmental expertise is developed in accordance with the continuous improvement principle. Okmetic aims at standardising the working methods to ensure high-quality operation.

Customers are increasingly expecting for their suppliers to meet the environmental standards. In particular, companies producing consumer products want to make sure that the environmental impact of the entire supply chain is under control. Okmetic is committed to this in its environmental policy.

The quality and environmental management at Okmetic is based on certified operational systems, development projects, and use of quality tools. The company uses quality and environmental system compliant with the ISO 9001:2008, ISO 14001, and TS 16949 standards. In addition, Okmetic fulfils the requirements of the REACH regulation, RoHS directive, and GADSL.

Educational background of white-collar employees



Board of directors’ report and financial statements for Okmetic Oyj in 2010

Contents

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Okmetic adopted the use of IFRS in connection with the interim report for the first quarter released on 10 May 2005. Prior to the adoption of IFRS, the financial reporting of the Okmetic group was based on Finnish Accounting Standards (FAS). The date of transition was 1 January 2004.

The figures presented in the annual report have been rounded off. The sums and percentages may therefore differ from the given total.

Board of directors' report

According to its strategy of specialisation technology company Okmetic supplies value adding silicon wafers for companies in the sensor and semiconductor fields and sells its technological expertise to solar cell industry. Okmetic is a global market leader in sensor wafers that are used as platform for demanding silicon-based MEMS sensors. Many significant sensor manufacturers in North America, Europe, and Asia are Okmetic's customers. The company provides its customers with solutions that boost their competitiveness and profitability.

Okmetic´s products are based on high-tech expertise that generates added value for customers, on innovative product development, and on efficient production process. Okmetic supplies silicon wafers with a diameter of 100–200mm for sensor and semiconductor industries. In addition to the sales of its know-how, technology sales also comprise the sales of silicon crystals manufactured by the company and the occasional proceeds from silicon recycling.

Okmetic has a global customer base and sales network, production plants in Finland and the US and contract manufacturers in Japan and China, which operate according to fab lite principle. Also, the globally operating supply chain is based on in-house crystal growing as well as on in-house and outsourced silicon wafer manufacturing.

Markets

Customer industries sensor, semiconductor, and solar cell industries

Sensor industry

In 2010, the sale value of sensor industry increased by 18 percent to 7.1 billion US dollars. The development in sensor sales has been influenced by the increased use of micro sensors in many consumer electronics products. Sensor shipment volumes increased clearly during the second half of the year. The sale value of sensor industry in 2011 is expected to grow 9.5 percent compared to the previous year. In terms of volume, the sensor shipments will rise to a record high level. (IHS, iSuppli)

Certain silicon-based microelectromechanical (MEMS) products within the sensor segment have higher growth rates than the others. The shipment volumes of gyroscopes experienced especially strong growth. Also, the demand of pressure sensors, accelerometers, microphones, and micromechanical filters increased. Silicon-on-insulator (SOI) technology is an example of a rapidly growing sensor manufacturing technology. Okmetic is amongst the pioneering suppliers who provide these products and services to the sensor industry.

Semiconductor industry

The strong phase of growth in the semiconductor industry that began in the second half of 2009 levelled off in October-December 2010. The slump in monthly invoicing that was evident in the latter months of the year indicates that the semiconductor market is returning to a typical level of seasonal fluctuation (iSuppli). Of all the sectors of the semiconductor industry, in particular the growth in the sales of computers slowed down in October-December. At the beginning of 2010, their sales were very strong. (iSuppli, Gartner, IDC) In October-November, the monthly sales average of semiconductors remained at a level of over 26 billion US dollars. The semiconductor sales of 2010 reached a record level of 298 billion US dollars. (SIA)

The halt in growth that took place at the end of the year is expected to be temporary. Signs of a new recovery are already evident, and demand is expected to be directed particularly towards mobile electronics applications such as smart phones and tablet computers. (Semiconductor Intelligence, iSuppli) The growth estimate for the semiconductor industry's sales in 2011 is between 4 and 10 percent. (WSTS, S&P, ICInsights, Gartner). It is expected that the growth rate will remain approximately at the same level until year 2012 (iSuppli, ICInsights, WSTS).

Solar cell industry

The industry's shipments (GW) approximately doubled compared to the previous year. Europe continued to be the greatest market area. Demand is forecasted to remain strong at the beginning of 2011. Capacity investments continue to grow throughout the solar cell industry's value chain. (IMS Research)

Governmental decisions on subsidies have still a significant impact on the solar cell industry. This brings certain uncertainty to the future development of the market.

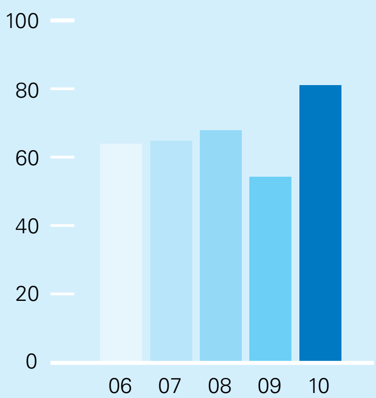
Silicon wafer market

According to the report published in February 2011 by SMG, the group of silicon wafer suppliers in SEMI, the volume of wafer shipments in the silicon wafer industry in 2010 soared up 40 percent compared to the ship-

Key figures

1,000 euro	1.1.–31.12. 2010	1.1.–31.12. 2009	1.1.–31.12. 2008
Net sales	**80,907**	54,361	67,867
Operating profit before depreciation (EBITDA)	**16,482**	7,206	15,517
Operating profit	**9,801**	270	8,476
% of net sales	**12.1**	0.5	12.5
Profit/loss for the period	**9,952**	-513	5,825
Basic earnings per share, euro	**0.60**	-0.03	0.34
Net cash flow from operating activities	**16,594**	6,315	13,177
Net interest-bearing liabilities	**-18,047**	-4,770	-586
Equity ratio, %	**76.6**	78.9	62.8
Average number of personnel during the period	**345**	337	364

Net sales
million euro



ment volumes in 2009 reaching a new record level. The accumulated net sales rose 45 percent to 9.7 billion US dollars from 6.7 billion US dollars in the previous year. Similar to semiconductor market, silicon wafer market is estimated to grow moderately in 2011.

In 2010, Okmetic's wafer shipments grew volume-wise slightly more than in the markets (44%), but when measured in euro, the net sales grew clearly more than in the markets (76%). In line with its strategy, Okmetic succeeded in increasing particularly the sales of its high added value products.

Okmetic's central customer areas in the silicon wafer market

In line with its strategy, Okmetic seeks for special areas of the entire silicon wafer market that have greater growth rates than the market average and in which the company has special know-how. Okmetic supplies primarily 150mm and 200mm wafers. The sensor/MEMS industry is Okmetic's central growth area. The MEMS market grows as the portable consumer products, automotive electronics, and industrial process control increase.

In the semiconductor market, Okmetic's growth areas include discrete and power semiconductors. The growth areas of these markets are i.a. components used in the production of renewable energy, increasing automotive electronics, portable consumer products, developing applications of the medical and well-being industries as well as industrial process controlling.

Sales

In 2010, Okmetic's net sales increased by 48.8 percent (decreased by 19.9%), amounting to 80.9 (54.4) million euro. The semiconductor industry grew around 30 percent in 2010, which contributed to increase in net sales. Okmetic's market share grew in the product areas which are important to the company.

Sales per customer area

	1.1.–31.12. 2010	1.1.–31.12. 2009	1.1.–31.12. 2008
Sensor wafers	**43%**	41%	37%
Semiconductor wafers	**42%**	31%	38%
Technology	**15%**	28%	25%

In 2010, the sensor wafer sales increased clearly compared to the previous year. Within sensor wafers, the rise in production volumes of the strategically important SOI wafers was particularly positive. The use of sensors and the products' requirement level are expected to continue growing. Sensor applications are increasing in the automotive industry, and also particularly in consumer electronics products like smart phones, cameras, games consoles, and other mobile devices.

Sales of semiconductor wafers increased particularly strongly during 2010 after the collapse in demand that took place in 2009. The shipment volumes of these wafers increased and the prices rose due to strong semiconductor market. Towards the end of the year, the growth of demand stabilised, and in the future growth expectations are more moderate.

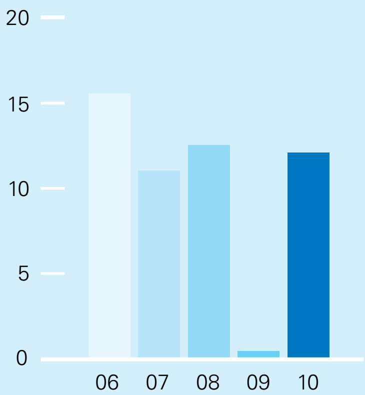
In 2010, technology sales had a relatively smaller role than in previous years and its net sales consisted of crystal sales.

Sales per market area

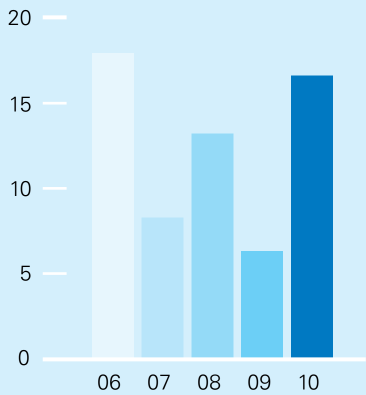
	1.1.–31.12. 2010	1.1.–31.12. 2009	1.1.–31.12. 2008
North America	**43%**	37%	39%
Europe	**25%**	33%	33%
Asia	**32%**	30%	28%

In 2010, Okmetic's sales increased in all market areas. The relative proportion of Europe of the total net sales decreased.

Operating profit
% of net sales



Net cash flow generated from operating activities
million euro



Profitability

In financial year 2010, Okmetic group's operating profit was 9.8 (0.3) million euro. The operating profit accounted for 12.1 (0.5) percent of net sales. The profit for the period amounted to 10.0 (-0.5) million euro. Earnings per share were 0.60 (-0.03) euro.

Financing

The group's financial situation is good. The net cash flow from operations amounted to 16.6 (6.3) million euro in 2010.

In April, the group prematurely repaid 1.2 million euro worth of installments towards its long-term interest-bearing loans. The group's liabilities amounted to 1.0 (2.5) million euro at the end of the year.

At the end of the year, cash and cash equivalents amounted to 14.0 (7.3) million euro. In addition to this, the company had 5.0 million euro worth of investments in fixed-income funds. On 31 December 2010, the company's cash and cash equivalents exceeded the interest-bearing liabilities by 18.0 million euro (on 31 December 2009 cash and cash equivalents were 4.8 million euro higher than interest-bearing liabilities).

Return on equity amounted to 18.6 (-1.0) percent. At the end of the year, the group's equity ratio was 76.6 (78.9) percent. Equity per share was 3.49 (2.89) euro.

Investments

In 2010, Okmetic's capital expenditure payments amounted to 2.2 (1.7) million euro. Most of the investments were allocated to increasing the production capacity of sensor wafers and to normal maintenance investments.

Product development

In 2010, the company expensed 2.1 (2.1) million euro in long-term product development projects. Product development costs accounted for 2.6 (3.9) percent of net sales. Product development costs have not been capitalised.

In 2010, Okmetic's development work focused on SOI wafers with new additional features and on other further processed wafers as well as on improving the production processes.

Okmetic engaged in several strategic research projects with customers, research institutes, and other partners and participated both in national technology programmes funded by Tekes, the leading Finnish funding agency for technology and innovation, and international EU-funded programmes.

Okmetic's research and development work increases its technological expertise and competitiveness. Research and development focuses on developing new products and improving the features and the production process performance of the existing products, which aims at extending the products' life cycle.

Personnel

The significance of the personnel as a factor contributing to Okmetic's success has been recognised in company strategy, and is emphasised in the values of the company and in its human resources and quality policies.

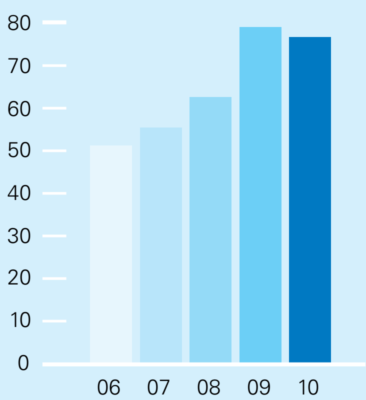
On average, Okmetic employed 345 people in 2010 (2009: 337 and 2008: 364). At the end of the year, 305 of the group's employees worked in Finland, 35 in the US, and two in Japan.

Women accounted for 27 (29) percent and men 73 (71) percent of the personnel. White-collar employees accounted for 36 (40) percent and blue-collar employees for 64 (60) percent. The average age of Okmetic's employees was 42 (41) years and the average length of employment was 10.3 (9.6) years.

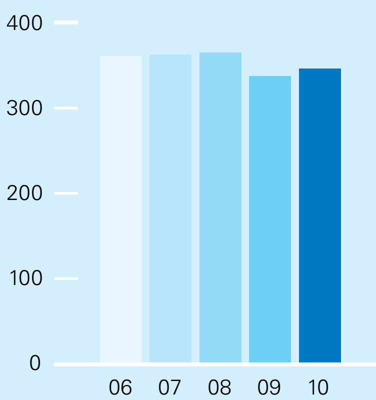
Remuneration is based on the level of skills required in each position throughout the organisation. In 2010, salaries and bonuses amounted to 19.8 million euro (2009: 15.9 million euro and 2008: 18.0 million euro) including 1.3 million euro expenses of the share reward schemes. The group's parent company complies with the collective labour agreements of the Technology Industries of Finland.

All employee groups at Okmetic are eligible for an incentive scheme. Monthly targets are set for the blue-collar employees' productivity, and the resulting bonuses are paid once a month. White-collar employees are paid bonuses according to group level targets. Bonuses for meeting the targets are calculated as a percentage of the employees' annual income. The bonuses account for no more than 12–20 percent of annual income depending on the personnel group.

Equity ratio
%



Average number of personnel



More information on personnel is given in the appendices of the board of directors´ report.

Environmental issues

Okmetic recognises the environmental risks associated with its operations. The company devises both a universal risk management plan and plans for individual processes. Ecologically sustainable operations boost Okmetic's competitiveness and profitability.

Measures devised for eliminating environmental risks are integrated to Okmetic's operational processes. Environmental considerations are factored into the development of products and operations in line with continuous improvement principles. Planning of preventive measures is fundamental to managing environmental risks.

Okmetic keeps an eye on environmental legislation development both in Finland and internationally, and adjusts its operations to meet the latest regulations. For example, Okmetic follows the chemical regulations of the European Union (REACH) and all Okmetic's products meet the requirements set in the RoHS-directive.

Okmetic has ISO 9001:2008, TS 16949 and ISO 14001 certified quality and environmental systems, and the company's plants have been built with environmental considerations in mind. Okmetic expects its most important subcontractors and suppliers to comply with the ISO 9001 and ISO 14001 certifications.

Okmetic recognises that the use of its main raw material, polysilicon, has an important environmental impact. The company does not produce essential volumes of emissions or waste, and the resulting costs are not significant from a business point of view. On a day-to-day level, Okmetic strives to use materials, water, and electricity as efficiently as possible. The company strives to recycle arising waste.

Okmetic had no major environmental non-conformities in 2010. The acceptable emission limit values set for waste water treatment were exceeded on two occasions. In these instances the recorded values were nevertheless only just over the acceptable limits and corrective actions were implemented expediently. Okmetic's environmental management system was found to meet the requirements of the company's demanding international customers. The company is not subject to emissions trading regulations.

The key figures on environmental protection at the Vantaa plant are as follows:

	2010	2009
Energy consumption (GWh)		
electricity	34.2	29.1
district heating	3.1	2.5
Water consumption (tm³)		
water	558	485
waste water	477	365
Waste volumes (t)		
hazardous waste	187	125
landfill waste	170	68
recycled waste	244	177

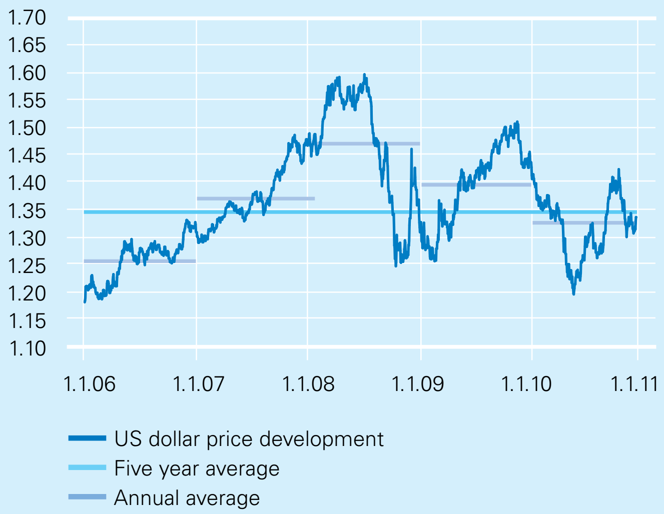
Okmetic does not publish a separate environmental report in addition to the annual report.

Business risks

Okmetic's silicon wafer sales are targeted at the sensor and semiconductor producers in electronics industry. The demand for semiconductor wafers is sensitive to economic fluctuations and changes in the market situation can be sudden and dramatic. The demand for sensor wafers is more stable. The proliferation of sensors in consumer electronics applications may, however, increase the susceptibility of this market too to economic fluctuations.

Irregular income recognition of significant technology projects in technology sales causes considerable variation in the results of the review periods. In recent times, however, technology sales have developed towards crystal sales, and this leads to a more even net sales development than before.

US dollar price development
euro/USD



Major shareholders on 31 Dec 2010

Shareholders	Shares, pcs	Share, %
Ilmarinen Mutual Pension Insurance Company	1,651,626	9.6
Mandatum Life Insurance Company	800,000	4.6
The State Pension Fund	600,000	3.5
Etra-Invest Oy Ab	500,000	2.9
Veritas Pension Insurance Company	495,000	2.9
Varma Mutual Pension Insurance Company	477,175	2.8
Okmetic Management Oy	400,000	2.3
OP-Suomi Arvo Equity Fund	390,000	2.3
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	375,100	2.2
Nordea Nordic Small Cap Fund	351,500	2.0
Foreign investors and nominee accounts held by custodian banks	2,559,467	14.8
Others	8,687,632	50.3
Total	17,287,500	100.0

The success of the sales strategy hinges on trouble-free manufacturing.

Okmetic's share of the global silicon wafer market is around one percent and the market prices have a notable effect on the price development of Okmetic's products. The majority of sales are conducted in US dollars. The Japanese yen is another notable trading currency. Despite hedging, the company remains exposed to exchange rate fluctuations.

Substantial volumes of electricity are used in Okmetic's production. Despite hedging, the company is also exposed to fluctuations in the price of electricity.

Shares and shareholders

On 31 December 2010, Okmetic Oyj's paid-up share capital, as entered in the Finnish Trade Register, was 11,821,250.00 euro. The number of shares was 17,287,500. The number of shares rose by 400,000 with the directed share issue entered into the Finnish Trade Register on 4 March 2010.

The shares have no nominal value attached. Each share entitles its holder to one vote at general meetings. The company has one class of shares. The company's shares are included in the Finnish book-entry securities system.

Share price development and trading

A total of 14.0 (4.3) million shares were traded between 1 January and 31 December 2010, representing 81.4 (25.6) percent of the share total of 17.2 (16.9) million. The lowest quotation of the year was 2.98 (1.81) euro, and the highest 5.70 (3.20) euro, with the average being 4.22 (2.54) euro per share. The closing quotation for the year was 5.29 (3.20) euro. At the end of the year, the market capitalisation amounted to 91.5 (54.0) million euro.

More information on share-related key figures is given in the appendices.

Okmetic is listed on the Small Cap list of NASDAQ OMX Helsinki Ltd. under the trading code OKM1V. According to the Global Industry Classification Standard (GICS), which the exchange uses, Okmetic Oyj is listed under the Information Technology sector. The company's website can be found at www.okmetic.com.

