OKMETIC

ANNUAL REPORT 2004

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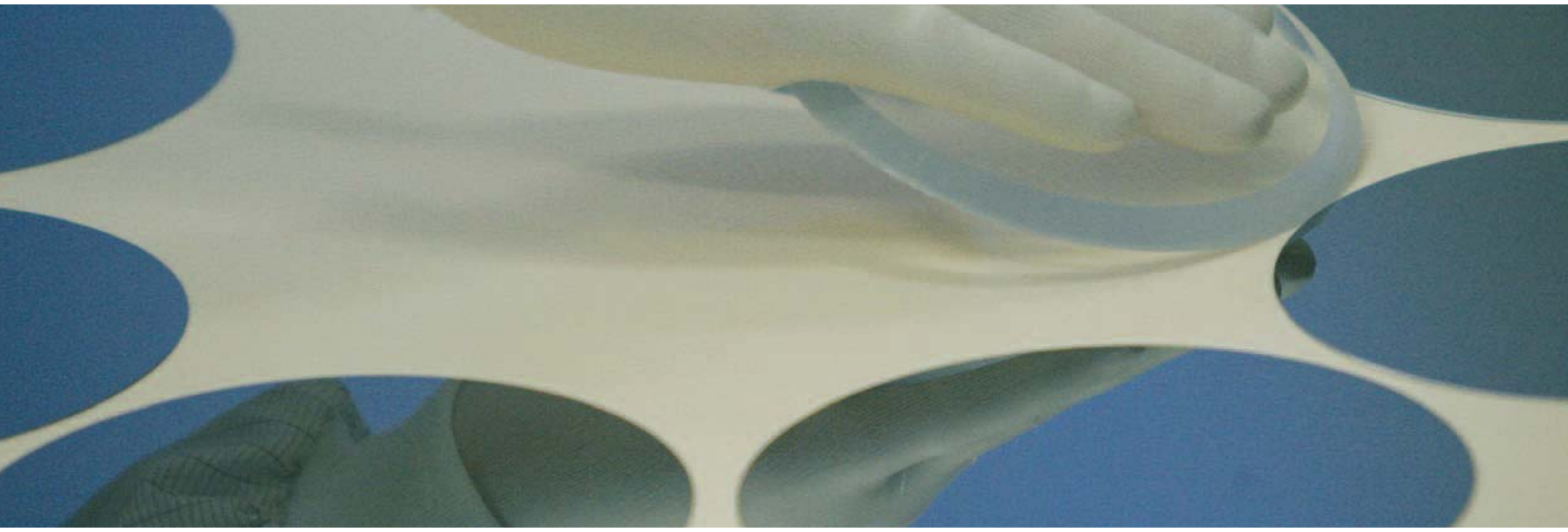


Okmetic in Brief

Silicon wafer at the heart of electronic appliances

Silicon wafers are required for the manufacture of almost every electronic appliance. Silicon wafers act as a basis for building microcircuits for the electronics industry. Okmetic's wafers are used in automotive, telecommunications and consumer electronics applications.

Strategy

Okmetic manufactures and processes high-quality silicon wafers for the sensor and semiconductor industries. The company concentrates on manufacturing products in relation to which its competitiveness and growth potential are the best. Okmetic has commenced subcontracting some of the other wafers in the Far East. Crystal growth, which is one of Okmetic's core areas of expertise, has been concentrated in the Vantaa plant in Finland and the EPI further processing of wafers has been concentrated in the Allen plant in the United States.

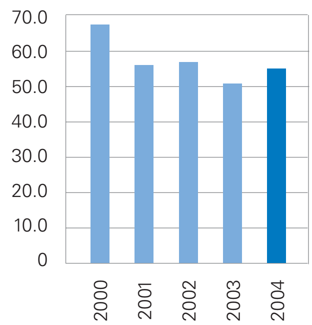
Okmetic is the global market leader in micromechanical MEMS sensor applications. Of all silicon wafer manufacturers, Okmetic is the eighth largest in the world and the second largest in Europe.

The most important market areas for Okmetic's silicon wafers are North America, Western Europe and the Far East. Exports and activities abroad contribute to 97 percent of the net sales.

Mission

Okmetic's objective is to grow and develop into the world's leading supplier of silicon wafers and silicon-based solutions in its chosen sectors of the sensor and semiconductor industries. Okmetic will endeavour to reach this objective through concentrating its development and sales efforts in the chosen segments and by building up strategic cooperation with partners.

Net sales, million euro



1,000 euro	2004	2003	2002
Net sales	55.4	50.1	57.7
Exports and Foreign Activities, %	96.9	95.9	95.5
Personnel at the End of the Year	418	456	515

*Okmetic's share is quoted in the **Helsinki Stock Exchange's** Telecommunications and Electronics category under the code OKM1V.*

Pictures: The Finnish Technology Award Foundation

Year in Brief

In 2004 the Okmetic Group had production facilities in Espoo and Vantaa in Finland and in Allen, Texas in the United States. A subsidiary specialising in the development of silicon carbide was located in Linköping in Sweden. The Espoo plant was closed down in January 2005.

2004 was marked by growth in the electronics industry and in the manufacture of semiconductors.

Year of growth in the silicon wafer market

The deliveries of silicon wafers increased along with the growth of the customer industries. Competition remained fierce, and as a result the prices of wafers remained low.

The net sales of the Okmetic Group grew by 10.5 percent in comparison with the previous year and thus amounted to 55.4 million euro. Okmetic's share of the overall market remained unchanged.

Activities were adjusted to the market situation during the year. The reorganisation resulted in a 15 percent reduction in personnel. Productivity and competitiveness improved.

The Millennium Trophy incorporates an Okmetic crystal

The first Millennium prize in the history was awarded in 2004. The main criteria for winning the prize are the promotion of innovativeness and research that has a positive impact on living conditions, as well as the reinforcement of the international reputation of Finland as a country of high-level technology and expertise. The prize and the events related to the award ceremony also aimed at increasing dialogue between technical experts, business administration and societal decision-makers, at reducing the fear felt towards new technology and at increasing the interest of young people in technological careers.

The name of the Millennium Trophy – "Peak" – represents top-level technology and expertise. Sculptress Helena Hietanen designed the Millennium Trophy.

Important Events

January

Weak result development led Okmetic to begin a re-evaluation of its strategy and to launch a related restructuring programme. The objective was to increase the efficiency of activities and to improve profitability. A total of 3.5 million euro was reserved for the implementation of the structural change and 25 million euro worth of assets was to be written off.

The personnel received a negotiations proposal, which marked the beginning of the personnel negotiations relating to the restructuring programme and the proportioning of the number of personnel in accordance with the strategy.

(Stock Exchange Release 21 January 2004)

February

Release concerning the Financial Statements: the net sales of the Group amounted to 50.1 million euro in 2003. The operating loss amounted to 7.7 million euro. The equity ratio and the financing situation remained good.

(Stock Exchange Release 12 February 2004)

March

The personnel negotiations relating to the structural change were completed. The negotiations addressed the schedule of the structural change and its effects on the personnel, production and operational processes. The personnel negotiations relating to the reduction of the number of personnel were to continue in August and November.

(Stock Exchange Release 10 March 2004)

In the Annual General Meeting, President Antti Rasilo estimated that the net sales of the current year were to increase by approximately 10 percent from the previous year. The members of the Board of Directors were re-elected. PricewaterhouseCoopers Oy were appointed as auditors.

(Stock Exchange Release 25 March 2004)

May

President of Okmetic Inc., M.Sc. (Tech.) Mikko Montonen was appointed the Group's Senior Vice President, Sales and Marketing as of 1 June 2004. D.Sc. (Tech.) Sami Simula was appointed the new President of Okmetic Inc. as of 1 September 2004. M.Sc. (Tech.) Petri Antola was appointed Vice President, Sales responsible for the Group's North American sales.

(Stock Exchange Release 28 May 2004)

August

Senior Vice President, Sales and Marketing Mikko Montonen and Senior Vice President, Development Jaakko Montonen were appointed as new members of the Executive Management Group of Okmetic Oyj. In addition to President Antti Rasilo, the existing members of the Executive Management Group are Senior Vice President, Production Timo Koljonen; Senior Vice President, Finance Esko Sipilä; Senior Vice President, Research Markku Tilli; and Senior Vice President, Human Resources Markus Virtanen.

(Interim Report 10 August 2004)

September

As a result of the personnel negotiations, the employer decided to make 34 blue-collar employees and 14 white-collar employees redundant due to economic and production-related reasons and reasons relating to the restructuring of activities. The redundancies were to take effect as of the beginning of 2005.

(Stock Exchange Release 7 September 2004)

New foundation for future success

Dear shareholder,

The semiconductor industry, which is the primary customer of the silicon wafer industry, grew strongly in 2004 thanks to the sales of electronic appliances. The level of growth was the most significant since 2000. The sensor industry, which is important to Okmetic, also progressed steadily.

The silicon wafer market grew until the last quarter of the year thanks to the overall positive trend in electronics. The markets of Okmetic's customer industries grew smoothly during the year.

