

Index *Okmetic's Annual Report is a translation. The original is published in Finnish.*

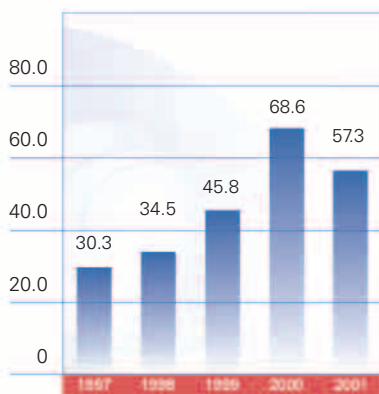
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KEY FIGURES SHOWING FINANCIAL PERFORMANCE

EUR 1,000 financial period Jan 1- Dec 31	2001	2000
Net sales	57,305	68,561
Export and foreign operations, share of Net sales, %	96.3	96.8
Operating profit/loss	-784	10,873
% of Net sales	-1.4	15.9
Profit/loss before extraordinary items	-2,063	7,444
% of Net sales	-3.6	10.9
Return on equity, %	-1.8	8.2
Return on capital employed, %	-3.6	10.7
Equity ratio, %	68.3	65.5
Personnel at the end of the period	510	534
Income per share, euros	-0.10	0.40

Okmetic in Brief

► Net sales
EUR millions



Okmetic is a rapidly growing high-tech company that manufactures high quality silicon wafers and silicon-based material solutions and markets these to the semiconductor and sensor industries.

The electronics industry uses semiconductors processed from silicon wafers. Microcircuits are required in the manufacture of nearly every electronic device. Silicon wafers are used as a base for making microcircuits.

The sensor industry is another user of silicon wafers. Micromechanical sensors are used, inter alia, in the automotive industry, in data communications, medical instruments, consumer applications and for control of industrial processes.

Okmetic operates in sectors where their biggest competitors do not have an active presence in specialised products. The Company manufactures wafers for three core product sectors, which are application specific wafers (ICprime), micromechanical sensor wafers (MEMS) and power semiconductor wafers (POWER).

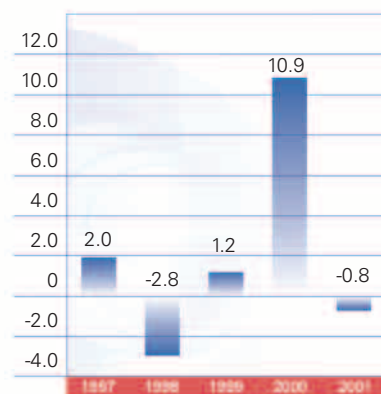
The main market areas for Okmetic's silicon wafers are North America, Europe and the Far East. The proportion of exports and overseas activities is over 95 per cent of net sales. With its range of market areas, the Company minimises regional business fluctuations.

Okmetic Oyj has production plants in Vantaa and Espoo in Finland and in Allen, Texas in the United States. Furthermore, a subsidiary company specialising in research and development of silicon carbide wafers operates in Linköping, Sweden. In addition to the present regional sales and customer service units, Okmetic's objective is to continue its internationalisation efforts and obtain a foothold for production in Asia as well.



The Year in Brief

▶ Operating profit/loss EUR 1,000 millions



Silicon wafer markets collapsed

Sales in the semiconductor industry experienced a strong downturn during 2001. Sales of both semiconductors as well as silicon wafers dropped more than ever before during the space of one year. Drastic reorganisation programs were launched in both fields of industry. Growth in the sensor industry continued, even though it slowed down slightly. Total sales of silicon wafers fell from 7.5 billion dollars in the previous year to about 5.2 billion dollars (SEMI). For the first time in the history of the Company, Okmetic's turnover declined from the previous year. The drop was 16 per cent compared with the previous year and amounted to 57.3 million euros (2000: 68.6 million euros). The proportion of MEMS wafers of the Group's sales went up to 28 per cent. SOI wafer sales were 1.1 million euros.

Prospects for the near future

The experiences of 2001 brought uncertainty and caution particularly with regard to the early part of 2002. The oversized inventories accumulated in 2000 are mostly depleted and products are now being ordered for actual requirements. According to forecasts in the industry, growth will start during the latter half of the year and then we must be all set for strong reactions from customers.

The Group's objective in 2002 is strong growth and improved profitability compared with the previous year. With its investments, the Company is ready to handle significant increases in production volumes. Profitability is expected to improve right from the beginning of the year and strengthen considerably towards the end of the year in comparison with the year before.

Significant events in 2001

9.3.2001

The JDS Uniphase Corporation of the United States/Canada became Okmetic's shareholder with an investment of nine million euros. The company subscribed for 900,000 new shares in Okmetic under a directed issue and received option rights for another 500,000 new shares. Simultaneously, Okmetic and JDS Uniphase signed a long-term contract for the supply of SOI wafers. Okmetic decided to invest ca. 10 million euros in the SOI wafer production line in the Espoo plant. (A photo of the signing event)

27.3.2001

The Annual General Meeting of Okmetic Oyj elected the following members to the Board of Directors: Mikko J. Aro, President of Metorex International Oy, Heikki Huomo, Director, Future Personal Communication Systems of Nokia Ventures Organization, Seppo Isoherranen, President of Okmetic Oyj, Karen W. Markus, Vice President, Technology Strategy of JDS Uniphase, Juho Mäkinen, Executive Vice President, Technology, of Outokumpu Oy and Pekka Paasikivi, Group Director and Chairman of the Board of Directors of Oras Oy. The Board of Directors elected Mikko J. Aro as its Chairman and Juho Mäkinen as its Vice Chairman.

The Annual General Meeting decided that no dividends shall be distributed for the year 2000. The Annual General Meeting authorised the Board of Directors to increase the share capital and made amendments to the Articles of Association as required, inter alia, by changes in legislation.

14.8.2001

Production at the Espoo and Vantaa plants changed over from a seven day work week to a five day work week. The layoff concerned 300 blue collar employees.

11.9.2001

Det Norske Veritas granted the ISO 14001 Environmental Certificate to Okmetic.

29.10.2001

Okmetic AB and Epigress AB, which belongs to the Aixtron Group, started their collaboration for developing the process technology for production of silicon carbide epiwafers.

15.11.2001 – 3.12.2001

The layoff arrangements concerning employees at Okmetic's Finnish plants were discontinued.

3.12.2001

Trading in the A-option rights under Okmetic Oyj's Option Program for 2000 started on the main list of the Helsinki Exchanges.

▶ Middle: Vantaa's Mayor Erkki Rantala and Jinan's Mayor Xie Yutang visited Okmetic in the autumn of 2001. The Chinese city of Jinan is twinned with Vantaa.

▶ Bottom picture: Estonian Finance Minister Mihkel Pärnoja with his entourage visited Okmetic's Vantaa plant in May 2001.



Business Idea and Strategy

Business idea

Okmetic is a rapidly growing high-tech company which manufactures and markets high quality silicon wafers and silicon-based material solutions for the semiconductor and sensor industries. The financially profitable business is based on customer satisfaction, high quality and competitive know-how.

Objective

Okmetic's objective is to grow and develop into the world's leading company supplying silicon wafers and silicon-based material solutions in selected sectors of the semiconductor and sensor industries.

Strategy

Okmetic will endeavour to reach its objective through a business strategy consisting of the following main points:

• Focus on selected product sectors

The Company concentrates on manufacturing wafers for three core product sectors: application specific wafers (ICprime), sensor wafers for micromechanics (MEMS) and wafers for power and discrete semiconductors (POWER). The Company intends to keep its market leader position in demanding MEMS sensor applications.

• Customer relations

Okmetic places emphasis on long-term customer relations, on mutual profitability of the business and on customer satisfaction. In order to ensure a deep understanding of the customer's processes and requirements, the Company has employed diverse and high-level know-how in this field.

• Product and process development

Close co-operation with customers is also the starting point for Okmetic's product and process development. This ensures the commercial demand for new products and the right timing for starting production.

• Presence in the main market areas

Okmetic's main market areas are North America, Europe and the Far East. With this range of market areas, efforts are directed towards serving global customers and offsetting the fluctuations of regional demands.

• Skilled and motivated personnel

Okmetic places emphasis on the development of its personnel and wants to create an open and innovative working environment for its employees. The semiconductor industry is a dynamic and rapidly developing industrial

sector and therefore requires the professionals in this field to continuously update and develop their skills.

• High quality and continuous development

The manufacture of wafers is controlled by means of a data management system that makes it possible to accurately monitor the processes and track raw materials exceedingly well. Okmetic's quality system is certified under the QS-9000 / ISO 9002 standards as required by the automotive industry in the USA. The Company takes environmental aspects into consideration and has received the ISO 14001 environmental certificate for its plants in Finland.

- ▶ Jari Ahtola, the Senior Production Manager of the Vantaa Plant, on the top of Europe's highest mountain Mount Elbrus (5,652 metres).



President's Review



The year 2001 was exceptional for Okmetic. Never before has the semiconductor industry experienced such a collapse of the markets. The industry's final figures for the whole of the year are not available yet, but most of the consequences are known. The list of bad news and unpleasant decisions is long. Especially during the last half of the year, reporting in the industry concentrated on bankruptcies, heavy losses, closing plants, layoffs and redundancies. Tens of thousands of jobs disappeared from the semiconductor industry.

The depression experienced by customers hit Okmetic's operations a little later. The decline in orders started in March, but the worst was still to come in August. Even long-term good customer relationships, first-class products and the increased market share could not prevent the fall.

The number of orders in hand in Okmetic's plants fell heavily and the volume of work was no longer sufficient to maintain the usual level of operations. It was quite exceptional that there was not enough work even in the generally stable special products sectors. Shorter work weeks and layoffs could not be avoided. Fortunately the demand for MEMS-wafers remained strong and thus alleviated the situation at the Espoo plant.

Turnover declined in comparison with the previous year for the first time in Okmetic's 15 year history. The Okmetic Group produced an unsatisfactory financial result as a consequence of lower sales volumes. Profitability was still at a reasonable level during the first part of the year, but the losses of the last few months caused a loss for the year as a whole. The flexibility and ability to react, that had been evaluated as

good in Okmetic, proved insufficient in these exceptional circumstances. A similar situation can be avoided in the future by expanding the customer base and increasing cost flexibility.

Investments in fixed assets were continued in spite of the difficult situation. Facilities at the Espoo and Vantaa plants for increasing production capacity and improving possibilities to increase the share of special products were completed. Investments for the Allen plant had to be postponed for the time being. The expansion of clean room facilities at the Espoo plant and the SOI production line to be completed there in March 2002 will increase opportunities for specialising more in MEMS products at the plant. The implemented investments give the Okmetic Group an excellent starting point for considerable increases in production volumes as soon as developments in the markets call for it.

Even though the year as a whole was difficult, numerous positive results were also gained in Okmetic's operations. The most important focus of research and development was still SOI and SiC wafers. The amount of SOI wafer sales was considerable and development work continued alongside commercial operations. Excellent results were achieved in manufacturing SiC wafers, which are based on HTCVD technology.

Production processes and the quality of products were improved extensively. There was a significant improvement in customer satisfaction compared with the previous year. The Allen plant also succeeded in improving the output of its production processes and the quality of its products. The state of readiness for profitable operations is now excellent.

The functioning of the quality system at Okmetic's plants in Finland was audited by the granter of the certificate and by certain customers. It was noted that it functioned well. The ISO 14001 certificate was granted for Okmetic Oyj's environmental system in August. All personnel participated in the Company's environmental system and objectives training.

2001 was Okmetic Oyj's first full year as a listed company. Interest in the Company and its shares increased noticeably. The issue directed to JDS Uniphase received the most attention and with it the investment for the SOI production line at the Espoo plant. From the standpoint of personnel, a significant event was the listing of options on the Helsinki Exchanges and the subsequent trading in options that started then.

The past difficult year was also trying for personnel. While production suffered from lack of work, at the same time many other sectors were stretched to the limit. Maintaining the profitability of operations was taken as a common objective and thorough and uncompromising attention to customers' requirements were given top priority due to

the circumstances imposed by competing in such an economic climate. Not all the objectives were reached, but through no fault of our personnel who tried their best.

The primary objective of a successful company is to generate income for the owners who have invested in it. Naturally, this holds true for Okmetic also. Profitable growth through the completion of the investment program has been selected as one of the basic strategies over the next few years. As a result of external factors, it has been necessary to slow down implementation of this strategy. I do not, however, see any reason to change it. The Vantaa plant, for example, with its expensive clean room and clean water systems can only be properly exploited by making full use of the facilities and installing machinery and equipment. Rapid growth and raising the value added are made possible with these additional cost effective investments that boost the utilisation of already invested capital. They also increase the value of the company for the benefit of owners. The definition of dividend policy will be considered when the investment program is completed.

Behind us is a year that did not allow for normal operating activities. Our personnel showed excellent flexibility and co-operative spirit in the face of exceptional circumstances. I would like to express my sincere gratitude for this to all at Okmetic. I am particularly grateful to customers and other co-operating partners with whom we have shared difficult times. I am sure that the many experiences that we had during the year can be put to good use later. I wish to thank our owners for the support and understanding that they have shown us, which has also been reflected in the work of the new Board of Directors.

Seppo Isoherranen

President

The Market Situation and Prospects for Business Sector

Semiconductor markets at their lowest ebb

Okmetic markets its products to the semiconductor industry, which has the whole electronics industry as its customer base. This field of industry, which has grown into the world's largest by turnover, consists of numerous application sectors, some of which are referred to in this review. Okmetic's wafers are found in information technology, data communications, automotive electronics, medical electronics and in home electrical appliances. Equipment manufactured by the electronics industry contains many kinds of semiconductors: microcircuits (IC-circuits), discrete components and micromechanical sensors.

The semiconductor industry experienced a record-breaking slump during 2001 when sales in the whole industry fell by up to one third compared with the previous year. This was a consequence of, among others, the drastic weakening of the market situation for information technology and telecommunications companies during the year under review. The turnover of electronics equipment manufacturers declined for the first time in the history of the industry.

The drop in demand for semiconductors was strongest during the first half of the year. The summary compiled by the industry indicates that semiconductor sales bottomed out in September and strengthened slightly later in the autumn. This in turn affected sales of silicon wafers.

The semiconductor industry adjusted slowly to the weakening demand for electronic equipment. Inventories of silicon wafers increased up to the beginning of 2001, but were depleted significantly from spring 2001 onwards. Even though demand for electronic equipment such as mobile telephones, for example, strengthened towards the end of the year, confidence in sustained growth was absent. Analysts study-

ing the industry estimate that growth will start again in the summer of 2002.

Silicon wafer markets fell sharply

Consumption of silicon wafers dropped heavily as demand for semiconductors weakened. The volume of delivered wafers decreased by an unprecedented 29 per cent compared with the previous year (SEMI). The most drastic reduction was in wafer types used for memory circuits where collapse in demand was close to 60 per cent (SIA), and the consumption of other wafer types also fell much more than in earlier trade recessions. Overall sales in the silicon wafer industry during the year under review was 5.2 billion dollars. The reduction from the previous year was 31 per cent.

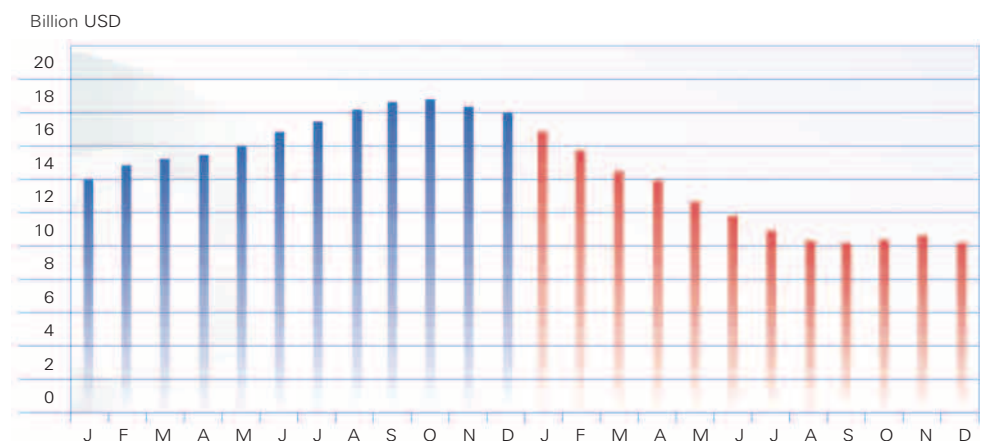
The demand for silicon wafers started to rise during the last quarter of 2001. Even though it is difficult to forecast prospects for the next few months, it is believed that demand will develop positively during the next few years. The forecast published in January 2002 by SEMI, the organisation of semiconductor equipment and material suppliers, envisages a steady annual growth of about 12 per cent during the years 2002–2004.