Own shares

On 11 February 2010, the board of directors decided on a purchase scheme of the company's own shares, based on the authorisation given at the extraordinary general meeting on 6 November 2008. It was decided that the aggregate number of shares repurchased will not be more than 280,000. The repurchase started at NASDAQ OMX Helsinki on 18 February 2010 and ended on 6 April 2010. A total of 203,244 shares were purchased, which is approximately 1.2 percent of Okmetic's all shares and votes. A total amount of 668,007 euro was used to purchase the shares, making the average rate for acquired shares 3.29 euro.

The repurchased shares may be used in developing the company's capital structure, as compensation in possible corporate acquisitions or in other business arrangements, as part of the company's incentive scheme or transferred or cancelled in other ways.

Projections for the near future

In 2011, customer industries are estimated to continue their growth in all of Okmetic's main product groups. However, the forecasts are moderate so far.

The development of sensor wafer demand in 2011 is expected to be more stable than that of semiconductor wafers. The growth estimate for sensor wafers in the current year is also a little higher than for semiconductor wafers. Technology sales are emphasised in solar crystal sales, and are intrinsically quite even over the course of the year.

The net sales and operating profit in the first half of 2011 are estimated to exceed the level of the corresponding period in 2010. Reaching these estimates means that the current positive market situation must not see any significant changes at the beginning of the year.

Related party loans

As a part of the top management´s incentive scheme arrangement, Okmetic has granted an interest-bearing loan of 800,000 euro to Okmetic Management Oy established by the president and deputy to the president for the purposes of financing the subscription of the Okmetic shares. The

Shareholders by group on 31 Dec 2010

Groups	Shares, pcs	Share, %
Corporations	3,242,780	18.8
Financial and insurance institutions	2,544,232	14.7
Public organisations	3,523,676	20.4
Non-profit organisations	345,328	2.0
Households	5,072,017	29.3
Foreign investors and nominee accounts held by custodian banks	2,559,467	14.8
Total	17,287,500	100.0

Distribution of shareholdings on 31 Dec 2010

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital
1–100	554	12.0	41,988	0.2
101–500	1,955	42.2	592,412	3.4
501–1,000	914	19.7	765,186	4.4
1,001–5,000	951	20.5	2,166,957	12.5
5,001–10,000	141	3.0	1,063,209	6.2
10,001–50,000	86	1.9	1,736,382	10.0
50,001–100,000	4	0.1	287,675	1.7
100,001–500,000	19	0.4	5,292,591	30.6
500,001–	4	0.1	5,341,100	30.9
Total	4,628	100.0	17,287,500	100.0

interest rate of the loan is 5.0 percent. The entire loan will be repaid at the latest at the expiration of the programme on 31 March 2013. Should the programme be extended by one year, the loan period may be extended respectively. The Management company has a right to repay the loan prematurely at any time. Okmetic Oyj's shares are used as collateral.

Okmetic Management Oy has been consolidated and the inter-company loan receivable and liability as well as interest income and expenses have been eliminated in the group financial statements.

At the same time, Okmetic Oyj granted a loan of 66,300 euro to the deputy to the president to be used in the capitalisation of the company to be established. The interest rate of the loan is 5.0 percent. The loan will be repaid at the latest at the expiration of the programme on 31 March 2013. Should the programme be extended by one year, the loan period may be extended respectively.

Events after the end of the financial year

On 20 January 2011, the board of directors decided on furnace investments worth of 3.3 million euro. The investment increases Okmetic's crystal growing capacity.

At the same meeting, the board of directors confirmed the payments for 2010 based on the executive management group's share reward programme of 2010–2011. Based on the authorisation given by the extraordinary general meeting on 6 November 2008, the board of directors decided to transfer some of the company's own shares to the participants of the share reward programme without payment. The number of transferred shares is approximately 135,000. It is estimated that the shares will be transferred on 11 February 2011.

Management and auditor

In 2010, Okmetic's board of directors comprised of Henri Österlund as the chairman, Karri Kaitue as the vice chairman until 7 April 2010, Esa Lager as the vice chairman since 7 April 2010, and Tapani Järvinen, Hannu Martola, and Pekka Salmi as members of the board.

Kai Seikku has been acting as the President of Okmetic Oyj since 25 January 2010. Deputy to the President, Executive Vice President, Customers and Markets, Mikko Montonen handled the duties of President 27 October 2009–24 January 2010.

In addition to the president, the group's executive management group includes Mikko Montonen, Executive Vice President, Customers and Markets and Deputy to the President, Petri Antola, Senior Vice President, Technology Projects, Juha Jaatinen, Senior Vice President, Finance, IT, and Communications, Jaakko Montonen, Senior Vice President, Supply Chain, Markku Tilli, Senior Vice President, Research, Markus Virtanen, Senior Vice President, Human Resources, Quality, and Environment, and Anna-Riikka Vuorikari-Antikainen, Senior Vice President, Products.

The company's auditor is PricewaterhouseCoopers Oy, Authorised Public Accountants, with Mikko Nieminen, Authorised Public Accountant, acting as the principal auditor.

The board of directors' proposal regarding dividend distribution

According to the financial statements dated on 31 December 2010, the parent company's distributable earnings amount to 24.2 million euro. No significant changes have taken place in the company's financial position after the end of the financial year.

The board of directors of Okmetic Oyj proposes to the annual general meeting that Okmetic Oyj distributes a dividend of 0.30 euro per share for 2010, which, based on the 17,287,500 shares registered on 10 February 2011, amount to 5.2 million euro.

Appendices: Information on personnel, five years in figures, quarterly key figures, definitions of key financial figures, and shares and shareholders of Okmetic Oyj.

Information on personnel

	2010	2009	2008
Number of employees, annual average			
Okmetic Oyj, Finland	**309**	304	315
Okmetic Inc., United States	**34**	30	46
Okmetic K.K., Japan	**2**	3	3
Total	**345**	337	364
Number of employees at the end of the year	**342**	327	363
Wages and salaries, million euro [1]	**19.8**	15.9	18.0
Average length of employment, years	**10.3**	9.6	8.5
Age structure of the personnel			
–20	**0%**	0%	0%
20–29	**9%**	9%	11%
30–39	**31%**	37%	39%
40–49	**34%**	31%	30%
50–59	**22%**	21%	20%
60–	**4%**	2%	1%
Educational background of white-collar employees			
Doctorates or licentiates	**10%**	10%	13%
Postgraduate degrees	**38%**	35%	33%
Undergraduate degrees	**26%**	27%	25%
Other degrees	**27%**	28%	29%
Number of days in training per person	**1.2**	2.4	4.8
Occupational health and safety			
Sickness absences	**2.8%**	2.7%	3.0%
Work place -related injury frequency [2]	**12.1**	4.1	5.5
Equality			
Men	**73%**	71%	71%
Women	**27%**	29%	29%

[1] Includes 1.3 million euro expenses of the share reward scheme for 2010
[2] The number of work place -related injuries per million working hours that cause a sickness leave of four days or longer

Five years in figures

Financial performance

1,000 euro Financial year 1 Jan–31 Dec	2010	2009	2008	2007	2006
Net sales	**80,907**	54,361	67,867	64,652	63,694
Change in net sales, %	**48.8**	-19.9	5.0	1.5	27.8
Export and foreign operations share of net sales, %	**95.8**	95.4	95.6	93.0	95.7
Operating profit before depreciation (EBITDA)	**16,482**	7,206	15,517	15,216	18,363
% of net sales	**20.4**	13.3	22.9	23.5	28.8
Operating profit	**9,801**	270	8,476	7,121	9,877
% of net sales	**12.1**	0.5	12.5	11.0	15.5
Profit/loss before tax	**9,811**	-590	5,576	5,215	6,679
% of net sales	**12.1**	-1.1	8.2	8.1	10.5
Return on equity, %	**18.6**	-1.0	12.1	12.4	18.6
Return on investment, %	**18.2**	0.0	9.9	10.8	14.2
Non-interest-bearing liabilities	**16,976**	10,715	13,707	14,755	13,770
Net interest-bearing liabilities [1]	**-18,047**	-4,770	-586	8,952	12,547
Net gearing ratio, %	**-31.0**	-9.8	-1.2	19.6	31.3
Equity ratio, %	**76.6**	78.9	62.8	55.3	51.1
Capital expenditure	**2,232**	1,448	2,773	4,816	1,671
% of net sales	**2.8**	2.7	4.1	7.4	2.6
Depreciation	**6,681**	6,936	7,041	8,095	8,486
Research and development expenses [2]	**2,110**	2,134	2,261	1,854	1,731
% of net sales	**2.6**	3.9	3.3	2.9	2.7
Average number of personnel during the period	**345**	337	364	362	360
Personnel at the end of the period	**342**	327	363	357	365

[1] Cash and cash equivalents include liquid investments in fixed-income funds.

[2] Research and development expenses are presented in gross figures including long-term projects based on research programmes.

Share-related key figures

Euro Financial year 1 Jan–31 Dec	2010	2009	2008	2007	2006
Basic earnings per share [3]	**0.60**	-0.03	0.34	0.31	0.41
Diluted earnings per share	**0.58**				
Equity per share [3]	**3.49**	2.89	2.98	2.70	2.37
Dividend per share	**0.30**	0.05	0.05	0.10	-
Dividend/earnings, %	**51.7**	-164.7	14.5	31.8	-
Effective dividend yield, %	**5.7**	1.6	2.1	3.3	-
Price/earnings (P/E)	**8.9**	-105.4	7.0	9.6	9.3
Share price performance					
Average trading price	**4.22**	2.54	2.63	3.87	3.11
Lowest trading price	**2.98**	1.81	2.15	2.54	1.80
Highest trading price	**5.70**	3.20	3.14	4.67	3.75
Trading price at the end of the period	**5.29**	3.20	2.40	3.03	3.69
Market capitalisation at the end of the period, 1,000 euro	**91,451**	54,040	40,530	51,169	62,315
Trading volume					
Trading volume, 1,000 pcs	**14,009**	4,316	8,355	13,176	16,500
In relation to weighted average number of shares, %	**81.4**	25.6	49.5	78.0	97.7
Trading volume, 1,000 euro	**59,124**	10,957	22,003	51,002	51,313
The weighted average number of shares during the period adjusted by the share issue, 1,000 pcs	**17,220**	16,888	16,888	16,888	16,888
The number of shares at the end of the period adjusted by the share issue, 1,000 pcs	**17,288**	16,888	16,888	16,888	16,888

[3] When calculating earnings per share (EPS) and equity per share, Okmetic's own shares in its possession and Okmetic Oyj's shares owned by Okmetic Management Oy are deducted from the amount of shares.

Quarterly key figures

1,000 euro	10–12/2010	7–9/2010	4–6/2010	1–3/2010
Net sales	23,072	21,626	19,688	16,521
Compared to previous quarter, %	6.7	9.8	19.2	19.6
Compared to corresponding quarter last year, %	67.0	77.7	45.4	11.3
Operating profit	2,758	3,891	2,467	684
% of net sales	12.0	18.0	12.5	4.1
Profit before tax	2,972	2,934	2,987	918
% of net sales	12.9	13.6	15.2	5.6
Net cash from operating activities	6,730	5,573	1,874	2,417
Net cash used in investing activities	-6,536	-547	-66	-23
Net cash used in financing activities	-3	-5	-2,406	-627
Net increase/decrease in cash and cash equivalents	191	5,021	-599	1,767
Personnel at the end of the period	342	340	373	329

1,000 euro	10–12/2009	7–9/2009	4–6/2009	1–3/2009
Net sales	13,812	12,171	13,538	14,841
Compared to previous quarter, %	13.5	-10.1	-8.8	-5.8
Compared to corresponding quarter last year, %	-12.3	-32.7	-20.3	-12.9
Operating profit/loss	-197	-748	688	527
% of net sales	-1.4	-6.1	5.1	3.6
Profit/loss before tax	-196	-1,257	46	818
% of net sales	-1.4	-10.3	0.3	5.5
Net cash from/used in operating activities	1,858	192	4,761	-496
Net cash used in investing activities	-28	-87	-786	-152
Net cash used in financing activities	-11,821	-22	-3,905	-37
Net increase/decrease in cash and cash equivalents	-9,991	83	70	-685
Personnel at the end of the period	327	335	343	338

Definitions of key financial figures

Operating profit before depreciation (EBITDA)	=	Operating profit + depreciation
Return on equity (ROE), %	=	Profit/loss for the period x 100 / Equity (average for the period)
Return on investment (ROI), %	=	(Profit/loss before tax + interest and other financial expenses) x 100 / Balance sheet total - non-interest-bearing liabilities (average for the period)
Equity ratio, %	=	Equity x 100 / Balance sheet total - advances received
Net interest-bearing liabilities	=	Interest-bearing liabilities - cash and cash equivalents
Net gearing ratio, %	=	(Interest-bearing liabilities - cash and cash equivalents) x 100 / Equity
Earnings per share	=	Profit/loss for the period attributable to equity holders of the parent company / Adjusted weighted average number of shares in issue during the period
Equity per share	=	Equity attributable to equity holders of the parent company / Adjusted number of shares at the end of the period
Dividend per share	=	Dividend for the period / Adjusted number of shares at the end of the period
Effective dividend yield, %	=	Dividend per share x 100 / Trading price at the end of the period
Price/earnings ratio (P/E)	=	Last adjusted trading price at the end of the period / Earnings per share
Average trading price	=	Total traded amount in euro / Adjusted number of shares traded during the period
Market capitalisation at the end of the period	=	Number of shares at the end of the period x trading price at the end of the period
Trading volume	=	Number of shares traded during the period / Weighted average number of shares during the period

Shares and shareholders of Okmetic Oyj

Shares and share capital

On 31 December 2010, Okmetic Oyj's paid-up share capital, as entered in the Finnish Trade Register, was 11,821,250.00 euro. The number of shares was 17,287,500.

The shares have no nominal value attached. Each share entitles its holder to one vote at general meetings. The company has one class of shares. The company's shares are included in the Finnish book-entry securities system.

Quotation of the shares

Okmetic is listed on the Small Cap list of NASDAQ OMX Helsinki Ltd. under the trading code OKM1V. According to the Global Industry Classification Standard (GICS), which the exchange uses, Okmetic Oyj is listed under the Information Technology sector.

Authorisations of the board of directors to increase the share capital and the use of authorisations

The annual general meeting held on 2 April 2009 authorised the board of directors to decide on new issues and other share entitlements according to the first paragraph of section 10 of the Finnish Companies Act as follows: The aggregate number of shares issued on the basis of the authorisation may not exceed 3,377,500 shares, which represents approximately 20 percent of all the shares of the company.

On 25 January 2010, the board of directors decided on a directed share issue of 400,000 shares at the share price of 3.00 euro to the company founded by the top management in relation to the incentive scheme aimed at this group.

As a result of the share issue, the number of Okmetic's shares increased from 16,887,500 to 17,287,500 shares. The share capital did not change as a consequence of the share issue. The shares subscribed for in the share issue represent no more than approximately 2.3 percent of the shares and votes in Okmetic.

The annual general meeting held on 7 April 2010 authorised the board of directors to increase the company's share capital. The authorisation provides an entitlement for a maximum total of 3,377,500 shares to be distributed, which is equal to around 20 percent of the company's shares. The board of directors was authorised to decide upon all the terms of share issue and special rights entitling to shares. The authorisation applies to the distribution of new shares. Specific parties can be targeted to receive the shares and special rights associated with said shares. The authorisation is effective until the following annual general meeting and shall not cancel the authorisation granted at the extraordinary general meeting of 6 November 2008 regarding the transfer of company's own shares.

Share repurchase and transfer of own shares

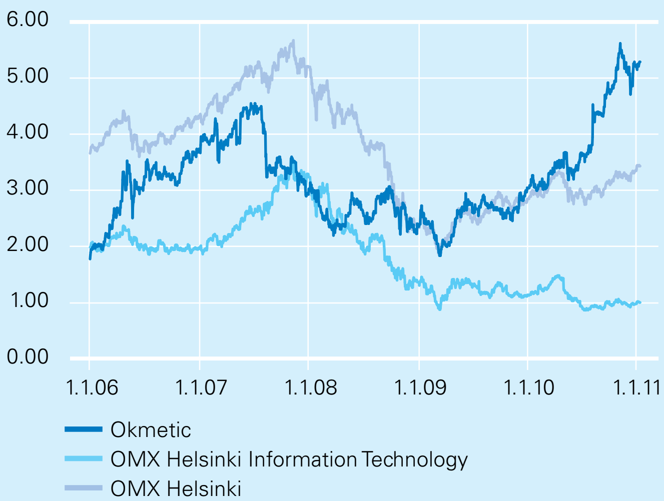
On 11 February 2010, the board of directors decided on a purchase scheme of the company´s own shares, based on the authorisation given at the extraordinary general meeting on 6 November 2008. It was decided that the aggregate number of shares repurchased will not be more than 280,000. The repurchase started on 18 February 2010 and ended on 6 April 2010. A total of 203,244 shares were purchased, which is approximately 1.2 percent of Okmetic´s all shares and votes. A total amount of 668,007 euro was used to purchase shares, making the average rate for acquired shares 3.29 euro.

The company has not transferred own shares.

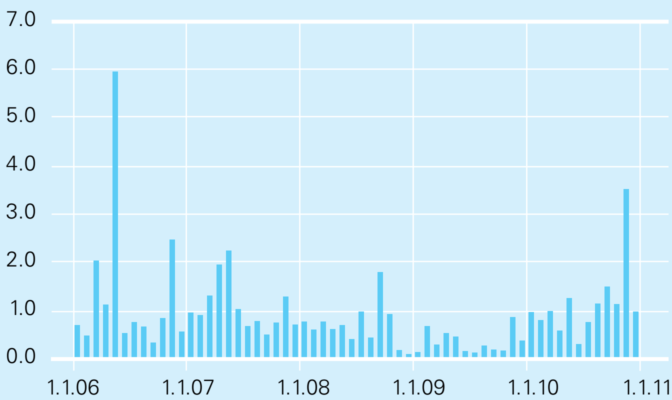
The board of directors' authorisation to decide on repurchasing the company´s own shares and/or acceptance as pledge.

The annual general meeting on 7 April 2010 authorised the board of directors to decide on the repurchase and/or the acceptance as pledge of the

Development of share price
euro/index



Monthly trading volume
million transactions



company´s own shares. On the basis of the authorisation, the aggregate number of shares repurchased and/or accepted as pledge may not exceed 1,688,750 shares, which represents approximately 10 percent of all the shares of the company. The authorisation is effective until the following annual general meeting of shareholders, however, no longer than until 7 October 2011. The authorisation shall cancel the authorisation granted at the extraordinary general meeting of 6 November 2008 regarding the repurchase of the company's own shares.

The board of directors' authorisation to decide on transferring of the company's own shares

The extraordinary general meeting held on 6 November 2008 authorised the board of directors to transfer the company's own shares as follows:

The aggregate number of transferred shares on the basis of the authorisation cannot exceed 1,688,750 pcs, which represents around 10 percent of all the shares of the company.

The board of directors was authorised to decide on all the terms and conditions of the share issues. The authorisation is limited to transferring of the company's own shares as held by the company. The share issue can be directed. The board of directors can also cancel any shares it has repurchased. The authorisation will remain in force until further notice, although in any case not past 30 June 2013.

Redemption clause

The articles of association contain no redemption clause regarding the company's own shares.

Convertible bonds

Okmetic has no convertible bonds at the moment.

Option programmes for personnel

Okmetic has no option programmes at the moment.

The management's share ownership

On 31 December 2010 the members of the board of directors, the president and the deputy to the president of Okmetic Oyj held a total of 413,800 shares, which correspond to 2.39 percent of the company's share capital and voting rights. The share ownership of the other members of Okmetic's executive management group totalled 3,600 shares on 31 December 2010.

More information on the management's share ownership is given in note 26.