The competitive situation in the silicon wafer market remained challenging and did not provide opportunities for increasing prices. The level of wafer prices stabilised at a level corresponding to the end of 2003.

At the beginning of the year under review Okmetic underwent a structural change, which was inescapable in terms of the future of the company and activities were adjusted to correspond to the market situation. The significant write-off resulting from the structural change led to a negative result for the company. Nevertheless, the operating result of the Group improved significantly during the second half of the year. Improvements in productivity resulted in a significant improvement in the results of actual operations.

Activities guided by customers' needs

We intensified research cooperation with key customers and concentrated our efforts in the special product segments in accordance with our strategy. We managed to secure significant new customers in this target market, as well as product approvals and orders. In addition, we complemented the already extensive selection of highly doped products.
In relation to sensor wafers, we began developing new product concepts.

We have concentrated Okmetic's activities in our modern production facilities in Vantaa, Finland and Allen, Texas, US. Both plants now have their own distinctive roles. The Espoo plant was closed down in January 2005. We have acquired additional capacity, flexibility and cost-effectiveness through launching sub-contracting activities in the Far East.

The entire company underwent training to support a transition to process-based operations. The transition was rooted through organisational changes and many Okmetic employees assumed extensive new responsibilities.

Silicon carbide enters industrialisation stage

In February 2005 we decided to industrialise the several years of research carried out in our Swedish subsidiary in relation to silicon carbide. A new company was formed for the industrialisation of the technology developed by Okmetic, and the financiers of the new company also include a Nordic investment organisation as well as future customers. Okmetic is one of the shareholders in the new silicon carbide company.

Forwards with added strength

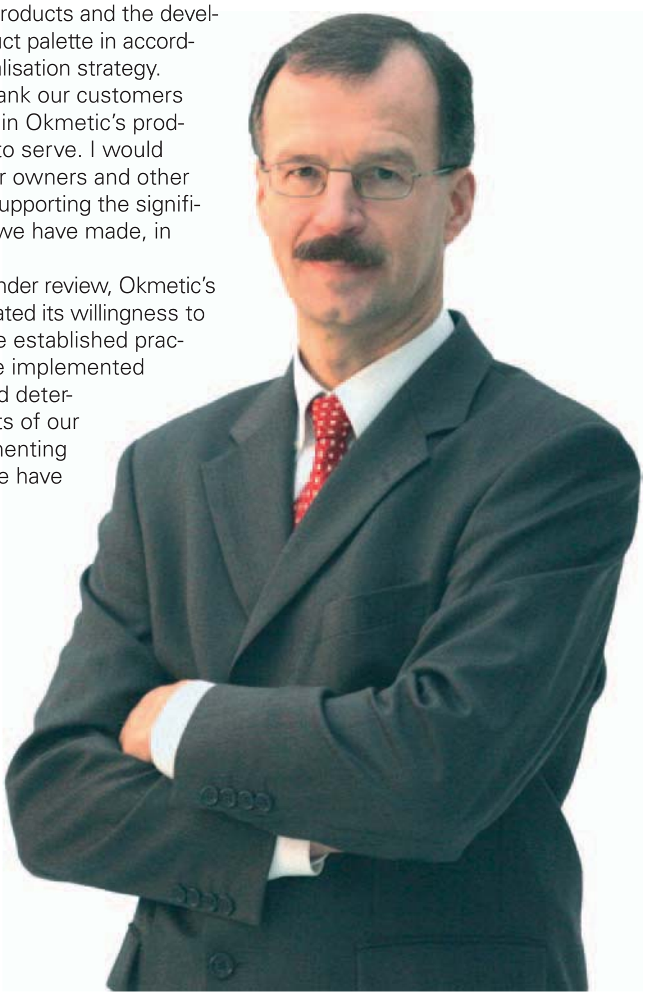
The modernisations that were implemented in 2004 affected each blue-collar and white-collar employee of Okmetic. The number of personnel in the Group was reduced by approximately 15 percent. Nevertheless, the production capacity of the company was maintained and growth opportunities were improved. Even better conditions now exist for Okmetic's success, thanks to the strengthening of competitiveness relating to prices.

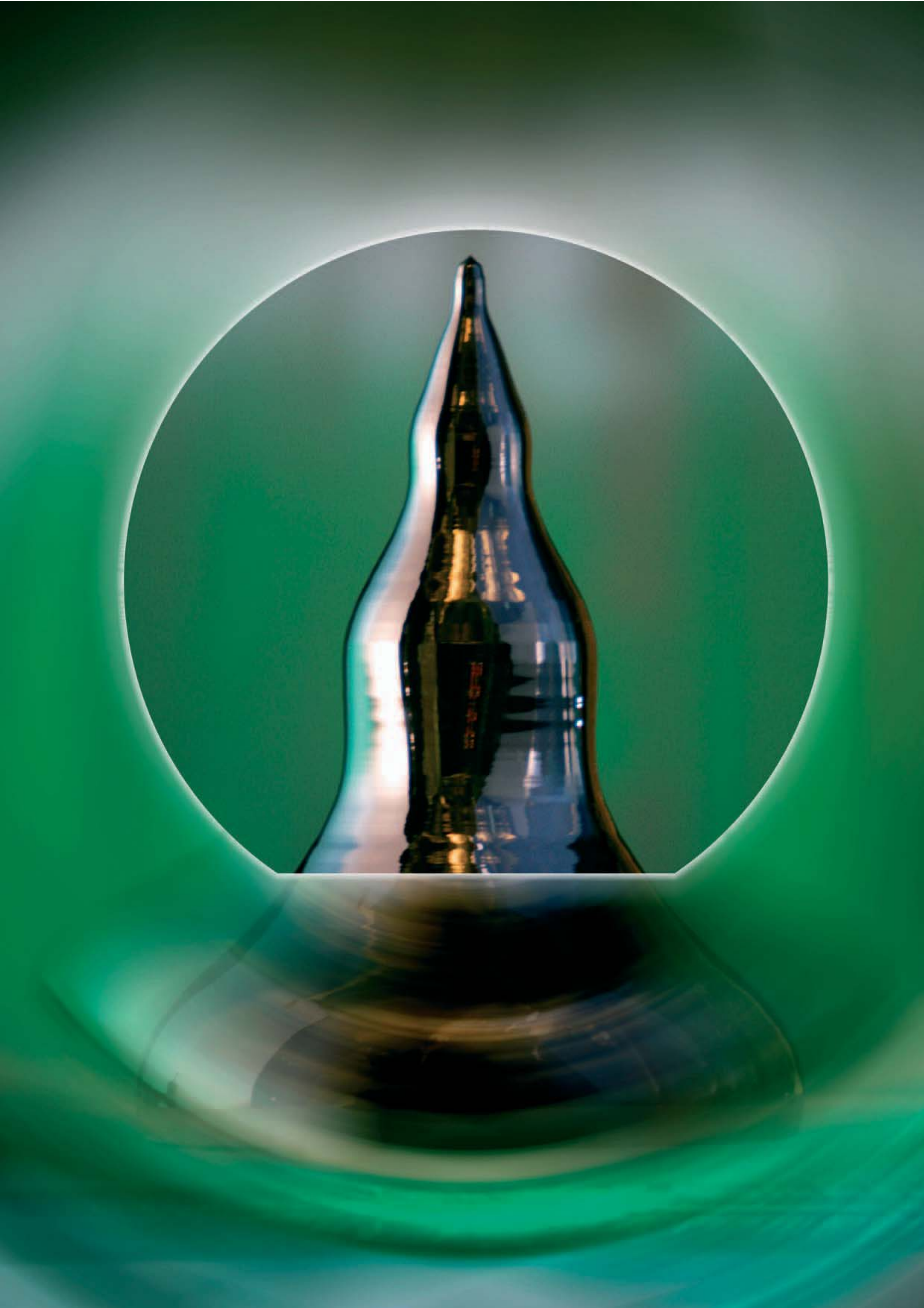
In the future our principal challenges will involve the promotion of demand for the chosen special products and the development of the product palette in accordance with the specialisation strategy.

I would like to thank our customers for their confidence in Okmetic's products and our ability to serve. I would also like to thank our owners and other interest groups for supporting the significant decisions that we have made, in particular.

During the year under review, Okmetic's personnel demonstrated its willingness to question and change established practices. Changes were implemented with deliberation and determination – the efforts of our personnel in implementing the structural change have been exemplary!

Antti Rasilo





Market Situation

The negative trend that has dominated the electronics industry for the entire start of the decade came to an end during the year under review and the demand for semiconductors strengthened clearly. The increase in the sales of semiconductors also increased the demand for silicon wafers, but as a result of the fierce competition prices remained low and the market situation difficult.

Okmetic's special product market

In accordance with the strategy that was reviewed at the beginning of 2004 Okmetic's activities are targeted at the MEMS and POWER special segments and especially in the DSP, SOI and EPI product areas. Okmetic's competitiveness and growth potential are at their best in these product segments. The most important areas of application in the MEMS segment are found in the automotive industry and the most important applications in the POWER segment involve the power control of electronic appliances. The company managed to land new customers, product approvals and orders relating to the special product segments specified in the strategy during the year under review.