Okmetic's special product markets

Silicon wafers are manufactured for the electronics industry as the base for building semiconductor components such as microcircuits, discrete semiconductors and micromechanical sensors. Microcircuits and discrete components are required in the manufacture of almost every electronic equipment.

Okmetic supplies silicon wafers for three different application sectors: application specific wafers (ICprime) for manufacturing circuits, micromechanical wafers (MEMS) for sensor applications and wafers for power and discrete

► World-wide sales of semiconductors 2000–2001 (Semiconductor Industry Association). The columns in the graph represent the floating average for three months.



semiconductors (POWER). Okmetic does not supply silicon wafers to the mass market (memory circuits, micro-processors), where the drop in demand during the year under review was most drastic.

The total trade in analog and MOS Logic circuits dropped to 48 billion dollars from the previous year's 65 billion dollars. This segment represents the most significant users of Okmetic's ICprime wafers. The weakening of demand for semiconductors also hastened the drop in sales of consumer electronics.

Micromechanical sensors are used, inter alia, in the automotive industry, in medical instruments, in consumer applications and for process control in industry. Automotive electronics remained a growth area in 2001 and MEMS sensors are a growing application area in the same field. The whole micro-sensor industry developed positively and grew by 28 per cent. The total turnover in this field was 0.9 billion dollars by the end of 2001.

Power semiconductors are made, for example, for electric motors, power supply apparatus and for regulating electronic circuits. The discrete semiconductor is a significant type of power semiconductor. The drop in demand in this sector was exceptionally strong. Demand went down to 12 billion dollars and this was primarily a consequence of decreased demand for telecommunications and computer equipment. Such being the case, the market for POWER wafers weakened significantly.

Growth in special products

The Okmetic Group's turnover in 2001 was 57.3 million euros, which is 16 per cent lower than in the previous year. On the other hand, global sales of silicon wafers dropped by 31 per cent, so in fact Okmetic's overall market share grew. Okmetic's shipments are divided into product groups as shown in the adjoining figure. There was strong growth in the proportion of MEMS wafers from the previous year. The proportion was 28 per cent of deliveries which is significant and in line with the Company's strategic targets. On the other hand, the proportion of POWER wafers dropped from 26 to 23 per cent. The proportion of application specific ICprime wafers remained almost unchanged in spite of the fact that overall demand in this product group decreased clearly.

The division of Okmetic's deliveries according to product groups.

Okmetic has plans to make additional investments in Allen and Vantaa when increased demand calls for it. The capacity of the existing plants can be increased in phases for full exploitation of the facilities. The ability to react rapidly to growing demand can easily be turned into a competitive advantage. As the utilisation rate of the plants increases, so will profitability improve. It is expected that profitability will improve during the early months of 2002 and strengthen towards the end of the year.

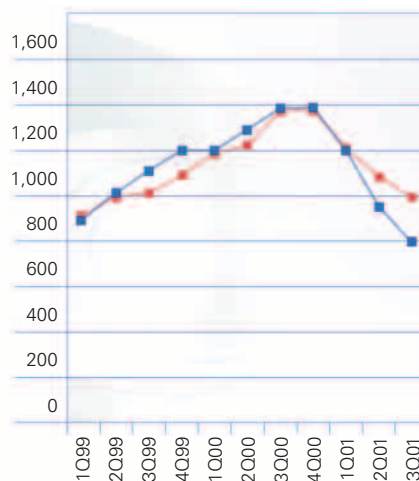
ICprime wafers

The demand for application specific wafers has taken an upward turn and it is expected that this trend will continue. This demand mostly concerns the products of the Vantaa plant. The drivers of the market are, inter alia, consumer electronics and wireless communications. Continuing the investments in the Vantaa plant will significantly improve the Company's potential for increasing supply. The development of 200 mm wafers in particular together with the expansion of the customer base will offer significant potential for broadening operating activities. Okmetic manufactures and tailors ICprime wafers separately for each customer by adapting the required characteristics for the circuit making process together with the customer. Special applications such as high resistivity silicon wafers, for example, represent significant new business opportunities for which Okmetic has directed much R&D input. A more accurate control of the characteristics of application specific wafers is being developed.

MEMS-wafers

Highly specialised silicon wafers are required by the industry manufacturing micromechanical components. Acceleration, pressure and angular velocity sensors as well as other sensors are capable of measuring and processing information on physical changes in the environment. Inertia sensors in cars, micromechanical switches in mobile telephones and actuators for the exact dosage of medicine are examples of rapidly growing markets. Okmetic has operated as a supplier of silicon mate-

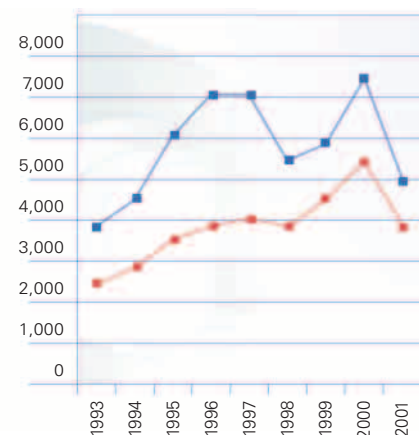
Millions of square inches



- Deliveries of silicon wafers
- Consumption of silicon wafers

► Delivery volumes of silicon wafers (SEMI) and normalised quarterly consumption of silicon wafers for manufacturing semiconductors (SIA). The SIA's figures are normalised by area during the period shown.

Deliveries of silicon wafers



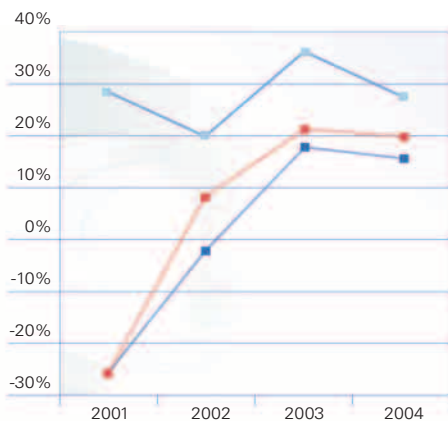
- Net sales (million USD)
- Deliveries (millions of square inches)

► Global deliveries of silicon wafers (millions of square inches) and net sales of silicon wafers (millions of US dollars) during 1993–2001 (SEMI).

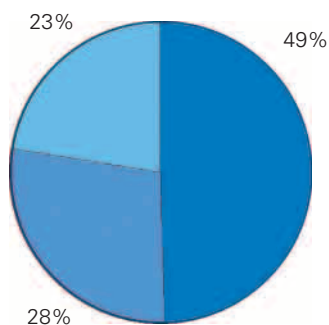
► The change during 2001 in semiconductor markets regarding Okmetic's three operating sectors and the forecast for the next few years (SIA November 2001). "Analog and MOS Logic" describes the demand for ICprime-wafers, "Discretetes" describes POWER-wafers and "Sensors" shows the demand for MEMS-wafers.

- Sensors
- Analog and MOS Logic
- Discretetes

Annual growth in markets



► Sales by product sectors



- ICprime
- MEMS
- POWER

material for manufacturers of MEMS sensors for over ten years and is the world's leading supplier of MEMS sensor silicon. Okmetic manufactures both MEMS wafers as well as demanding epiwafers.

Okmetic has directed strong input into producing SOI (Silicon On Insulator) wafers in the development of new generations of sensors. The manufacturing technology developed earlier in the Company for MEMS sensor wafers, and the strong market position of the product, is utilised for manufacturing SOI wafers. The SOI wafer type made by Okmetic is used, inter alia, for manufacturing micro-mirrors for optical data transfer and as a base for high voltage components and RF-circuits for telecommunications. Sales of SOI wafers in 2001 were 1.1 million euros, and it is believed that demand will pick up in the current year.

The new production line and clean room facilities for manufacturing MEMS and SOI wafers at the Espoo plant will be available for use in March 2002. A rising demand for highly value added products can therefore be rapidly exploited.

POWER wafers

Okmetic produces demanding wafers with very high electrical conductivity for applications using power semiconductors and discrete components. Portable electronic equipment, especially their power regulation and power saving requirements, have created abundant demand in this application area. After the exceptionally heavy drop in demand, the POWER sector is clearly reviving again. Future growth is expected to be proportionately strongest in this product group in Okmetic's business operations. Investments for increasing capacity at the Allen plant for manufacturing epiwafers

will be made in the future. Epiwafers are sent from the Vantaa plant to Allen for value added processing. Okmetic believes that it will continue to be one of the leading suppliers of such wafers and the manufacturer of highly developed epitaxial structures. The further development of these products is the point of emphasis in Okmetic's R&D work.

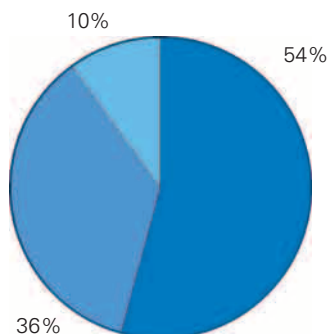
The sales growth potential is thought to be particularly strong in the POWER sector, which is the focus of operations in the Allen plant in Texas. In spite of the drastic shrinking of the market area, Allen's turnover increased compared with 2000. Strong measures were continued for developing production and new customer relations were created. The significance of Allen as a part of the Group was enhanced.

Silicon carbide (SiC) wafers are opening up opportunities for very demanding power semiconductor applications. The patented HTCVD method for manufacturing silicon carbide wafers is one of Okmetic's key advantages over its competitors. Okmetic started the commercialisation of its silicon carbide operations by ordering the first HTCVD and epiwafer reactors suitable for production, which will be installed during the first quarter of 2002. Licence applications for transferring the operations into an industrial environment were submitted at the end of 2001.

Silicon wafers for all market areas

Okmetic's most important customers have a comprehensive coverage of all the main market areas in North America, Europe and the Far East. The Allen plant functions as the customer service centre for North America, and this area accounts for just over half of the Group's net sales. Okmetic's sales in Asia have dropped slightly. Europe's share of net sales is around one third.

► Sales by main market areas



- North America
- Europe
- Far East

Research and Development

Research and development are essential parts of Okmetic's operating activities. In addition to its own product development, Okmetic's Customer Support does development work with its customers. Long-term and confidential customer relations make partnership-type co-operation successful. A deep understanding of the client's operating activities and processes is ensured by employing people with versatile know-how. It has been the Company's policy to employ a number of people with the highest ranking degrees such as doctorates or post graduate degrees in the appropriate fields from various universities.

The Group's gross expenses for research and development during the year under review were 6.3 per cent of net sales.

Product development volume in sensor, discrete and power component wafers increased during the year.

The production process for SOI wafers was finalised in co-operation with VTT Microelectronics and commercial operations were started on the test production line.

The Company attained the targets set for the production technology of SOI wafers and business got well under way with record sales in the summer. In 2001 the value of delivered SOI wafers totalled 1.1 million euros. The planned new production line for SOI wafers will be completed early in 2002. The SOI wafer type manufactured by Okmetic is used, inter alia, for making more traditional micromechanical sensors e.g. for measuring changes in three-dimensional motion as well

as micromirrors for optical data transfer. This wafer type can also be used in other areas, for example, as a base for high voltage components and the new RF-circuits being developed for telecommunications.

The advanced development work on highly doped wafers for discrete and power components was launched with financial support from Tekes (Technology Development Centre). The objective is to expand the Company's range of products and at the same time ensure that customers will get the materials that they require for their own product development. New production technology was taken into use at Vantaa for manufacturing even better quality 200 mm wafers.

Close co-operation with customers in developing SiC wafers led to new wafer types and microcircuit applications that are based on the HTCVD crystal growth method developed by the Company. By using a SiC wafer with very low electrical conductivity, one particular customer of the Company was able to demonstrate a functioning MESFET-microcircuit ("Metal Semiconductor Field Effect Transistor"). The Company also succeeded in manufacturing SiC wafers with a diameter of two inches. At the moment this is the largest wafer size in commercial use. The diameter can be enlarged even further with the HTCVD method. The Company achieved the lowest reported electrical conductivity so far and this makes it possible to manufacture microcircuits with very small power losses. Success was also achieved in manufacturing semiconductors

with high degree of p-type electrical conductivity, which is not possible with the traditional sublimation method. This opens the door for the manufacture of IGBT-circuits ("Isolated Gate Bipolar Transistor") based on SiC wafers.



Personnel

The most important objective of Okmetic's Human Resources Management is to ensure the necessary know-how and number of skilled personnel for operating activities. At the same time management, interaction and incentive systems are being developed.

The promising growth prospects early in the year weakened rapidly and instead of the planned increases, the number of personnel had to be adjusted in accordance with lower orders during the year under review. Negotiations between the Parent Company and its personnel were held in July-August in which agreement was reached concerning layoffs and intermittent work in three shifts. The layoffs that were implemented on a rotation system according to work shifts, started at the beginning of September and terminated in stages by the end of November. The layoffs also affected all personnel at Okmetic Inc.

At the end of the year the number of personnel in the Group was 510. Of these, 461 persons worked in the Parent Company in Espoo and Vantaa. The average number employed by the Group in 2001 was 550. The number of employees in the Group decreased by 24 during the year. The table below shows the number of persons employed at the end of each year. The figures for 2001 include four expatriates sent from Finland.

Training was revised

The initiation and work guidance scheme for personnel at the Parent Company was revised. The general induction phase for new Okmetic persons was extended to four days. The workplace-specific instructors (80 persons) were trained anew and the contents of workplace tests were revised. The revision of the training register was also started.

Job satisfaction was measured

As last year, the job satisfaction of employees was measured with a questionnaire for the purpose of studying how employees cope at

work and how training and communications have developed. The inquiry was made in October during a difficult economic and production period. According to the survey, Okmetic's strategy, customers' expectations and the requirements of quality and environmental systems were well known by the employees. For employees, coping at work and training had improved compared with the previous year.

The turnover of permanent employees remained at the same level as in the previous year. Sick leave increased during the autumn, but was still below the average for the metal industry.

The Company intends to redefine the Group's values during the early part of 2002. Future challenges include the identification of competence required for different jobs, improving the skills of employees and developing recruitment and training methods.

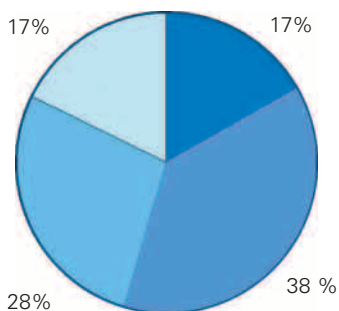
Incentive systems were developed

The collective labour agreements of the metal industry are observed in the Parent Company. Wages in all personnel groups are based on how demanding the work is. A competence classification system was drawn up for the upper level white collar employees and management. The objective is to ensure that remuneration is in line with the system within the Company and is competitive in relation to general labour markets. The result and productivity incentive systems were developed to correspond to the objectives of the year under review.

All personnel groups in the Parent Company were within the scope of the incentive schemes. The basis for incentives of blue collar employees is the quantity and efficiency of production. The Company's profitability was emphasised in incentive schemes for white collar employees.

The management's incentive plan consisted of options and bonus programs, the common objective being the operating profit.

► Education of group management and upper level employees in the Parent Company



- Doctors and licentiates
- Higher academic degrees
- Lower academic degrees
- Others

	2001	2000	1999	1998	1997
Espoo	226	236	226	203	224
Vantaa	235	248	193	171	126
Allen (Okmetic Inc.)	36	43	18	-	-
Linköping (Okmetic AB)	13	7	7	2	-
Total (at the end of the year)	510	534	444	376	350

The individual objectives of the plan were derived from the most important annual targets of each person.

63 per cent were blue collar. In the Parent Company the number of white collar employees was 169 and 292 were blue collar.

Personnel structure

The average age of Okmetic Oyj's personnel was 36.5 years, whereas in Finland's metal industry it was 39.5 years. The personnel consists of 71 per cent male and 29 per cent female employees.

Of the personnel at the end of the year, 37 per cent were white collar employees and



Quality and the Environment

Quality targets were reached

High quality is one of the key factors for success and profitability in the semiconductor industry. The customers' demands for higher quality grow each year. The strict observation of an effective quality system is also one of the preconditions for the continuity of business operations. All levels of Okmetic's organisation are aware of these requirements.