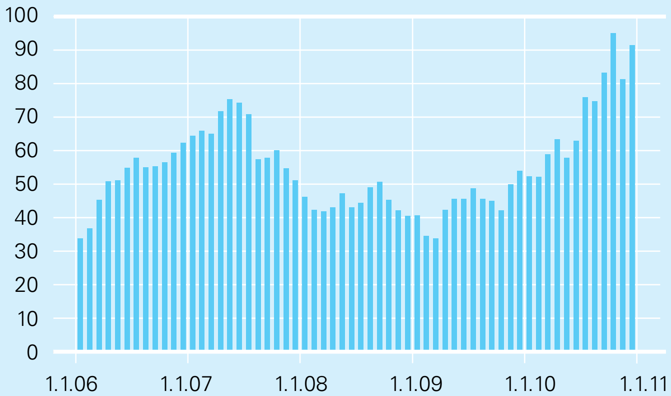
Insider rules

Okmetic Oyj's board of directors established the insider rules that are to be followed in the group at its meeting on 16 August 2000. The rules take into consideration legislation regulating the securities market, regulations and guidelines issued by the NASDAQ OMX Helsinki Ltd., and the recommendations given by the Finnish Association of Securities Dealers. Okmetic's insider rules were updated on 17 April 2008.

Share price development and trading

A total of 14.0 (4.3) million shares were traded between 1 January and 31 December 2010, representing 81.4 (25.6) percent of the share total of 17.2 (16.9) million. The lowest quotation of the year was 2.98 (1.81) euro, and the highest 5.70 (3.20) euro, with the average being 4.22 (2.54) euro per share. The closing quotation for the year was 5.29 (3.20) euro. At the end of the year, the market capitalisation amounted to 91.5 (54.0) million euro.

Market capitalisation
million euro



Increases in share capital 1996–2010 by date of registration

	Shares, pcs	Share capital, euro
Share capital on 1 January 1996	14,884	2,503,309.10
Increase of share capital by new issue on 12 December 1996 and 11 June 1997	+ 9,479	4,097,562.45
Redenomination of share capital into euro, abolishing nominal value, increase of share capital by new issue on 20 October 1999	+12,180	6,146,091.39
Bonus issue on 5 June 2000		6,395,025.00
Increase of the number of shares, public limited company on 5 June 2000	+ 9,099,207	6,395,025.00
Increase of share capital in connection with listing on 29 June 2000	+ 6,395,000	10,871,525.00
Additional shares on 19 July 2000	+ 450,000	11,186,525.00
Directed issue on 9 March 2001	+ 900,000	11,816,525.00
Increase of share capital by shares subscribed on the basis of subordinated convertible bonds on 27 September 2001	+ 6,750	11,821,250.00
Directed issue of 400,000 shares in relation to the top management's incentive scheme on 4 March 2010	+ 400,000	
Share capital on 31 December 2010	17,287,500	11,821,250.00

Major shareholders

Shareholders	31 Dec 2010 Shares, pcs	Share, %	31 Dec 2009 Shares, pcs	Change, pcs
Ilmarinen Mutual Pension Insurance Company	**1,651,626**	**9.6**	1,533,626	118,000
Mandatum Life Insurance Company	**800,000**	**4.6**	800,000	0
The State Pension Fund	**600,000**	**3.5**	500,000	100,000
Etra-Invest Oy Ab	**500,000**	**2.9**	500,000	0
Veritas Pension Insurance Company	**495,000**	**2.9**	0	495,000
Varma Mutual Pension Insurance Company	**477,175**	**2.8**	477,175	0
Okmetic Management Oy	**400,000**	**2.3**	0	400,000
OP-Suomi Arvo Equity Fund	**390,000**	**2.3**	1,185,401	-795,401
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	**375,100**	**2.2**	0	375,100
Nordea Nordic Small Cap Fund	**351,500**	**2.0**	0	351,500
Foreign investors and nominee accounts held by custodian banks	**2,559,467**	**14.8**	3,885,372	-1,325,905
Others	**8,687,632**	**50.3**	8,005,926	681,706
Total	**17,287,500**	**100.0**	16,887,500	400,000

Shareholders by group

Groups	31 Dec 2010 Shares, pcs	Share, %	31 Dec 2009 Shares, pcs	Share, %
Corporations	3,242,780	18.8	4,288,222	25.4
Financial and insurance institutions	2,544,232	14.7	2,457,669	14.6
Public organisations	3,523,676	20.4	2,537,001	15.0
Non-profit organisations	345,328	2.0	262,197	1.6
Households	5,072,017	29.3	3,457,039	20.5
Foreign investors and nominee accounts held by custodian banks	2,559,467	14.8	3,885,372	23.0
Total	17,287,500	100.0	16,887,500	100.0

Distribution of shareholdings on 31 December 2010

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital
1–100	554	12.0	41,988	0.2
101–500	1,955	42.2	592,412	3.4
501–1,000	914	19.7	765,186	4.4
1,001–5,000	951	20.5	2,166,957	12.5
5,001–10,000	141	3.0	1,063,209	6.2
10,001–50,000	86	1.9	1,736,382	10.0
50,001–100,000	4	0.1	287,675	1.7
100,001–500,000	19	0.4	5,292,591	30.6
500,001–	4	0.1	5,341,100	30.9
Total	4,628	100.0	17,287,500	100.0

Distribution of shareholdings on 31 December 2009

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital
1–100	369	11.6	29,570	0.2
101–500	1,364	43.0	417,608	2.5
501–1,000	615	19.4	528,018	3.1
1,001–5,000	662	20.9	1,573,774	9.3
5,001–10,000	88	2.8	650,512	3.9
10,001–50,000	57	1.8	1,068,577	6.3
50,001–100,000	4	0.1	339,775	2.0
100,001–500,000	8	0.3	2,773,725	16.4
500,001–	5	0.2	9,505,941	56.3
Total	3,172	100.0	16,887,500	100.0

Consolidated financial statements, IFRS

Consolidated statement of comprehensive income

1,000 euro	Note	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Net sales	1	80,906.9	54,361.0
Cost of sales	2	-62,274.0	-47,882.8
Gross profit		18,632.9	6,478.2
Other operating income	3	208.0	606.1
Sales and marketing expenses	2	-3,407.0	-2,446.3
Administrative expenses	2	-5,446.9	-3,483.8
Other operating expenses	4	-186.4	-884.2
Operating profit		9,800.7	270.0
Financial income	8	612.7	149.1
Financial expenses	8	-602.4	-1,009.3
Profit/loss before tax		9,810.9	-590.2
Income tax	9	141.1	77.4
Profit/loss for the period		9,952.1	-512.8
Other comprehensive income, net of tax			
Translation differences	10	623.9	-219.9
Total comprehensive income for the period		10,576.0	-732.7
Profit/loss for the period attributable to			
Equity holders of the parent company		9,952.1	-512.8
Total comprehensive income for the period attributable to			
Equity holders of the parent company		10,576.0	-732.7
Earnings per share for profit attributable to equity holders of the parent company			
Basic earnings per share, euro	11	0.60	-0.03
Diluted earnings per share, euro	11	0.58	-0.03

The notes on pages 33–53 are an integral part of these consolidated financial statements.

Consolidated balance sheet

1,000 euro	Note	31 Dec 2010	31 Dec 2009
Assets			
Non-current assets			
Property, plant and equipment	12	29,068.9	33,174.1
Deferred tax assets	13	4.7	-
Other receivables	15	2,436.3	3,398.4
Total non-current assets		31,509.9	36,572.5
Current assets			
Inventories	16	9,987.0	7,164.4
Trade and other receivables	15	15,673.7	10,950.0
Financial assets at fair value through profit or loss	17	5,004.0	-
Cash and cash equivalents	18	14,042.9	7,307.4
Total current assets		44,707.5	25,421.7
Total assets		76,217.4	61,994.2

Consolidated balance sheet

1,000 euro	Note	31 Dec 2010	31 Dec 2009
Equity and liabilities			
Equity			
Equity attributable to equity holders of the parent company			
Share capital		11,821.3	11,821.3
Share premium		20,045.3	20,045.3
Reserve for invested unrestricted equity		1,200.0	-
Translation differences		1,038.6	414.7
Retained earnings		14,184.4	16,973.4
Profit/loss for the period		9,952.1	-512.8
Total equity	19	58,241.6	48,741.7
Liabilities			
Non-current liabilities			
Borrowings	21	-	1,899.0
Deferred tax liabilities	13	-	78.0
Other liabilities	23	1,245.4	1,166.1
		1,245.4	3,143.0
Current liabilities			
Borrowings	21	999.7	638.8
Trade and other payables	23	15,730.8	9,470.7
		16,730.4	10,109.4
Total liabilities		17,975.8	13,252.4
Total equity and liabilities		76,217.4	61,994.2

The notes on pages 33–53 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

1,000 euro	Note	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flows from operating activities			
Profit/loss before tax		9,810.9	-590.2
Adjustments for			
Depreciation	5	6,681.5	6,936.0
Financial income and expenses	8	-10.3	860.2
Fair value gains on derivatives at fair value through profit or loss		-394.1	-278.7
Other adjustments		517.4	-334.1
Changes in working capital			
Change in trade and other receivables		-2,289.5	-878.5
Change in inventories		-2,728.4	3,546.9
Change in trade and other payables		5,227.5	-2,379.6
Interest received		17.0	245.2
Interest paid		-116.7	-620.1
Other financial items		-179.6	-191.4
Income tax paid		58.5	-0.5
Net cash from operating activities		16,594.2	6,315.1
Cash flows from investing activities			
Purchases of property, plant and equipment	12	-2,172.6	-1,694.2
Proceeds from sale of property plant and equipment		-	641.0
Investments in fixed-income funds	17	-5,000.0	-
Net cash used in investing activities		-7,172.6	-1,053.2
Cash flows from financing activities			
Repayments of long-term borrowings		-1,500.0	-14,823.2
Payments of finance lease liabilities		-38.8	-116.9
Share issue	19	1,200.0	-
Repurchase of own shares	19	-1,868.0	-
Dividends paid		-834.2	-844.4
Net cash used in financing activities		-3,041.0	-15,784.5
Net increase (+), decrease (-) in cash and cash equivalents		6,380.6	-10,522.6
Cash and cash equivalents at the beginning of the period		7,307.4	17,974.6
Exchange gains/losses on cash and cash equivalents		354.9	-144.6
Cash and cash equivalents at the end of the period	18	14,042.9	7,307.4

Consolidated statement of changes in equity

		Equity attributable to equity holders of the parent company					
1,000 euro	Note	Share capital	Share premium	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total equity
Equity on 31 December 2008		11,821.3	20,115.4	0.0	634.6	17,817.7	50,389.0
Comprehensive income							
Profit/loss for the period						-512.8	-512.8
Other comprehensive income	10						
Translation differences					-219.9		-219.9
Total comprehensive income for the period		-	-	-	-219.9	-512.8	-732.7
Transactions with equity holders							
Dividend distribution	19					-844.4	-844.4
Equity component of convertible bonds			-70.1				-70.1
Total transactions with equity holders		-	-70.1	-	-	-844.4	-914.5
Equity on 31 December 2009		11,821.3	20,045.3	0.0	414.7	16,460.5	48,741.7
Comprehensive income							
Profit/loss for the period						9,952.1	9,952.1
Other comprehensive income	10						
Translation differences					623.9		623.9
Total comprehensive income for the period		-	-	-	623.9	9,952.1	10,576.0
Transactions with equity holders							
Share issue	19			1,200.0			1,200.0
Repurchase of own shares	19					-1,868.0	-1,868.0
Share-based incentive scheme	20					426.1	426.1
Dividend distribution	19					-834.2	-834.2
Total transactions with equity holders		-	-	1,200.0	-	-2,276.1	-1,076.1
Equity on 31 December 2010		11,821.3	20,045.3	1,200.0	1,038.6	24,136.5	58,241.6

The notes on pages 33–53 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

General information

Okmetic Oyj, the parent company of Okmetic group, is a Finnish public limited company. Its registered office is at Piitie 2, 01510 Vantaa, Finland.

Okmetic manufactures and processes high-quality silicon wafers for the sensor and semiconductor industries. Okmetic's wafers are used in automotive, aviation, and medical as well as in consumer electronics applications.

Copies of the consolidated financial statements can be obtained via the Internet at www.okmetic.com or from the head office of the group's parent company at the abovementioned address.

The board of directors of Okmetic Oyj authorised these financial statements for issue at its meeting held on 10 February 2011. As per the Finnish Companies Act, shareholders have the right to either approve or reject the financial statements in an annual general meeting held after their issue. The annual general meeting is also entitled to make a decision on amending the financial statements.

Basis of preparation

The consolidated financial statements of Okmetic have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) together with SIC and IFRIC interpretations valid at 31 December 2010.

Under the Finnish Accounting Act and its regulations, International Financial Reporting Standards refer to the standards and their interpretations adopted in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with the supplementary disclosure requirements of Finnish accounting and company legislation.

The consolidated financial statements are presented in thousands of euros and prepared under the historical cost convention with the exception of financial assets and liabilities at fair value through profit or loss as well as cash-settled share-based payment transactions, which are stated at fair value.

New standards, interpretations, and amendments to existing standards adopted by the group

In preparing these financial statements, the group has followed the same accounting policies as in the financial statements for 2009 except for the effect of changes required by the adoption of the following standards, interpretations, and amendments to existing standards on 1 January 2010:

- IFRS 3 (Revised), Business Combinations. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The revision has not had any impact on the consolidated financial statements.
- IAS 27 (Revised), Consolidated and Separate Financial Statements. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The revision has not had any impact on the consolidated financial statements.
- IFRIC 12, Service Concession Arrangements. The interpretation has not had any impact on the consolidated financial statements.
- IFRIC 15, Agreements for the Construction of Real Estate. The interpretation has not had any impact on the consolidated financial statements.
- IFRIC 16, Net Investment in a Foreign Operation. The interpretation has not had any impact on the consolidated financial statements.
- IFRIC 17, Distribution of Non-cash Assets to Owners. The interpretation has not had any impact on the consolidated financial statements.
- IFRIC 18, Transfers of Assets from Customers. The interpretation has not had any impact on the consolidated financial statements.
- IFRIC 9 and IAS 39 (Amendment), Reassessment of Embedded Derivatives on Reclassification. The amendment has not had any impact on the consolidated financial statements.
- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Eligible Hedged Items. The amendment has not had any impact on the consolidated financial statements.
- IFRS 2 (Amendment), Share-based Payment – Group Cash-settled Share-based Payment Transactions. The amendment has not had any impact on the consolidated financial statements.
- Improvements to IFRSs. IASB published changes to 12 standards or interpretations in April 2009 as part of the annual Improvements to IFRSs project. The changes have not had any material impact on the consolidated financial statements.

Accounting policies involving management judgement and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts in the balance sheet and income and expenses for the reporting period. Accounting estimates have been used in determining, for example, the realisability of assets, the useful lives of tangible assets, the capitalisation of development costs, the parameters applied in impairment testing and deferred income tax. Although these estimates are based on the latest available information, actual results may differ from the estimates.

The areas where assumptions and estimates are significant to the consolidated financial statements of Okmetic are addressed below:

Impairment of property, plant and equipment

The group tests the relevant carrying values of property, plant and equipment for potential impairment in accordance with the methods stated in the accounting policies. The group has not recognised any impairment losses, or reversals of impairment losses, during the year 2010.

Deferred income tax

The recognition of deferred tax assets for tax losses carried forward requires evidence that sufficient future taxable profit will be available against which the losses can be utilised. Management exercises its judgement in assessing unrecognised tax assets and the criteria for recognition at each reporting date. On the basis of this judgement, deferred tax assets were not recognised at the reporting date. Deferred income tax is discussed in section 13 of the notes to the consolidated financial statements.

Accounting policies for the consolidated financial statements

Principles of consolidation

The consolidated financial statements include the parent company Okmetic Oyj and all companies in which Okmetic Oyj owns, directly or indirectly, over 50 percent of the voting rights or otherwise has the power to govern the financial and operating policies. Subsidiaries acquired during the financial year are consolidated from the date on which control is obtained by the group, and subsidiaries sold are deconsolidated from the date that control ceases.

At the time of preparing the consolidated financial statements, the group includes the following subsidiaries, which are fully owned by the parent company: Okmetic Inc., Okmetic Invest Oy, Kiinteistö Oy Piitalot, and Okmetic K.K..

Special purpose entity

Okmetic Management Oy, which was established as a part of the top management´s share-based incentive scheme, has been consolidated as a subsidiary in the group's financial statements. On the basis of the shareholders' agreement and of the loan agreement, Okmetic Oyj has control over the Management company, which is therefore consolidated. The control is based on contractual provisions, which include restrictions to transfer or pledge the Okmetic shares held by the Management company and restrictions imposed on voting rights of the shares. In addition, all transactions conducted by the Management company are subject to authorisation of the board of directors of Okmetic Oyj. Okmetic Oyj, or any of the companies controlled by it, has no ownership interest in that company. The income statement and balance sheet of the Management company have been consolidated as from the inception of the arrangement. The Okmetic shares held by Okmetic Management Oy have been accounted for as own shares (treasury shares) in the consolidated financial statements and presented in retained earnings as a deduction of equity.

The arrangement will be valid until 31 March 2013, or, in case specific suspensive conditions are met, until 31 March 2014, whereupon the arrangement is intended to be dissolved in a manner to be determined later. The shareholders of Okmetic Management Oy have been granted the right, on dissolution of the arrangement, to choose whether the share-based transaction is settled in cash or by issuing equity instruments. In the consolidated financial statements the arrangement is accounted for as a cash-settled share-based payment, and the management's investment in the Management company is treated as a financial liability instead of a non-controlling interest. Further information on the accounting for share-based incentive schemes is given in section Share-based payments of the accounting policies.

On consolidation, the group companies' separate financial statements are adjusted to comply with the accounting policies adopted by the group. All inter-company transactions, balances, unrealised gains and internal distribution of profits are eliminated in preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss indicates impairment of the asset transferred.

Subsidiaries are consolidated using the acquisition method of accounting. According to the acquisition method, the consideration transferred as well as identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. In accordance with the exemption permitted under IFRS 1, acquisitions prior to the date of transition to IFRS, 1 January 2004, have been consolidated in conformance with Finnish Accounting Standards.

Segment reporting

The group has a single operating segment. As the company strategy dictates, the products are largely manufactured on the same machines and resources, and sold by uniform sales methods to the same or similar customers sharing a common risk profile. The in-house division of wafer types into two customer areas is mainly used to bring clarity to the company's strategic basis. This division is not applied to regular profitability reporting provided to the chief operating decision maker (CODM) of the group, the board of directors. Technology sales include the sale of know-how and silicon crystals manufactured by the company and the occasional proceeds from slicon recycling. Operations are closely linked to wafer manufacturing.

Foreign currencies

The results and financial position of group entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated into the functional currency at the average exchange rates quoted by the European Central Bank at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated into the functional currency using the exchange rates prevailing at the measurement date. Otherwise, non-monetary items are measured at the exchange rates prevailing at the transaction date.

The income and expenses of group entities, which have a functional currency other than the euro, are translated into the presentation currency at the average exchange rate and the assets and liabilities at the closing rate of the reporting date. The exchange difference arising on the translation of income statements and balance sheets at different exchange rates is recognised as other comprehensive income.

Translation differences relating to items of equity of foreign subsidiaries are recorded as other comprehensive income. On disposal of a foreign subsidiary, in part or in full, the cumulative translation differences are reclassified from equity to profit or loss as part of the gain or loss on sale. Cumulative translation differences that have accrued prior to the date of transition to IFRS are recorded in retained earnings in accordance with the exemption permitted under IFRS 1, and the gain or loss on a subsequent disposal of a subsidiary will exclude these translation differences. Exchange differences arising from the translation of net investments in foreign subsidiaries are taken to equity in the consolidated financial statements. Translation differences arising from the repayment of capital are transferred to profit or loss and recorded under exchange losses on the basis of the relation of the repaid amount to the original amount of capital.

Exchange differences arising from trade receivables and payables are charged to sales and purchases in the income statement. Exchange differences from the translation of other receivables and liabilities as well as financing activities are disclosed within financial items.

Net sales and revenue recognition

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer, and the group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Generally, revenue recognition takes place in connection with the contractual transfer of the goods. Revenue from the rendering of services is recognised after the service has been rendered and when a flow of economic benefits associated with the transaction is probable. Net sales are shown net of indirect taxes and discounts and adjusted by exchange differences of foreign currency sales.

Interest income is recognised using the effective interest method.

Research and development

Research and development costs are charged to profit or loss in full as incurred. The development costs of new products and processes have not been capitalised as the future economic benefits cannot be established until the product is launched, which means that the development phase can be distinguished in such an advanced phase that the amount of costs qualifying for recognition would not be material.