Micromechanical applications

Okmetic has been supplying silicon to MEMS sensor manufacturers for over a decade and it is the global market leader in supplying MEMS sensor silicon. The growth potential of the MEMS segment is still significant.

In the development work involving new generations of sensors Okmetic has invested heavily in the manufacture of SOI (Silicon On Insulator) wafers. The SOI wafer type manufactured by Okmetic is used in the most advanced MEMS components of the automotive and medical industry.

Power semiconductor applications

Okmetic manufactures wafers that require specialist expertise and have excellent conductivity for applications involving power semiconductors and discrete components. Portable electronic equipment and their power adjustment and power saving requirements in particular, create plenty of demand for these applications.

The POWER business continued its recovery during the year under review, although it weakened slightly towards the end of the year. The market projections for the highly processed special products of the POWER segment are promising and the product segment is expected to grow in the next few years.

ICprime wafer applications

The demand for IC wafers developed positively. The average prices of the application specific wafers stabilised during the second half of the year. The global production capacity of the silicon wafers included in this product segment was in balance with the demand.

Okmetic manufactures ICprime wafers through adjusting the properties of the wafers to the relevant circuit manufacturing process in cooperation with the customer. The projections for the near future of the ICprime product segment are stable.

Okmetic's deliveries

Okmetic maintained its market share in relation to wafers of 100 mm, 125 mm and 150 mm. Deliveries were divided per product group in accordance with the figure on page 9. There were no significant changes in comparison with the previous year.

Okmetic supplies wafers for three areas of application – micromechanical wafers for sensor applications (MEMS), highly doped wafers for power and discrete semiconductor manufacturers (POWER) and application specific wafers for circuit manufacture (ICprime).

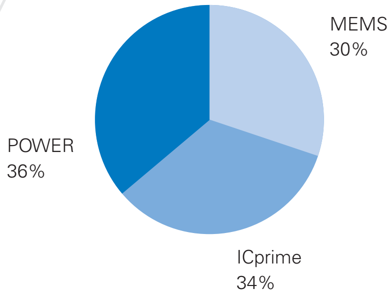
Market projections for the near future

2005 is expected to be marked by modest growth in the semiconductor industry. Several research institutions have estimated that the annual growth will be close to zero both in relation to the semiconductor and the micromechanical sensor industries (SIA, WSTS, Gartner Dataquest). The demand for silicon wafers is expected to remain stable (SEMI). The demand for the smaller wafers, which are important to Okmetic, are expected to drop slightly during the beginning of the year, but to recover during the second half of the year.

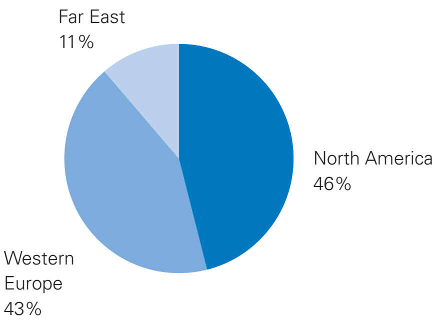
New competitiveness to customers

Okmetic's globally operating sales and marketing organisation as well as the related network of agents serves customers in Europe, North America and the Far East. Cooperation with valued customers provides both parties with an opportunity to learn new things and to develop continuously.

Okmetic's deliveries per product group



Okmetic's net sales per main geographic market area



"We listen to the customer, as our objective is to provide solutions that above all ***improve the competitiveness of the customer.****"*

– Senior Vice President, Sales and Marketing Mikko Montonen –

Research and Product Development

During the year under review the focus of research and development activities was on the MEMS, POWER and EPI products. Improving the quality and performance of products in mass production and the development of new products were important development targets. Okmetic managed to lower production costs through developing the production technology and through increasing the efficiency of the manufacturing process. Silicon carbide technology was prepared for industrialisation.

In 2004, approximately seven percent of the company's net sales were invested in research and development activities.

In 2005, Okmetic's research and product development activities will focus on the further development of POWER products and the new technologies of the MEMS segment.

Research and product development lead the way

According to its basic philosophy, Okmetic unleashes its expertise in silicon-based solutions for its customers and participates in material development from the customer's product concept to prototypes and final products. Close cooperation succeeds thanks to long-term confidential customer relations. The extensive co-operation network of Okmetic's research and development personnel also includes machine and material suppliers as well as some of the leading universities and research institutions in the world.

The importance of strategic research increases

Okmetic's strategic research involves the development of new technology thus creating new business. Work is often initiated by the requirements of a customer's production line. Long-term research work is carried out in cooperation with American, European and Japanese key customers, the Technical Research Centre of Finland, the Helsinki University of Technology and certain foreign research institutions.

During the year under review the company participated in two EU-subsidised research programmes and one product development programme subsidised by the Finnish National Technology Agency, which all continue in 2005.

Investments in process development

The objective and challenge of research and product development activities is the assessing of new opportunities and the developing of future solutions for the next generation of our customers' applications.

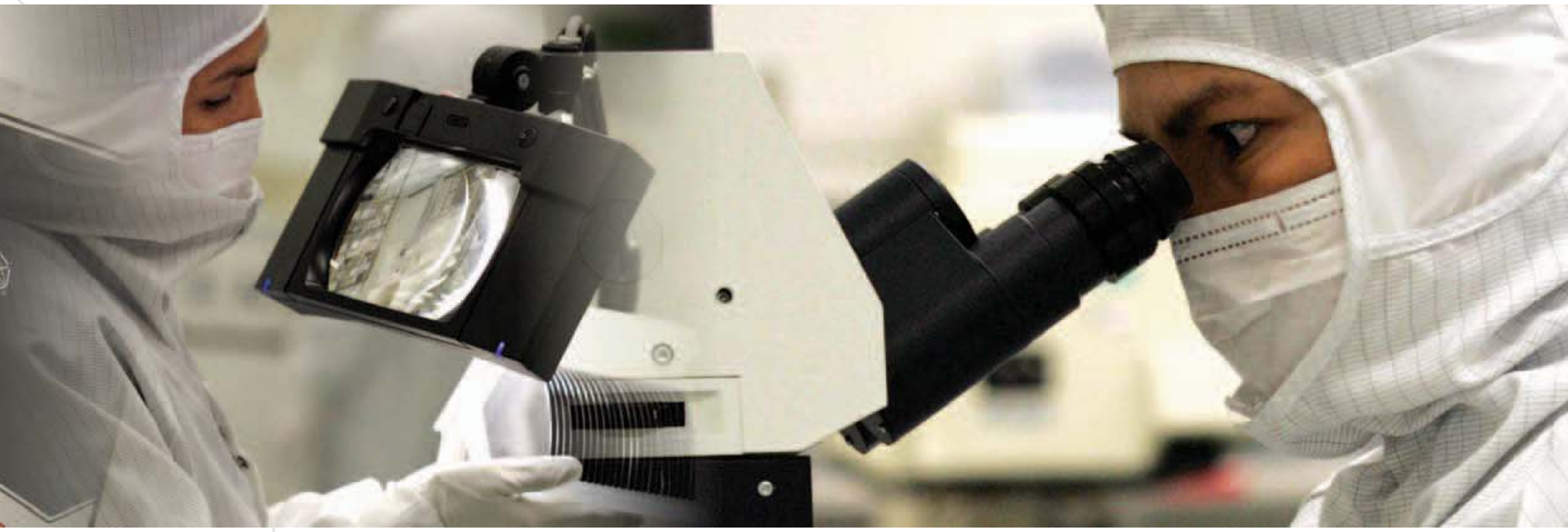
During the year under review, an internally customised project-based operating model and a related control system was adopted in research and development activities. Research and development projects were prioritised in accordance with the modernised operating model and the reviewed strategy.

The product development process was modernised through combining the resources of research, development and customer support. The process will increase the efficiency of selecting, managing and allocating resources to product development projects as well as improving the targeting of selected product groups.

Future in applications that produce added value

The development work of highly doped phosphoric crystals that was started during the year under review will be continued. Their use as a raw material for power components is expected to increase in 2005. Projects that aim at improving the cost-effectiveness of production will be completed in 2005.

Okmetic cooperated with the Finnish National Technology Agency, the Academy of Finland, Micro Analog Systems and VTI Technologies in funding a research project, which received the international SiWEDS research award.



"The objective of research is to produce new competitiveness for our customers. It is the customers that benefit from our innovations the most."

– Senior Vice President, Research Markku Tilli –

"Our team of research, development and customer support personnel comprises experts with higher university degrees of whom a fourth have doctor's degree. Development work is often carried out in cooperation with key customers."

– Senior Vice President, Development Jaakko Montonen –

In picture, from left: Ken Demby, Petri Santala and Moi Liew.

Personnel and Expertise

During the year under review Okmetic's personnel underwent a Group-wide structural change while the delivery quantities were the highest in the history of the Company. As a result of the amalgamation of the Finnish plants and the reorganisation of duties a total of 48 people were made redundant towards the end of the year. A support programme was provided to help them find new jobs.