In Okmetic, quality management is based on the QS-9000 certified system. Like all companies that take quality seriously, the Company is aware that certification by itself is not sufficient to ensure continuous improvement. Okmetic sees the continuous and systematic improvement of quality as an investment for the future and as one of the means for producing significant economic benefits. With the aid of this system, it is possible to achieve the four objectives of quality policy:

- Customer satisfaction
- The high quality of products and operations
- Economically profitable operations
- Skilled and motivated personnel

The indicators used for rating product quality show that the quality of Okmetic's products has improved continuously since 1997. Quality objectives, targets achieved and indicators used are evaluated regularly in management reviews. The central objectives in 2001 were the improvement of customer satisfaction, a more effective application of statistical methods in production and development of clean room operations. As a result of active co-operation between the different departments, the objectives were achieved in all areas.



- ▶ In Espoo, the filter for separating silicon from waste water has been installed and will be taken into use during the first quarter of 2002. The silicon powder created in the different phases of manufacturing silicon wafers is retrieved in the filter.





The ISO 14001 Certificate

Det Norske Veritas granted the ISO 14001 Certificate to Okmetic's Finnish plants in August 2001. Okmetic strives for high quality and sustainable solutions both with regard to the environment and the manufacture of silicon wafers. Sustained environmental work is an indication that the Company realises its responsibility also for the environment of future generations.

The following environmental aspects are monitored closely

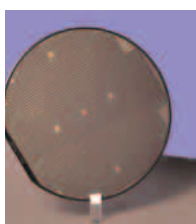
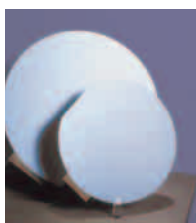
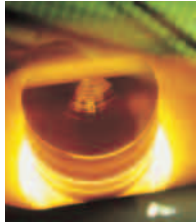
- *the use of raw materials such as polysilicon and argon*
- *the use of water in washing processes*
- *the use of electricity in growing crystals and in cooling*
- *the use of inorganic chemicals in different washing and etching processes*
- *waste created during the destruction of used supplies such as plastic*

Okmetic's personnel were trained during the period under review in identifying the environmental effects of their own work, becoming acquainted with the applicable laws and controlling any possible risks. The personnel also considered it important that the Company is committed to systematically improving the protection of the environment.

No accidents endangering the state of the environment took place during the year.

- ▶ *The pictures on this page are from the nature photography competition arranged for personnel.*





► From Sand to Electronic Components

Sand

Pure silicon is used as raw material in manufacturing silicon wafers. Pure silicon is made from sand or quartz.

Silicon

Besides oxygen, silicon is the most common element in the soil and is a very multipurpose material. Okmetic buys its silicon in the form of refined crystalline polysilicon. The leading manufacturers of this type of silicon are found in Japan, the United States and Europe. The supply of semiconductor grade polysilicon has been more than sufficient for the growing needs of the semiconductor industry.

Crystal growth

The crystal growth process is one of the most critical phases in the manufacture of silicon wafers and is one of Okmetic's core competencies. The absolutely pure semiconductor grade silicon is melted in a vacuum furnace. The necessary compounds (boron, phosphorous, antimony, arsenic) are added to the silicon in the furnace. A crystalline rod of the desired size is grown from the molten mass. A cylindrical silicon crystal is grown from the molten silicon by lifting it slowly upwards. The growth process of the crystal rod in the furnace takes 1–2 days. The process is patterned on a computer screen at Okmetic.

Cutting, sawing and edge-rounding ...

The two metre long, cylindrical silicon crystal is cut into sections for further processing. Physical and chemical properties are different in different parts of the rod, so the part of the rod that corresponds with the analysed specifications of the customer is cut for reprocessing. The rod is ground to an exact diameter and then cut with a diamond saw into thin wafers that usually have a thickness of 0.5–1.0 millimetres.

The edge of the sawn silicon wafer is shaped in the edge-rounding process. The required shape of the edge depends on the wafer's intended use. After the automatic edge-rounding, the wafers are ground in a chemical-mechanical process to arrive at a uniform thickness. The thickness of a silicon wafer may vary by not more than 0.001 millimetres on average.

... etching and polishing

Faults in the shape of the wafers are removed in the lapping process by grinding the wafers between two rotating flat disks with a fine grinding paste. Deviations in the thickness of lapped wafers are small and the evenness of the surface is good.

The wafers are etched in acidic or caustic solutions in order to remove damage or surface faults produced during mechanical processing.

The surface of a silicon wafer must be even and faultless so that the customer can make microcircuits on the wafer. Wafers are selected for polishing during the interim inspection. Polishing is done mechanically in the clean room by using different kinds of cloths and chemicals in several different phases. Depending on intended use, the wafer is polished either on one side or on both sides in which case evenness requirements are very strict. Wafers polished on both sides are used in the industry that manufactures micromechanical sensors.

Finishing in the clean room facilities

Before dispatching to customers, the wafers are measured and washed in the clean room facilities. The air in the clean room is one million times cleaner than that in offices or living rooms, so the products have to be protected from particles emanating from people. Protective clothing, that is washed daily, is used for working in the clean room. The clean room is entered through an airlock in which blowers remove every last particle of dust from clothing.

After cleaning, sorting and inspection, the wafers are packed in cassettes filled with shielding gas and sent either directly to the customer or for further processing to the epitaxial plants at Espoo or Allen.

Further processing according to intended use

The process of making epiwafers involves growing a thin layer of silicon onto the surface of the wafer in an epitaxial reactor. The epitaxial layer is generally used to contribute to the electrical properties of the wafer. An epitaxial coating can be laid on sensor wafers and wafers intended for manufacturing microcircuits and power and discrete components.

The silicon wafer in the semiconductor industry

Silicon wafers form the base for microcircuits in the electronics industry. Microcircuits are required in the manufacture of nearly every electronic device: home appliances, televisions, mobile telephones, portable devices, just to mention a few everyday gadgets.

The silicon wafer in the sensor industry

Micromechanical sensors are used in the automotive industry, in medical instruments, in consumer applications and control processes in industry. The most general application areas for the silicon wafers manufactured by Okmetic are the automotive industry, telecommunications and consumer electronics.

The Board of Directors' Report

The severely weakened market situation shadowed the operations of the Okmetic Group during 2001. The turnover decreased from the previous year for the first time in the history of the Company. The drop in sales and production volumes reduced the productivity of the plants and operations and raised unit costs. Price competition became fiercer. As the result of an exceptionally difficult market situation, profitability also weakened severely and resulted in an operating loss. The Group's turnover was 57.3 million euros. The operating result was a loss of 0.8 million euros and the result before extraordinary items and taxes was -2.1 million euros. Cash flow from business operations was 15.4 million euros. The Group's equity ratio remained good.

Silicon wafer markets collapsed

Contrary to general expectations, sales in the semiconductor industry experienced a strong downturn during 2001. This was the result of difficulties particularly in the IT and telecommunications industries and reductions in their investments. The oversized inventories of components accumulated during the year 2000 caused the markets to weaken even further. According to various expert opinions in the industry, world-wide sales of semiconductors fell by approximately 33 per cent compared with the previous year. This is the biggest annual downturn that the industry has experienced in its history. Regionally, the most severe recession was experienced in the United States. Of the different product lines, DRAM memory circuits suffered the most. As a result of the depression, the financial results of companies operating in the semiconductor industry and those connected to it fell steeply and they had to launch severe restructuring programs.

The other main consumption area for the Okmetic Group's products, the sensor industry, was more successful than the semiconductor industry. Growth in the sensor industry continued. The increasing amount of electronics used in cars compensated well for the down-

turn of volumes in the automotive industry.

The difficulties experienced by semiconductor customers were also seen clearly in the operations of companies manufacturing silicon wafers. Total sales of wafers, measured by surface area, diminished world-wide. According to different estimates, the decline was nearly 30 per cent. The value of total sales decreased from the previous year's approximately 7.5 billion dollars (SEMI) to about 5.2 billion dollars. The industry has never experienced such a steep downturn in the space of one year.

The severe weakening in demand resulted in oversupply in the silicon wafer markets. Most of all, the decrease in demand concerned wafers used in manufacturing memory circuits. The consumption of many special product groups also weakened, in deviation of earlier recessions. Pressures grew for reducing market prices of silicon wafers and the purchase behaviour of customers became short-spanned. Many manufacturers of silicon wafers anticipated poor profitability and financial difficulties, plants were closed down and investments were trimmed. Consolidation in the industry continued.

Decline in turnover

For the first time in the history of the Company, Okmetic's turnover declined from the previous year (16%) and was 57.3 million euros (2000: 68.6 million euros). The decline was most severe in the IC-prime product group (earlier ASW, application specific wafers) and POWER products (earlier PWR, power semiconductor and discrete wafers). The situation in MEMS products (sensor wafers) was clearly better and here the rate of capacity utilisation was good. A good tempo was attained in developing and manufacturing SOI wafers (Silicon On Insulator), which belong to the MEMS product group. In spite of the experimental nature of manufacture, these wafers produced sales of more than 1.1 million euros.

Of the plants, Allen (Okmetic Inc.) and Vantaa suffered the most from weakened demand. The rates of capacity utilisation even

Okmetic
MEMS

Okmetic
ICprime

Okmetic
POWER

Okmetic
EPI

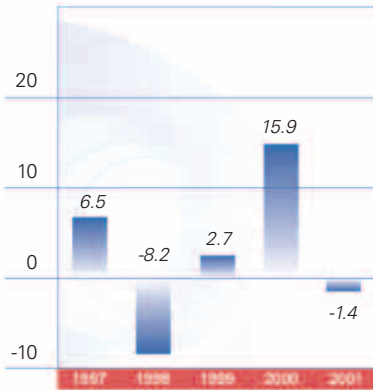
Okmetic
SIC

Okmetic
SOI

► The division of turnover by product groups was as follows:

ICprime	(application specific wafers)	49%
MEMS	(sensor wafers)	28%
POWER	(power semiconductor and discrete wafers)	23%

► **Operating profit/loss**
% of Net sales



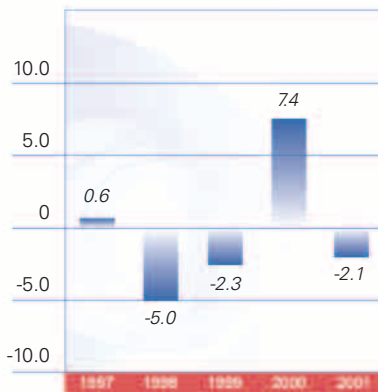
fell below 50 per cent during early autumn. The Espoo plant was safeguarded significantly, because demand for MEMS wafers remained at a good level. All plants changed over to a shortened work week and layoffs were implemented as explained later in this report.

The export from Finnish plants and the Group's foreign operations accounted for 96 per cent of the overall turnover. The distribution of sales between the main market areas was as follows: North America 54 per cent, Europe 36 per cent and the Far East 10 per cent. Okmetic Oyj's share of the whole Group's turnover was 92 per cent. The Vantaa plant remained the largest plant as measured by turnover.

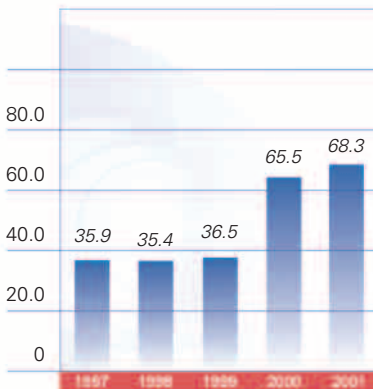
Profitability weakened

There was an evident weakening of the Okmetic Group's result compared with the previous year. The operating loss was 0.8 million euros (2000: 10.9 million euros profit). The heavily reduced sales and production volumes caused productivity and cost effectiveness to fall and raised unit costs. Layoffs and other savings measures were insufficient to compensate for the effects on costs caused by lower volumes. During the last few years, investments in fixed assets have caused a heavy increase in depreciation and this has significantly weakened the result. In 2001 the Group's figure for depreciation was 17 per cent of turnover. One significant credit loss

► **Profit/loss before extraordinary items and taxes** EUR millions



► **Equity ratio, %**



was entered in December. The total amount of credit losses was 0.5 million euros. No great changes occurred in product prices. The average price of all sales rose slightly compared with the previous year, especially due to growth in the proportion of MEMS wafers. The attained price level was supported by the strong US dollar.

Contrary to the year 2000, the turnover and operating result decreased during each quarter of the year compared with the corresponding periods of the previous year. The fall was greatest during the latter half of the year, when turnover was only 61 per cent of the corresponding period of the previous year. The fall in turnover ceased in September, but growth during the last months remained modest and the turnover of the fourth quarter was 8.5 per cent lower than that of the third quarter. The Group's operating loss during the fourth quarter was 3.5 million euros.

Okmetic Oyj's share of the Group's turnover and result was still predominant. The Parent Company's operating profit was 2.8 million euros (2000: 13.1 million euros). The performance of the Espoo plant was profitable as a result of the increase in value added in the product range and a better rate of utilisation of capacity compared with the other plants. The Vantaa plant was slightly loss-making, and the Allen plant was more so, as a result of low sales volumes. There was a promising start to sales of SiC wafers, but Okmetic AB's operations in Linköping, Sweden, still remained firmly concentrated on research and development. The subsidiary company made a loss. The result made by the Kiinteistö Oy Piitalot company on the Group's final accounts was small.

The Group's loss before extraordinary items was 2.1 million euros (2000: profit 7.4 million euros). Financing income decreased during the year as investment payments reduced cash funds. A tax refund claim totalling 0.4 million euros arising from a subsidiary's result was entered for the financial period. The Group's result was a loss of 1.6 million euros (2000: profit of 3.7 million euros). The earnings per share was -0.10 euros (2000: 0.39 euros). The return on investment was -3.7 per cent (2000: 10.8 %). Compared with production capacity, the low sales volumes resulted in under-utilisation of tied-up capital, and turnover remained exceptionally low in relation to invested capital.

The equity ratio remained strong

The Initial Public Offering implemented in 2000 brought a significant amount of new equity into the Group. The Group's equity ratio strengthened even further in 2001 when the 9.0 million euro share issue was directed to JDS Uniphase Corporation of Canada/United States.

The unprofitable operations reduced cash funds, but funds were released from sales receivables as a result of the reduction in turnover. The Group's depreciation has increased considerably, but on the other hand this supports the strong cash flow of operating activities compared with the realised result. The cash flow from operating activities during the year under review was 15.3 million euros positive.

The equity ratio at the end of the year was 68 per cent (2000: 65%) and own funds per share amounted to 5.20 euros (2000: 4.98 euros). Outstanding subordinated loans at the end of the year amounted to 6.7 million euros.

The Group's liquidity was good the whole year. Substantial investments in fixed assets consumed liquid funds of which 5.4 million euros remained at the end of the year (2000: 25.2 million euros). The revolving credit facility of 32.5 million euros agreed with three banks at the end of 2000 was not used. The interest-bearing net debt at the end of the year was 23.0 million euros.

The Group has continued its hedging against the dollar with exchange rate futures with a time span of eighteen months.

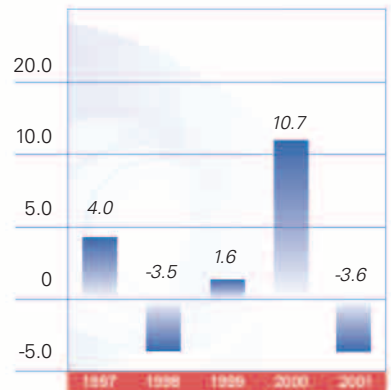
The investment program was continued

The Group's investments in fixed assets in 2001 were 43.7 million euros (2000: 16.1 million euros) i.e. 76 per cent of turnover.

The 90 million euros investment program resolved in 2000 was continued under separate decisions made by the Board of Directors. The most important individual investments were for the new clean room facilities at the Espoo plant, including machinery and equipment, and the individual procurements for increasing capacity at the Vantaa plant. The main part of the Espoo clean room project was completed during October-November. This investment increases production capacity for MEMS products and improves the production quality of the plant. The essential parts of the investment for increasing capacity at the Vantaa plant by about 30 per cent were completed during the autumn. The Company got new office space at the same time. The investments for the Allen plant were postponed due to the difficult market situation. The production line investments for SOI wafers was launched as a new project at the Espoo plant. The cost estimate for the investment is about 10 million euros and it is scheduled to be completed by March 2002. When the line is completed, the complicated production process, which up to now has been carried out in many places, can be concentrated in one place.

After these investments have been implemented, the Group has ample capacity and

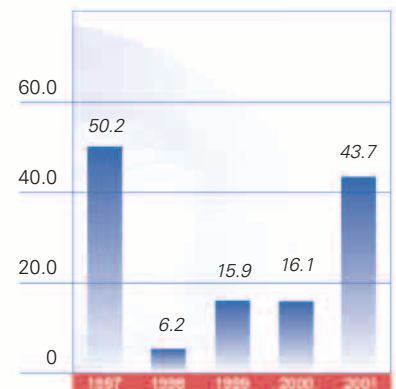
Return on investment, %



Return on equity, %



**Investments
EUR millions**



excellent opportunities for increasing production when the market situation calls for it.