The costs of the development phase are capitalised as intangible assets only when the product is technically and commercially feasible, it is expected to generate future economic benefits and the costs can be measured reliably.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Government grants for compensating the costs of specified research and development projects are entered as adjustments to cost of sales. Government grants for business development projects are booked as adjustments to administrative expenses.

Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset.

Other operating income and expenses

Other operating income and expenses include items not associated with the production of goods and services, such as gains and losses from the disposal of property, plant and equipment, costs of business reorganisation as well as credit losses. Fair value adjustments of currency and electricity derivatives as well as realised gains and losses on currency derivatives are also included in other operating income and expenses.

Income tax

The group's income tax expense includes income tax of the group companies based on taxable profit for the period, together with tax adjustments for previous periods and changes in deferred tax. Tax on items recognised in other comprehensive income or directly in equity is, correspondingly, recognised in other comprehensive income or directly in equity.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts using the tax rates that have been enacted by the reporting date. The main temporary differences arise from the depreciation difference on property, plant and equipment, measurement of inventories, measurement at fair value of derivative financial instruments, share-based payments, and unused tax losses carried forward. Deferred tax liabilities are recognised in full and deferred tax assets to the extent of the estimated tax benefit. Deferred tax assets and liabilities are offset in case they relate to income taxes levied by the same taxation authority.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When the asset comprises more than one part with different useful lives, each part is entered as a separate asset. In this case, the costs of replacing the part are capitalised and any existing carrying amount of the replaced part is derecognised. Otherwise, subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss as incurred.

Assets are depreciated on a straight-line basis over their estimated useful lives. Land is not depreciated. The estimated useful lives for the asset classes are:

- Buildings 20–25 years
- Machinery and equipment 3–15 years

The assets' residual values and useful lives are reviewed at the end of each financial year and adjusted, if appropriate, to reflect the changes in expected future economic benefits.

Depreciation on tangible assets ceases when the asset is classified as held for sale in accordance with the IFRS 5 standard. Gains and losses on disposals of assets are included in other operating income and expenses.

Impairment of non-financial assets

The company's balance sheet does not include assets with indefinite useful life, for example goodwill, which would be subject to annual impairment testing.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of materials is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs as well as a proportion of fixed and variable production overheads based on normal capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

The group classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables and financial liabilities. The classification is based on the purpose for which the financial instruments were acquired, and they are classified at initial recognition. Transaction costs are included in the initial carrying amount of the financial instrument in the case of a financial instrument not measured at fair value through profit or loss. All purchases and sales of financial assets are recognised and derecognised on the trade date, which is the date on which the group commits itself to purchase or sell an asset.

Financial assets are derecognised when the group's contractual right to the financial asset expires. Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged.

The category of financial assets and liabilities at fair value through profit or loss has two sub-categories: financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss at inception. All derivative contracts have been made for hedging purposes in accordance with the group's risk management policy but hedge accounting as defined in IAS 39 is not applied. Consequently, derivatives are classified as held for trading. Fixed-income fund investments, which comprise the short-term investments of liquid assets, are also included in the held for trading -category. The group holds no financial assets or liabilities designated at fair value through profit or loss at inception.

Instruments in this category are stated at fair value. Fair values of derivative financial instruments are determined on the basis of market and contract prices of the agreements at the reporting date. Fair values of the contracts hedging future cash flows are based on the present value of the cash flows. The methods applied in determining fair values are disclosed in note 25, Derivative financial instruments. Gains and losses arising from changes in the fair values are recognised in profit or loss as incurred. Changes in the fair value of derivatives are disclosed, based on their nature, under either other operating income and expenses or financial items.

Fair values of fixed-income fund investments are determined on the basis of price quotations in an active market. Gains and losses arising from changes in the fair values are recognised in profit or loss as incurred.

Derivatives are disclosed within non-current receivables or payables in case they mature after 12 months of the end of the reporting period.

Loans and receivables, classified as trade and other receivables and cash and cash equivalents, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. Loans and receivables are measured at amortised cost using the effective interest method. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the loss is recognised in profit or loss.

Trade receivables are initially stated at fair value based on the original invoice value. Subsequent to initial recognition such assets are measured at amortised cost using the effective interest method, less any impairment losses. Impairment on trade receivables is recorded when justifiable evidence of impairment has incurred. Significant financial difficulties of the debtor, probability of bankruptcy, and default or delinquency in payments for a period of more than 100 days are considered indicators that the trade receivable is impaired.

Cash and cash equivalents comprise cash in hand and in bank.

Financial liabilities are initially recognised at fair value based on net proceeds. Transaction costs are included in the initial carrying amount in the case of a financial liability measured at amortised cost. Financial liabilities, except for derivative financial liabilities, are subsequently carried at amortised cost using the effective interest method. Financial liabilities are presented within non-current and current liabilities.

Borrowing costs

The group capitalises borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset when it is probable that such costs will result in future economic benefits, and the costs can be measured reliably. Other borrowing costs are recognised in profit or loss as incurred. The group has currently no qualifying assets.

Leases

Leases of property, plant and equipment, where the group as a lessee has substantially all the risks and rewards of ownership, are classified as finance leases and recognised in the balance sheet as tangible assets. Finance leases are capitalised at the commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations are included in borrowings. During the lease term, lease payments are allocated between the finance charge and the reduction of the outstanding liability in order to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. The group has currently no finance leases.

Leases in which the lessor retains the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount is reliably estimated.

Employee benefits

Pension plans

The group's pension schemes in different countries are arranged in accordance with the local practices. These schemes are classified as defined contribution plans. Under a defined contribution plan the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay the benefits. Payments under contribution-based pension plans are recognised in profit or loss in the financial period that they relate to. The Finnish personnel pension is based on the Finnish TyEL insurance policy.

Share-based payments

The group has established share-based payment arrangements with payments either in cash or in equity instruments.

The fair value of equity-settled transactions is measured based on the market value of the share on the grant date and recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is based on the management's estimate of the number of shares expected to vest until settled. The estimate is adjusted at each reporting date, with any changes recognised in profit or loss. For transactions settled in equity, an increase corresponding to the expense in the income statement is entered in equity.

For cash-settled transactions, the liability is measured at fair value at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss over the vesting period.

Expenses recognised for share-based payments are shown within employee benefit expenses. Taxes and other social security contributions payable in connection with the share-based payments are disclosed within cash-settled transactions.

Equity

Transaction costs directly attributable to the issue or acquisition of the company´s own equity instruments (treasury shares) are shown as a deduction in equity. In case the company repurchases its own equity instruments, the consideration paid is deducted from equity.

Operating profit

The concept of operating profit is not clarified in IAS 1, Presentation of Financial Statements. Okmetic defines operating profit as net sales plus other operating income, less the following items: acquisition costs adjusted with inventory changes, employee benefit expenses, depreciation and possible impairment losses, and other operating expenses. All other items are entered after operating profit. Exchange differences and changes in the fair value of derivatives are included in operating profit when they arise from items related to business operations; otherwise they are entered in financial items.

Adoption of new or amended IFRS standards and IFRIC interpretations

The following new standards, interpretations and amendments to existing standards and interpretations will be adopted by the group in 2011:

- IAS 24 (Revised), Related Party Disclosures. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revision will not have an impact on the consolidated financial statements.
- IAS 32 (Amendment), Financial Instruments: Presentation – Classification of Rights Issues. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously such rights issues were accounted for as derivative liabilities. The amendment will not have an impact on the consolidated financial statements.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments. The interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished all or in part by the debtor issuing its own equity instruments to the creditor (debt for equity swap). IFRIC 19 requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation will not have an impact on the consolidated financial statements.
- IFRIC 14 (Amendment), Prepayments of a Minimum Funding Requirement. The amendment is aimed at correcting an unintended consequence of IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". As a result of the interpretation, entities are in some circumstances not permitted to recognise some voluntary prepayments for minimum funding contributions as an asset. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendment will not have an impact on the consolidated financial statements.
- Improvements to IFRSs. IASB published changes to 7 standards or interpretations in July 2010 as part of the annual Improvements to IFRSs project. The changes are still subject to endorsement by the European Union. These changes will be adopted by the group in 2011 financial statements after the EU endorsement. The changes will not have material impact on the consolidated financial statements.

The following standards and amendments to existing standards will be adopted by the group in 2012 or later:

- IFRS 9, Financial Assets – Classification and Measurement. The first part of IFRS 9 was published in November 2009. The standard represents the first milestone in the IASB's planned replacement of IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classification and measurement of financial assets. The group will probably adopt the standard in its 2013 financial statements at the earliest. However, the standard is still subject to EU endorsement. Management is yet to assess the impact of the standard on the consolidated financial statements. The standard will probably have impacts on accounting for financial assets.
- IFRS 9, Financial Liabilities – Classification and Measurement. The second part of IFRS 9 was published in October 2010. In the process of replacing IAS 39, this complements the first step published in November 2009, which addressed the classification and measurement of financial assets. According to the new standard, the accounting and presentation for financial liabilities shall remain the same except for those financial liabilities for which fair value option is applied. The standard is still subject to EU endorsement. Management is yet to assess the impact of the standard on the consolidated financial statements.
- IFRS 7 (Amendment), Disclosures – Transfers of Financial Assets. The amendment adds disclosure requirements related to risk exposures derived from transferred assets. Additional disclosures are required, where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset. The amendment can increase the disclosures in the notes to financial statements in the future. The group will adopt the standard in its 2012 financial statements. The amendment is still subject to EU endorsement. Management is yet to assess the impact of the standard on the consolidated financial statements.
- IAS 12 (Amendment), Income taxes. Currently IAS 12 requires an entity to estimate, which part of the carrying value of an item measured at fair value is recovered through use (for example, rental income) and which part through sale. The amendment introduces a rebuttable presumption that certain assets measured at fair value are recovered entirely by sale. Presumption applies to deferred tax arising from investment properties, property, plant and equipment or intangible assets that are measured using the fair value model or revaluation model. The amendment is still subject to EU endorsement. The amendment will not have an impact on the consolidated financial statements.

1. Segment information

The group has a single operating segment. As the company strategy dictates, the products are largely manufactured on the same machines and resources, and sold by uniform sales methods to the same or similar customers sharing a common risk profile. The in-house division of wafer types into two customer areas is mainly used to bring clarity to the company's strategic basis. This division is not applied to regular profitability reporting provided to the chief operating decision maker (CODM) of the group, the board of directors. Technology sales include the sale of know-how and silicon crystals manufactured by the company and the occasional proceeds from silicon recycling. Operations are closely linked to wafer manufacturing.

Information on geographical areas

Net sales are based on the geographical location of the customer and assets on the location of the assets. Net sales from external customers are measured in a manner consistent with that in the income statement.

	2010		2009	
1,000 euro	Net sales	Non-current assets [1]	Net sales	Non-current assets [1]
Finland	**4,135.0**	**26,192.0**	2,515.4	29,752.3
United States	**31,484.3**	**4,229.6**	16,254.6	5,192.4
Japan	**19,273.6**	**19.1**	10,787.8	19.8
Other countries	**26,013.9**	**-**	24,803.2	-
Total	**80,906.9**	**30,440.7**	54,361.0	34,964.5

[1] The total of non-current assets other than financial instruments and deferred tax assets

Net sales per market area

1,000 euro	North America	Europe	Asia	Group
2010	**34,546.9**	**20,115.3**	**26,244.7**	**80,906.9**
2009	19,932.0	18,095.5	16,333.5	54,361.0

Net sales per customer area

1,000 euro	Sensor wafers	Semiconductor wafers	Technology	Group
2010	**34,507.1**	**34,108.9**	**12,290.9**	**80,906.9**
2009	22,195.6	16,666.7	15,498.7	54,361.0

2. Expenses by nature

1,000 euro	2010	2009
Materials	34,597.1	18,072.4
Water and energy	3,651.6	2,889.5
Maintenance and spare parts	3,231.7	2,422.2
Employee benefit expenses [1]	19,804.2	15,919.2
Change in inventories	-2,742.5	3,551.1
Depreciation [2]	6,681.5	6,936.0
Other	5,904.3	4,022.5
Total	71,127.9	53,812.9

Expenses by nature cover cost of sales, sales and marketing expenses and administrative expenses.

Auditor's fees

1,000 euro	2010	2009
Audit fees	101.0	117.9
Tax assignments	9.2	7.7
Other assignments	19.2	2.2
Total	129.4	127.8

[1] Note 6
[2] Note 5

3. Other operating income

1,000 euro	2010	2009
Gains on sale of property, plant and equipment	-	192.4
Gains on financial assets and liabilities held for trading		
Currency and electricity derivatives	181.2	367.8
Reversals of impairment losses on trade receivables	21.6	28.0
Other income	5.3	17.9
Total	208.0	606.1

4. Other operating expenses

1,000 euro	2010	2009
Impairment losses on trade receivables	7.1	19.2
Disposals of property, plant and equipment	74.4	-
Compensations for terminated employment contracts [1]	104.9	864.6
Other expenses	-	0.4
Total	186.4	884.2

[1] Note 6

5. Depreciation

1,000 euro	2010	2009
Depreciation by asset class		
Buildings	1,027.6	1,021.6
Machinery and equipment	5,653.9	5,914.4
Total	6,681.5	6,936.0
Depreciation by function		
Cost of sales	6,673.5	6,927.6
Administration	8.0	8.4
Total	6,681.5	6,936.0

6. Employee benefit expenses

1,000 euro	2010	2009
Wages and salaries	15,016.6	12,781.9
Termination benefits [1]	-	493.9
Pension costs, defined contribution plans	2,324.3	2,139.4
Share-based incentive schemes		
Equity-settled	426.1	-
Cash-settled	849.4	-
Other social security costs	1,187.9	997.9
Other post-employment benefits [1]	104.9	352.6
Total	19,909.1	16,765.7

Details of key management compensation are disclosed in note 26, Related party transactions. Information on share-based incentive schemes is given in note 20, Share-based payments.

The Japan-based subsidiary, Okmetic K.K., has agreed on a supplementary pension plan that covers two persons commencing on 1 January 2011. The plan is classified as a defined benefit plan.

Number of personnel	2010	2009
White-collar employees	123	132
Blue-collar employees	222	205
Average	345	337
On 31 December	342	327

[1] Note 4

7. Research and development expenses

1,000 euro	2010	2009
Research and development expenses	2,110.3	2,134.1

8. Financial income and expenses

1,000 euro	2010	2009
Financial income		
Interest income on loans and receivables	21.5	149.1
Change in fair value of financial assets recognised at fair value through profit or loss	4.0	-
Exchange gains, net [1]	587.2	-
Total	612.7	149.1

1,000 euro	2010	2009
Financial expenses		
Interest expenses on financial liabilities measured at amortised cost	-9.9	-491.1
Exchange losses, net [1]	-359.9	-398.2
Losses on financial liabilities held for trading		
Interest rate derivatives	-219.3	-116.3
Other financial expenses	-13.3	-3.7
Total	-602.4	-1,009.3

1,000 euro	2010	2009
Exchange gains/losses recognised in operating profit		
On loans and receivables	332.3	-119.4
On financial liabilities measured at amortised cost	-195.4	43.2
On other items	69.8	10.3
Total	206.6	-65.9

[1] Exchange differences include exchange gains of 248.8 thousand euro on loans and receivables (2009: exchange losses of 274.4 thousand euro). Exchange gains of 338.4 thousand euro were recognised on the group's internal loans (2009: exchange losses of 129.4 thousand euro).

Okmetic Oyj's loan to Okmetic Inc., which was originally recorded as a net investment, has resulted in an exchange loss of 2.5 million euro recognised in the translation differences under equity. The loan has been recorded as a regular liability since 2006. As a result, 0.4 million euro of the exchange loss, which corresponds to the loan repayment, has been recorded under financial expenses in 2010. The remaining 0.7 million euro of the exchange loss will be expensed according to the same principle in the future, proportioned to the loan repayments.

9. Income tax

1,000 euro	2010	2009
Income tax expense		
Current tax	-58.7	-2.6
Tax adjustments of prior periods	117.1	-
Deferred tax	82.7	80.0
Total	141.1	77.4

Reconciliation of income tax expense recognised in the consolidated income statement and income tax calculated at the domestic tax rate of 26 percent (2009: 26%):

1,000 euro	2010	2009
Profit/loss before tax	9,810.9	-590.2
Tax calculated at domestic tax rate	-2,550.8	153.5
Different tax rates in foreign subsidiaries	-136.9	143.9
Expenses not deductible for tax purposes	-3.5	-1.1
Tax losses for which no deferred tax assets were recognised	2,832.4	-218.8
Income tax expense	141.1	77.4

The domestic tax rates of the subsidiaries have not changed in 2010 or 2009.

10. Other comprehensive income

Components of other comprehensive income and reclassification adjustments:

1,000 euro	2010	2009
Translation differences	264.0	-219.9
Transfer to profit or loss [1]	359.9	-
Total	623.9	-219.9

[1] Note 8

11. Earnings per share

Basic earnings per share is calculated by dividing the profit/loss for the period attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period. When calculating the weighted average, Okmetic's own shares in its possession and Okmetic Oyj's shares owned by Okmetic Management Oy are deducted from the amount of shares [1].

	2010	2009
Profit/loss attributable to equity holders of the parent company, 1,000 euro	9,952.1	-512.8
Weighted average number of shares outstanding during the period, 1,000 shares	16,723.9	16,887.5
Basic earnings per share, euro/share	0.60	-0.03

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. In 2010, the company has dilutive potential shares in respect of share-based incentive schemes.

	2010	2009
Profit/loss attributable to equity holders of the parent company, 1,000 euro	9,952.1	-512.8
Weighted average number of shares outstanding during the period, 1,000 shares	16,723.9	16,887.5
Effect of the share-based incentive schemes, 1,000 shares	463.9	-
Weighted average number of shares during the period, diluted, 1,000 shares	17,187.8	16,887.5
Diluted earnings per share, euro/share	0.58	-0.03

[1] Note 19

12. Property, plant and equipment

1,000 euro	Land	Buildings	Machinery and equipment	Construction in progress	Total
Acquisition cost on 1 January 2010	777.5	23,159.3	103,375.3	562.3	127,874.4
Additions	-	20.1	234.1	1,977.8	2,232.0
Disposals	-	-40.9	-825.8	-	-866.7
Transfers between items	-	-	402.2	-402.2	-
Exchange differences	60.7	203.8	843.5	-	1,108.0
Acquisition cost on 31 December 2010	838.2	23,342.3	104,029.3	2,137.9	130,347.7
Accumulated depreciation and impairment on 1 January 2010	-	-10,820.4	-83,879.9	-	-94,700.3
Accumulated depreciation on disposals and transfers	-	16.2	776.3	-	792.5
Depreciation for the period	-	-1,027.6	-5,653.9	-	-6,681.5
Exchange differences	-	-83.1	-606.3	-	-689.4
Accumulated depreciation and impairment on 31 December 2010	-	-11,914.9	-89,363.8	-	-101,278.7
Carrying amount on 1 January 2010	777.5	12,338.9	19,495.4	562.3	33,174.1
Carrying amount on 31 December 2010	838.2	11,427.4	14,665.5	2,137.9	29,068.9

1,000 euro	Land	Buildings	Machinery and equipment	Construction in progress	Total
Acquisition cost on 1 January 2009	804.8	23,251.0	100,675.5	2,476.8	127,208.1
Additions	-	-	1,172.4	275.9	1,448.3
Disposals	-	-	-284.5	-	-284.5
Transfers between items	-	-	2,159.0	-2,159.0	-
Exchange differences	-27.3	-91.7	-347.1	-31.4	-497.5
Acquisition cost on 31 December 2009	777.5	23,159.3	103,375.3	562.3	127,874.4
Accumulated depreciation and impairment on 1 January 2009	-	-9,836.4	-78,523.2	-	-88,359.6
Accumulated depreciation on disposals and transfers	-	-	284.5	-	284.5
Depreciation for the period	-	-1,021.6	-5,914.4	-	-6,936.0
Exchange differences	-	37.6	273.2	-	310.8
Accumulated depreciation and impairment on 31 December 2009	-	-10,820.4	-83,879.9	-	-94,700.3
Carrying amount on 1 January 2009	804.8	13,414.6	22,152.3	2,476.8	38,848.5
Carrying amount on 31 December 2009	777.5	12,338.9	19,495.4	562.3	33,174.1

The following carrying amounts of assets acquired under finance leases are included in Machinery and equipment:

2010	-	-
2009	36.6	36.6

13. Deferred income tax

1,000 euro	2010	2009
Deferred income tax		
Deferred tax assets	660.7	548.5
Deferred tax liabilities	656.0	626.5
Deferred tax liabilities, net	-4.7	78.0

Movements in deferred income tax during the financial year

1,000 euro	1 Jan 2010	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	31 Dec 2010
Deferred tax assets					
Tax losses carried forward	467.4	-	-	-	467.4
Fair value losses on derivative financial instruments	80.6	-80.6	-	-	0.0
Finance leases	0.6	-0.6	-	-	0.0
Share-based incentive scheme	-	193.3	-	-	193.3
Total	548.5	112.1	-	-	660.7
Deferred tax liabilities					
Accumulated depreciation differences	456.4	-32.6	-	-	423.9
Fair value gains on derivative financial instruments	-	34.5	-	-	34.5
Fixed costs included in the cost of inventories	170.0	26.5	-	-	196.5
Other	-	1.0	-	-	1.0
Total	626.5	29.6	-	-	656.0
Deferred tax liabilities, net	78.0	82.7	-	-	-4.7

1,000 euro	1 Jan 2009	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	31 Dec 2009
Deferred tax assets					
Tax losses carried forward	467.4	-	-	-	467.4
Fair value losses on derivative financial instruments	140.4	-59.9	-	-	80.6
Finance leases	1.6	-1.0	-	-	0.6
Total	609.4	-60.9	-	-	548.5
Deferred tax liabilities					
Accumulated depreciation differences	386.3	70.1	-	-	456.4
Fixed costs included in the cost of inventories	381.0	-211.0	-	-	170.0
Total	767.3	-140.9	-	-	626.5
Deferred tax liabilities, net	158.0	-80.0	-	-	78.0

Deferred income tax is presented net in respect of group companies between which income equalisation option exists.