The number of personnel in the Group was 418 at the end of the year under review. A total of 69 percent of the personnel were men and 31 percent were women. An average of 37 percent of the personnel were white-collar employees and blue-collar employees amounted to 63 percent. The average age of the personnel was 40 years and the average number of years in the company was seven.

During the year under review 58 people on average worked abroad: 15 in Sweden, 41 in North America and two in Japan.

Towards process-based activities

During the year under review, the most important processes of the Group were identified and indicators were established for controlling them. Personnel underwent training for taking business objectives and the functioning of processes to heart.

Thanks to the new operating method the internal cooperation network now works even more efficiently than before.

Expertise continuously under development

The training projects of 2004 provided direct support for the modernisations that were carried out. The entire production personnel participated in team training. The project and process-based operating models were adopted through a customised training programme.

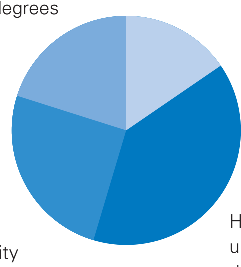
Blue-collar employees underwent a total of 495 days of training during the year under review and the days of training provided for white-collar employees amounted to 303.

Objectives have been set for the efficiency of training and these are monitored through assessments collected in connection with the training events.

Achievements are being rewarded

Okmetic's personnel groups are covered by profit or production rewards and the remuneration of all personnel is based on the level of difficulty of the duties. The criteria of the incentive schemes involving either profit or production are based on operative and economic objectives.

Qualifications of Group management and senior officials



	2000	2001	2002	2003	2004
Espoo	236	226	208	133	53
Vantaa	248	235	233	236	299
Allen (Okmetic Inc.)	43	36	39	38	42
Linköping (Okmetic AB)	7	13	15	15	15
Total	534	510	495	422	409

Number of personnel employed at the end of the year.

In group picture, back row from left: Janne Rautanen, Ken Demby and Todd Bounds.
Middle row Petri Santala and Sami Simula, in front Moi Liew.

OKMETIC'S VALUES

Profitability • Expertise • Customer-orientation • Continuous improvement • Cooperation

We value

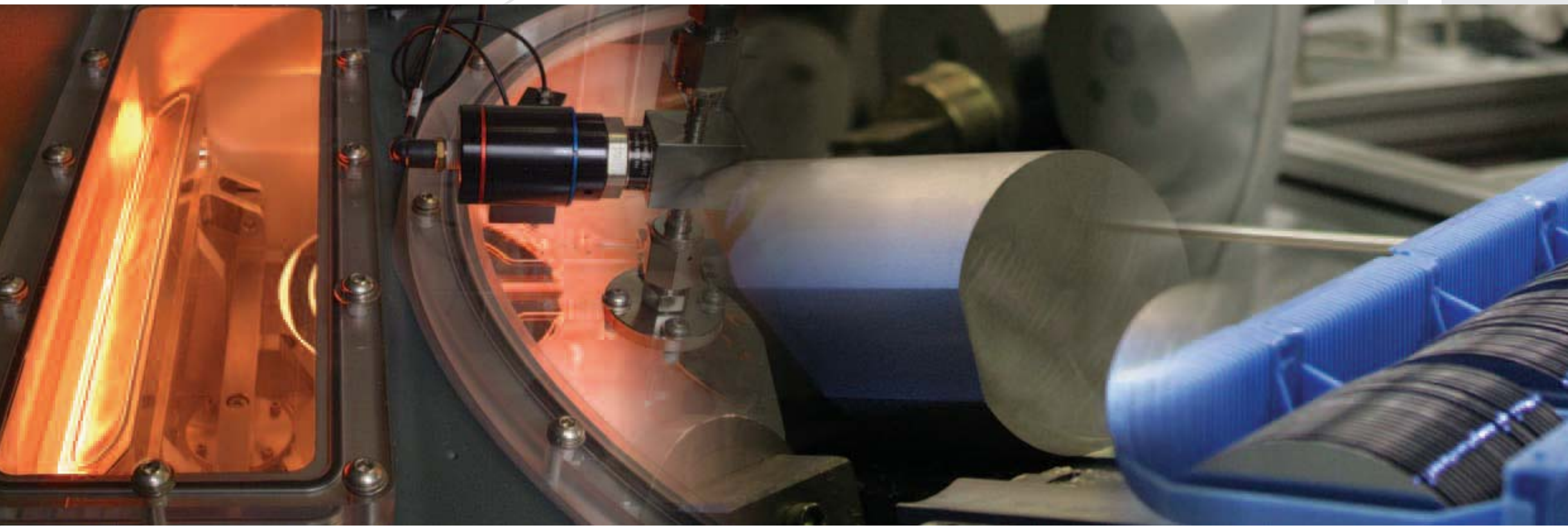
Profitability
Our owners have invested not only their resources but also their confidence in us. We want to meet their expectations.

Expertise
Diligence, healthy respect of work and versatile expertise make the high quality of Okmetic's products and activities possible.

Customer-orientation
The in-depth understanding of the various needs of our customers helps us develop our products and solutions in the right direction.

Continuous improvement
The strict quality requirements of the industry demand that we continuously develop our expertise and the way we work.

Cooperation
Okmetic's experts work in close cooperation with different scientific organisations. We want to be the best partner to each one of our customers. Mutual cooperation is also our internal strength.



The Tale of the Silicon Wafer

Silicon is the second most common element in the earth's crust, an age-old, multi-purpose material. Throughout its history, man has used silicon in the manufacture of tools and weapons and as flint for lighting a fire. Nowadays, we are surrounded by products that are made of silicon. The applications of silicon include well-being and environmental technology, sensors and communications.

The second coming of silicon

Silicon wafers were first used as base of microcircuits in the electronics industry. Almost all electronic devices include microcircuits. At the next stage, silicon was used in the manufacture of sensors. Micromechanical sensors are used in the automotive industry, medical instruments, industrial process control and consumer applications.

First the crystal is grown

Crystal growth is one of the most critical stages in the manufacturing process of silicon wafers. Very pure, semiconductor grade polycristalline silicon is melted in a furnace and any necessary compounds are then added to it (boron, phosphorous, antimony, arsenic). A cylindrical silicon crystal is grown from the molten silicon by lifting it upwards slowly. The growth process of the crystal rod in the furnace takes 1 - 2 days. The process is mathematically patterned on a computer screen at Okmetic.

The initial process is mechanical

The two-metre long, cylindrical silicon crystal is cut into sections for further processing. Physical and chemical properties vary between different parts of the rod, consequently only the part of the rod corresponding to the analysed customer specifications is cut for further processing. The rod is ground to an exact diameter and then cut using a diamond saw into thin wafers that usually have a thickness of 0.5 - 1.0 mm.

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

Etching, inspection and polish

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 flawless so that the customer can make sensors and microcircuits on the wafer. Wafers are selected for polishing during the interim inspection. Polishing is carried out mechanically in the clean room. The surface finish is achieved by using different kinds of cloths and chemicals. Depending on the intended use, the wafer is polished on either one or both sides.

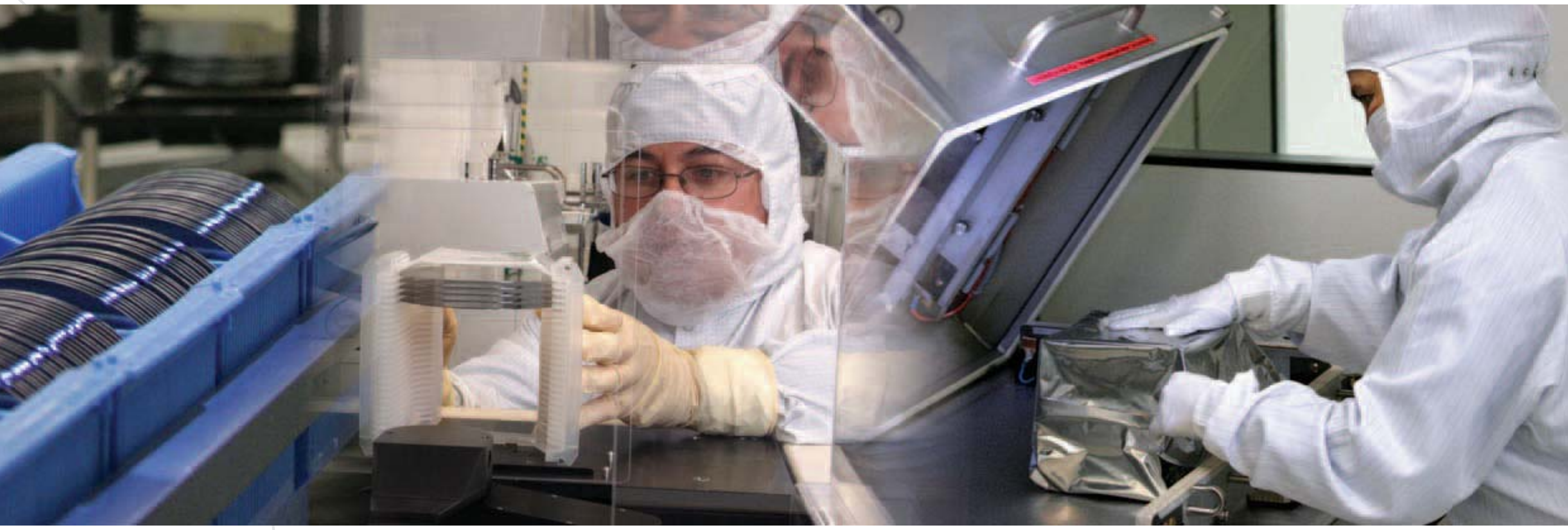
Finishing in the clean room

Before dispatching to customers, the wafers are measured, washed and inspected in the clean room facilities. The air in the clean room is one million times cleaner than the air found in offices or living areas. Protective clothing, which is washed daily, is used for working in the clean room. The clean room is entered through an airlock in which blowers remove any particles of dust from clothing. The air in the clean room is constantly circulated through filters so that all the particles emanating from employees are removed with the air.