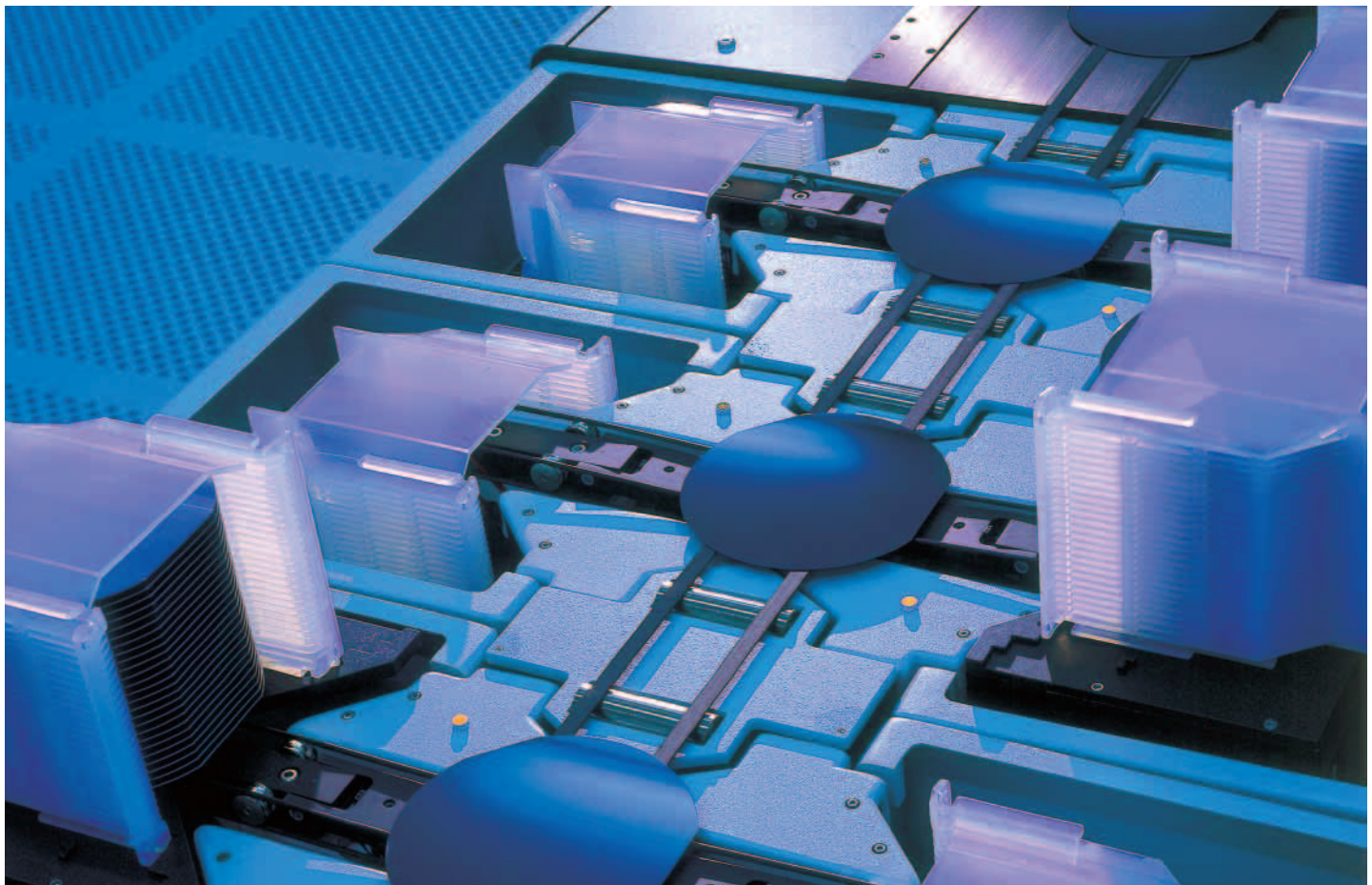
Research and development produced good results

The gross expenses of the Group's research and development work during the year were 6.3 per cent of turnover (2000: 3.9 %). The expenses cover long-term projects based on research programs, some of which have received subsidies totalling 0.9 million euros. The Group's R&D personnel are continuously developing products and production processes in addition to the research programs.

The R&D volume of the silicon sector was maintained at the same level as in 2000 due to the weak market situation. Pilot manufacturing of SOI wafers was successfully launched and the SOI wafer process was fine-tuned for production. Customers are companies that are located both in the

traditional sensor industry and also in the field of optical data transmission. The first wafers in (110)-surface orientation were delivered during the latter half of the year. High resistivity products with potential applications for new generation telecommunications products were also delivered.

The development of SiC wafers produced new types of silicon carbide wafers and microcircuit applications. The Company achieved the lowest reported electrical conductivity so far with the HTCVD crystal growth method that it has developed. Consequently this made it possible to manufacture microcircuits with very small power loss. An entirely new p-type semiconductor wafer that has never before been manufactured, made possible the development of the IGBT-semiconductor. Okmetic started the commercialisation of its silicon carbide operations by ordering the first HTCVD- and epiwafer reactors suitable for production, which will be installed for use at the beginning



of 2002. Licence applications for transferring the operations into an industrial environment were submitted at the end of the year.

The development project for highly doped wafers subsidised by Tekes (Technology Development Centre) was started at the beginning of the year. The project concentrates mainly on crystal growth technology and will serve the future requirements for materials of POWER customers. The process at the Vantaa plant was developed by improving the manufacturing technique for high quality 200 mm wafers. The production process at the Allen plant was improved and technology transfers of Espoo's epi-processes were continued.

Quality was improved further

Strong emphasis was placed on product quality through numerous development projects. The evaluation of clean room functions, and related preparation of more closely defined instructions and training can be mentioned as examples. A clear improvement in the quality of products and services has taken place. The number of claims has dropped considerably. The Parent Company's QS-9000 quality system was developed further. The grantor of the certificate and certain customers audited the functioning of the system. No significant deviations were found during the audits.

Efforts related to the quality of products and the production process were also increased at the Allen plant and several potential customers who tested the products were satisfied with quality. The objective of the Allen plant is to obtain the QS-9000 certificate for its quality system during the year 2002.

The environmental system was certified

The ISO 14001 certificate was granted to Okmetic Oyj's environmental system in September. All personnel participated in training concerning the environmental system and policy. Measures were taken in accordance with the 2001 environmental protection program with good results. The most important objects for improvement were reductions in the environmental effects of polysilicon, a more effective separation of silicon from waste water and reducing the drawbacks of mixed acid residuals. Environmental work will continue in 2002.

Personnel

The number of the Group's personnel at the end of the year was 510 (2000: 534), of whom 461 were in the employment of the Parent Company (2000: 484). The number of personnel in all the plants decreased. There were 36 persons at the end of the year at

the Allen plant and Okmetic AB in Sweden employed 13 persons of whom 11 were full-time. At the end of the year, the personnel at Allen included four expatriates sent from Finland. In Japan there were two persons in an office operating on an agency principle. Of the Group's personnel, 37 per cent were white collar employees and 63 per cent blue collar.

As a result of the market situation and lack of work, changes in work times and layoffs were implemented at all the Company's plants. The Espoo and Vantaa plants changed over from a seven day work week to a five day work week from the beginning of September and at the same time layoffs related to the changed rotation system were started. These arrangements meant that the production capacity of the plants fell by about 40 per cent. As a result of a recovery in the order book, the layoffs were of short duration. The arrangement was cancelled in stages at the Espoo plant, and during the second week of November, after the production shutdown related to investment installations, the plant moved back to the seven day work week. Vantaa changed over to a six day work week and a rotation system, which at the same time ended layoffs from 3 December 2001 onwards. The Allen plant changed over from a seven day work week to a five day work week in July. This arrangement continued unchanged up to the end of the year. Several one-week layoffs concerning the whole personnel were also implemented at the Allen plant.

Information management and communications were developed

The Company enhanced its information management during the year by implementing the DataWarehouse database project. The data warehouse makes it possible to combine and report information from different databases without straining the operative databases.

Okmetic endeavours to serve its owners and investors better than before. The Company opened its revised home pages on the Internet in the summer as one of the means to achieve this objective. It is possible to register on these pages for email distribution of the Company's stock exchange releases. Customer communications were increased by producing new product brochures.



The Company's internal communications also increased and diversified compared with the previous year.

Personnel incentive systems

The incentive systems in force during the year covered all the Group's plants and almost all employee groups. The targets of the blue collar employees' production bonus systems were aimed at production volumes and yield from production processes. The targets for the incentive plan and bonus systems of white collar employees were among others the operating profit of the Group and the Parent Company, the volume of turnover and delivery reliability.

Shares and share capital

The Company's Board of Directors decided on 9 March concerning a directed issue under which JDS Uniphase Corporation subscribed 900,000 shares. As a result of this transaction, the share capital increased by 630,000 euros. In the same connection JDS Uniphase received option rights for 500,000 new shares. The option rights were issued free of charge.

One shareholder utilised its conversion right on 30 June 2001 with regard to a convertible loan. The number of shares involved in the conversion was 6,750.

The Company's A-option right has been quoted on the main list of the Helsinki Exchanges since 3 December 2001.

Significant events subsequent to the end of the financial period

As the order book grew, it was decided to restore the Vantaa plant to a seven day work week at the end of February. Increasing the work force at both the Espoo and Vantaa plants was begun in January.

The proposals of the Board of Directors to the Annual General Meeting to be held on 26 March 2002:

The Board of Directors proposes that the Annual General Meeting shall authorise the Board to decide within one year of the Annual General Meeting to increase the share capital with a new issue and/or decide to take a convertible loan and/or grant option rights so that the new issue or the convertible loan or the option rights shall give the right to subscribe for a maximum of 2,000,000 new shares. Under this authorisation the share capital may be increased by not more than 1,400,000 euros. The proposed authorisation shall include the right to deviate from the shareholders' pre-emptive subscription rights.

The prospects and objectives for the near future

As a result of the experiences of 2001, uncertainty and caution characterise any forecasts concerning the year 2002. The semiconductor industry is speaking of a mirror image of the year 2001 or of a slight growth of a few percentage points. On the other hand, there are also forecasts of clear, even strong, growth for the latter half of the year. It is evident that rapid growth will take place in information technology. However, the recovery of the telecommunications industry will perhaps take longer.

The best indicators for short-term prospects are the order books of companies. Oversized stores are now mostly depleted and products are ordered for actual requirements. There is great uncertainty, however, and the behaviour of customers is followed closely in all stages of the production chain. When growth starts, reaction will be strong and later there will even be the danger of overheating again.

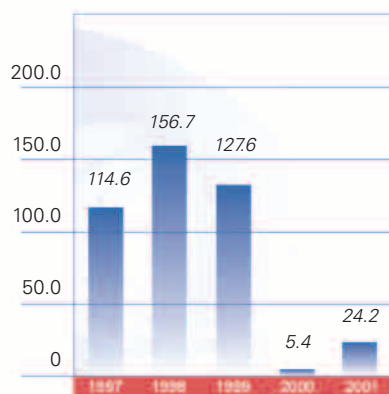
The Okmetic Group's monthly turnover has risen slightly since September 2001. It is typical of the present situation that customers postpone making binding orders to as late a stage as possible. For this reason also Okmetic's order book is rather short, but the situation is improving. It is still difficult to see further than three months.

The Group's objective is strong growth and improved profitability in 2002. With regard to turnover, the objective is to clearly exceed the level achieved in 2000 (68.6 million euros). Strong growth is expected particularly for the second half of the year. This expectation is supported by the readiness for significant increases in production volumes as a result of the investments that have been made. The profitability of the Okmetic Group depends to a great extent on the volume of sales and production. With increases in the capacity utilisation of the plants, the productivity and cost effectiveness of operations will improve. As production volumes increase, it is believed that the Group's profitability will improve right from the beginning of the year and strengthen towards the end of the year.

Income per share, EUR



Net Gearing, %



The Company's Board of Directors

During 2001 the Board of Directors consisted of the following members:

Mikko J. Aro, Chairman
Juho Mäkinen, Vice Chairman
Heikki Huomo
Seppo Isoherranen
Karen W. Markus
Pekka Paasikivi

Seppo Isoherranen was the President of the Company.

The auditors of the Company were SVH Pricewaterhouse Coopers Oy, Authorised Public Accountants, with Markku Marjomaa, APA, as the auditor in charge.

The proposal of the Board of Directors for measures concerning the result

According to the Financial Statements of 31 December 2001, the Group does not have distributable funds. The Parent Company's distributable funds are 5.1 million euros. The loss for the financial period is 414,836.21 euros.

The Board of Directors proposes to the Annual General Meeting that no dividends shall be distributed and that the loss for the financial period shall be entered as a deduction of retained earnings.

Vantaa, 14 February 2002

Mikko J. Aro
Chairman

Juho Mäkinen
Vice Chairman

Heikki Huomo
Board Member

Seppo Isoherranen
Board Member,
President

Karen W. Markus
Board Member

Pekka Paasikivi
Board Member



▶ Left Pekka Paasikivi, Heikki Huomo, Seppo Isoherranen, Mikko J. Aro, Karen W. Markus and Juho Mäkinen

Auditor's Report

To the shareholders of Okmetic Oyj

We have audited the accounting, the financial statements and the corporate governance of Okmetic Oyj for the period 1.1. – 31.12.2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

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

Vantaa, 18 February 2002

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Markku Marjomaa
Authorised Public Accountant

CONSOLIDATED INCOME STATEMENT

EUR 1,000		1Jan–31Dec 2001	1Jan–31Dec 2000
Net sales	(1)	57,304.8	68,560.8
Cost of sales		-49,777.4	-50,562.0
Gross margin		7,527.4	17,998.8
Selling and marketing expenses		-3,068.9	-2,903.8
Administration expenses		-4,943.4	-4,101.4
Other operating income		181.4	4.6
Other operating expenses		-480.2	-125.3
Operating profit/loss	(2,3)	-783.7	10,872.9
Financial income and expenses	(4)	-1,279.5	-3,428.6
Profit before extraordinary items and taxes		-2,063.2	7,444.3
Extraordinary items	(5)	-	-1,803.6
Taxes from extraordinary items		-	523.0
Profit after extraordinary items and taxes		-2,063.2	6,163.7
Income taxes	(7)	454.2	-2,454.6
Net income		-1,609.0	3,709.1

Numbers in brackets refer to the notes on pages 33-41.