Deferred tax assets of 4.5 million euro (2009: 4.8 million euro) attributable to the domestic companies are not recognised in the consolidated financial statements due to uncertainty of the utilisation of the tax benefit relating to these assets. The majority of these deferred tax assets result from the domestic companies' tax loss carry-forwards of 17.4 million euro (2009: 18.5 million euro). The tax losses are carried forward from 2004 and 2007. Of these, 3.5 million euro and 13.9 million euro will expire in 2014 and 2017 respectively. Deferred tax assets have not been recognised for the losses of 7.2 million euro (2009: 7.5 million euro) of the foreign subsidiaries.

14. Financial instruments by category

2010 1,000 euro	Note	Financial assets/liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value
Financial assets						
Trade and other receivables	15		13,706.0		13,706.0	13,657.4
Derivative financial instruments	15, 25	1,464.7			1,464.7	1,464.7
Financial assets at fair value through profit or loss	17	5,004.0			5,004.0	5,004.0
Cash and cash equivalents	18		14,042.9		14,042.9	14,042.9
Total		6,468.7	27,748.9	-	34,217.5	34,169.0
Financial liabilities						
Loans from financial institutions	21			999.7	999.7	992.3
Trade and other payables	23			9,470.3	9,470.3	9,440.9
Derivative financial instruments	23, 25	1,331.8			1,331.8	1,331.8
Total		1,331.8	-	10,470.0	11,801.8	11,765.0

2009 1,000 euro	Note	Financial assets/liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value
Financial assets						
Trade and other receivables	15		10,665.0		10,665.0	10,579.5
Derivative financial instruments	15, 25	284.9			284.9	284.9
Cash and cash equivalents	18		7,307.4		7,307.4	7,307.4
Total		284.9	17,972.4	-	18,257.3	18,171.8
Financial liabilities						
Loans from financial institutions	21			2,499.0	2,499.0	2,450.6
Trade and other payables	23			5,906.9	5,906.9	5,856.6
Derivative financial instruments	23, 25	594.7			594.7	594.7
Finance lease liabilities	21			38.8	38.8	39.2
Total		594.7	-	8,444.7	9,039.4	8,941.1

Principles for determining fair values

Trade and other receivables
The fair value of other non-current receivables is calculated by discounting the future cash flows at a rate that equals the market rate of interest at the reporting date plus a risk premium. Other non-current receivables bear no interest. The carrying amounts of current receivables, other than those relating to derivative contracts, are assumed to be a reasonable approximation of their fair value.

Derivative financial instruments
The methods applied in determining the fair value of derivative contracts are disclosed in note 25, Derivative financial instruments.

Loans from financial institutions
Borrowings are stated at amortised cost. The fair value of borrowings is measured on the basis of discounted cash flows. The discount rate used is based on the interest rate at which the group could obtain a similar loan from an external party at the reporting date. The total interest comprises risk-free interest and a company-specific risk premium of 0.85 percent (2009: 0.85%).

Trade and other payables
The fair value of other non-current liabilities is calculated by discounting the future cash flows at a rate that equals the market rate of interest at the reporting date plus a risk premium. Other non-current liabilities bear no interest. The carrying amounts of current trade and other payables, other than those relating to derivative contracts, approximate their fair value.

The group has changed the presentation of financial instruments by category in 2010, comparative information has been represented.

15. Trade and other receivables

1,000 euro	2010	2009
Non-current		
Other receivables	865.9	1,563.9
Derivative financial instruments held for trading [1]	142.4	44.0
Receivables from related parties [2]	56.3	-
Prepayments	1,371.8	1,790.4
Total	2,436.3	3,398.4
Current		
Trade receivables	11,948.7	8,335.8
Other receivables	825.1	765.3
Derivative financial instruments held for trading [1]	1,322.3	240.9
Receivables from related parties [2]	12.8	-
Prepayments	488.2	453.8
VAT receivables	671.8	432.8
Other current receivables	369.8	367.7
Other prepayments and accrued income	34.9	353.7
Total	15,673.7	10,950.0

Balance sheet values are the best representation of the amount that is the maximum credit risk exposure in the event of other parties failing to perform their obligations under financial instruments. The receivables are not collateralised, and they do not represent any significant concentrations of credit risk.

[1] Note 25
[2] Note 26

Analysis of trade receivables by age and recognised impairment losses

1,000 euro	2010	Impairment losses	2010 Net	2009	Impairment losses	2009 Net
Not past due	8,928.7	-	8,928.7	6,050.3	-	6,050.3
Past due						
1–30 days	2,014.2	-	2,014.2	1,915.9	-	1,915.9
31–60 days	449.1	-	449.1	107.1	-	107.1
over 60 days	563.7	-7.1	556.6	281.7	-19.2	262.5
Total	11,955.8	-7.1	11,948.7	8,355.0	-19.2	8,335.8

16. Inventories

1,000 euro	2010	2009
Raw materials and supplies	6,166.3	3,972.4
Work in progress	2,584.6	1,638.3
Finished goods	1,236.1	1,553.7
Total	9,987.0	7,164.4

The carrying amount of inventories has been reduced to net realisable value through recognition of a write-down amounting to 38.5 thousand euro in the period (2009: 142.4 thousand euro). The carrying amount of inventories stated at net realisable value totalled 449.8 thousand euro (2009: 1,234.6 thousand euro).

17. Financial assets at fair value through profit or loss

1,000 euro	2010	2009
Investments in fixed-income funds	5,004.0	-

Financial assets at fair value through profit or loss consist of short-term investments of liquid assets. Fixed-income fund investments are publicly quoted securities, which have high liquidity.

18. Cash and cash equivalents

1,000 euro	2010	2009
Cash in hand and bank accounts	14,042.9	7,307.4

19. Equity

Number of shares, pcs	2010	2009
Number of outstanding shares on 1 January	16,887,500	16,887,500
Directed issue to Okmetic Management Oy	400,000	-
Repurchase of own shares	-203,244	-
Shares held by Okmetic Management Oy	-400,000	-
Number of outstanding shares on 31 December	16,684,256	16,887,500

Share capital

On 31 December 2010, Okmetic Oyj's paid-up share capital, as entered in the Finnish Trade Register, was 11,821,250.00 euro (2009: 11,821,250.00 euro).

The total number of shares is 17,287,500. The shares have no nominal value attached, and there is no maximum to the number of the shares. The company has one class of shares. All issued shares have been paid for in full.

Share premium

According to the Finnish Companies Act of 1978 (734/78), which was effective until 1 September 2006, share premium comprises the difference between the equivalent book value and the subscription price of shares issued.

Reserve for invested unrestricted equity

Reserve for invested unrestricted equity comprises the subscription price of the shares that according to the share issue decision is not to be credited to share capital.

Translation differences

Translation differences arise from the conversion of the financial statements of foreign subsidiaries.

Own shares

In 2010, Okmetic Oyj repurchased 203,244 of its own shares (2009: - shares). The acquisition cost of 668.0 thousand euro has been deducted from retained earnings within equity.

Okmetic Management Oy held 400,000 of Okmetic Oyj's shares on 31 December 2010. In the consolidated balance sheet, the acquisition cost of 1,200.0 thousand euro has been deducted from retained earnings within equity.

Dividends

The board of directors has decided to propose to the annual general meeting that a dividend of 0.30 euro per share be paid for the year 2010.

A dividend of 0.05 euro per share was paid in 2010 (2009: 0.05 euro per share).

20. Share-based payments

Executive management group´s share reward scheme

In February 2010, the board of directors decided on a share-based incentive scheme for 2010 and 2011. The reward is based on profit and cash flow targets set by the board of directors and on personal targets that the president has set for the other members of executive management group. The scheme´s intention is to commit the participants to work persistently towards the company´s success. The aggregate amount of possible rewards paid based on the share reward programme may not exceed 1,500,000 euro for 2010.

The prerequisite for earning shares is that the targets, set by the board of directors and the president, are met. The board of directors assesses whether the targets are met and makes the decision on the possible reward distribution. When the earning period is terminated, taxes, and other social security contributions are reduced from the gross value of the reward. The net amount will be paid for the participants in the form of company shares. For 2010 the earned shares will be paid in February 2011 and for 2011 in February 2012 after the financial statements are published according to the share´s average quotation of January.

The disbursement of shares is followed by a two-year restriction period, during which the participants are not allowed to sell or transfer shares. If a member of the executive management group leaves the service of the company within the limited two-year period, he/she may keep half of the shares paid as a reward. The president is obligated to hold half of the shares received as share reward as long as he is working for the company.

In 2010, according to the existing programme the maximum share reward including taxes is 1,050,000 euro for mutual targets (pool 1) and 450,000 euro for personal targets (pool 2). The president´s proportion is 20.0 percent of pool 1 and 26.7 percent of pool 2. The corresponding proportions for the deputy to the president are 15.0 percent and 15.8 percent.

50.0 percent of the expenses arising from the 2010 share reward programme are recognised over a vesting period of one year and the other 50.0 percent over a period of three years. Expenses recognised for the programme totalled 904.4 thousand euro in 2010.

The equity-settled portion of the programme is measured at fair value at the grant date. The grant date is 10 February 2011, which is the date on which the board of directors confirms the number of shares to be received by each participant. The fair value at the grant date is based on the share´s average quotation of January. Expenses for the equity-settled portion are recognised over the vesting period as employee benefit expenses with a corresponding increase in equity. Expenses for the equity-settled portion amounted to 426.1 thousand euro in 2010.

The cash-settled portion of the programme covers taxes and other social security contributions incurred. The cash-settled portion is recognised under employee benefit expenses, with a corresponding increase in liabilities, and deferred over the vesting period.

Top management’s incentive scheme

In 2010, the top management has been granted a share-based incentive scheme, which is arranged by establishing a Management company. The company has been consolidated in the financial statements.

On 25 January 2010, a company, Okmetic Management Oy, founded by the president and deputy to the president was directed a share issue against payment of 400,000 shares at prevailing market price (3.00 euro). The share ownership programme will be in force approximately three years, after which time it is intended to be dissolved in a manner to be determined later. The programme will be extended by one year, in case the trading price of Okmetic´s share during the five trading days following the original expiry date of the programme is lower than the share subscription price, for which Okmetic Management Oy has acquired its Okmetic shares.

The shareholders of Okmetic Management Oy have been granted the right, on dissolution of the arrangement, to choose whether the share-based transaction is settled in cash or by issuing equity instruments. In the consolidated financial statements the arrangement is accounted for as a cash-settled share-based payment.

At the settlement date, the fair value of the liability recognised for the share-based incentive scheme is measured as the difference between the market price of the Okmetic shares held by Okmetic Management Oy and the amount of liabilities of the Management company. Any changes in the fair value of the liability are recognised in profit or loss over the vesting period. The participants are required to render service until 31 March 2013.

In 2010, the group recognised expenses of 371.0 thousand euro for the top management’s incentive scheme.

21. Borrowings

1,000 euro	2010	2009
Non-current		
Loans from financial institutions	-	1,899.0
Current		
Current portion of loans from financial institutions	999.7	600.0
Finance lease liabilities	-	38.8
Total	999.7	638.8

Finance lease liabilities

1,000 euro	2010	2009
Minimum lease payments		
No later than one year	-	39.5
Present value of finance lease liabilities		
No later than one year	-	38.8
Future finance charges on finance leases	-	0.7
Total finance lease liabilities	-	38.8
Contingent rents	-0.9	-0.3

The group's finance lease agreements were related to IT equipment. The terms of the finance leases were three years. Some of the agreements involved a conventional purchase option. Contingent rent payables were based on future market rates of interest.

22. Commitments and contingencies

1,000 euro	2010	2009
Own debts secured with collaterals		
Loans from financial institutions and other liabilities	1,000.0	2,500.0
Collaterals		
Floating charges	8,073.0	8,073.0
Capital commitments	2,189.6	111.1
Future minimum lease payments under non-cancellable operating leases		
No later than one year	116.8	62.3
Later than one year and no later than five years	127.9	20.7
Total	244.7	83.0

The group's operating lease agreements principally relate to production machinery and company cars. The terms of the leases vary from three to ten years. Some of the agreements involve a conventional purchase option.

Lease payments recognised in profit or loss in respect of operating leases totalled 457.3 thousand euro in 2010 (2009: 374.8 thousand euro).

23. Trade and other payables

1,000 euro	2010	2009
Non-current		
Other liabilities	450.0	900.0
Derivative financial instruments held for trading [1]	24.3	266.1
Liabilities from share-based incentive scheme	771.1	-
Total	1,245.4	1,166.1
Current		
Trade payables	8,570.3	4,556.9
Other liabilities	450.0	450.0
Derivative financial instruments held for trading [1]	1,307.6	328.7
Prepayments received	173.7	185.2
Liabilities from share-based incentive scheme	478.3	-
Accruals and other current liabilities	4,750.8	3,949.9
Total	15,730.8	9,470.7

The significant items of accruals and deferred income consist of accrued personnel expenses.

[1] Note 25

24. Financial risk management

The objective of Okmetic's financial risk management is to ensure liquidity and to reduce the effect of unfavourable fluctuation and uncertainty in the financial markets on earnings, balance sheet, and cash flow.

Financial risk management is based on the risk management policy defined and supervised by the parent company's board of directors. The policy defines the guidelines for risk management. The company's operative management is responsible for the practical measures set out in the risk management policy according to the authorisations given. Hedging is coordinated by the parent company, which also manages the external financing of the group.

The group uses derivative financial instruments to reduce the adverse effects of changes in exchange rates, interest rates, and energy prices. The main risk the group is exposed to is currency risk. Okmetic does not apply hedge accounting as provided under the IAS 39 standard.

Currency risk

The group operates internationally and is therefore exposed to risks resulting from different currencies. Currency risks arise from commercial transactions, monetary items in the balance sheet, and net investments in foreign subsidiaries.

The group uses several currencies in its sales and purchases. The majority of trading is denominated in the US dollar (60% of net sales) and the euro (30%). The Japanese yen (8%) is the most important of the lesser-used currencies. The currency distribution has remained almost unchanged in 2010 and 2009. Hedging requirements primarily arise from the US dollar, in relation to which the group's sales income exceeds the amount of currency required for purchases. In terms of the dollar, the forecasted cash flow for the near future (1 –12 months) is hedged with currency derivatives. The condition is that the level of hedging exceeds 50 percent of the anticipated net cash flows for the subsequent 1 – 6 months and 30 percent for the subsequent 7 –12 months. Foreign currency surplus is sold as soon as it arises. The currency distribution of cash and cash equivalents can be monitored continuously; a closer examination is performed on a weekly basis. Forecasted net positions are monitored on a monthly basis.

The parent company operates in the euro.

The equity of the US-based subsidiary totalled 9.1 million US dollar on 31 December 2010 (2009: USD 7.0 million). The equity of the Japan-based subsidiary amounted to -37.2 million Japanese yen on 31 December 2010 (2009: JPY -59.1 million). This translation risk is not hedged.

The group has no borrowings in foreign currencies.

The group's means of hedging against exchange rate changes of the US dollar on 31 December 2010 comprised currency options with a nominal value of 18.0 million US dollar at a hedging rate of 1.42.

Derivatives are discussed in section 25 of the notes.

Foreign currency assets and liabilities translated into euro at the rate of the reporting date

Nominal values 1,000 euro	2010 USD	2010 JPY	2009 USD	2009 JPY
Non-current assets				
Other receivables	**825.1**	**-**	1,530.6	-
Current assets				
Cash and cash equivalents	**3,577.8**	**1,094.1**	2,849.0	396.3
Trade and other receivables	**5,276.2**	**893.7**	3,426.1	922.2
Current liabilities				
Trade and other payables	**4,926.6**	**156.5**	2,459.6	40.5
Group's internal receivables, net [1]	**2,183.1**	**1,058.7**	2,670.7	802.9
Hedging position	**-**	**-**	1,384.6	-
Open position	**6,935.6**	**2,890.1**	6,632.3	2,081.0

1,000 euro	2010 USD	2010 JPY	2009 USD	2009 JPY
Change in exchange rate based on volatility of the currency [2]	**14.0**	**14.0**	8.0	9.0
Effect on profit before tax	**+1,129.1 / -851.7**	**+470.5 / -354.9**	+576.4 / -491.0	+205.8 / -171.8

[1] The effect on profit or loss of the revaluation under IAS 21 is not eliminated.
[2] The change in the exchange rate represents average volatility of the currency during the last 12-month period.

The calculation does not include forecasted future currency-denominated cash flows.
Currency forwards are included in the hedging position.

Interest rate risk

The group's revenue and operational cash flows are largely independent of market fluctuations of the interest rates. On the reporting date the group had loans of 1.0 million euro.

Credit risk

Credit risk arises from trade and other receivables. The maximum potential loss is the entire nominal value recorded. Receivables do not involve collaterals.

The group's trade receivables are generated by a large number of customers of which, in terms of credit risk, a single customer or a customer group is not individually significant. The customers are dispersed in different geographical areas. Credit risk is reduced by targeting sales to customers that are assessed to have good credit quality or that are generally regarded as financially sound. Customers' payment behaviour is monitored continuously. Where necessary, risks relating to specific customers are reduced by means of payment and delivery terms. Trade receivables amounted 11.9 million euro on 31 December 2010 (2009: 8.3 million euro). Of these, 3.0 million euro were matured on 31 December 2010 (2009: 2.4 million euro).

The group uses well-known, solvent, and well-regarded financial institutions in cash transactions, credit arrangements and investments of liquid assets.

The distribution of trade receivables by due date is shown in section 15, Trade and other receivables.

Liquidity risk

Liquidity risk is managed by means of regular long-term financial planning, weekly cash flow forecasts for one month at a time, efficient day-to-day cash flow management, and by carrying out the necessary financing activities based on these assessments. Sources and forms of funding are diversified. The group's liquidity has been good during 2010. At the end of the year, cash and cash equivalents amounted to 19.0 million euro (2009: 7.3 million euro), of which 5.0 million euro were invested in fixed-income funds. In April 2010, the group prematurely repaid 1.2 million euro worth of installments towards its non-current borrowings.

Commodity risk

The group is exposed to commodity risk related to availability and price fluctuations.

The group's principal raw material is polycrystalline silicon. A price risk arises from the timing differences between purchasing and using the commodity. Polycrystalline silicon is not a listed commodity. Hedging against price changes mainly comprises long-term purchase agreements for the commodity and, when possible, pricing of the end products.