After cleaning, sorting and inspection, the wafers are packed in cassettes filled with shielding gas and either sent directly to the customer or to the epitaxial plant in Allen for further processing. 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. In principle, an epitaxial coating can be laid on all wafers regardless of the intended application.

The future of the silicon wafer

Silicon can be used for almost anything. As an example, pacemakers are equipped with an acceleration sensor that identifies whether the person fitted with the pacemaker is resting or on the move. This way, the pacemaker can adjust its functioning to the level of activity. Automotive sensors can recognise other cars from far away and adjust the speed to the change in distance. New buildings can be equipped with silicon-based carbon dioxide sensors that recognise when a person enters the room and then switch on the air-conditioning. Thanks to the use of nanotechnology, in the future all information throughout the world can be saved onto a computer the size of a mobile phone.



Production, Quality and the Environment

The entire wafer manufacturing of the Espoo plant was transferred to the Vantaa plant in three stages during the year under review: in May and October 2004 and in January 2005. As a result of the structural change the cost structure of the company was lightened and the flexibility and efficiency of production were improved.

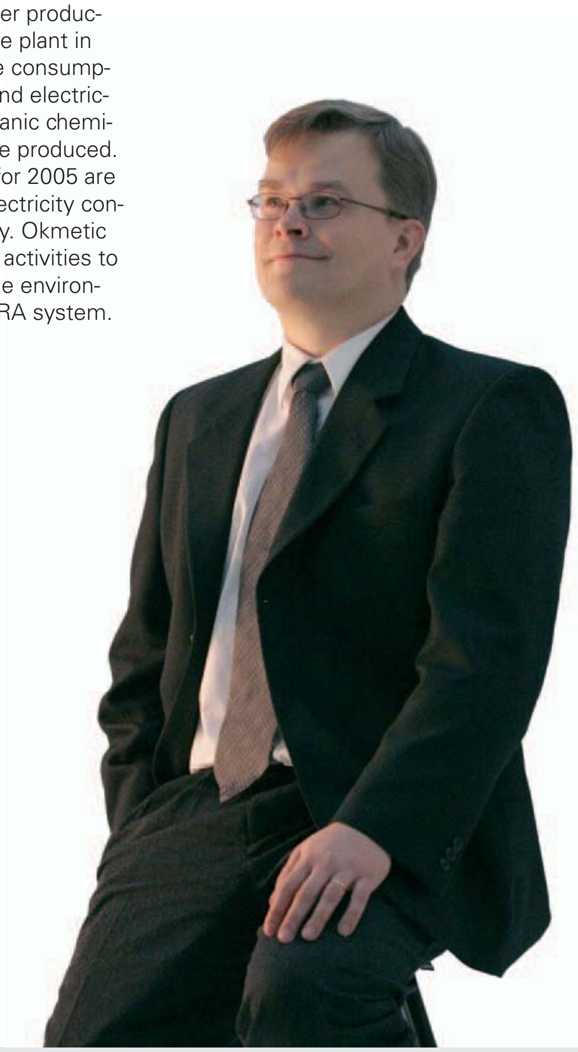
Crystal growth, which is one of the company's core areas of expertise, as well as the entire wafer process were concentrated in the Vantaa plant. In addition, subcontracting of wafers was commenced in the Far East in the summer of 2004. The further processing of the wafers is carried out in the Allen epitaxial plant in the United States. Okmetic's operating environments both in the United States and Finland are politically, geographically and economically stable.

Quality and environmental issues subject to continuous improvement

Okmetic systematically develops principles and procedures for quality management. The operating systems of the Vantaa and Allen plants are in conformance with the ISO/TS 16949 system, which is required by the international automotive industry. Both plants have also been awarded ISO 14001 environmental certificates.

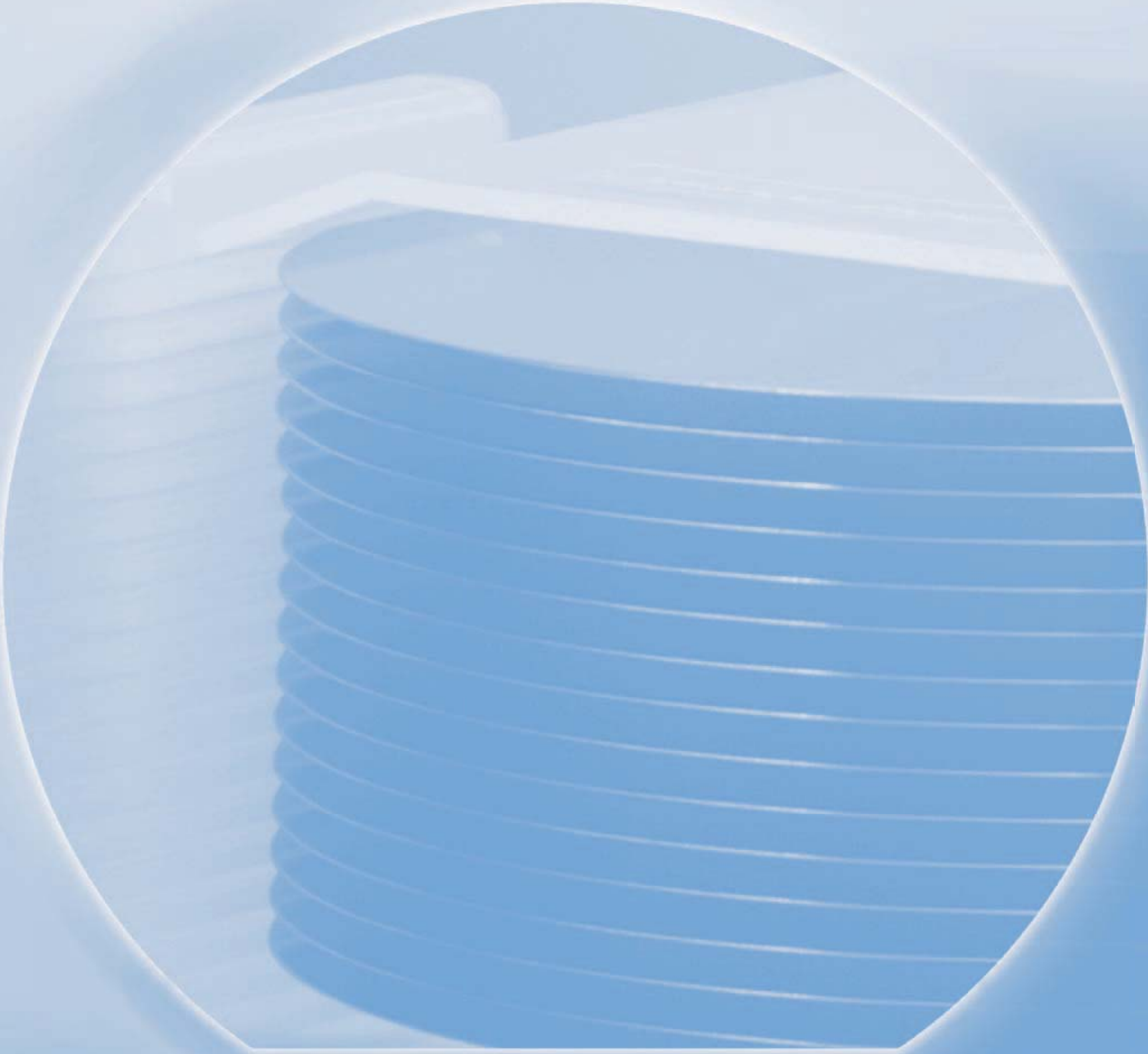
Savings were achieved in the consumption of electricity and water at the end of the year under review, as wafer production was centralised in a single plant in Vantaa. Okmetic monitors the consumption of raw materials, water and electricity as well as the use of inorganic chemicals and the volumes of waste produced.

Environmental objectives for 2005 are the reduction of water and electricity consumption, and chemical safety. Okmetic assesses the risks caused by activities to the safety of people and to the environment with the help of the SARA system.