CONSOLIDATED BALANCE SHEET

EUR 1,000		31 Dec 2001	31 Dec 2000
ASSETS			
Fixed assets	(8)		
Intangible assets			
Intangible rights		185.0	185.0
Other long-term expenses		1,179.2	1,495.9
Goodwill		56.3	91.6
Goodwill on consolidation		206.2	283.5
		1,626.7	2,056.0
Tangible assets			
Land		2,247.9	2,180.7
Buildings		25,622.0	20,635.0
Machinery and equipment		73,196.7	55,456.3
Construction in process		14,424.6	4,359.5
		115,491.2	82,631.5
Investments			
Other long-term equity investments	(10)	6.3	6.3
		6.3	6.3
Total fixed assets		117,124.2	84,693.8
Current assets			
Inventories			
Raw materials		3,995.2	4,230.4
Work in process		1,344.9	1,629.3
Finished products		3,382.0	2,905.4
		8,722.1	8,765.1
Receivables			
Accounts receivable		6,342.8	11,106.6
Other receivables		1,510.1	2,466.4
Prepaid expenses and prepaid income (11)		4.2	436.7
		7,857.1	14,009.7
Cash and cash equivalents		5,369.2	25,206.8
Total current assets		21,948.4	47,981.6
TOTAL ASSETS		139,072.6	132,675.4

CONSOLIDATED BALANCE SHEET

EUR 1,000		31 Dec 2001	31 Dec 2000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(12)		
Share capital		11,821.3	11,186.5
Premium fund		71,055.8	62,651.5
Retained earnings		6,539.8	2,081.0
Net income for the year		-1,609.0	3,709.1
		87,807.9	79,628.1
Subordinated loans	(13)	6,576.4	7,656.6
Total shareholders' equity		94,384.3	87,284.7
Minority interest		7,232.1	7,232.1
Liabilities			
Deferred tax liability	(15)	1,617.9	2,072.1
Long-term liabilities	(17)		
Loans from financial institutions		16,309.0	16,869.6
Other liabilities		550.4	733.9
		16,859.4	17,603.5
Short-term liabilities			
Loans from financial institutions		4,774.9	4,434.5
Advances received		10.2	6.1
Accounts payable		9,117.5	6,824.6
Other liabilities		948.3	2,753.0
Accrued expenses and prepaid income (18)		4,128.0	4,464.8
		18,978.9	18,483.0
Total liabilities		37,456.2	38,158.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		139,072.6	132,675.4

CONSOLIDATED STATEMENT OF CASH FLOW

EUR 1,000	1Jan–31Dec 2001	1Jan–31Dec 2000
Operating activities		
Operating profit	-783.8	10,872.9
Adjustments to operating profit		
Depreciation	9,757.8	8,499.5
Other adjustments	-9.5	198.0
Change in net working capital	7,424.6	-5,006.6
Interest received	810.4	1,142.8
Interest paid	-1,374.3	-3,582.2
Other financial items	-438.0	-202.6
Extraordinary items	-	-1,803.6
Cash provided by operating activities	15,387.2	10,118.2
Investing activities		
Capital expenditure	-43,748.3	-16,059.2
Cash used in investing activities	2.4	-198.0
Cash provided by investing activities	-43,745.9	-16,257.2
Financing activities		
Paid in share capital and funds from convertible loan	9,039.1	47,851.4
Increase (+), decrease (-) in long-term loans	-403.6	-20,267.9
Increase (+), decrease (-) in subordinated loans	-1,080.2	-210.2
Increase (+), decrease (-) in short-term loans	-	161.2
Other financial activities	965.8	-991.0
Cash provided by financing activities	8,521.1	26,543.5
Increase (+), decrease (-) in cash and cash equivalents	-19,837.6	20,404.5
Cash and cash equivalents on 1 January	25,206.8	4,802.3
Cash and cash equivalents on 31 December	5,369.2	25,206.8

PARENT COMPANY'S INCOME STATEMENT

EUR		1Jan–31Dec 2001	1Jan–31Dec 2000
Net sales	(1)	55,423,682.45	67,130,825.51
Cost of sales		-45,412,914.61	-47,632,226.12
Gross margin		10,010,767.84	19,498,599.39
Selling and marketing expenses		-3,018,479.82	-2,842,539.94
Administration expenses		-4,203,924.76	-3,518,786.88
Other operating income		181,425.33	4,652.06
Other operating expenses		-173,263.86	-65,341.31
Operating profit/loss	(2,3)	2,796,524.73	13,076,583.32
Financial income and expenses	(4)	-902,665.65	-2,475,031.97
Profit before extraordinary items and taxes		1,893,859.08	10,601,551.35
Extraordinary items	(5)	-	-1,803,558.55
Profit after extraordinary items and taxes		1,893,859.08	8,797,992.80
Increase (-)/decrease (+) in untaxed reserves			
Depreciation difference	(6)	-2,308,695.29	-6,398,274.41
Net income		-414,836.21	2,399,718.39

PARENT COMPANY'S BALANCE SHEET

EUR		31 Dec 2001	31 Dec 2000
ASSETS			
Fixed assets	(8)		
Intangible assets			
Intangible rights		77,255.31	77,255.31
Other long-term expenses		726,132.80	881,754.46
		803,388.11	959,009.77
Tangible assets			
Land		977,081.45	977,081.45
Buildings		9,113,380.81	4,893,059.37
Machinery and equipment		61,248,309.24	47,382,673.96
Construction in process		12,000,588.09	2,833,856.21
		83,339,359.59	56,086,670.99
Investments			
Shares in subsidiaries	(9)	20,342,833.06	13,771,811.27
Other long-term equity investments	(10)	6,281.82	6,281.82
		20,349,114.88	13,778,093.09
Total fixed assets		104,491,862.58	70,823,773.85
Current assets			
Inventories			
Raw materials		3,448,099.44	3,582,575.26
Work in process		1,344,879.14	1,629,329.53
Finished products		3,147,561.86	2,738,903.65
		7,940,540.44	7,950,808.44
Receivables			
Accounts receivable		5,410,781.69	9,881,080.10
Other receivables		8,757,981.61	7,345,783.90
Prepaid expenses and prepaid income	(11)	4,219.00	432,056.97
		14,172,982.30	17,658,920.97
Cash and cash equivalents		5,073,602.97	24,832,750.04
Total current assets		27,187,125.71	50,442,479.45
TOTAL ASSETS		131,678,988.29	121,266,253.30

PARENT COMPANY'S BALANCE SHEET

EUR		31 Dec 2001	31 Dec 2000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(12)		
Share capital		11,821,250.00	11,186,525.00
Premium fund		71,055,849.80	62,651,495.00
Retained earnings		5,528,998.07	3,129,279.68
Net income for the year		-414,836.21	2,399,718.39
		87,991,261.66	79,367,018.07
Subordinated loans	(13)	6,576,421.56	7,656,586.60
Total shareholders' equity		94,567,683.22	87,023,604.67
Untaxed reserves			
Depreciation difference	(6)	8,706,969.70	6,398,274.41
Liabilities			
Long-term liabilities	(17)		
Loans from financial institutions		10,961,134.40	11,151,219.56
Short-term liabilities			
Loans from financial institutions		3,279,423.97	3,088,974.78
Advances received		10,176.32	6,094.07
Accounts payable		7,850,169.11	4,861,933.65
Other liabilities		2,386,682.01	4,359,238.44
Accrued expenses and prepaid income (18)		3,916,749.56	4,376,913.72
		17,443,200.97	16,693,154.66
Total liabilities		28,404,335.37	27,844,374.22
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		131,678,988.29	121,266,253.30

PARENT COMPANY'S CASH FLOW

EUR 1,000	1Jan-31Dec 2001	1Jan-31Dec 2000
Operating activities		
Operating profit	2,796.5	13,076.6
Adjustments to operating profit		
Depreciation	7,607.8	6,933.5
Other adjustments	-9.5	60.7
Change in net working capital	3,018.1	-5,178.0
Interest received	647.2	1,653.7
Interest paid	-901.4	-3,139.4
Other financial items	-724.0	-202.6
Extraordinary items	-	-1,803.6
Cash provided by operating activities	12,434.7	11,400.9
Investing activities		
Capital expenditure	-40,371.6	-19,270.8
Cash used in investing activities	2.4	-60.7
Cash provided by investing activities	-40,369.2	-19,331.5
Financing activities		
Paid in share capital and funds from convertible loan	9,039.1	47,851.4
Increase (+), decrease (-) in long-term loans	0.4	-18,738.9
Increase (+), decrease (-) in subordinated loans	-1,080.2	-210.2
Increase (+), decrease (-) in short-term loans	0.0	161.2
Other financial activities	216.0	-786.7
Cash provided by financing activities	8,175.3	28,276.8
Increase (+), decrease (-) in cash and cash equivalents	-19,759.2	20,346.2
Cash and cash equivalents on 1 January	24,832.8	4,486.6
Cash and cash equivalents on 31 December	5,073.6	24,832.8

Notes to the Financial Statements

ACCOUNTING PRINCIPLES

The Consolidated Financial Statements

The Consolidated Financial Statements cover all the Group companies, i.e. the Parent Company, Okmetic AB, Okmetic Inc., Okmetic Invest Oy and Kiinteistö Oy Piitalot.

The Consolidated Financial Statements have been drawn up as a combination of the Parent Company's and subsidiaries' income statements, balance sheets and notes. Prior to the consolidation of the Consolidated Financial Statements, the Group companies' separate financial statements were adjusted to comply with the Group's uniform accounting principles.

The Group companies' internal income and expenses and inter-company receivables and liabilities are eliminated in the consolidation.

Intercompany ownership has been eliminated by means of the acquisition method. The elimination difference between the acquisition of the subsidiaries' shares and the shareholders' equities at the time when the subsidiary was acquired has been allocated primarily to those assets and liabilities in the Consolidated Balance Sheet that caused the elimination difference.

The conversion differences due to changes in exchange rates which emerged in the elimination of intercompany share ownership have been entered under shareholders' equity.

The minority interests in the results and shareholders' equity are shown as separate items in the Income Statement and the Balance Sheet.

Items and derivative instruments denominated in foreign currency

Business transactions denominated in foreign currency are valued at the current rate on the date of the transaction. At closing the receivables and debts denominated in foreign currency have been translated into euros at the average rate quoted by the European Central Bank on the closing day. Advances received are entered in the Balance Sheet at the rate on the date of payment.

From the beginning of 2000, Okmetic changed bookkeeping practice so that now the exchange rate differences of business receivables and debts and the related hedging are offset against sales and purchases in the profit and loss account.

The exchange rate profits and losses from the translation of receivables and debts and financing activities have been entered in the Income Statement in the category of financial income and expenses. The derivative contracts made for hedging against exchange rate risks are entered as affecting income so that interest is periodised as interest income or interest expenses and the exchange rate differences are entered against the hedged item when the contracts mature either as exchange rate differences in sales or purchases.

The foreign subsidiaries' income statements have been translated into euros at the average rate for the financial period and their balance sheets at the rate valid on the closing day.

Fixed assets

The balance sheet values of fixed assets are based on the original acquisition costs.

Rental expenditure on operational lease agreements is entered as rental costs, and the assets are not entered as fixed assets. The liability for these is stated in the notes.

The planned depreciation of fixed assets is based on the original acquisition cost and estimated economic life of the assets. The depreciation is calculated by means of straight-line depreciation. The estimated economic lives for the different assets are

• Intangible rights	5 years
• Goodwill and the goodwill on consolidation	5 years
• Other long-term expenses	3–10 years
• Buildings and structures	25 years
• Machinery and equipment	3–15 years

Depreciation of office premises and goodwill on consolidation are included in the costs arising from acquisition and manufacturing. The method of presenting depreciation was amended in 2001. The information for the previous year is presented with the amended method for comparison.

Stock

Stock is valued using the FIFO principle and at the lower of cost or market.

The cost of stock only includes the variable costs arising from acquisition and manufacturing.

Cash and cash equivalents

Cash and cash equivalents includes cash, bank accounts and deposits of less than three months.

Net sales

The net sales include revenue from goods sold less sales related taxes and discounts.

Research and product development costs

Research and development expenses are expensed as incurred. The method of presenting costs was amended in 2001 and the costs are included in the Income Statement as costs arising from acquisition and manufacturing. The information for the previous year is presented with the amended method for comparison.

Other operating income and expenses

Other operating income and expenses include income and expenses generated outside normal business activities, such as capital gains and losses on fixed assets, as well as scrapping and credit losses.

Contingent losses

Provisions are made for any contingent losses the future realisation of which is known with reasonable certainty and of which the amount can be reasonably estimated. The provisions are presented in the Balance Sheet as long-term or short-term liabilities according to their nature.

Pension arrangements

The pension coverage for the Group's Finnish personnel has been provided by pension insurance. The pension arrangements of the foreign subsidiaries have been arranged according to local practice. The pension liability has also been arranged for those companies.

Extraordinary items

Extraordinary items include significant transactions outside the scope of the Group's core business activities.

Untaxed reserves

In the Consolidated Balance Sheet the untaxed reserves (depreciation difference) of the Group companies have been divided into the shareholders' equity and the deferred tax liability. Correspondingly, the change in the untaxed reserves that occurred during the period has been divided in the Consolidated Income Statement between the net income for the period and the change in the deferred tax liability.

Under the Companies Act, the untaxed reserves included in the Group's shareholders' equity do not constitute distributable shareholders' equity.

Income Taxes

The estimated taxes related to the results of the Group companies for the financial period and adjustments to taxes for earlier periods have been entered in the Income Statement as income taxes. The deferred tax liability is shown in the Consolidated Income Statement.

Deferred tax liability

The deferred tax liability or receivable has been calculated for the timing differences between the taxation and the financial statements using the tax rates for the following years confirmed at the closing of the accounts. The Consolidated Balance Sheet includes the deferred tax liability in its entirety. The deferred tax receivable, other than for the subsidiary's loss, is presented in the notes as the amount of the estimated probable tax benefit. The probable tax benefit from the subsidiary's loss has been taken into consideration in the Group's results.

	Group		Parent Company	
	2001	2000	2001	2000
	EUR 1,000	EUR 1,000	EUR	EUR
1. Net sales by market area				
Market area				
Europe	20,527.2	21,615.1	19,958,916.19	21,551,293.39
North America	31,087.1	38,020.8	29,836,146.48	36,654,629.57
Far East	5,690.5	8,924.9	5,628,619.78	8,924,902.55
Total	57,304.8	68,560.8	55,423,682.45	67,130,825.51
2. Personnel Expenses				
Wages and salaries	16,395.0	15,930.5	14,298,514.08	14,209,897.00
Pension costs	2,163.7	1,994.8	2,118,606.15	1,942,265.95
Other personnel costs	2,182.0	1,499.1	1,564,695.15	1,152,018.98
Total	20,740.7	19,424.4	17,981,815.38	17,304,181.93
Remuneration of the Board	61.7		61,718.26	
<p>Accrual-based salaries include not only salaries paid for time at work but also salaries paid for holiday time, days off, sick leave, holiday pay and fees for years of service etc.</p> <p>Separate remuneration is not paid to the President or the Management Group for membership on the Boards of Subsidiary Companies or for acting as President. The salaries and fees paid to the Board members and President during the year 2000 consist of payments relating institutionally to one individual person, so these are not presented separately.</p> <p>Okmetic Oyj's President is entitled to retire at the age of 62.</p>				
Number of personnel				
White collar employees	203	166	169	142
Blue collar employees	347	350	329	333
Average	550	516	498	475
31 December	510	534	461	484
3. Depreciation				
Depreciation according to plan				
Goodwill	39.7	10.7		
Goodwill on consolidation	77.3	77.3		
Other long-term expenses	457.9	393.8	276,679.58	294,298.97
Buildings	1,139.0	1,086.8	327,215.34	298,822.17
Machinery and equipment	8,043.9	6,930.9	7,003,888.52	6,340,419.47
Total	9,757.8	8,499.5	7,607,783.44	6,933,540.61
Depreciation by functions				
Cost of sales	9,575.1	8,312.8	7,527,787.49	6,838,103.45
Selling and marketing	1.9	2.3	1,919.40	2,255.92
Administration	180.8	184.4	78,076.55	93,181.24
Research and development	284.9	284.9	117,946.12	273,623.75
	9,757.8	8,499.5	7,607,783.44	6,933,540.61

	Group		Parent Company	
	2001	2000	2001	2000
	EUR 1,000	EUR 1,000	EUR	EUR
4. Financial income and expenses				
Interest from short-term investments				
From Group companies			520,859.22	532,363.31
From others	836.0	1,142.9	802,182.47	1,121,282.80
	836.0	1,142.9	1,323,041.69	1,653,646.11
Interest expenses				
To Group companies			-97,614.68	-76,666.21
To others	-2,132.4	-3,582.2	-1,670,713.45	-3,062,705.14
	-2,132.4	-3,582.2	-1,768,328.13	-3,139,371.35
Other financial income and expenses				
Group companies *)			-451,554.63	-
Others	16.9	-989.3	-5,824.58	-989,306.73
	16.9	-989.3	-457,379.21	-989,306.73
Total	-1,279.5	-3,428.6	-902,665.65	-2,475,031.97
*) In 2001 Okmetic Oyj forgave Okmetic AB's debt of 4,2 MSEK in order to cover subsidiary's loss for the year.				
5. Extraordinary items				
Expenses relating to the listing of the Parent Company	-	1,803.6	-	1,803,558.55
6. Changes in untaxed reserves				
Change in deferred tax liability				
Buildings			257,972.92	254,681.63
Machinery and equipment			2,029,190.36	6,085,217.93
Intangible assets			21,532.01	58,374.85
Total			2,308,695.29	6,398,274.41
Accumulated depreciation difference				
Buildings			512,654.55	254,681.63
Machinery and equipment			8,114,408.29	6,085,217.93
Intangible assets			79,906.86	58,374.85
Total			8,706,969.70	6,398,274.41
7. Income taxes				
Deferred taxes from extraordinary items	-	523.0		
Deferred tax from subsidiary's loss	1,243.0	-		
Change in deferred tax liability	-788.8	-2,454.6		
Taxes for the period	454.2	-1,931.6		
8. Fixed assets				
See the following page				
9. Subsidiaries on 31 December 2001				
Name of company or corporation		Registered office	Ownership share Parent and Group	
Okmetic AB		Ekerö, Sweden	100	
Okmetic Inc.		Dallas, USA	100	
Okmetic Invest Oy		Vantaa	100	
Kiinteistö Oy Piitalot		Vantaa	14	