The group's production processes use a significant amount of electricity. Electricity is purchased locally in each country. The majority of the group's electricity consumption takes place in Finland where the electricity price risk is reduced with electricity derivatives. The electricity derivatives are, at most, three years in duration. The group does not apply hedge accounting on these instruments. Changes in the fair value of derivatives

Contractual maturities of financial liabilities

2010 1,000 euro	Carrying amount	Cash flow	0–6 months	6–12 months	1–2 years	2–5 years
Contractual maturities of financial liabilities						
Loans from financial institutions	999.7	1,013.3	7.0	1,006.2	-	-
Trade and other payables	9,470.3	9,470.3	8,570.3	450.0	450.0	-
Total	10,470.0	10,483.6	8,577.3	1,456.2	450.0	-
Contractual maturities of derivative financial liabilities						
Electricity derivatives	736.8	741.0	358.1	358.1	24.8	-
Currency options, put [1]	595.0	595.0	595.0	-	-	-

2009 1,000 euro	Carrying amount	Cash flow	0–6 months	6–12 months	1–2 years	2–5 years
Contractual maturities of financial liabilities						
Loans from financial institutions	2,499.0	2,556.2	318.6	315.0	1,618.8	303.8
Finance lease liabilities	38.8	39.5	19.8	19.8	-	-
Trade and other payables	5,906.9	5,906.9	4,556.9	450.0	450.0	450.0
Total	8,444.7	8,502.6	4,895.3	784.7	2,068.8	753.8
Contractual maturities of derivative financial liabilities						
Interest rate derivatives [1]	48.5	48.5	48.5	-	-	-
Electricity derivatives	542.4	549.2	163.2	163.2	222.7	-
Currency forwards						
Cash outflow	3.8	-1,388.3	-1,388.3	-	-	-
Cash inflow		1,384.6	1,384.6	-	-	-

[1] Included at fair value

are recognised in profit or loss and presented in other operating income or expenses.

The table below presents the effect that a 10 percent strengthening or weakening of the prices of the outstanding commodity derivatives would have on profit before tax on 31 December 2010, assuming all other variables constant.

1,000 euro	2010	2009
Electricity derivatives	**+/-258.1**	+/- 257.5

On 31 December 2010, the group's publicly traded electricity derivatives amounted to 68.3 GWh (2009: 54.2 GWh).

Derivatives are discussed in section 25 of the notes.

Price risk of securities

The group has not invested in listed equity securities and it currently holds no listed equity securities.

Okmetic Oyj owns 8,838 shares in a Swedish company Norstel AB (1.0% of shares). Okmetic has written down the carrying amount of the shares on December 2008.

Capital management

The group's capital management aims to ensure the continuity of the group's operations (going concern) and to increase shareholder value. The capital managed is the equity reported in the group´s balance sheet. In order to adjust the capital structure, the board of directors may, based on the authorisation granted, issue new shares or repurchase or transfer rights to the company's own shares. The amount of dividends paid to shareholders may be adjusted. No second party capital requirements are set to the group.

The board of directors has set the long-term goal for the equity ratio to be average 50.0 percent. Also consistent annual dividends are set as a goal. In addition to the equity ratio, the capital structure is monitored through net gearing ratio. There were no changes to the group´s capital management goals during the year.

At the end of the year the group´s equity ratio amounted 76.6 percent (2009: 78.9%). The group´s cash and cash equivalents exceeded borrowings by 18.0 million euro (2009: 4.8 million euro) and net gearing ratio was -31.0 percent (2009: -9.8%).

1,000 euro	2010	2009
Equity	**58,241.6**	48,741.7
Balance sheet total – advances received	**76,043.8**	61,809.0
Equity ratio, %	**76.6**	78.9
Borrowings	**999.7**	2,537.8
Cash and cash equivalents	**14,042.9**	7,307.4
Investments in fixed-income funds	**5,004.0**	-
Net interest-bearing liabilities	**-18,047.2**	-4,769.6
Net gearing ratio, %	**-31.0**	-9.8

Fair value estimation

The group´s financial instruments that are measured at fair value comprise held for trading derivatives and short-term investments in fixed-income funds.

Fixed-income fund investments are classified on hierarchy level 1. Fair values of level 1 instruments are based on quoted prices in active markets.

Derivative financial instruments are classified on hierarchy level 2. Fair values of level 2 instruments are based on other data than quoted prices in active markets, but on the data from which the asset is observable, either directly (i.e. price) or indirectly (i.e. derived from the prices). Fair values of the derivative contracts and the methods applied in determining fair values are disclosed in note 25.

25. Derivative financial instruments

1,000 euro	2010 Fair value	2010 Nominal value	2009 Fair value	2009 Nominal value
Currency derivatives				
Currency forwards	-	-	-3.8	1,384.6
Currency options, call	**184.3**	**15,243.8**	-	-
Currency options, put	**-595.0**	**18,034.4**	-	-
Electricity derivatives, net [1]	**543.6**	**2,037.7**	-257.5	2,520.3
Interest rate derivatives				
Interest rate swap	-	-	-48.5	6,428.6
Total	**132.9**	**35,315.9**	-309.8	10,333.5

The contract price of the derivatives has been used as the nominal value of the underlying asset.

The fair values of currency derivatives are determined by using mark-to-market method at the reporting date. The fair values of electricity derivatives are determined on the basis of market quotations and contract prices of the instruments at the reporting date. The fair values of interest rate derivatives are determined by using mark-to-market method at the reporting date. Derivative contracts are held for hedging.

[1] Positive fair values 1,280.4 thousand euro (2009: 284.9 thousand euro), negative fair values 736.8 thousand euro (2009: 542.4 thousand euro)

26. Related party transactions

Group companies on 31 December 2010

Name of organisation	Registered office	Ownership share Parent, %
Okmetic Oyj, parent company	Vantaa, Finland	
Okmetic Inc.	Allen, TX, United States	100
Okmetic K.K.	Tokyo, Japan	100
Okmetic Invest Oy	Vantaa, Finland	100
Kiinteistö Oy Piitalot	Vantaa, Finland	100
Okmetic Management Oy [1]	Vantaa, Finland	0

[1] The company has been established solely to manage Okmetic Oyj's share-based incentive scheme for the top management. Okmetic Oyj has a contractual right to exercise control in the company and in its decision-making.

Key management compensation

1,000 euro	2010	2009
Salaries and other short-term employee benefits	**1,250.4**	1,000.1
Post-employment benefits	**288.7**	496.5
Share-based payments [1]	**1,275.5**	-
Total	**2,814.6**	1,496.6

Key management comprises the board of directors and the executive management group.

Details of the salaries and remuneration of the board of directors, the president, and the deputy to the president

1,000 euro	2010	2009
President		
Salaries	**284.9**	474.3
Share reward [1]	**328.2**	-
Total	**613.1**	474.3
Deputy to the president		
Salaries	**164.7**	157.5
Share reward [1]	**227.1**	-
Total	**391.8**	157.5
Members of the board of directors		
Aro Mikko J.	-	8.7
Järvinen Tapani	**17.4**	17.4
Kaitue Karri	**6.5**	26.1
Lager Esa	**19.6**	-
Martola Hannu	**17.4**	13.1
Niemi Jarmo	-	4.4
Salmi Pekka	**17.4**	17.4
Österlund Henri	**34.8**	30.5
Total	**113.1**	117.5
Total	**1,118.0**	749.3

[1] The terms and conditions of the share-based incentive schemes are described under note 20, Share-based payments. Based on the share reward programme of 2010, the president is granted approximately 29,000 pcs and deputy to the president approximately 20,000 pcs of company's own shares. The euro value of the presidents's and deputy to the president's share reward consists of the value of the granted shares and the monetary amount payable in accordance with the terms and conditions of share reward programme to cover taxes and other social security contributions. Share reward based on the share reward programme of 2010 will be paid in February 2011.

Members of the board of directors have not been paid pension-related benefits or fringe benefits. The president and the executive management group are not paid separate remuneration for their membership on the boards of subsidiary companies or for acting as a president of a subsidiary. The president of Okmetic Oyj may retire with an old-age pension at the age of 63 according to the Finnish Employees Pensions Act; however he must retire at the age of 65. There is no specific agreement regarding the retirement age of the deputy to the president.

Loans to key management of the company

1,000 euro	2010	2009
Loans advanced during the period	866.3	-
Loan repayments received	-	-
Interest accrued	37.0	-
Interest received	-	-
Total	903.3	-

As a part of the top management´s incentive scheme arrangement, Okmetic has granted an interest-bearing loan of 800.0 thousand euro to Okmetic Management Oy established by the president and deputy to the president for the purposes of financing the subscription of the Okmetic shares. The interest rate of the loan is 5.0 percent. The entire loan will be repaid at the latest at the expiration of the programme on 31 March 2013. Should the programme be extended by one year, the loan period may be extended respectively. The Management company has a right to repay the loan prematurely at any time. Okmetic Oyj's shares are used as collateral. The loan is market-based.

Okmetic Management Oy has been consolidated and the inter-company loan receivable and liability as well as interest income and expenses have been eliminated in the group financial statements.

At the same time, Okmetic Oyj granted a loan of 66.3 thousand euro to the deputy to the president to be used in the capitalisation of the company to be established. The interest rate of the loan is 5.0 percent. The loan will be repaid at the latest at the expiration of the programme, on 31 March 2013. Should the programme be extended by one year, the loan period may be extended respectively.

Shares held by the key management

	31 Dec 2010	31 Dec 2009	Change
Board of directors	8,800	12,940	-4,140
President and deputy to the president	5,000	5,000	0
The company owned by the president and deputy to the president	400,000	0	400,000
Other members of the executive management group	3,600	7,000	-3,400
Total	417,400	24,940	392,460

27. Events after the reporting period

On 20 January 2011, the board of directors decided on furnace investments worth of 3.3 million euro. The investment increases Okmetic's crystal growing capacity.

At the same meeting, the board of directors confirmed the payments for 2010 based on the executive management group's share reward programme of 2010–2011. Based on the authorisation given by the extraordinary general meeting on 6 November 2008, the board of directors decided to transfer some of the company's own shares to the participants of the share reward programme without payment. The number of transferred shares is approximately 135,000. It is estimated that the shares will be transferred on 11 February 2011.

Financial statements for the parent company, FAS

Parent company's income statement

Euro	Note	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Net sales	1	71,914,077.51	50,311,257.20
Cost of sales	2	-57,010,203.24	-43,380,796.09
Gross profit		14,903,874.27	6,930,461.11
Sales and marketing expenses		-2,968,842.31	-1,989,054.09
Administrative expenses	3	-4,417,974.39	-2,937,333.74
Other operating income	4	19,559.59	219,227.41
Other operating expenses	5	-159,125.42	-883,817.90
Operating profit		7,377,491.74	1,339,482.79
Financial income and expenses	6	411,841.37	-83,203.70
Profit after financial items		7,789,333.11	1,256,279.09
Extraordinary income	7	747,718.44	-
Profit for the period		8,537,051.55	1,256,279.09

Parent company's balance sheet

Euro	Note	31 Dec 2010	31 Dec 2009
Assets			
Fixed assets			
Investments			
Shares in group companies	8,9	13,776,450.55	13,776,450.55
Other receivables	8	15,136.91	15,136.91
		13,791,587.46	13,791,587.46
Total fixed assets		13,791,587.46	13,791,587.46
Current assets			
Inventories			
Raw materials and supplies		4,638,554.86	3,172,777.06
Work in progress		2,018,152.57	1,235,743.85
Finished goods		803,814.45	1,059,794.23
		7,460,521.88	5,468,315.14
Long-term receivables			
Other receivables	10	11,393,094.01	17,966,589.89
Short-term receivables			
Trade receivables	10	10,619,088.97	7,234,267.10
Other receivables	10	10,822,584.28	7,950,305.75
Other prepayments and accrued income		41,568.51	312,397.33
		21,483,241.76	15,496,970.18
Marketable securities		5,000,000.00	-
Cash and cash equivalents		11,812,199.68	5,503,719.34
Total current assets		57,149,057.33	44,435,594.55
Total assets		70,940,644.79	58,227,182.01

Parent company's balance sheet

Euro	Note	31 Dec 2010	31 Dec 2009
Shareholders' equity and liabilities			
Shareholders' equity	11		
Share capital		11,821,250.00	11,821,250.00
Share premium		20,045,254.71	20,045,254.71
Reserve for invested unrestricted equity		1,200,000.00	-
Retained earnings		14,449,031.18	14,714,971.96
Profit for the period		8,537,051.55	1,256,279.09
Total shareholders' equity		56,052,587.44	47,837,755.76
Liabilities			
Long-term liabilities			
Loans from financial institutions		-	1,000,000.00
Other liabilities		450,000.00	900,000.00
		450,000.00	1,900,000.00
Short-term liabilities			
Loans from financial institutions		1,000,000.00	-
Advances received		619,121.60	630,934.93
Trade payables		7,651,576.96	4,111,313.03
Other liabilities	10	503,654.76	501,770.48
Accruals and deferred income	12	4,663,704.03	3,245,407.81
		14,438,057.35	8,489,426.25
Total liabilities		14,888,057.35	10,389,426.25
Total shareholders' equity and liabilities		70,940,644.79	58,227,182.01

Parent company's cash flow statement

1,000 euro	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flows from operating activities		
Profit for the period	8,537.1	1,256.3
Adjustments for		
Financial income and expenses	-411.8	83.2
Other adjustments	-743.7	-303.0
Change in working capital	4,244.2	6,079.8
Interest received	332.2	941.0
Interest paid	-101.6	-522.8
Other financial items	-225.6	-196.1
Net cash from operating activities	11,630.7	7,338.4
Cash flows from investing activities		
Investments in fixed-income funds	-5,000.0	-
Net cash used in investing activities	-5,000.0	-
Cash flows from financing activities		
Repayments of long-term borrowings	-	-13,998.2
Share issue	1,200.0	-
Repurchase of own shares	-668.0	-
Dividends paid	-854.2	-844.4
Net cash used in financing activities	-322.2	-14,842.6
Net increase (+), decrease (-) in cash and cash equivalents	6,308.5	-7,504.2
Cash and cash equivalents at the beginning of the period	5,503.7	13,007.9
Cash and cash equivalents at the end of the period	11,812.2	5,503.7

Notes to the parent company's financial statements

Accounting policies

The financial statements of Okmetic Oyj have been prepared in accordance with Finnish Accounting Standards and business legislation. Okmetic Oyj is the parent company of Okmetic group.

Foreign currencies

Business transactions denominated in foreign currencies are recorded at the rates prevailing on the transaction date. In the financial statements, receivables and liabilities denominated in foreign currencies are translated into euro at the average exchange rate quoted by the European Central Bank on the balance sheet date. Advances received are entered in the balance sheet at the rate of the payment date.

Exchange differences arising from trade receivables and payables are charged to sales and purchases in the income statement. Exchange differences from the translation of other receivables and liabilities as well as financing activities are disclosed within financial items in the income statement.

Fixed assets

Investments held as fixed assets are stated at cost less write-downs. Write-downs are recorded within financial items in the income statement.

Inventories

Inventories are stated at the lower of cost and market using the weighted average cost method.

Costs of inventories include the variable costs arising from acquisition and manufacturing.

Financial assets and liabilities and derivative financial instruments

Financial assets are carried at the lower of cost and market. Financial liabilities are stated at nominal value.

Marketable securities consist of short-term liquid investments in fixed-income funds.

Cash and cash equivalents comprise cash in hand and in bank.

Derivative financial instruments hedging currency risk exposure are entered in the income statement so that interest is accrued and shown within interest income or interest expenses and, at maturity of the contracts, the exchange differences are offset against the hedged item and disclosed in either sales or purchases.

The interest rate difference arising from interest rate swap agreements that hedge interest rate exposure is recognised as an adjustment to interest expenses.

Gains or losses on derivatives used to hedge electricity price risk are recognised at maturity as adjustments to electricity costs.

Net sales

Sales of goods are recognised on delivery and sales of services when the services are rendered. Net sales are shown net of indirect taxes and discounts and adjusted by exchange differences of foreign currency sales.

Research and development

Research and development costs are expensed as incurred. The costs are disclosed within costs of sales in the income statement.

Government grants

Government grants for compensating the costs of specified research and development projects are entered as adjustments to cost of sales. Government grants for business development projects are booked as adjustments to administrative expenses.

Other operating income and expenses

Other operating income and expenses include items not associated with the production of goods and services, such as gains and losses from disposal of fixed assets, costs of business reorganisation as well as credit losses.

Provisions

Provisions are made for contingent losses that have no corresponding revenue, that are likely to materialise, of which the amount can be estimated reliably, and that are based on an obligation to a third party.

Provisions are shown under long-term or short-term liabilities in the balance sheet, depending on their nature.

Extraordinary items

Received and given group contributions are booked under extraordinary items.

Income tax

Income tax expense consists of accrued tax for the financial year and tax adjustments for prior years. Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts using the tax rates that have been enacted by the balance sheet date. These items are disclosed in the notes to the financial statements.

1. Net sales

Euro	2010	2009
Market area		
North America	**29,857,617.24**	17,562,886.22
Europe	**19,042,285.96**	17,743,780.08
Asia	**23,014,174.31**	15,004,590.90
Total	**71,914,077.51**	50,311,257.20

2. Personnel expenses

Euro	2010	2009
Wages and salaries	**13,245,136.11**	11,521,196.62
Share rewards [1]	**904,444.44**	-
Pension costs	**2,260,037.28**	2,075,027.35
Other social security costs	**712,748.67**	555,700.91
Total	**17,122,366.50**	14,151,924.88
Remuneration for the board of directors	**113,100.00**	117,450.00

Wages and salaries include wages and salaries for hours worked as well as compensation for annual leave, days off and sick leave, holiday pay and fees for years of service, and other similar fees.

Details of the salaries and remuneration of the board of directors, the president, and the deputy to the president

Euro	2010	2009
President		
Salaries	**284,935.79**	474,320.35
Share reward [1]	**328,150.00**	-
Total	**613,085.79**	474,320.35
Deputy to the president		
Salaries	**164,705.90**	157,547.82
Share reward [1]	**227,100.00**	-
Total	**391,805.90**	157,547.82
Members of the board of directors		
Aro Mikko J.	-	8,700.00
Järvinen Tapani	**17,400.00**	17,400.00
Kaitue Karri	**6,500.00**	26,100.00
Lager Esa	**19,600.00**	-
Martola Hannu	**17,400.00**	13,050.00
Niemi Jarmo	-	4,350.00
Salmi Pekka	**17,400.00**	17,400.00
Österlund Henri	**34,800.00**	30,450.00
Total	**113,100.00**	117,450.00
Total	**1,117,991.69**	749,318.17

Members of the board of directors have not been paid pension-related benefits or fringe benefits. The president and the executive management group are not paid separate remuneration for their membership on the boards of subsidiary companies or for acting as a president of a subsidiary. The president of Okmetic Oyj may retire with an old-age pension at the age of 63 according to the Finnish Employees Pensions Act; however he must retire at the age of 65. There is no specific agreement regarding the retirement age of the deputy to the president.

Loan receivables from related parties

As a part of the top management´s incentive scheme arrangement, Okmetic has granted an interest-bearing loan of 800.0 thousand euro to Okmetic Management Oy established by the president and deputy to the president for the purposes of financing the subscription of the Okmetic shares. The interest rate of the loan is 5.0 percent. The entire loan will be repaid at the latest at the expiration of the programme on 31 March 2013. Should the programme be extended by one year, the loan period may be extended respectively. The Management company has a right to repay the loan prematurely at any time. Okmetic Oyj's shares are used as collateral. The loan is market-based.

At the same time, Okmetic Oyj granted a loan of 66.3 thousand euro to the deputy to the president to be used in the capitalisation of the company to be established. The interest rate of the loan is 5.0 percent. The loan will be repaid at the latest at the expiration of the programme, on 31 March 2013. Should the programme be extended by one year, the loan period may be extended respectively.

Number of personnel	2010	2009
White-collar employees	**106**	114
Blue-collar employees	**203**	190
Average	**309**	304
On 31 December	**305**	296

[1] The terms and conditions of the share-based incentive schemes are described under section 20, Share-based payments of the notes to the consolidated financial statements. Share reward based on the share reward programme of 2010 will be paid in February 2011.