"The high quality of products and fast and accurate deliveries are all thanks to skilled personnel and modern production facilities. Our partnership network allows us to increase our deliveries quickly, if necessary."

– Senior Vice President, Production Timo Koljonen –



Graphs are not a part of the official Financial Statements .

The net sales of the Okmetic Group increased by 10.5 percent in comparison with the previous year and amounted to 55.4 million euro. Sales and production volumes increased significantly. Regardless of this, the result development of business activities failed to meet the target. A considerable structural change was implemented in the Group with the aim of improving profitability. The structural change resulted in significant improvements and savings already during the year under review. Low market prices and the weakening of the US dollar decreased the visibility of the achieved positive results in the outcomes of activities. The overall effects of the structural change will be seen during 2005. The Group's operating loss amounted to -31.4 million euro. The result is affected by the write-offs and other costs related to the structural change that amounted to a total of 29.2 million euro. Cash flow from operating activities amounted to 2.9 million euro. The equity ratio and financing situation remained good.

The customer industry grew

Electronic appliances were in high demand and the semiconductor market grew significantly. The strongest growth was experienced during the second and the third quarters of the year. Balancing of the stocks began at the end of the year. Growth was strong in all market areas. The overall sales of the semiconductor industry increased by 28 percent in comparison with the previous year and reached the level of the economic high in 2000. Memory circuits experienced the most growth out of all product segments. The fluctuations in the demand of Okmetic's customer base were once again smaller than market fluctuations on the whole. The market of micromechanical sensors grew more modestly than in the previous year.

Year of growth in the silicon wafer market

Deliveries in the silicon wafer industry increased along with the growth of the customer base. Due to the fierce competition in the industry the prices of silicon wafers remained low.

Okmetic markets its products for the needs of the semiconductor and sensor industries. The market for POWER special wafers, which are important to Okmetic, grew by approximately 20 percent, according to the umbrella organisation of the semiconductor industry. The market for micromechanical pressure sensors and accelerometers grew by approximately 15 percent in 2004 in comparison with the previous year. (SIA, Semiconductor Industry Association)

Okmetic's net sales increased

The net sales of the Okmetic Group amounted to 55.4 million euro (2003: 50.1 million euro). The net sales of the last quarter of the year amounted to 25.6 percent more than those of the corresponding quarter of the previous year. The growth is significant, when the low level of prices resulting from fierce competition and the strong decrease in the value of the US dollar during the year is taken into account.

Sales per product groups:

	2004	(2003)
MEMS	30%	(29%)
POWER	36%	(35%)
ICprime	34%	(36%)

The combined share of the export activities of the Finnish plants and the business activities abroad formed 97 percent of the overall net sales of the Group (2003: 96%). Sales were divided between the principal geographical market areas as follows: North America 46 percent (2003: 50%), Europe 43 percent (2003: 38%) and the Far East 11 percent (2003: 12%). The changes are primarily the result of changes in the exchange rates between trade currencies during 2004.

New customers and product approvals

Okmetic strengthened its market position in its strategic areas of focus. Many important long-term customers intensified cooperation with the company by increasing their investments and extending their product range. Promising new customer relationships were initiated.

The most important achievements of the POWER product group were the customer approvals of a highly doped new product and the first orders of the product received from a significant new American customer.

In the MEMS product group, product approvals and first orders were received from important new customers both in Europe and in Japan. Okmetic launched new joint research projects involving sensor wafers in cooperation with its Central European customers. In Finland, Okmetic continued previously launched projects together with key customers and Finnish MEMS research institutions.

A structural change was implemented

In January 2004, the Board of Directors of Okmetic Oyj approved of the management's proposal for the strategic plan of the company for the next few years, as well as the structural change programme related to the strategy.

According to the approved strategy, the Group will focus its activities on the MEMS and POWER segments. The competitiveness and growth potential of the SOI and EPI product areas are strong, especially in these segments.

As a result of the structural change, the Group's silicon wafer production was centralised in the Vantaa plant in Finland and the entire EPI further processing activities were centralised in the Allen Plant in the United States. The Group concentrates principally on manufacturing products of its core areas of expertise. The subcontracting of some of the other wafers was launched in the Far East. Subcontracting is implemented using crystals grown by Okmetic itself.

The structural change has progressed according to plan. The Espoo plant was closed down in January 2005. Strategic product alignments and the related operational orientation have progressed well.

Profitability was low

The Group's operating loss amounted to -31.4 million euro (2003: -7.7 million euro). The operating loss includes the 25.0 million euro write-off resulting from the closing down of the Espoo plant during the first quarter and the reserve of 4.2 million euro set aside for the implementation of the structural change. The actual operating result excluding these extraordinary items amounted to -2.2 million euro (2003: -3.8 million euro when made commensurable). The weakening of the US dollar had a significant negative influence on the results.

The Group's loss excluding extraordinary items amounted to -33.8 million euro (2003: -9.3 million euro). Approximately 68,400 euro net tax corresponding to the increase in the depreciation reserve of the subsidiary and the change of tax rate from 29 to 26 percent was recorded in the Group. The Group's result was negative by -33.8 million euro (2003: -10.0 million euro). The income per share was -2.00 euro (2003: -0.59 euro) and the return on investment was -34.0 percent (2003: -6.1%).

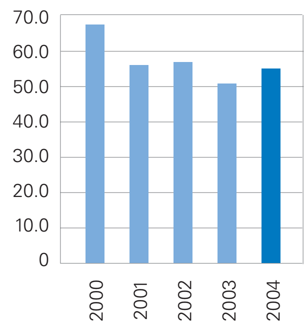
Okmetic Oyj's net sales amounted to 50.2 million euro (2003: 45.9 million euro) and the operating loss amounted to -30.5 million euro (2003: -8.3 million euro).

The Finnish plants were operating at a loss. The net sales generated by the US plant increased and profitability improved towards the end of the year. Nevertheless, the plant's operation remained unprofitable on an annual level.

The transfers of machinery and functions between plants resulting from the structural change significantly weakened the profitability of operations. The transfers resulted in several operation shutdowns. Shutdowns were realised entirely according to plans.

Okmetic AB, which develops SiC wafers in Linköping, Sweden, continued its research and development work successfully. The Swedish government subsidised the activities of the company by 12.2 million Swedish kronor. In accordance with the agreement between Okmetic companies, Okmetic Oyj covered the product development costs of the company for the part that exceeded contributions received from other parties.

Net sales, million euro



No significant changes in the financing situation

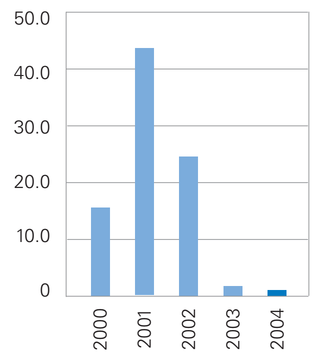
The financing situation of the Group was stable and liquidity remained good throughout the year. The cash flow from operating activities amounted to 2.9 million euro (2003: 4.3 million euro). The cash flow from operating activities was significantly weakened by payments relating to the structural change (4.2 million euro). Payments relating to new investments amounted to 1.0 million euro.

The Group repaid 1.5 million euro in net loans. Agreements have been made with the primary financiers regarding the financing of the Group and the possible additional requirement for financing resulting from the structural change. At the end of the year, 16.0 million euro of the credit facility of 21.0 million euro agreed with banks was in use.

At the end of the year the company had 6.6 million euro worth of unpaid equity loans. The payments and interests of equity loans were not paid in the absence of distributable funds.

At the end of the year, cash and cash equivalents amounted to 5.5 million euro (2003: 5.0 million euro). The Group's equity ratio was 36.5 percent (2003: 54.9%) at the end of the year and the equity per share amounted to 1.88 euro (2003: 3.92 euro).

Investments, million euro



Risk management continued as normal

The Group has continued partial hedging of the sales with dollar-denominated currency options. The time span of hedging activities has been reduced and was three months at the end of 2004. The interest-rate hedging of the Group's loans has been reduced. The hedging of Okmetic Oyj's production costs against changes in electricity prices has been increased. The time span of the hedging activities is approximately two years.

Investments related to the structural change

The fixed assets investments of the Group amounted to 0.8 million euro (2003: 1.9 million euro), i.e. 1.4 percent of the net sales. Investments were allocated to the transfers of production between the plants in relation to the structural change.

R&D concentration in strategic products

The Group's investment in the development of new products remained at the previous level. The gross costs of product development activities formed 6.8 percent of the net sales (2003: 6.7%). The most important development targets were SOI products and SiC (silicon carbide). A total of 1.4 million euro (2003: 1.1 million euro) was received as subsidies for long-term projects.

The Group has been developing SiC – i.e. silicon carbide wafer – technology in its product development unit in Linköping, Sweden. The preconditions of industrialising the technology have been studied in 2004. The aim was to complete the reports and discussions relating to the issue during 2004. The decision on industrialisation was made at the beginning of February 2005. The matter will be discussed in more detail in "Significant events after the end of the financial year".