8. FIXED ASSETS

Group	Acquisition cost on 1 January 2001	Translation differences	Additions	Disposals
EUR 1,000				
Intangible assets				
Intangible rights	185.0	-	-	-
Goodwill	107.5	4.3	-	-
Goodwill on consolidation	386.7	-0.1	-	-
Other long-term expenses	4,084.7	20.0	121.1	-
	4,763.9	24.2	121.1	-
Tangible assets				
Land	2,180.7	67.2	-	-
Buildings	25,683.2	176.3	1,232.8	-
Machinery and equipment *)	89,640.5	365.1	14,323.5	333.3
Construction in progress	4,359.5	85.1	25,809.0	-
	121,863.9	693.7	41,365.3	333.3
Investments				
Other long-term equity investments	6.3	-	-	-
	6.3	-	-	-
Total	126,634.1	717.9	41,486.4	333.3

*) Balance sheet value of production machinery and equipment

Parent company	Acquisition cost on 1 January 2001	Translation differences	Additions	Disposals
EUR				
Intangible assets				
Intangible rights	77,255.31	-	-	-
Other long-term expenses	3,299,513.33	-	121,057.93	-
	3,376,768.64	-	121,057.93	-
Tangible assets				
Land	977,081.45	-	-	-
Buildings	7,727,217.18	-	-	-
Machinery and equipment *)	80,529,497.28	-	11,597,939.39	333,264.63
Construction in progress	2,833,856.21	-	23,002,348.69	-
	92,067,652.12	-	34,600,288.08	333,264.63
Investments				
Shares in subsidiaries	13,771,811.27	-	6,571,021.79	-
Other long-term equity investments	6,281.82	-	-	-
	13,778,093.09	-	6,571,021.79	-
Total	109,222,513.85	-	41,292,367.80	333,264.63

*) Balance sheet value of production machinery and equipment

Transfers between items	Accumulated depreciation on 1 Jan 2001	Accumulated depreciation of transfers and disposals	Depreciation for period ended on 31 Dec 2001	Balance sheet value on 31 Dec 2001
-	-	-	-	185.0
-	15.8	-	39.7	56.3
-	103.1	-	77.3	206.2
-	2,588.7	-	457.9	1,179.2
-	2,707.6	-	574.9	1,626.7
-	-	-	-	2,247.9
4,716.9	5,048.2	-	1,139.0	25,622.0
11,112.1	34,184.1	316.8	8,043.9	73,196.7
-15,829.0	-	-	-	14,424.6
-	39,232.3	316.8	9,182.9	115,491.2
-	-	-	-	6.3
-	-	-	-	6.3
-	41,939.9	316.8	9,757.8	117,124.2

71,000.8

Transfers between items	Accumulated depreciation on 1 Jan 2001	Accumulated depreciation of transfers and disposals	Depreciation for period ended on 31 Dec 2001	Balance sheet value on 31 Dec 2001
-	-	-	-	77,255.31
-	2,417,758.88	-	276,679.58	726,132.80
-	2,417,758.88	-	276,679.58	803,388.11
-	-	-	-	977,081.45
4,547,536.79	2,834,157.82	-	327,215.34	9,113,380.81
9,288,080.02	33,146,823.33	316,769.03	7,003,888.52	61,248,309.24
-13,835,616.81	-	-	-	12,000,588.09
-	35,980,981.15	316,769.03	7,331,103.86	83,339,359.59
-	-	-	-	20,342,833.06
-	-	-	-	6,281.82
-	-	-	-	20,349,114.88
-	38,398,740.03	316,769.03	7,607,783.44	104,491,862.58

59,410 859.96

	Group		Parent Company	
	2001	2000	2001	2000
	EUR 1,000	EUR 1,000	EUR	EUR
10. Other long-term equity investments				
Book value of shares in other companies owned by the Group is 6,281.82 euros and market value 18,373.50 euros				
11. Prepaid expenses and accrued income				
Essential items included in prepaid expenses and accrued income				
Pension accruals	4.2	432.0	4,219.00	432,056.97
Other	-	4.7	-	-
Total	4.2	436.7	4,219.00	432,056.97
12. Shareholders' equity				
Share capital				
1 January	11,186.5	6,146.1	11,186,525.00	6,146,091.39
Bonus issue	-	248.9	-	248,933.61
Share issue	630.0	4,791.5	630,000.00	4,791,500.00
Conversion of convertible bond into shares	4.7	-	4,725.00	-
31 December	11,821.2	11,186.5	11,821,250.00	11,186,525.00
Premium fund				
1 January	62,651.5	19,840.5	62,651,495.00	19,840,488.60
Bonus issue	-	-248.9	-	-248,933.61
Premium from new issues	8,404.4	43,059.9	8,404,354.80	43,059,940.01
31 December	71,055.9	62,651.5	71,055,849.80	62,651,495.00
Retained earnings				
1 January	2,081.0	4,598.4	3,129,279.68	4,629,500.39
Translation difference	749.7	-204.6	-	-
Net income from previous period	3,709.1	-2,312.8	2,399,718.39	-1,500,220.71
31 December	6,539.8	2,081.0	5,528,998.07	3,129,279.68
Net income for the period	-1,609.0	3,709.1	-414,836.21	2,399,718.39
Subordinated loans				
1 January	7,656.6	7,866.8	7,656,586.60	7,866,821.50
Increase	10.1	0.0	10,089.31	0.00
Decrease	-1,090.3	-210.2	-1,090,254.35	-210,234.90
31 December	6,576.4	7,656.6	6,576,421.56	7,656,586.60
Total shareholders' equity on 31 December	94,384.3	87,284.7	94,567,683.22	87,023,604.67
13. Subordinated loans				
Due date 31 December 2003, interest 7,0%				
The Finnish National Fund for Research and Development SITRA	79.7	69.6	79,719.11	69,629.80
Due date 31 December 2003, interest 7,0%				
The Finnish National Fund for Research and Development SITRA	138.7	138.7	138,737.38	138,737.38
Loan period 1996–2006 *)				
Conventum Securities Limited, Helsinki	101.4	101.4	101,424.05	101,424.05
Tapiola Mutual Pension Insurance Company	33.3	33.3	33,334.85	33,334.85
Tapiola Mutual Insurance Company	33.3	33.3	33,334.85	33,334.85

	Group		Parent Company	
	2001 EUR 1,000	2000 EUR 1,000	2001 EUR	2000 EUR
Nordea Capital Oy	504.3	504.3	504,281.22	504,281.22
Insurance Company Sampo Life	672.4	672.4	672,374.96	672,374.96
Oras Oy	1,008.6	1,008.6	1,008,562.45	1,008,562.45
The Finnish National Fund for Research and Development SITRA	404.3	404.3	404,276.68	404,276.68
Finnish Industrial Investment Ltd	605.7	605.7	605,705.27	605,705.27
Total	3,363.3	3,363.3	3,363,294.33	3,363,294.33
Loan period 1997–2006, interest 9,5% **) Finnvera Oyj	-	1,051.2	-	1,051,174.55
Loan period 1999–2009, interest 6,0% ***) Conventum Securities Limited, Helsinki	-	39.1	-	39,079.80
Nordea Capital Oy	196.9	196.9	196,846.41	196,846.41
Insurance Company Sampo Life	338.7	338.7	338,691.61	338,691.61
Oras Oy	392.2	392.2	392,245.42	392,245.42
Outokumpu Oyj	1,660.2	1,660.2	1,660,167.88	1,660,167.88
The Finnish National Fund for Research and Development SITRA	144.7	144.7	144,740.01	144,740.01
PCA Corporate Finance Oy	262.0	262.0	261,979.41	261,979.41
Total	2,994.7	3,033.8	2,994,670.74	3,033,750.54
Total	6,576.4	7,656.6	6,576,421.56	7,656,586.60

Principle terms of loans

The capital, interest and other remuneration must, upon the dissolution of the company or in the bankruptcy of the company, be paid subordinated to all other debts.

The capital may otherwise be refunded only if the restricted shareholders' equity and the other non-distributable items according to the Balance Sheet to be adopted for the company or, if the company is a parent company, for the group, for the financial period last ended are fully covered thereafter.

Interest or other remuneration may be paid only if the amount payable may be used For the distribution of profit in accordance with the Balance Sheet to be adopted for the company, or if the company is a parent company, for the group, for the financial period last ended. If interest cannot be paid according to agreement, it will be cumulated. There is no interest not Entered as expense at the time of the closing of the accounts.

*) The loan will be converted by 31 March 2000 into restricted shareholders' equity or, in special circumstances, Refunded in three equal instalments annually starting on 31 December 2003. The interest on the Loan until 1 April 2000 will be 2% and subsequently 8%. Following payment of an instalment on the loan, the Group's equity-to-assets ratio must be a minimum of 40%. The loan was not converted into shares by 31 March 2000.

**) The holder of a convertible bond was entitled to convert this debt into shares of the company Between 1 February 1997 and 30 December 2007. The exchange ratio of the shares was 1:8,44. I.i.e. EUR 0.7 would have been paid for each share with an accounting par value of EUR 5.68 (not exact). The company's share capital could have increased by exchanging these bonds by a maximum of EUR 155,508.50 and the number of shares by a maximum of 222.155. The loan was Converted on 16 June 2001 into an ordinary loan without conversion right.

***) Each bond with a par value of FIM 8,605.85 (EUR 1,447.40) entitles its holder to obtain in exchange for the bond one share with an accounting par value of EUR 0.7. The exchange Ratio is 1:8.60586. The number of company's shares can increase as a consequence of Subscriptions of all loans taken out at the same time by a maximum of 524,000. The share subscription can occur 30 June 2001–30 November 2001, 8 April 2002–29 November 2002, 8 April 2003–28 November 2003, 8 April 2004–30 November 2004, 8 April 2005–30 November 2005, 8 April 2006–30 June 2006. The company's share capital can increase in this bond exchange by a maximum of Eur 366,800.00. On 30 June 2001 the number of shares involved in the conversion of bonds was 6,750. If the remaining loan will be is converted in full, 517, 250 new shares will be issued and the share capital of the company will be increased by EUR 362,075.

	Group		Parent Company	
	2001	2000	2001	2000
	EUR 1,000	EUR 1,000	EUR	
14. Retained earnings				
Accumulated profit	6,539.8	2,081.0	5,528,998.07	3,129,279.68
Net income for the period	-1,609.0	3,709.1	-414,836.21	2,399,718.39
Capitalisation of foundation expenses of subsidiary	-420.2	-690.5		
Equity share of untaxed reserves	-7,004.3	-5,073.1		
Total	-2,493.7	26.5	5,114,161.86	5,528,998.07
15. Deferred tax liability				
Total deferred tax liability on 1 January	2,072.1	140.5		
Change during period presented in income statement	788.8	1,931.6		
Deferred tax income from subsidiary's loss	-1,243.0	-		
Deferred tax liability presented in the balance sheet on 31 December				
Deferred tax liability from untaxed reserves	2,860.9	2,072.1		
Deferred tax income from subsidiary's loss	-1,243.0	-		
Total	1,617.9	2,072.1		
16. Deferred tax receivable				
Total deferred tax receivable presentable in the balance sheet on 1 January	77.7	38.5	39,224.86	-
Change during period presentable on the income statement	118.9	39.2	118,571.32	39,224.86
Deferred tax receivable presentable in the balance sheet on 31 December	196.6	77.7	157,796.18	39,224.86
17. Liabilities				
Loans falling due in five or more years' time:				
Loans from financial institutions	225.0	344.8	-	344,785.25
Total	225.0	344.8	-	344,785.25
18. Accrued expenses				
Essential items included in accrued expenses				
Holiday pay costs and related social expenses	2,503.5	2,316.1	2,457,823.91	2,299,441.76
Unpaid wages and related social expenses	354.1	840.8	328,498.87	836,961.03
Accrued interests	922.0	968.8	866,946.30	901,421.63
Other	348.4	339.1	263,480.48	339,089.30
Total	4,128.0	4,464.8	3,916,749.56	4,376,913.72
19. Receivables and liabilities from Group companies				
Accounts receivable			0.00	22,374.96
Other receivables			7,464,439.30	5,134,969.67
Total			7,464,439.30	5,157,344.63
Other liabilities			1,741,753.87	2,047,454.09

	Group		Parent Company	
	2001	2000	2001	2000
	EUR 1,000	EUR 1,000	EUR	
20. Pledges, contingent liabilities and other commitments				
Pledges given on 31 December				
Own liabilities secured by mortgages				
Capital of loans from financial institutions	11,141.4	9,865.0	3,564,147.71	1,883,704.77
Mortgages given to financial institutions	16,314.2	14,296.0	6,222,953.01	4,204,698.17
Own liabilities secured by floating charges				
Capital of loans from financial institutions	7,745.1	8,241.2	7,745,054.16	8,241,208.39
Floating charges given to financial institutions	29,432.9	30,105.6	29,432,887.13	30,105,638.83
Total pledges given on 31 December	45,747.1	44,401.6	35,655,840.14	34,310,337.00
Commitments relating to current rental and leasing agreements on 31 December				
To be paid in the following year	1,167.2	699.0	909,128.78	425,230.41
To be paid subsequently	3,352.2	2,215.0	1,815,028.59	515,668.34
Total	4,519.4	2,914.0	2,724,157.37	940,898.75
The leasing agreements are mainly five-year agreements with no redemption clauses.				
Derivative contracts/currency forward agreements				
Contract value	20,123.4	20,526.3	20,123,429.24	20,526,269.22
Fair value 31 December	20,424.4	19,344.4	20,424,373.09	19,344,438.47

The company has hedged its net incoming cash flow in dollars with derivative contracts. The derivative contracts have been extended up to the end of June 2003.

KEY FIGURES SHOWING FINANCIAL PERFORMANCE ¹⁾

EUR 1,000 financial period 1 Jan–31 Dec	2001	2000	1999	1998	1997
Net sales	57,305	68,561	45,844	34,489	30,269
Net sales, change %	-16.4	49.6	32.9	13.9	20.9
Export and foreign operations share of net sales, %	96.3	96.8	94.7	96.4	95.3
Operating profit/loss	-784	10,873	1,217	-2,823	1,959
% of net sales	-1.4	15.9	2.7	-8.2	6.5
Profit/loss before extraordinary items	-2,063	7,444	-2,253	-4,958	609
% of net sales	-3.6	10.9	-4.9	-14.4	2.0
Profit/loss after extraordinary items	-2,063	6,164	-2,253	-4,958	609
% of net sales	-3.6	9.0	-4.9	-14.4	2.0
Return on equity (ROE), %	-1.8	8.2	-7.1	-11.3	1.0
Return on investment (ROI), %	-3.6	10.7	1.6	-3.5	4.0
Non-interest bearing net debt	15,638	15,875	11,567	5,192	13,345
Net debt to net equity (Net Gearing), %	24.2	5.4	127.6	156.7	114.6
Equity ratio, %	68.3	65.5	36.5	35.4	35.9
Capital expenditure	43,748	16,059	15,894	6,172	50,160
% of net sales	76.3	23.4	34.7	17.9	165.7
Depreciation	9,758	8,500	7,160	6,577	2,815
Research and development expenditure ²⁾	3,627	2,702	2,103	1,289	2,140
% of net sales	6.3	3.9	4.6	3.7	7.1
Average personnel	550	516	430	398	290
Personnel at the end of the period	510	534	444	376	350

KEY FIGURES OF THE GROUP PER SHARE

EUR, financial period 1 Jan–31 Dec	2001	2000	1999	1998	1997
Income per share undiluted	-0.10	0.40	-0.30	-0.55	0.05
Shareholders' equity per share	5.20	4.98	3.09	3.47	4.04
Dividend per share	0.00	0.00	0.00	0.00	0.00
Dividend per earnings, %	-	-	-	-	-
Price per earnings	-49.9	13.2			
Development of share price					
Average trading price	5.43	6.63			
Lowest trading price	2.80	4.82			
Highest trading price	7.38	8.20			
Trading price at the end of the period	4.80	5.16			
Market capitalization at the end of the period, 1,000 euros	81,060	82,461			
Development in trading volume					
Trading volume, transactions	5,480,099	3,486,339			
In relation to weighted average number of shares, %	32.8	27.7			
Trading volume, euros	29,756,672	23,097,345			
Adjusted average number of shares during the period ³⁾	16,718,947	12,580,476	7,613,250	6,388,547	6,388,547
Adjusted number of shares at the end of the period ³⁾	16,887,500	15,980,750	9,135,750	6,388,547	6,388,547
Adjusted average number of shares during the period including the dilution due to the convertible loans and options	16,741,199	13,356,274	8,064,039		
Adjusted average number of shares at the end of the period including the dilution due to the convertible loans and options	16,909,752	16,738,716	9,918,932		

INFORMATION ON PARENT COMPANY'S OPTIONS ⁴⁾

	2001
Option rights - A-option	
Development of share price, eur (3–31 Dec)	
Average trading price	1.32
Lowest trading price	1.20
Highest trading price	1.55
Trading price at the end of the period	1.55
Trading volume, transactions	2,3

- 1) Financial statements of the Group and Parent Company on pages 25-41.
- 2) Research and development expenditure has been presented in gross figures and only long-term projects based on research program have been taken into account.
- 3) Per share figures have been adjusted in accordance with the guidelines issued by the Finnish Accounting Board (KILA) no 390/1999 and have been adjusted to correspond to the current number of shares in the Company. As the Company does not have a market price for 1997-1999, the adjusted average number of shares after the issue of shares has been calculated by using the shareholders' equity per share at the end of the quarter closest to the share issue as the price of an old share and the subscription price as the price of a new share.
- 4) The Company's A-option right has been quoted on the main list of the Helsinki Exchanges since 3 December 2001.