3. Auditor's fees

Euro	2010	2009
Audit fees	**75,193.25**	94,177.84
Tax assignments	**470.00**	-
Other assignments	**19,239.75**	2,187.50
Total	**94,903.00**	96,365.34

4. Other operating income

Euro	2010	2009
Sales of fixed assets	**348.36**	191,248.25
Reversals of credit losses	**19,211.23**	27,979.16
Total	**19,559.59**	219,227.41

5. Other operating expenses

Euro	2010	2009
Credit losses	**4,677.39**	19,243.47
Disposals of fixed assets	**49,560.34**	-
Compensations for terminated employment contracts	**104,887.69**	864,574.43
Total	**159,125.42**	883,817.90

6. Financial income and expenses

Euro	2010	2009
Interest income		
From group companies	310,704.21	671,505.34
From others	55,869.19	121,877.50
Total	366,573.40	793,382.84
Interest expenses		
To others	-95,986.33	-470,026.49
Other financial income and expenses		
From/to group companies	338,412.29	-129,444.58
From/to others	-197,157.99	-277,115.47
Total	141,254.30	-406,560.05
Total	411,841.37	-83,203.70

7. Extraordinary income

Euro	2010	2009
Received group contributions	747,718.44	-

8. Fixed assets

Investments

Euro	Shares in group companies	Other receivables	Total
Acquisition cost on 1 January 2010	13,776,450.55	15,136.91	13,791,587.46
Additions	-	-	-
Disposals	-	-	-
Transfers between items	-	-	-
Carrying amount on 31 December 2010	13,776,450.55	15,136.91	13,791,587.46

Euro	Shares in group companies	Other receivables	Total
Acquisition cost on 1 January 2009	13,776,450.55	15,136.91	13,791,587.46
Additions	-	-	-
Disposals	-	-	-
Transfers between items	-	-	-
Carrying amount on 31 December 2009	13,776,450.55	15,136.91	13,791,587.46

9. Subsidiaries on 31 December 2010

Name of organisation	Registered office	Ownership share, %
Okmetic Inc.	Allen, TX, United States	100
Okmetic Invest Oy	Vantaa, Finland	100
Okmetic K.K.	Tokyo, Japan	100
Kiinteistö Oy Piitalot	Vantaa, Finland	100

10. Receivables from and liabilities to group companies

Euro	2010	2009
Long-term receivables		
Other receivables	**8,472,898.18**	14,768,457.64
Short-term receivables		
Trade receivables	**998,065.61**	481,105.05
Other receivables	**8,454,824.02**	5,937,528.59
Other liabilities	**146,957.23**	164,197.54

11. Shareholders' equity

Euro	2010	2009
Share capital		
On 1 January	**11,821,250.00**	11,821,250.00
On 31 December	**11,821,250.00**	11,821,250.00
Share premium		
On 1 January	**20,045,254.71**	20,045,254.71
On 31 December	**20,045,254.71**	20,045,254.71
Reserve for invested unrestricted equity		
On 1 January	**0.00**	-
Share issue	**1,200,000.00**	-
On 31 December	**1,200,000.00**	-
Retained earnings		
On 1 January	**14,714,971.96**	8,945,936.67
Profit from the previous period	**1,256,279.09**	6,613,410.29
Dividend distribution	**-854,212.80**	-844,375.00
Repurchase of own shares	**-668,007.07**	-
On 31 December	**14,449,031.18**	14,714,971.96
Profit for the period	**8,537,051.55**	1,256,279.09
Total shareholders' equity on 31 December	**56,052,587.44**	47,837,755.76
Distributable earnings		
Retained earnings	**14,449,031.18**	14,714,971.96
Profit for the period	**8,537,051.55**	1,256,279.09
Reserve for invested unrestricted equity	**1,200,000.00**	-
Total	**24,186,082.73**	15,971,251.05

12. Short-term liabilities, accruals and deferred income

Euro	2010	2009
Main items included in accruals and deferred income		
Accrued employee-related expenses	4,548,365.28	3,105,044.97
Accrued interest expenses	15,213.89	5,631.41
Other	100,124.86	134,731.43
Total	4,663,704.03	3,245,407.81

13. Collaterals

Euro	2010	2009
Own debts secured with collaterals		
Loans from financial institutions and other liabilities	1,000,000.00	1,000,000.00
Collaterals		
Floating charges, own	8,073,020.47	8,073,020.47

14. Lease commitments

Euro	2010	2009
Payable next year	77,542.07	165,818.77
Payable at a later date	125,060.84	17,626.46
Total	202,602.91	183,445.23

The lease agreements involve no redemption clauses. Lease commitments include value added tax.

15. Derivative financial instruments

Euro	Fair value 2010	Nominal value 2010
Currency derivatives		
Currency options, call	184,308.00	15,243,806.00
Currency options, put	-595,032.00	18,034,395.00
Electricity derivatives	543,594.00	2,037,698.00
Total	132,870.00	35,315,899.00

Euro	Fair value 2009	Nominal value 2009
Currency derivatives		
Currency forwards	-3,817.00	1,384,598.00
Electricity derivatives	-257,451.00	2,520,340.00
Interest rate derivatives		
Interest rate swap	-48,536.00	6,428,572.00
Total	-309,804.00	10,333,510.00

The contract price of the derivatives has been used as the nominal value of the underlying asset.

The fair values of currency derivatives are determined by using mark-to-market method at the balance sheet date. The fair values of electricity derivatives are determined on the basis of market quotations and contract prices of the instruments at the balance sheet date. The fair values of interest rate derivatives are determined by using mark-to-market method at the balance sheet date. Derivative contracts are held for hedging.

16. Deferred income tax

The company has tax losses carried forward in the amount of 17.4 million euro (2009: 18.5 million euro). The company has not recognised deferred tax assets for this amount.

Board of directors' proposal regarding measures concerning distributable earnings

According to the financial statements dated 31 December 2010, the parent company's distributable earnings amount to 24.2 million euro. No significant changes have taken place in the company's financial position after the end of the financial year.

The board of directors proposes to the annual general meeting that Okmetic Oyj pays a dividend of 0.30 euro per share for 2010, which, based on the 17,287,500 shares registered on 10 February 2011, amounts to 5.2 million euro.

Signatures for the financial statements and board of directors' report

Vantaa, 10 February 2011

Henri Österlund
Chairman of the board of directors

Esa Lager
Vice Chairman of the board of directors

Tapani Järvinen
Member of the board of directors

Hannu Martola
Member of the board of directors

Pekka Salmi
Member of the board of directors

Kai Seikku
President

Auditor's report

To the Annual General Meeting of Okmetic Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Okmetic Oyj for the year ended 31 December, 2010. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 10 February 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

Corporate governance statement

This Corporate Governance Statement has been drawn up in accordance with recommendation 54 of the Finnish Corporate Governance Code 2010 for listed companies and Chapter 2, 6§ of the Securities Market Act. The Corporate Governance Statement is provided separate from the board of directors´ report. The statement can also be found on the company website, www.okmetic.com. The board of directors of Okmetic Oyj (hereafter "Okmetic" and "the Company") has gone through this report. Okmetic's auditor PricewaterhouseCoopers Ltd. has ensured that this report was issued and that the general description therein of the internal control relating to the financial reporting process and of the risk management corresponds with the financial statements.

The aforementioned code is available, e.g., on the Finnish Securities Market Association webpage, www.cgfinland.fi.

Okmetic´s operational environment

Okmetic Oyj, the parent company of Okmetic group (hereafter "Group"), is a Finnish public limited company, in which shareholders exercise their decision-making powers in the general meeting in compliance with the general corporation laws and articles of association. Company´s registered office is in Vantaa.

The management of Okmetic is based on the Finnish General Corporation Laws, the Accounting Act, regulations concerning publicly traded companies, the articles of association, the Finnish Corporate Governance Code published in 2010 and on generally accepted ethical principles. The company complies with the Finnish Corporate Governance Code issued by the Securities Market Association in 2010 with the exception that there are no female members in the board of directors. The Annual General Meeting held on 7 April 2010 did not elect female members for the board of directors. There exists no nomination committee within the board of directors in Okmetic Oyj. Therefore the composition of the board of directors is based on the measures of the shareholders and the board of directors does not have a role in the election of the board members.

Okmetic prepares the consolidated financial statements and the interim reports according to EU-approved IFRS standards (International Financial Reporting Standards), the Securities Market Act, FSA standards, and NASDAQ OMX Helsinki Ltd. rules. The annual report and financial statements of Okmetic Oyj is prepared according to the Finnish Accounting Act and Finnish Accounting Board (KILA) guidelines and statements.

The auditor's report comprises the report of the board of directors, the consolidated financial statements, and the financial statements of the parent company.

Organisation

The administrative bodies of Okmetic Oyj – the general meeting, the board of directors and the president – are in charge of the governance and operations of Okmetic group. There are no permanent committees in the board of directors. The executive management group assists the president in operative management.

General Meeting

The general meeting has the ultimate power in the company. The tasks of the meeting have been defined in the Finnish Companies Act and Okmetic's articles of association.

The general meeting usually convenes once a year. In the general meeting, the shareholders decide on adopting of financial statements, the distribution of profit, the discharging of the board of directors and president from liability, increasing or decreasing share capital, amending the articles of association and the appointment and remuneration of the board of directors and the auditors, as provided in the Finnish Companies Act.

The board of directors convenes the general meeting according to the articles of association and Finnish Corporate Governance Statement. The annual general meeting will be held no later than on 30 June. The board of directors has the responsibility of calling an extraordinary general meeting, if the auditor or shareholders whose combined holding in the company amounts to at least 10 percent submit a written request to the effect in order to address a specific issue.

Shareholder has the right to raise a specific issue at the general meeting provided that a written request to that effect is lodged with the board of directors sufficiently early to allow it to be included in the agenda appended to the notice of the general meeting.

The right to participate in the general meeting applies to shareholders who are included in the list of shareholders maintained by Euroclear Finland Ltd. at least 10 days before the general meeting. Shareholders with nominee-registered holdings can be registered on the temporary shareholders' register in order to participate in the general meeting.

In order to be permitted to take part in the general meeting, the shareholder must notify the company at the latest on the day stated on the meeting notice. This day cannot be earlier than 10 days before the meeting.

Shareholders can use their right to participate either personally or by proxy.

Okmetic Oyj has only one class of shares. At the general meeting, all shares carry equal voting rights.

The dividend decided in the general meeting will be distributed to the shareholders in the company's shareholders' register on the balancing date.

The president and the members of the board of directors are present at the general meeting. A person who is nominated as a member of the board of directors for the first time must participate in the general meeting where his/her appointment is decided unless a very important reason exists to justify his/her absence. The auditor is present at the annual general meeting.

The company is not aware of any shareholders' agreements.

Board of directors

The board of directors of Okmetic Oyj manages the company in compliance with the law and the articles of association.
The general meeting appoints the members of the board of direc-

tors. The board's term of office terminates at the end of the annual general meeting after the board's appointment. The board of directors comprises at least three and no more than eight members. In addition, a maximum of eight deputy members may be appointed to the board. The board appoints a chairman and a vice chairman from its members. The board of directors has quorum when at least half of its members are present.

The board of directors is responsible for managing the group together with the president. The board has general authority in all matters that have not been specifically assigned to another body.

Five members were appointed for the board of directors at the annual general meeting of 2010. The president of Okmetic is not a member of the board of directors.

Essential tasks of the board of directors include:

- The administration of the group and the appropriate arrangement of the operations, accounting, and financial management
- Deciding on the group's strategy and supervising its implementation
- Approving the group's annual plans and any revisions to them
- Deciding on investments and sales of assets that have strategic significance or that are extensive in scope
- Deciding on significant financial arrangements and risk management
- Preparing the agenda for the general meeting and ensuring the decisions of the general meeting are implemented
- Defining the dividend policy
- Defining long-term aims for growth, solidity, and profitability
- Deciding on appointing and, if appropriate, dismissing the company's president and deputy to the president and establishing the conditions of their terms of office
- Deciding on incentive schemes for the group
- Ensuring that the company's values are upheld
- Overseeing the process of preparing the financial statements
- Overseeing the financial reporting process
- Overseeing the efficiency of internal supervision and risk management systems
- Discussing the description, which was given out in Okmetic´s Corporate Governance Statement report, and which deals with the main features of the internal supervision and risk management systems relating to the financial reporting process

In order for the company to announce a nomination to the board of directors, the nominee must have expressed his/her willingness to become a member of the board and have the backing of shareholders whose combined voting power amounts to at least 10 percent of the total.

The company's major shareholders have announced that they are in favour of a principle whereby the members of the board of directors should primarily comprise independent experts.

As of 7 April 2010, the board of directors has been made up of the following persons:

- Chairman of the board Henri Österlund, 1971, M.Sc. (Econ.), CEO of Accendo Capital Partners Oy
- Vice chairman of the board Esa Lager, 1959, M.Sc. (Econ.), CFO of Outokumpu Oyj
- Tapani Järvinen, 1946, Lic.Sc. (Tech.)
- Hannu Martola, 1963, M.Sc. (Tech.), eMBA, President and CEO of Detection Technology Oy
- Pekka Salmi, 1961, Lic.Sc. (Tech.), Investment Director of The Finnish National Fund for Research and Development Sitra

The board of directors declares that all members of the board are independent of the company. In addition, Tapani Järvinen, Esa Lager, Hannu Martola, and Pekka Salmi are independent of any of the company's major shareholders.

The board of directors convenes when necessary. In 2010 a total of thirteen meetings were held. The participation rate of the members of the board in board meetings amounted to 100 percent.

According to the yearly agreed timetable, meetings are summoned in order to discuss the main issues agreed along with the timetable and also other topical issues. The chairman of the board draws up the agenda of the meeting with the president and the secretary of the board.

The chairman of the board prepares the issues on the agenda together with the president. The material relating to the issues on the agenda is sent to board members well before the meeting so that members have the time to familiarise themselves with it.

The president, the deputy to the president, and the senior vice president, finance, IT, and communications who acts as board secretary, take part in the board meetings. Other members of the group's executive management group take part in the meetings if summoned by the board.

The board of directors has not founded any permanent committees to deal with its duties.However, the board of directors can decide to form committees of its members to prepare issues in advance. The committees convene when necessary. Board members who do not belong to the committee can, if they so desire, take part in committee meetings. The issues are then addressed in the meetings of the board of directors and decisions are made by the entire board. Previously, the board of directors has formed committees for appointing the president, formulating new strategies, and making arrangements for the group financing, for example. The board of directors is responsible for duties allocated to the inspection committee in the Corporate Governance Code.

The board of directors assesses its operations and methods on a yearly basis in order to improve its work. Self-evaluation examines work-efficiency, the size and composition of the board, and the preparation of issues discussed in meetings. Decision-making is evaluated by assessing transparency and the extent of discussions and opportunities to independent decision-making by members.

President and deputy to the president

The board of directors appoints the president and the deputy to the president and decides on the conditions of their terms of office.

The president is responsible for ensuring that the business and day-to-day running of the group are arranged in adherence to existing laws and regulations and in accordance with the instructions and decisions of the board of directors. Kai Seikku, M.Sc. (Econ.) has been acting as the president of the company since 25 January 2010.

The deputy to the president takes over the responsibilities of the president in the event that the president is unable to attend to his duties. Executive Vice President, Customers and Markets Mikko Montonen has been acting as the deputy to the president since 1 January 2008.

The board of directors evaluates the performance of the president on a yearly basis. This evaluation assesses the company's result and whether targets set up for the president by the board of directors have been met.

The president is supported by the executive management group in managing the group.

Executive management group

In addition to the president, Okmetic's executive management group consists of the deputy to the president and specific senior vice presidents chosen by the president, who report to the president. The senior vice president, human resources, quality, and environment acts as secretary for the executive management group.

The president acts as the head of the executive management group. The objective of the executive management group is to assist the president in managing the group. The executive management group addresses strategic issues, short-term and long-term plans, revisions of such plans, and other issues that have significance in terms of managing the group. The executive management group is responsible for steering and supervising the group's activities. Furthermore, the executive management group prepares issues to be addressed to the board of directors.

Some of the main duties of the executive management group are to set operative targets, draw up the yearly strategy and budget, decide on the investments in the investment plan approved by the board of directors, monitor business operations and the field, and supervise the implementation of operative decisions.

The executive management group comprises eight members at the moment. It convenes regularly once a month. In addition to regular meetings, the executive group meets specifically to discuss the strategy, planning of operations, operational results, and the management review and to discuss other topics if necessary.

The executive management group comprises:

- Kai Seikku, 1965, M.Sc. (Econ.), President and CEO
- Mikko Montonen, 1965, M.Sc. (Tech.), Executive Vice President, Customers and Markets and Deputy to the President, areas of responsibility: customers and markets
- Petri Antola, 1967, M.Sc. (Tech.), Senior Vice President, Technology Projects, areas of responsibility: technology project sales
- Juha Jaatinen, 1965, M.Sc. (Econ.), Senior Vice President, Finance, IT, and Communications, areas of responsibility: finance and accounting, IT, and communications
- Jaakko Montonen, 1969, M.Sc. (Tech.), Senior Vice President, Supply Chain, areas of responsibility: supply chain, contract manufacturing development, sourcing
- Markku Tilli, 1950, M.Sc. (Tech.), Senior Vice President, Research, areas of responsibility: strategic research projects
- Markus Virtanen, 1962, M.Sc. (Tech.), Senior Vice President, Human Resources, Quality, and Environment, areas of responsibility: human resources, quality, and environment
- Anna-Riikka Vuorikari-Antikainen, 1965, M.Sc. (Tech.), Senior Vice President, Products, areas of responsibility: product portfolio, product development, and process development

Remuneration and other benefits of the members of the board of directors, the president, and members of the executive management group

Board of directors

The annual general meeting held on 7 April 2010 decided on the following annual remuneration for the members of the board of directors: chairman of the board 34,800 euro, vice chairman 26,100 euro, and members 17,400 euro each.

Members of the board of directors are not paid any additional compensation for taking part in the meetings and they are not eligible for any share-based incentive schemes. The remuneration of the board of directors is paid in cash.

Remuneration of the board of directors in 2010 (1,000 euro):

Tapani Järvinen	17.4
Karri Kaitue	6.5
Esa Lager	19.6
Hannu Martola	17.4
Pekka Salmi	17.4
Henri Österlund	34.8

In 2010, members of the board of directors were not paid pension-related benefits or fringe benefits.

President and executive management group

Remuneration of the management follows local legislation and practice. The amount of remuneration is based on the generally accepted job descriptions used in the industry as well as on personal performance reviews. The company´s board of directors decides on the president´s salary, remuneration, and terms of employment. The board of directors decides on the executive management group´s salary, remunerations, and terms of employment according to president´s proposal.

In 2010, the annual emoluments of the president and the executive management group comprise salaries and fringe benefits as well as bonuses awarded in connection with the share reward programme. In addition, the president and deputy to the president have their own incentive scheme.

Salaries, remuneration, and fringe benefits of the president and the deputy to the president were in 2010 (1,000 euro):

	salaries	share reward
President	285	325
Deputy to the president	165	225

Based on the share reward scheme´s 2010 results and in line with the scheme´s conditions, the president and deputy to the president will be paid around 550,000 euro in shares including taxes in February 2011.

The annual remuneration and fringe benefits awarded to the other members of the executive management group amounted to a total of 605,000 euro. Based on the 2010 results of the share reward scheme, the other members of the executive management group will be granted shares amounting to around 935,000 euro including taxes in accordance with the terms and conditions of the scheme.

The pension benefits of the president and the members of the executive management group are determined on the basis of the Finnish Employee's Pensions Act. The president is entitled to retire after the age of 63. He is required to retire from Okmetic after the age of 65. The period of notice for the president is six months and must be observed by both sides. If the company dismisses the president, he will be paid a sum equal to his total salary of 18 months.

The company has not provided guarantees or other such commitments on behalf of the members of the board of directors or the executive management group. The company founded by the president and the deputy to the president has been granted a loan of 800,000 euro by Okmetic in 2010. In 2010, deputy to the president and Okmetic have agreed on a personal loan that amounts to 66,250 euro.