Other development activities during the year under review concentrated on the development of MEMS and POWER wafers in addition to the development of SOI (Silicon On Insulator) products in particular. Close cooperation with customers created significant added benefits in many of Okmetic's development projects. Development projects that aimed at improving the production process and cutting costs were also important. Numerous positive results were achieved through the projects.

Quality of operations was improved

The level of quality of the wafers produced by Okmetic was high. The Group's management system was certified in conformance with the ISO 9001:2000 standard and the ISO/TS 16949:2002 standard, which is required by the international automotive industry. During the year under review, the system was audited several times by customers and the certifying body. The findings of the audits were good all-round.

Environmental issues as part of everyday activities

During the year under review, the certifying body audited the functioning of the ISO 14001 certified environmental system of Okmetic Oyj with good results and reissued the certificate. The company paid attention to the consumption of raw materials that have environmental effects, as well as waste loading and energy consumption. In particular, efforts were directed towards lowering the consumption of electricity and water.

Personnel was developed and the number of personnel adjusted

The focus of developing the organisation was on strengthening process-based operations. The team-based operational model was adopted in the production process. The focus of training was on the supporting and management of the implemented significant structural and operational changes. The flexibility of operations was improved by developing the diversity of the employees' skills.

The personnel negotiations that applied to the Finnish plants and resulted from the structural change were launched during the first quarter of the year and completed in September. The company made 34 blue-collar employees and 14 white-collar employees redundant due to financial and production-related reasons and as a result of the reorganisation of operations. The employees who were made redundant carried on in their positions until the end of 2004.

At the end of the year, the number of personnel in the Group was 418 (2003: 456) and in the Parent Company 365 (2003: 403). Okmetic Inc. employed 40 people at the end of the year and Okmetic AB employed 13 people.

Of the total personnel of the Group 37 percent comprised white-collar employees and 63 percent comprised blue-collar employees.

Remuneration of the personnel

The remuneration of Okmetic employees is based on the level of difficulty of the tasks of each personnel group. During the year under review, all personnel groups were covered by an incentive scheme in relation to either profit or production. The criteria for rewards were deduced from operational or economic goals.

Share price development and trading

The trading of shares between 1 January and 31 December 2004 amounted to 5.5 million shares, which is 32.7 percent of the total amount of shares of 16.9 million. The lowest quotation of the year under review amounted to 2.15 euro and the highest amounted to 4.50 euro per share with the average being 2.88 euro. The closing share price for the year was 2.44 euro. The market value of the entire capital stock amounted to 41.2 million euro at the end of the year.

During the year the Board of Directors did not take advantage of the authority granted to it at the Annual General Meeting on 25 March 2004 to increase capital stock by new issue, to grant right of option or to take out convertible debenture loans. Options were not converted into shares during the year.

Adoption of the IFRS reporting standards

The Board of Directors of Okmetic Oyj has decided that the company will draft its consolidated financial statements in accordance with the IFRS standards for the first time in the financial year of 1 January - 31 December 2005. Interim reports for the financial year of 1 January - 31 December 2005 will also be drafted in accordance with the IFRS standards.

The adherence to the IFRS calculation principles will affect the income statement and balance sheet of the Group most significantly through the leasing contracts (IAS 17), stock appreciation (IAS 2) and financial instruments and equity loans (IAS 32 and 39). The write-off for fixed assets carried out in accordance with the FAS principles in 2004 will be taken into account in the new balance sheet of 2004.

Once the issue has been investigated, more information on the effects of the transition will be given in 2005, in the form of reconciliation calculations.

Significant events after the end of the financial year

The proposals of the Board of Directors to be presented at the Annual General Meeting on 24 March 2005

The Board of Directors will propose at the Annual General Meeting to be held on 24 March 2005 that the Board of Directors be granted the authority from 24 March 2005 until the following Annual General Meeting, although for no longer than one year from the Annual General Meeting, to decide on the increasing of capital stock by new issue, granting rights of options or taking out convertible debenture loans in bulk or in several instalments in such a way that no more than a total of 3,377,500 new shares will be subscribed in relation to any new issues, granting of rights of options or taking out convertible debenture loans. Capital stock can be increased by no more than 2,364,250 euro by authorisation.

The proposed authorisation includes the right to deviate from the shareholders' pre-emptive subscription rights.

The Board of Directors proposes that the 34,865,356.44 euro of losses accumulated by the company by the end of the financial year be covered by the premium fund.

Sale of Okmetic AB – industrialisation of silicon carbide

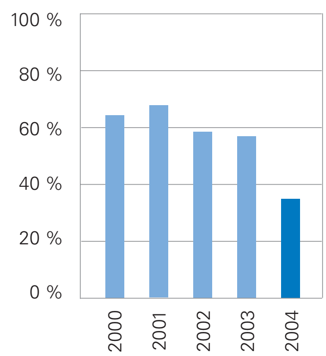
In February 2005, a decision was made to industrialise the years of research in silicon carbide and the technology developed in the Group's Swedish subsidiary through extensive investment efforts. In addition to Okmetic, the principal financiers of the new Swedish limited company Norstel AB founded in connection with the industrialisation project, are venture capital companies Eqvitec Partners, Northzone Ventures and Creandum. The Swedish government and the future customers of the company contribute towards the project funding. In addition to previous investments, a total of over 20 million euro more will be allocated for the project. Okmetic's share of Norstel AB amounts to just under 20 percent.

The plant will be built in Norrköping, Sweden, where the City of Norrköping will contract for an industrial facility to be constructed for the company.

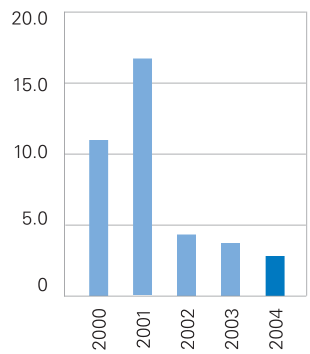
Norstel AB produces silicon carbide (SiC). Silicon carbide wafers and silicon wafers are used in different areas of application. The areas of application for silicon carbide wafers are certain specific semiconductors and light emitting diodes (LED), the demand of which is expected to increase significantly in the future.

Okmetic's patented production technology will be transferred under the ownership and utilisation of the new company. This technology developed in Okmetic AB, which used to operate in connection with the University of Linköping, is unique and offers significant benefits in comparison with competing technologies.

Equity ratio, %



Cash provided by operating activities, million euro



The project involves the MBO of the subsidiary. The key personnel of Okmetic AB will move to the new company as existing employees. The current President of Okmetic AB, D.Sc. (Tech.) Asko Vehanen, has been appointed the President (CEO) of Norstel AB.

Sale of used equipment

A sale worth just over 1.3 million euro has been agreed with regard to the old equipment used at the Espoo plant, which was closed down in connection with the structural change. The revenue from the sale will be recognised between May and June 2005.

Future projections

The year 2004 was marked by strong growth in the semiconductor market. The growth of the semiconductor market in 2005 is expected to fall significantly shorter and the market situation is expected to be weaker at least during the beginning of the year. The general projection is that the reduction in customers' stocks towards the end of 2004 will lead to an improved market situation and a rapid growth of demand. Several research institutions have projected that the annual growth stabilise around zero both with regard to the semiconductor and the microsensor industries. (SIA, WSTS, Gartner Dataquest)

The demand of silicon wafers is expected to remain stable.

According to estimates, the demand of smaller wafers, which are important to Okmetic, may drop slightly during the beginning of 2005 but to recover during the second half of the year. The cutting of product areas and individual products that fall outside the strategic core area of Okmetic and that have low profitability will reduce the net sales of the Group but increase its profitability. Prices are principally expected to remain at the current level. The development of the exchange rate of the US dollar will have a significant impact on the result of the Group. The operational cost savings resulting from the structural change will have full effect as of the first quarter of the year.

The Board of Directors

Members of the Board of Directors in 2004:

Mikko J. Aro, Chairman
Juho Mäkinen, Vice Chairman
Heikki Huomo
Esa Lager
Pekka Paasikivi
Pekka Salmi

Antti Rasilo, M.Sc. (Tech.), has been the President of Okmetic Oyj as of 1 January 2003.

1,000 euro		1.1. - 31.12.2004	1.1. - 31.12.2003
Net Sales	(1)	55,365.9	50,117.0
Cost of Sales		-75,889.1	-51,743.5
Gross Margin		-20,523.2	-1,626.5
Sales and Marketing Expenses		-2,557.9	-2,402.1
Administration Expenses		-4,368.8	-3,692.6
Other Operating Income		217.2	26.5
Other Operating Expenses		-4,155.4	-22.1
Operating Profit/Loss	(2,3,4)	-31,388.1	-7,716.8
Financial Income and Expenses	(5)	-2,384.5	-1,607.6
Profit/Loss before Taxes		-33,772.6	-9,324.4
Income Taxes	(7)	-68.4	-631.3
Profit/Loss for the Period		-33,841.0	-9,955.7

Numbers in brackets refer to notes on pages 32 - 39.