CALCULATION OF KEY FIGURES

Return on equity (ROE), %	= $\frac{\text{Profit before extraordinary items - taxes} \times 100}{\text{Shareholders' equity} - \text{subordinated loans} + \text{minority interest (average for the year)}}$
Return on investment (ROI), %	= $\frac{\text{Profit before extraordinary items} + \text{interest and other financial expenses} \times 100}{\text{Total assets} - \text{non-interest bearing debt (average for the year)}}$
Equity ratio, %	= $\frac{\text{Shareholders' equity} - \text{subordinated loans} + \text{minority interest} \times 100}{\text{Total assets} - \text{advances received}}$
Net debt to equity (Net Gearing), %	= $\frac{\text{Interest-bearing debt} - \text{cash and cash equivalence} \times 100}{\text{Shareholders' equity} - \text{subordinated loans} + \text{minority interest}}$
Earnings per share	= $\frac{\text{Profit before extraordinary items - taxes} +/- \text{minority interest}}{\text{Adjusted average number of shares}}$
Shareholders' equity per share	= $\frac{\text{Shareholders' equity} - \text{subordinated loans}}{\text{Adjusted average number of shares at the end of the period}}$
Price/earnings ratio (P/E)	= $\frac{\text{Adjusted trading price at the end of period}}{\text{Income per share}}$

The Shares and Shareholders of Okmetic Oyj

Shares and share capital

Okmetic Oyj has issued altogether 16,887,500 shares. The equivalent book value of each share is 0.7 euros. According to the Articles of Association, Okmetic Oyj's minimum share capital is 6,000,000 euros and the maximum share capital is 24,000,000 euros, within which limits the share capital may be increased or decreased without amending the Articles of Association. The Company's registered share capital is 11,821,250 euros. Each share gives one vote in the General Meeting. The Company has one class of shares. The ownership of the Company's shares is registered in the Finnish book-entry securities system.

Quotation of the shares

Okmetic Oyj's shares have been quoted on the main list of the Helsinki Exchanges since 3 July 2000 under the trading code OKM.

The authorisation of the Board of Directors for increasing the share capital

The Extraordinary General Meeting of Shareholders held on 23 May 2000 authorised the Board of Directors to increase the Company's share capital by a new issue or by issuing options or convertible bonds within one year of the General Meeting so that the new issue or the convertible bonds or the option rights shall give the right to subscribe for a maximum of 1,827,150 new shares. Under this authorisation, it was possible to increase the share capital by a maximum of 1,279,005 euros. The authorisation included the right to deviate from the shareholders' pre-emptive subscription rights.

In its meeting held on 12 February 2001 the Company's Board of Directors decided to propose to the Annual General Meeting of Shareholders convened on 27 March 2001 that the Annual General Meeting shall rescind the said authorisation granted on 23 May 2000 to the extent it has not been utilised by the date of the Annual General Meeting.

In its meeting held on 9 March 2001, the Board of Directors decided on a directed issue of shares in accordance with the above authorisation. JDS Uniphase Corporation, a company established and operating under the laws of the State of Delaware in the United States, subscribed under a new issue on the same day, in deviation from the shareholders' pre-emptive subscription rights, 900,000 new shares with an equivalent book value of 0.7 euros per share. The company's share of ownership in Okmetic then amounted to 5.3 per cent. The subscription price for the shares on commercial terms was 10.00 euros per share. As a result of this transaction, the Company's share capital increased by 630,000 euros. The shares

became the object of trading together with the old shares on the Stock Exchange on 12 March 2001.

In its meeting held on 9 March 2001 the Board of Directors also decided under the authorisation to grant option rights to JDS Uniphase Corporation. A total of 500,000 option rights were given and these entitle the holder to subscribe for a total of 500,000 shares.

Okmetic decided to invest 10 million euros in SOI wafer capacity at the Espoo plant. The Company signed a long-term supply contract with JDS Uniphase for SOI wafers.

The Annual General Meeting revoked the portion of the authorisation granted on 23 May 2000 that it had not been utilised by 27 March 2001.

The Annual General Meeting held on 27 March 2001 authorised the Board of Directors to increase the Company's share capital by a new issue or by issuing options or convertible bonds in one or more tranches within one year of the date of the Annual General Meeting so that the new issue or the convertible bonds or the option rights shall give the right to subscribe for a maximum of 2,000,000 new shares.

Pursuant to this authorisation, the share capital of the Company may be increased by a maximum of 1,400,000 euros. The authorisation includes the right to deviate from the shareholders' pre-emptive subscription rights provided for in Chapter 4:2 of the Companies Act, if the deviation is justified by an important financial reason for the Company. This authorisation was not utilised by 31 December 2001.

In its meeting held on 14 February 2002 the Board of Directors decided to propose to the Annual General Meeting to be held on 26 March 2002 that the Board be authorised to increase the Company's share capital by a new issue or by issuing options or convertible bonds in one or more tranches starting 27 March 2002 until the next Annual General Meeting but not later than within one year of the date of the Annual General Meeting. The aggregate maximum number of shares to be issued in the new issue or to be offered for subscription pursuant to options or convertible bonds shall be 2,000,000 new shares. Pursuant to this authorisation, the share capital of the Company may be increased by a maximum of 1,400,000 euros.

The authorisation shall include the right to deviate from the shareholders' pre-emptive subscription rights provided for in Chapter 4:2 of the Companies Act, if the deviation is justified by an important financial reason for the Company.

Convertible bonds

The Extraordinary General Meeting of Shareholders held on 9 August 1996 decided on issuing convertible subordinated bonds of

1,681,879.26 euros (then FIM 10,000,000) to be subscribed for by Finnvera Oyj (then Kera Oy), deviating from the pre-emptive rights of shareholders. The bonds were fully subscribed for. The holder of the convertible bonds is entitled to change the bonds for the Company's shares during the period between 1 February 1997–30 December 2007. The conversion ratio for shares was 1:8.44 i.e. the conversion would have taken place by paying FIM 8,440 for each share of FIM 1,000 nominal value. After increasing the number of shares from 36,543 to 9,135,750 shares the maximum number of shares that can be subscribed for under the convertible bonds was 222,155 shares and the subscription price was EUR 5.68 (not exact). The Company's share capital could have increased by the conversion of these convertible bonds by not more than 155,508.50 euros, which represents approximately 1.39 per cent of the Company's share capital and votes. According to the terms of the bonds, the conversion right at the conversion ratio of 1:8.44 arose during the company reorganisation and non-payment of an outstanding instalment. The bonds had not been converted by the date of the Annual General Meeting held on 27 March 2001.

In its meeting held on 12 February 2001 the Company's Board of Directors decided to propose to the Annual General Meeting to be convened on 27 March 2001 that the Annual General Meeting shall accept the offer made by Finnvera Oyj for transforming the above-mentioned convertible subordinated bonds into an unsubordinated and non-convertible loan with effect from 16 June 2001. The amount of the loan still outstanding at the time was 1,051,174.54 euros (FIM 6,250,000). The Annual General Meeting accepted the proposal.

The Company's Extraordinary General Meeting held on 28 June 1999 decided to issue a convertible subordinated bond of 3,363,757.76 euros (then FIM 19,999,995.40) and offer it for subscription to the shareholders registered in the Company's Share Register on 28 June 1999 so that the Shareholders are entitled to subscribe for one bond valued at FIM 8,605.85 for each 10.483219 shares owned. A total of 2,096 bonds were subscribed for at 3,033,750.54 euros (then FIM 18,037,861.60). The conversion ratio was 1:8.60585 whereupon a maximum

of 2,096 shares could be subscribed for under the bonds. In accordance with the terms of the loan, the Board of Directors gave one outside subscriber the right to subscribe for the bonds that were not subscribed for by the shareholders. According to the terms of the loan, the Company's Board of Directors is entitled to make the changes required by the General Meeting of Shareholders in the terms of the loan and the terms for conversion of the bonds into shares which shall not prejudice the position of the holder of the bonds if a General Meeting of Shareholders decides that the Company's share capital and the nominal value of the shares shall be denominated in euros or decides to abandon the nominal value of the shares and replace the nominal value with an equivalent book value. Increasing the number of shares from 36,543 shares to 9,135,750 shares means that the number of shares that may be subscribed for under the bonds shall increase from 2,096 shares to 524,000 shares and the subscription price shall change from EUR 1,447.40 (not exact) to EUR 5.79 (not exact). The share capital of the Company may increase as a result of subscribing under all the loans taken simultaneously by a maximum of 366,800 euros which represents approximately 3.28 per cent of the Company's share capital and voting rights. The number of shares in the Company may increase by a maximum of 524,000 shares if the bonds are converted. The conversion of the bonds may take place during the following periods:

30.6.2001–30.11.2001;
8.4.2002–29.11.2002;
8.4.2003–28.11.2003;
8.4.2004–30.11.2004;
8.4.2005–30.11.2005;
8.4.2006–30.6.2006.

One of the shareholders has used their right of conversion on 30 June 2001. The amount of the converted bond was 39,079.80 euros and the number of shares involved was 6,750.

Own shares

The Company has not acquired its own shares, nor does the Company's Board of Directors have a valid authorisation to acquire or dispose of the Company's own shares.

Subordinated loans

At the Company's Extraordinary General Meeting held on 9 August 1996, the subscribers for the increase of the share capital i.e. Oras Oy, the Finnish National Fund for Research and Development SITRA, Nova Life Insurance Company (later Insurance Company Sampo Life), Tapiola Mutual Insurance Company, Tapiola Mutual Pension Insurance Company, Arctos Capital Oy (later Conventum Oyj), Merita Capital Oy (later Nordea Capital Oy) and Finnish Industrial Investment Ltd granted to the Company a convertible subordinated loan of 3,363,294.33 euros (then FIM 19,997,240). According to the terms of the loan, the loan would have been converted into shares by 31 March 2000 if the Company had achieved the set earnings targets. The loan was not converted because the Company did not achieve the set earnings targets.

Furthermore, the Company has taken two subordinated loans from the Finnish National Fund for Research and Development SITRA, with capitals of 79,719.11 euros and 138,737.38 euros. The due date for both subordinated loans is 31 December 2003.

The subordinated loans are described in section 13 of the Notes to the Financial Statements. See also the above section "Convertible Bonds".

The option program for personnel

The Extraordinary General Meeting held on 23 May 2000 decided, deviating from the pre-emptive rights of shareholders, to offer for subscription to the personnel of the Company and its Swedish Subsidiary a maximum of 512,000 option rights which entitle the holders to subscribe for a maximum of 512,000 shares of the Company. The option rights were fully subscribed for.

Under the authorisation given by the Extraordinary General Meeting on 23 May 2000, the Board of Directors offered 43,200 option rights, deviating from the pre-emptive rights of shareholders, to the three agents, citizens of the United States, used by the Company's US Subsidiary located in the United States and to the employees of the Subsidiary. A total of 42,800 option rights were subscribed for.

The subscription period for these option rights was 14 August to 8 September 2000. The Board of Directors of Okmetic Oyj accepted the above

mentioned personnel subscriptions for option rights in its meeting held on 18 September 2000 under the "Option Program 2000". The option rights were recorded under the book-entry securities system. Of these options, 31,100 were in the book-entry securities system of Okmetic Invest Oy on 31 December 2001.

Each option right entitles the holder to subscribe for one (1) share of the Company. Half of the option rights are marked with the letter A and half with the letter B. Subscriptions for shares under the A option right started on 3 December 2001 and subscriptions under the B option right shall start on 2 May 2003. The subscription period for shares under option rights shall end on 31 May 2007.

Option rights are freely transferable when the subscription period for them has started. The Board of Directors may, deviating from that stated above, grant permission for the option rights to be transferred earlier.

If the subscriber's employment relationship in a Company belonging to the Group terminates before 2 May 2003 for a reason other than the death or retirement of the employee, he/she must without delay offer to the Company free of consideration the option rights for which the subscription period has not yet started by the date of the termination of employment. The Company is entitled, irrespective of whether the option rights have been offered or not, to apply for and to obtain the right to get the option rights meant in this paragraph to be transferred from the subscriber's book-entry securities account to a book-entry securities account indicated by the Company. A restriction on the transfer of the option rights in favour of the Company shall be recorded on the subscriber's book-entry securities account.

Each option right entitles the holder to subscribe for one (1) share in the Company with an equivalent book value of 0.7 euros. In consequence of subscriptions, the Company's share capital may increase by a maximum of 554,800 new shares i.e. by not more than 388,360 euros.

The subscription price for the shares is 7.00 euros each.

The subscription price for the shares shall be lowered after the subscription price determination period and before the subscription for the shares is made with the amount of the cash dividends to be distributed according to the date

of record for each dividend. The subscription price for the share is, however, always at least the equivalent book value of the share.

The shares entitle the holder to receive dividends for the financial period during which the shares have been subscribed. Other membership rights start when the increase in the share capital has been registered in the Trade Register

The Company's A options have been quoted on the main list of the Helsinki Exchanges since 3 December 2001.

No options were exchanged for shares by 31 December 2001.

Option rights received by JDS Uniphase Corporation

The Board of Directors decided in its meeting held on 9 March 2001 to grant a total of 500,000 option rights, which entitle the holder to subscribe for altogether 500,000 of the Company's shares. The option rights were marked with the letter C. The option rights were issued free of charge.

The option rights may not be transferred or pledged without the prior written consent of the Board of Directors.

If the strategic co-operation between the Company and JDSU, which is defined in more detail in the contracts made on 9 March 2001, terminates for any reason whatever before 23 May 2003, JDSU shall offer the unused option rights back to Okmetic Oyj free of charge as soon as the contracts terminate and shall sign an appropriate waiver in this respect. Each option right entitles the holder to subscribe for one (1) share with an equivalent book value of 0.7 euros. In consequence of subscriptions, the company's share capital may increase by a maximum of 500,000 new shares i.e. by not more than 350,000 euros. The subscription period for shares started as soon as the decision concerning the issuing of the option rights and the subscriptions for option rights were registered in the Trade Register. The period for subscription of shares ends on 23 May 2003.

The subscription for shares shall take place at Okmetic Oyj's Head Office or any other place advised by the Company. The shares shall be paid in cash on subscription.

The subscription price for the shares is 10.00 euros per share if the

subscription takes place on 23 May 2002 or before that. If the subscription is made after 23 May 2002 but not later than 23 May 2003 (this date included), the subscription price for the shares shall be 12.00 euros each.

The subscription price for the shares shall be lowered by the amount of the dividend to be distributed before subscription on the date of record for each dividend. The subscription price for the share is, however, always at least the equivalent book value of the share. The shares entitle the holder to receive dividends for the financial period during which the shares have been subscribed. Other membership rights start when the increase in share capital has been registered in the Trade Register.

No shares were subscribed under option rights by 31 December 2001.

The Management's share ownership

At the end of the year, the members of the Board of Directors and the President of Okmetic Oyj possessed a total of 4,050 shares, i.e. 0.02 per cent of the Company's share capital and voting rights. In addition, the President is entitled under the personnel option program to 30,000 shares. If this option right is fully utilised, his share of the Company's share capital and voting rights would be 0.2 per cent.