Executive management group´s share reward scheme

In February 2010, the board of directors decided on a share based incentive scheme for 2010 and 2011. The reward is based on profit and cash flow targets set by the board of directors and on personal targets that the president has set for the other members of executive management group. The scheme´s intention is to commit the participants to work persistently towards company´s success. The aggregate amount of possible rewards paid based on the share reward programme may not exceed 1,500,000 euro for 2010.

The prerequisite for earning shares is that the targets, set by the board of directors and the president, are met. The board of directors assesses whether the targets are met and makes the decision on the possible reward distribution. When the earning period is terminated, taxes, and other social security contributions are reduced from the gross value of the reward. The net amount will be paid for the participants in the form of company shares. For 2010 the earned shares will be paid in February 2011 and for 2011 in February 2012 after the financial statements are published according to the share´s average quotation of January.

The disbursement of shares is followed by a two-year restriction period, during which the participants are not allowed to sell or transfer shares. If a member of the executive management group leaves the service of the company within the limited two-year period, he/she may keep half of the shares paid as a reward. The president is obligated to hold half of the shares received as share reward as long as he is working for the company.

Top management´s incentive scheme

At the beginning of 2010, the board of directors decided on a new incentive scheme aimed for the top management. A company, Okmetic Management Oy, founded by the president and deputy to the president was directed a share issue against payment of 400,000 shares at prevailing market price (3.00 euro). The share ownership programme will be in force approximately three years, after which time it is intended to be dissolved in a manner to be determined later. The programme will be extended by one year, in case the trading price of Okmetic´s share during the five trading days following the original expiry date of the programme is lower than the share subscription price, for which Okmetic Management Oy has acquired its Okmetic shares. The cost effect of the incentive scheme on the group´s result in 2010 was 371,000 euro.

Incentive scheme for the personnel

All employee groups at Okmetic are eligible for an incentive scheme. Monthly targets are set for the blue-collar employees' productivity, and the resulting bonuses are awarded once a month. White-collar employees are subject to a profit-sharing scheme, which is based on annual targets relating to the group's profitability, financial situation, and operative performance. Bonuses for meeting the targets are calculated as a percentage of the employees´ annual income. The bonuses account for no more than 12–20 percent of annual income depending on the personnel group.

Internal auditing

The group does not have its own organisation for internal auditing. The audit programme, which is produced by the auditor and the management of the company on an annual basis, takes this fact into consideration.

Auditing of financial statements

The auditor is appointed in the annual general meeting. The nominated auditor is disclosed in the invitation to the annual general meeting or via a separate release, should the nominee not be known to the board of directors at the time of issuing the notice.

In accordance with the articles of association the company has one auditor. The auditor must be an individual auditor or an auditing firm approved by the Central Chamber of Commerce. The term of office of the auditor terminates at the end of the annual general meeting following the appointment of the auditor.

The accountancy firm PricewaterhouseCoopers Oy is responsible for auditing of the companies included in the group worldwide. PricewaterhouseCoopers Oy is responsible for auditing the parent company Okmetic Oyj and the principal auditor is Authorised Public Accountant Mikko Nieminen. The principal auditor is responsible for making instructions and co-ordination of the group´s auditing work.

The auditors provide the shareholders of the company with the legally required auditor's report in connection with the report of the board of directors and the financial statements. In addition, the auditors must report to the parent company's board of directors on a regular basis.

The remuneration of the auditors amounted to 129,400 euro in 2010, of which 101,000 euro originated from auditing.

Internal control and risk management systems pertaining to financial reporting

The administration and supervision of the group's business activities is primarily carried out in accordance with the aforementioned corporate governance system.

Okmetic operates in juridical companies on three different continents. The companies share common guidelines and timetables for financial reporting. The group management, located in Vantaa, Finland, is responsible for the centralised management of the companies. Management by customer areas is run as a separate system.

For the purpose of financial reporting, the company has a reporting system which produces sufficient and timely data to the management system for operational planning and monitoring.

The purpose of the supervision system is to support the implementation of the group's strategy and the reliability of financial reporting and also ensure compliance with guidelines. The group's internal supervision system is based on company values and documented procedural guidelines. Company´s values customer orientation, profitability, know-how, co-operation, and continuous improvement direct group´s operations continuously. The system is founded on the group structure, business operation and support processes, and control points that supervise them. The group's senior vice president, finance, IT, and communications, the controller of the parent company, and persons involved in preparing the group accounts are responsible for the general supervision system of financial reporting.

Okmetic always takes risk management into consideration in its processes. Therefore, also financial reporting includes recognition and analysis of existing risks. Risk management also includes continuous monitoring of changes in operational environment and recognition and management of the risks that come with those changes. Control points are built into processes as well as into financial reporting. Continuous risk evaluation of controlling is carried out as a result of internal supervision.

The guidelines for financial reporting give all companies coherent frameworks and standards to work with. All guidelines, related to processes and financial reporting, are available in the electronic database to all who need them. Guidelines are continually updated. Anyone affected by changes in guidelines will also be directly notified of the changes. Everyone taking part in financial reporting is responsible for updating the guidelines in respect to his/her own area of responsibilities.

Group accounting defines the common principles and extent of control points of financial reporting in the whole process. The section of the organisation, which is responsible for supervising the implementation of control points, is also responsible for their efficiency. Control points are targeted to operations as well as to the continuous reporting of operations. Correctness of financial reporting is controlled by, e.g., approval authority, balancing, and differentiating and analysing of tasks. Risk management, processes, and methods are discussed regularly in meetings organised according to the management system of the companies and the group.

Financial reporting and risk management are monitored continuously and weekly in a regulated way on different levels. Regular monthly reporting is extensively monitored. The management system includes several other regular meetings which monitor operations and decide on necessary actions. Financial administration is responsible for drawing up guidelines concerning necessary changes. The board of directors is responsible for the final evaluation of operational results and the possible changes required.

The board of directors discusses and approves financial reports to be published, such as interim reports, financial statement release, the financial statement, and the annual report.

Insider administration

Okmetic's board of directors has confirmed the company's insider guidelines that are based on the recommendation of the NASDAQ OMX Helsinki Ltd. The guidelines were updated on 17 April 2008.

In accordance with the Finnish Securities Markets Act, the public insiders of the company include, on the basis of their positions, the members of the board of directors, the president, the deputy to the president, the members of the executive management group, and the principle auditor and the auditor. In addition, as per a separate decision of the company, the permanent insiders include specifically named group-level managers and persons responsible for handling group issues, as well as associates of the principle auditor, who on the basis of their positions constantly receive insider information.

The management can, if necessary, also appoint specific persons as temporary insiders in connection with a specific project. Project-specific insiders are employees who in the course of their duties or in connection with the project will have access to information that may have a significant impact on the value of the company´s share. Project-specific insiders also include people outside the company who in their dealings with the company have an opportunity to acquire information that may have a significant impact on the value of the company´s share.

The senior vice president, finance, IT, and communications is responsible for the group-level coordination and supervision of insider issues.

The list of Okmetic´s public insiders as well as their share holdings and changes thereto are updated monthly on the company´s website.

Board of directors

Henri Österlund

1971, M.Sc. (Econ.)

- CEO of Accendo Capital Partners Oy 2007–
- Okmetic Oyj, chairman of the board 2009–, board member 2008–
- Key employment history: Conventum Corporate Finance, Partner 2003–2004, Executive Director 2002–2003; InterQuest, Executive Chairman 2000–2002; Triton, Partner 1999–2000; Doughty Hanson & Co, Associate 1995–1999; Landesbank Schleswig-Holstein, Trainee 1993–1994
- Key board memberships: Comptel Oyj, board member 2010–
- Does not own shares in the company (1 Mar 2011)

Esa Lager

1959, M.Sc. (Econ.)

- CFO of Outokumpu Oyj and member of the group's Executive Committee 2001–
- Okmetic Oyj, vice chairman of the board and board member 2010–, board member 2003–2008, 1996–2000
- Key employment history: Outokumpu Oyj, Executive Vice President, Finance and Administration 2001–2004, Financial Director 1995–2000; Kansallis Banking Group, various positions in the foreign operations 1984–1990
- Key board memberships: Olvi Plc, board member 2002–
- Owns 2,000 shares in the company (1 Mar 2011)

Tapani Järvinen

1946, Lic.Sc. (Tech.)

- Okmetic Oyj, board member 2008–
- Key employment history: Outotec Oyj, President and CEO 2006–2009; Outokumpu Technology Oy, President and CEO 2003–2006; Outokumpu Oyj, Executive Vice President and member of the Group Executive Committee 2000–2005; Compañia Minera Zaldívar, Chile, General Manager and CEO 1994–2000; Outokumpu Copper S.A., Spain, President 1991–1994
- Key board memberships: Talvivaara Mining Company Plc, board member 2010–; Outotec Oyj, board member 2010–; Konecranes Oyj, board member 2009–; Laatukeskus Excellence Finland Oy, chairman of the board 2009–; Normet Oy, board member 2007–; Dragon Mining NL, board member 2003–
- Owns 3,300 shares in the company (1 Mar 2011)

Hannu Martola

1963, M.Sc. (Tech.), eMBA

- President and CEO of Detection Technology Oy 2007–
- Okmetic Oyj, board member 2009–
- Key employment history: VTI Technologies Oy, President and CEO 2001–2007, Head of Operations 1998–2000, various managerial positions 1992–1997
- Key board memberships: Powernet International Oy, board member 2008–; Finsor Oy, chairman of the board 2007–; Ecocat International Oyj, board member 2004–
- Owns 3,500 shares in the company (1 Mar 2011)

Pekka Salmi

1961, Lic.Sc. (Tech.)

- Investment Director of the Finnish National Fund for Research and Development Sitra 1997–
- Okmetic Oyj, board member 2002–, 1999–2001
- Key board memberships: Space Systems Finland Oy, board member 2009–, chairman of the board 2005–2008; Panphonics Oy, board member 2003–
- Does not own shares in the company (1 Mar 2011)

Executive management group

Kai Seikku

1965, M.Sc. (Econ.), President 2010–

- With the company since 2010
- Key employment history: HKScan Corporation, CEO 2005–2009; McCann-Erickson, Country Chairman 2002–2005; Hasan & Partners Oy, CEO 1999–2005; The Boston Consulting Group, Project Leader 1993–1999; SIAR-Bossard, Consultant 1991–1993
- Key board memberships: Alma Media Corporation, board member 2006–; Trainers House Plc, board member 1996–
- Owns 29,678 shares in the company personally and 400,000 shares via company with Mikko Montonen (1 Mar 2011)

Mikko Montonen

1965, M.Sc. (Tech.), Executive Vice President, Customers and Markets 2010–, Deputy to the President 2008–

- Areas of responsibility: customers and markets
- With the company since 1991
- Key employment history: Okmetic Oyj, Executive Vice President, Sales 2008–2010, Senior Vice President, Sales and Marketing 2004–2007; Okmetic Inc., President, Vice President, Sales and Marketing North America 2000–2004; Okmetic Oy, Sales Manager, Process Engineer 1991–1999
- Owns 25,547 shares in the company personally and 400,000 shares via company with Kai Seikku (1 Mar 2011)

Petri Antola

1967, M.Sc. (Tech.), Senior Vice President, Technology Projects 2010–

- Areas of responsibility: technology project sales
- With the company since 2001
- Key employment history: Okmetic Oyj, Vice President, Sales Asia 2006–2010; Okmetic Inc., Vice President, Sales North America 2004–2006, Account Manager, North America 2001–2004; Sales management positions within ABB in Finland, South Africa and USA 1993–2000
- Does not own shares in the company (1 Mar 2011)

Juha Jaatinen

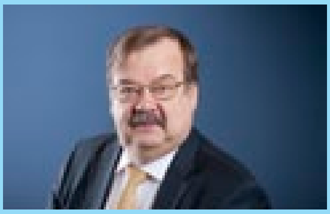
1965, M.Sc. (Econ.), Senior Vice President, Finance, IT, and Communications 2010–

- Areas of responsibility: finance and accounting, IT, and communications
- With the company since 2010
- Key employment history: Nokia Markets, Senior Business Controller 2008–2010; Nokia Multimedia, Director, Finance and Control 2004–2007; Nokia Mobile Phones, Business Controller, Entertainment Business Unit, Development Manager, Financial Reporting System Specialist 1997–2003; ICL Data, Controller 1995–1997
- Does not own shares in the company (1 Mar 2011)

Jaakko Montonen

1969, M.Sc. (Tech.), Senior Vice President, Supply Chain 2010–

- Areas of responsibility: supply chain, contract manufacturing development, and sourcing
- With the company since 1994
- Key employment history: Okmetic Oyj, Senior Vice President, Production 2008–2010, Senior Vice President, Product Development 2004–2007, Process and Project Engineer, Development Engineer and Manager, Vice President 1994–2004
- Owns 16,033 shares in the company (1 Mar 2011)



Markku Tilli

1950, M.Sc. (Tech.), Senior Vice President, Research 1996–

- Areas of responsibility: strategic research
- With the company since 1985
- Key employment history: Okmetic Oy, Development Manager 1985–1995; Outokumpu Semitronic AB, Production Manager 1992–1993; Helsinki University of Technology, several positions 1974–1985
- Owns 15,533 shares in the company (1 Mar 2011)

Markus Virtanen

1962, M.Sc. (Tech.), Senior Vice President, Human Resources, Quality, and Environment 2010–

- Areas of responsibility: human resources, quality, and environment
- With the company since 1999
- Key employment history: Okmetic Oyj, Senior Vice President, Human Resources 2003–2010, Personnel Manager, Deputy Vice President 1999–2003; Finnish Association of Graduate Engineers TEK, Representative, Organisation Chief, Director of Field Operations and Negotiator for Collective Labour Agreements for the Metal Industry in Federation of Professional and Managerial Staff YTN 1989–1999
- Owns 16,133 shares in the company (1 Mar 2011)

Anna-Riikka Vuorikari-Antikainen

1965, M.Sc. (Tech.), Senior Vice President, Products 2010–

- Areas of responsibility: product portfolio, product development, and process development
- With the company since 1992
- Key employment history: Okmetic Oyj, Senior Vice President, Sensor Business and Product Development 2008–2010, Senior Vice President, Sensor Business Development 2006–2007, Quality Engineer and Manager, Production Manager, Evaluations Manager, Planning Manager 1992–2006
- Owns 16,033 shares in the company (1 Mar 2011)

Glossary

BiCMOS circuit: A semiconductor process that combines different techniques, and aims to be an entity, which combines effectively both digital and analogical functions

BSOI: a value-added silicon wafer, a subgroup of SOI wafers (BSOI = Bonded SOI)

C-SOI: a subgroup of SOI wafers (cavity SOI, product name Okmetic C-SOI); a value-added SOI wafer with built-in buried cavities that enable the processing of more advanced MEMS components

CAP Wafer: a silicon wafer designed to protect sensors

DNV: Det Norske Veritas; a multinational company providing services for risk management, one of the most well-known certification bodies in the world

DRIE: Deep reactive-ion etching is a highly anisotropic etch process used to create deep, steep-sided holes and trenches in wafers

Epiwafer: a silicon wafer with a thin layer of silicon grown on its surface in an epitaxial reactor

Fab lite -model: a business model, in which the company focuses on its core competencies in its in-house production and increases production capacity by using contract manufacturers

Global Industry Classification Standard (GICS): a global standard for categorising publicly traded companies into industries, which enables company and industry comparisons across countries worldwide

G-SOI: a subgroup of SOI wafers (gettered SOI, product name Okmetic G-SOI); a value-added SOI wafer with built-in gettering properties

Gyroscope: angular velocity sensor, which is used in sensing rotating velocity or orientation

Highly doped wafer: a silicon wafer with extremely high electrical conductivity, containing a high degree of doping element

IFRS: International Financial Reporting Standards that all public companies in the European Union must follow

ISO 14001: an international standard for the management of environmental matters

ISO 9001:2008: an international standard for the management of the quality system used in the company

Lean Six Sigma: process improvement method

Low conductivity wafer: a silicon wafer that contains only a little doping to achieve low electrical conductivity

MEMS: Micro Electro Mechanical Systems

MIG: MEMS Industry Group

MMC: Micromachine Center

Module: an independent part that can be used to assemble different entities

Oscillator: general description for all systems that produce repetitive signal

Polysilicon: the raw material for silicon wafers, high purity polycrystalline silicon

Power semiconductor: a semiconductor component that is used in power electronics

REACH: Registration, Evaluation and Authorisation of Chemicals; EU directive aiming at the identification and phasing out of the most harmful chemical substances

RoHS: Restriction of the Use of Hazardous Substances; EU directive, purpose of which is to approximate the laws of the member states on restrictions of the use of hazardous substances in electrical and electronic equipment

SEMI: Semiconductor Equipment and Materials International; an international umbrella organisation of the semiconductor materials and equipment industry. Okmetic is a member of the organisation

Semiconductor: a material the electrical conductivity of which can be heavily modified by adding appropriate numbers of impurity atoms to it

Sensor: a component that measures a variable or discerns changes in it (an inertial sensor, for example, is used to trigger the airbag in a car)

SIA: Semiconductor Industry Association; an international umbrella organisation of semiconductor manufacturers

Silicon: an element in the fourth main group, the most common raw material for semiconductors

Silicon wafer: a round, thin wafer made from a single crystal of silicon in sizes of 100, 125, 150, 200 or 300 mm, usually mirror finished either on one side or both sides

SIRE: an insider register system

Smart system: miniaturised device that incorporate functions of sensing, actuation, and control. It´s features have been integrated as extensively as possible

SOI wafer: a value added silicon wafer (SOI = Silicon On Insulator) with a sandwich structure: an oxide layer on the silicon wafer, and a thin silicon film on the oxide layer

TS 16949: a quality standard that the automotive industry has developed for its entire subcontracting chain

Yield: a ratio that indicates how much of the material put into production comes out according to specifications

Research companies monitoring the sensor and semiconductor markets

Future Horizon
Gartner Dataquest
IC Insights
iSuppli
SEMI
Semico Research
SIA
VLSI Research
WSTS
Yole Développement

Analysts

At least the following analysts prepare investment analysis on Okmetic on their own initiative. Okmetic holds no responsibility for the content of any analysis or for any forecasts or recommendations that they contain.

Danske Markets Equities

Ilkka Rauvola
Telephone +358 10 236 4712
ilkka.rauvola@danskebank.com

FIM Pankki Oy

Mark Mattila
Telephone +358 9 6134 6398
mark.mattila@fim.com

Inderes Oy

Vesa Laakso
vesa.laakso@inderes.com

Pohjola Pankki plc

Hannu Rauhala
Telephone +358 10 252 4392
hannu.rauhala@pohjola.fi

Swedbank Markets

Antti Saari
Telephone +358 20 746 9157
antti.saari@swedbank.fi

An up-to-date list of analysts can be found under the Investors section on Okmetic's website www.okmetic.com>Investors>Analysts.

Contact information

Okmetic Oyj

Vantaa plant and group management
P.O.Box 44, FI-01301
Vantaa, Finland
Piitie 2, FI-01510
Vantaa, Finland
Telephone +358 9 502 800
Fax +358 9 5028 0500

Okmetic Inc.

Allen plant and US sales office
301 Ridgemont Drive,
Allen, TX 75002, USA
Telephone +1 972 747 8600
Fax +1 972 747 8611

Okmetic K.K.

Japan sales office
Sunrise Mita 8F
3-16-12, Shiba
Minato-ku, Tokyo
105-0014 Japan
Telephone +81 3 3798 1400
Fax +81 3 3798 1402

Investor relations and communications

Senior Vice President, Finance, IT and, Communications Juha Jaatinen
Communications Officer Marika Mäntymaa
Communications Officer Laura Ristimäki

P.O.Box 44, FI-01301
Vantaa, Finland
Telephone +358 9 502 800
Fax +358 9 5028 0200

communications@okmetic.com or
firstname.lastname@okmetic.com

Okmetic Oyj
Domicile Vantaa, Finland
Business ID 0596885-4

www.okmetic.com

Okmetic Oyj

P.O.Box 44, FI-01301 Vantaa, Finland | Piitie 2, FI-01510 Vantaa, Finland
Telephone +358 9 502 800 | Fax +358 9 5028 0500
www.okmetic.com