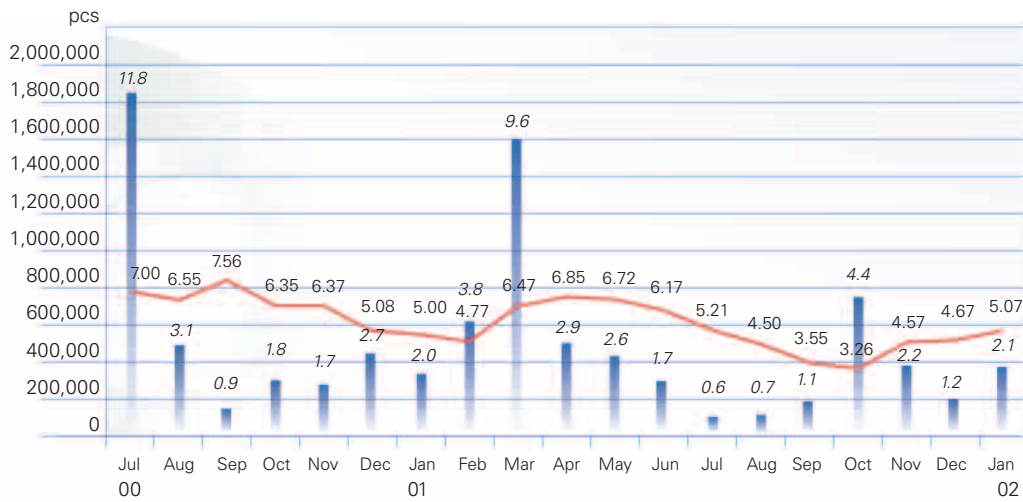
Insider rules

In its meeting held on 16 August 2000, the Board of Directors of Okmetic Oyj approved the insider rules to be observed in the Group. The rules take into consideration legislation regulating securities markets, the regulations and instructions of the Helsinki Exchanges and the recommendations given by the Finnish Association of Securities Dealers.

Share price developments and trading

Share price and trading developments and the key figures for the shares over five years are shown on page 42.

Share Price Development and Trading



Okmetic share trading (monthly trading)

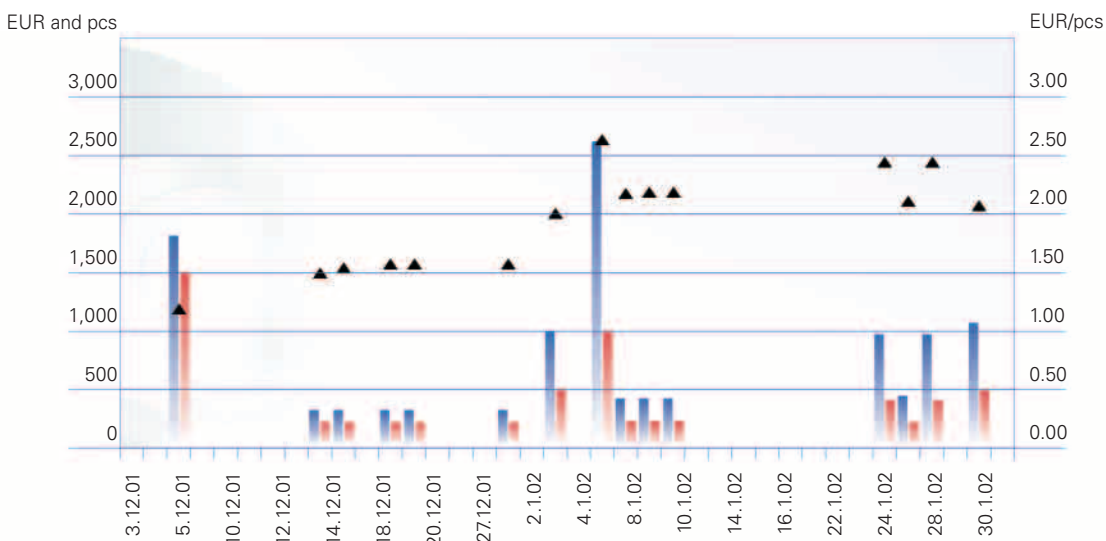
— Average price/month (2-decimal)

%
 of average number of shares (1-decimal)
 Trading pcs



Share price

— Okmetic
 — HEX
 — TE



Trading on options 2000 A

▲ Average price (right axis)
 Euros (left axis)
 Pcs (left axis)

PRINCIPAL SHAREHOLDERS

Shares and shareholders on 31 December 2001

Shareholders	Shares	%
Outokumpu Oyj	4,510,000	26.7
The Finnish National Fund for Research and Development SITRA	1,291,500	7.6
Oras Oy	1,066,500	6.3
JDS Uniphase Corporation	900,000	5.3
Insurance Company Sampo Life	872,250	5.2
Finnish Industrial Investment Ltd	639,750	3.8
Nordea Capital Oy	533,250	3.2
Ilmarinen Mutual Pension Insurance Company	449,300	2.7
Investment Fund Nordea Nordic Small Cap	296,000	1.7
Investment Fund Conventum Finland Value	213,000	1.3
Nominee accounts held by custodian banks	1,424,788	8.4
Other shareholders	4,691,162	27.8
Total number of shares	16,887,500	100.0

Shareholders by group on 31 December 2001

Shareholder group	Shares	%
Private companies	7,576,750	44.9
Public companies	94,300	0.5
Financial and insurance institutions	3,176,468	18.8
Public organisations	941,600	5.6
Non-profit organisations	1,583,659	9.4
Households/private persons	1,153,555	6.8
International shareholders	2,361,168	14.0
Total	16,887,500	100.0

Distribution of shareholdings on 31 December 2001

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1-100	266	12.4	24,589	0.1	92
101-500	1,380	64.2	406,478	2.4	295
501-1000	220	10.2	186,398	1.1	847
1,001-10,000	218	10.2	727,870	4.3	3,339
10,001-100,000	45	2.1	1,923,127	11.4	42,736
100,001-1,000,000	17	0.8	5,326,250	31.5	313,309
over 1,000,000	3	0.1	6,868,000	40.7	2,289,333
	2,149	100.0	15,462,712	91.6	7,195
Nominee accounts held by custodian banks			1,424,788	8.4	
Total			16,887,500	100.0	

Increase in share capital 1996–2001 by date of registration

	Number of shares	Share capital EUR
Share capital on 1 Jan 1996	14,884	2,503,309.10
New issues on 12 Dec 1996 and on 11 June 1997	+ 9,479	4,097,562.45
Redenomination into euro, abolishing nominal value, new issue on 20 Oct 1999	+12,180	6,146,091.39
Bonus issue on 5 June 2000		6,395,025.00
Increase in the number of shares, public limited company on 5 June 2000	+ 9,099,207	6,395,025.00
New issue at 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 to JDS Uniphase Corporation 9 March 2001	+ 900,000	11,816,525.00
Convertible bonds converted into shares on 27 Sept 2001	+ 6,750	11,821,250.00
Share capital on 31 Dec 2001	16,887,500	11,821,250.00

Board of Directors



Mikko J. Aro, born 1945,
B.A. (Econ.)

Chairman of the Board of Directors since 2001, member of the Board of Directors since 1999. President of Metorex International Oy.



Heikki Huomo, born 1958,
M.Sc. (Metal Engineering)

Member of the Board of Directors since 2001. Director, Future Personal Communication Systems of Nokia Ventures Organization.



Seppo Isoherranen, born 1943,
M.Sc. (Metal Engineering)

Chairman of the Board of Directors 1996–1999, Member of the Board of Directors 1994–1999, and since 2001. President of Okmetic.



Karen W. Markus, born 1961,
B.Sc. Engineering (EE/Solid state)

Member of the Board of Directors since 2001. Vice President, Technology Strategy of JDS Uniphase.



Juho Mäkinen, born 1945,
Doctor of Technology

Vice Chairman of the Board of Directors and member of the Board since 2001. Executive Vice President, Technology, of Outokumpu Oyj and member of the Group's Management Group.



Pekka Paasikivi, born 1944,
Engineer

Member of the Board of Directors since 1996. Chairman of the Board of Directors of Oras Oy.

Corporate governance

Applicable recommendations

Okmetic Oyj observes the recommendations of the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

Group Management

The control and management of the Group is divided between the shareholders at the Annual General Meeting, the Board of Directors and the President of the Company.

As the parent company, Okmetic Oyj is responsible for the Group's management, strategic planning, research and development work as well as accounting and financing. Furthermore, the parent company has the resources for co-ordinating and offering the services of the Group to the Subsidiaries in common activities. Manufacturing responsibility lies with each individual plant.

The Board of Directors

The duties and responsibilities of the Board of Directors are defined by the Finnish Companies Act and other applicable legislation. The Board of Directors is responsible for the Company's management and the organisation of operations. In addition to the duties mentioned specifically in the Act and in the Articles of Association, the Board of Directors is responsible for the following matters, inter alia:

- confirming operational strategy
- approving business plans and objectives, and supervising their implementation
- approving the budget and financing plan
- approving total investments and making decisions on acquisitions and large, strategically significant investments and divestments
- defining the Company's dividend policy and making proposals on the amount of dividend to be paid each year to the Annual General Meeting
- confirming the main outline of the organisational structure of the Group
- appointing the President and Deputy President and defining their remuneration
- being responsible for risk control and internal supervision.

Election of Board members

The Board of Directors is elected by the Annual General Meeting for a term of office that shall terminate at the end of the first Annual General Meeting subsequent to the election. Therefore the Annual General Meeting shall elect all the Board members each time. The Board of Directors elects a Chairman and a Deputy Chairman from among themselves.

The composition of the present Board of Directors

According to the Articles of Association, the Board of Directors shall consist of at least three and not more than eight members. At present there are six Board members, of whom the President, Seppo Isoherranen, is employed by the Company.

Meetings of the Board of Directors

Generally, the Board of Directors meets from five to ten times each year. The meetings of the Board of Directors are usually held at the Company's headquarters in Vantaa.

President

The duty of the President is to manage and supervise the business operations in accordance with instructions and regulations issued by the Board of Directors. The President is assisted in this work by an internal Executive Management Group selected by him. The Board of Directors appoints the President and confirms the composition of the Executive Management Group. The Executive Management Group consisted of five members during 2001.

Management

The guidance and supervision of the Group's business operations takes place under the administration and management system described above. The Company has the necessary reporting systems for monitoring business operations and supervising financial administration.

Ultimate responsibility for the supervision of bookkeeping and financial administration is borne by the Board of Directors. The duty of the President is to make the practical arrangements for bookkeeping, accounting and the supervision procedures.

The President and the Executive Management Group and the so-called Extended Management Group consisting of Vice Presidents and Deputy Vice Presidents are responsible for supervising the day to day operations of the Group so that the valid laws and regulations and the Company's operating principles as well as the decisions of the Board of Directors are followed.

The Company has insider rules, the content of which correspond to the insider rules of the Helsinki Exchanges. The names of persons defined as insiders are published in the Company's home pages at www.okmetic.com.

The auditors of the Companies in the Group are SVH Pricewaterhouse Coopers Oy, Authorised Public Accountants, with Markku Marjomaa, APA, as the auditor in charge. He also carries the responsibility for drawing up instructions and co-ordinating the audit.

The Company's appointed auditor and the Executive Management Group plan the audit programme annually. The plan takes into consideration that the Companies have no separate internal audit function.

The Company's auditors issue an Auditors' Report to the Company's shareholders with the Annual Accounts as required by law.

Management Group



Seppo Isoherranen, born 1943,
M.Sc. (Metal Engineering)
President since 1999

Asko Vehanen, born 1951,
Doctor of Technology (Technical Physics)
Joined the Company 1994.
Executive Vice President since 1996.
Responsibilities:
Sales and Business Development.

From left to right (front):
Seppo Isoherranen and Asko Vehanen,
Esko Sipilä, Timo Koljonen and Markku Tilli.

Esko Sipilä, born 1948,
M.A (Econ.)
Senior Vice President, Finance
and Accounting since 1996.
Responsibilities:
Finance, IT and Communications

Timo Koljonen, born 1966,
Lic.Tech. (Technical Physics)
Joined the Company 1994.
Senior Vice President,
Vantaa Plant since 2001
Responsibilities:
Production and Vantaa Plant

Markku Tilli, born 1950,
M.Sc. (Physical Metallurgy)
Joined the Company 1985.
Senior Vice President, Research
and Development since 1996.
Responsibilities:
Research and Development,
Customer Support.



Extended Management Group

In addition to the members of the
Management Group:

Matti Haapala, born 1952, M.Sc.
Joined the Company 1986.
Vice President, Material and Purchasing
Tapio Jämsä, born 1958, M.Sc.
Joined the Company 1998.
Vice President, Vantaa Plant until
31 August 2001
Jari Laakkonen,
born 1953, Doctor of Technology
Joined the Company 1988.
Deputy Vice President, IT

Jukka Lahtinen,
born 1953, Doctor of Technology
Joined the Company 1986.
Vice President, Research
and Development
Jaakko Montonen, born 1969, M.Sc.
Joined the Company 1994.
Deputy Vice President, Technology
Mikko Montonen, born 1965, M.Sc.
Joined the Company 1991.
Deputy Vice President, North-American
Sales and Marketing, President of
Okmetic Inc.
Markku Nieminen,
born 1962, Doctor of Technology
Joined the Company 1996.
Deputy Vice President, Quality

Jukka Suomalainen, born 1953, M.Sc.
Joined the Company 1988.
Vice President, Investments,
Technical Planning and Environment
Heikki Tupola, born 1965, M.Sc.
Joined the Company 1999.
Vice President, Espoo Plant
Markus Virtanen, born 1962, M.Sc.
Joined the Company 1999.
Deputy Vice President,
Human Resources
Anssi Westerlund,
born 1963, Business College Graduate
Joined the Company 1997.
Deputy Vice President, European
and Asian Sales and Marketing

Publication of Financial Information

Okmetic's home page www.okmetic.com/Investor Information

15 March 2002	Annual Accounts 2001 (Annual Report)
26 March 2002	Annual General Meeting, Aviation Museum, Auditorium, Tietotie 3, Vantaa

Okmetic will publish three Interim Reports in 2002:

8 May 2002	First quarter
7 August 2002	Second quarter
7 November 2002	Third quarter

The Annual Report, Interim Reports and other significant bulletins can also be read on Okmetic's home pages in Finnish and English. It is also possible to register on the home pages (Investor Information/Information Service) to receive interim reports and bulletins by email and the Annual Report by mail.

Publications may be ordered from:

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P.O. Box 44
FIN-01301 Vantaa, Finland

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Fax	+358 9 5028 0200
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Email	viestinta@okmetic.com
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Investor Relations and Communications

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Executive Vice President *Asko Vehanen*
Senior Vice President, Finance and Accounting *Esko Sipilä*
Communications Manager *Tuovi Ojala*

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www.okmetic.com

Okmetic Oyj
Domicile Vantaa, Finland
Trade Register No. 351.052

Glossary

Chip • A piece of silicon detached from a silicon wafer, which has semiconductor functions

Crystal yield • Indicates the quantity of crystal material ready for slicing in relation to raw material used in the crystal growth process

Dataquest (Gartner) • An international consultancy company that monitors the electronics industry

Discrete semiconductor • A semiconductor consisting of a single component (e.g. a single transistor), as distinct from an integrated circuit which incorporates several or even millions of transistors

Electronic grade silicon • Extremely pure silicon used for manufacturing silicon wafers

Epiwafer • A silicon wafer with a thin epitaxial layer of silicon grown on the surface

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

HTCVD • A high temperature chemical vapour deposition process patented by Okmetic for growing SiC crystals

ICprime • An application specific silicon wafer for IC manufacturing

IGBT circuit • Isolated Gate Bipolar Transistor, a power transistor made on the surface of a double layered epiwafer

Integrated circuit • IC, a semiconductor component in which several electronic functions are integrated on a single silicon chip

ISO 14001 • An international standard for the management of environmental matters

ISO 9001 • An international standard for the management of the quality system

LED • Light Emitting Diode

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

MEMS wafer • A silicon wafer used for manufacturing sensors (MEMS = MicroElectroMechanical Systems)

MESFET-transistor • Metal Semiconductor Field Effect Transistor. High frequency and high power density are achieved simultaneously with the SiC-MESFET transistor.

Microcircuit • Means the same thing as an integrated circuit

Optoelectronic • A semiconductor producing light

Polysilicon • The raw material for silicon wafers

POWER • A highly doped silicon wafer marketed by Okmetic for power and discrete semiconductors

Power semiconductor • A semiconductor component that is manufactured for use in power electronics

QS-9000 • A very demanding quality standard that the automotive industry has developed for its entire subcontracting chain

RF -circuit • An integrated circuit that operates at GHz frequency e.g. in mobile telephones and base stations

SEMI • Semiconductor Equipment and Materials International, an international umbrella organisation of the semiconductor material and equipment industry. Okmetic is a member of the organisation.

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

SIA • Semiconductor Industry Association, an international umbrella organisation of semiconductor manufacturers

SiC, Silicon carbide • A semiconductor material; a compound of silicon and carbon

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.

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

Transistor • A basic component in the semiconductor industry on which the operation of most electronic equipment is presently based

Wafer yield; yield • Indicates the number of approved wafers in relation to the number of sliced wafers in the manufacturing process. A ratio that indicates how much of the material put into production comes out according to specifications.