1,000 euro		31.12.2004	31.12.2003
ASSETS			
Fixed Assets	(8)		
Intangible Assets			
Other Capitalised Long-term Expenditures		144.6	639.8
Goodwill		-	7.6
Goodwill on Consolidation		-	51.6
		144.6	699.0
Tangible Assets			
Land		1,799.4	1,863.8
Buildings		16,813.5	22,420.6
Machinery and Equipment		46,809.7	74,157.5
Construction in Progress		354.6	615.8
		65,777.1	99,057.7
Investments			
Other Shares		6.3	6.3
Other Receivables	(10)	238.0	238.0
		244.3	244.3
Total Fixed Assets		66,166.1	100,001.0
Current Assets			
Inventories			
Raw Materials		3,563.2	4,005.9
Work in Progress		660.3	937.0
Finished Products		2,006.3	2,818.5
		6,229.8	7,761.4
Receivables			
Accounts Receivable		8,025.6	6,754.8
Other Receivables		1,323.4	1,009.7
Prepayments and Accrued Income	(11)	123.3	320.8
		9,472.3	8,085.3
Cash and Cash Equivalents		5,515.0	4,959.0
Total Current Assets		21,217.0	20,805.7
		87,383.1	120,806.7

1,000 euro		31.12.2004	31.12.2003
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity	(12)		
Share Capital		11,821.3	11,821.3
Premium Fund		71,055.8	71,055.8
Retained Earnings		-17,466.2	-6,704.2
Profit/Loss for the Period		-33,841.0	-9,955.7
		31,569.9	66,217.2
Subordinated Loans	(13)	6,638.4	6,620.0
Total Shareholders' Equity		38,208.3	72,837.2
Liabilities			
Deferred Tax Liability	(15)	713.9	645.5
Long-term Liabilities	(16)		
Loans from Financial Institutions		15,869.8	14,098.8
Other Liabilities		-	183.5
		15,869.8	14,282.3
Short-term Liabilities			
Loans from Financial Institutions		20,495.0	23,653.5
Advances Received		521.1	229.3
Accounts Payable		4,243.1	3,576.1
Other Liabilities		773.7	739.4
Accruals and Deferred Income	(17)	6,558.2	4,843.4
		32,591.1	33,041.7
Total Liabilities		49,174.8	47,969.5
		87,383.1	120,806.7

1,000 euro	**1.1. - 31.12.2004**	**1.1. - 31.12.2003**
Operating Activities		
Operating Profit/Loss	-31,388.1	-7,716.8
Adjustments		
Depreciations and Write-offs	33,951.4	13,486.7
Other Adjustments	137.7	262.7
Change in Working Capital	2,162.7	165.7
Interest Received	43.1	44.0
Interest Paid	-1,688.4	-1,393.0
Other Financial Activities	-340.5	-583.2
Cash Provided by Operating Activities	2,877.9	4,266.1
Investing Activities		
Capital Expenditure	-951.7	-1,880.2
Sales of Fixed Assets	165.2	-
Cash Provided by Investing Activities	-786.5	-1,880.2
Financing Activities		
Increase (+) / Decrease (-) in Long-term Loans	-1,554.6	-5,022.4
Increase (+) / Decrease (-) in Short-term Loans	0.0	3,000.0
Other Financial Activities	19.2	844.7
Cash Provided by Financing Activities	-1,535.4	-1,177.7
Change in Cash and Cash Equivalents (Increase +, Decrease -)	556.0	1,208.2
Cash on 1 January	4,959.0	3,750.8
Cash on 31 December	5,515.0	4,959.0

Euro		1.1. - 31.12.2004	1.1. - 31.12.2003
Net Sales	(1)	50,225,130.52	45,912,401.60
Cost of Sales		-71,155,418.50	-48,447,350.67
Gross Margin		-20,930,287.98	-2,534,949.07
Sales and Marketing Expenses		-2,401,574.44	-2,240,420.61
Administration Expenses		-3,680,190.41	-3,476,116.35
Other Operating Income		184,990.00	19,866.03
Other Operating Expenses		-3,633,251.28	-22,065.70
Operating Profit/Loss	(2,3,4)	-30,460,314.11	-8,253,685.70
Financial Income and Expenses	(5)	-2,727,189.80	-1,198,339.31
Profit/Loss before Appropriations and Taxes		-33,187,503.91	-9,452,025.01
Increase (-) / Decrease (+) in Untaxed Reserves			
Depreciation Difference	(6)	0.00	2,656,587.24
Profit/Loss for the Period		-33,187,503.91	-6,795,437.77

Numbers in brackets refer to notes on pages 32 - 39.

Euro		31.12.2004	31.12.2003
ASSETS			
Fixed Assets	(8)		
Intangible Assets			
Other Capitalised Long-term Expenditures		144,626.65	473,514.87
Tangible Assets			
Land		977,081.45	977,081.45
Buildings		3,754,095.28	8,361,367.32
Machinery and Equipment		38,385,620.87	64,060,894.59
Construction in Progress		189,704.60	482,513.42
		43,306,502.20	73,881,856.78
Investments			
Holdings in Subsidiaries	(9)	28,073,507.20	28,073,507.20
Other Shares	(10)	6,281.82	6,281.82
Other Receivables		130,239.30	130,239.30
		28,210,028.32	28,210,028.32
Total Fixed Assets		71,661,157.17	102,565,399.97
Current Assets			
Inventories			
Raw Materials		2,894,617.02	3,262,250.15
Work in Progress		660,345.58	937,007.24
Finished Products		1,767,873.90	2,529,514.08
		5,322,836.50	6,728,771.47
Receivables			
Accounts Receivable		6,837,768.65	5,938,523.30
Other Receivables	(18)	11,773,864.37	11,585,889.45
Prepayments and Accrued Income	(11)	89,251.40	288,986.84
		18,700,884.42	17,813,399.59
Cash and Cash Equivalents		4,896,134.81	4,046,081.09
Total Current Assets		28,919,855.73	28,588,252.15
		100,581,012.90	131,153,652.12

Euro		31.12.2004	31.12.2003
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity	(12)		
Share Capital		11,821,250.00	11,821,250.00
Premium Fund		71,055,849.80	71,055,849.80
Retained Earnings		-1,677,852.53	5,117,585.24
Profit/Loss for the Period		-33,187,503.91	-6,795,437.77
		48,011,743.36	81,199,247.27
Subordinated Loans	(13)	6,638,368.46	6,620,024.31
Total Shareholders' Equity		54,650,111.82	87,819,271.58
Liabilities			
Long-term Liabilities	(16)		
Loans from Financial Institutions		13,512,915.87	11,741,919.57
Short-term Liabilities			
Loans form Financial Institutions		18,999,485.32	22,157,972.55
Advances Received		521,057.14	229,284.43
Accounts Payable		3,576,955.56	2,879,397.57
Other Liabilities	(18)	3,015,305.00	1,651,392.71
Accruals and Deferred Income	(17)	6,305,182.19	4,674,413.71
		32,417,985.21	31,592,460.97
Total Liabilities		45,930,901.08	43,334,380.54
		100,581,012.90	131,153,652.12

1,000 euro	1.1. - 31.12.2004	1.1. - 31.12.2003
Operating Activities		
Operating Profit/Loss	-30,460.3	-8,253.7
Adjustments		
Depreciations and Write-offs	31,415.4	10,852.8
Other Adjustments	23.8	262.7
Change in Working Capital	3,916.5	174.7
Interest Received	220.0	216.3
Interest Paid	-1,497.3	-1,148.9
Other Financial Activities	-1,042.8	-592.4
Cash Provided by Operating Activities	2,575.3	1,511.5
Investing Activities		
Capital Expenditure	-539.1	-1,374.9
Sales of Fixed Assets	185.0	-
Cash Provided by Investing Activities	-354.1	-1,374.9
Financing Activities		
Increase (+) / Decrease (-) in Long-term Loans	-1,389.4	-3,343.4
Increase (+) / Decrease (-) in Short-term Loans	-	3,000.0
Other Financial Activities	18.3	893.0
Cash Provided by Financing Activities	-1,371.1	549.6
Change in Cash and Cash Equivalents (Increase +, Decrease -)	850.1	686.2
Cash on 1 January	4,046.1	3,359.9
Cash on 31 December	4,896.1	4,046.1

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 are 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, expenses and margins as well as intercompany 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 was 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 are 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 are 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.

The exchange rate differences of business receivables and debts are offset against sales and purchases in the Income Statement.

The exchange rate profits and losses from the translation of other receivables and debts and financing activities are 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 interest difference on interest rate swap contracts covering interest risks is offset against interest expenses in the Income Statement.

The foreign subsidiaries' income statements are 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 depreciations of fixed assets are based on the original acquisition cost and estimated economic life of the assets. The depreciations are calculated by means of straight-line depreciations. The estimated economic lives for the different assets are

- Intangible rights	5 years
- Goodwill and the goodwill on consolidation	5 years
- Other capitalised long-term expenditures	3 - 10 years
- Buildings	25 years
- Machinery and equipment	3 - 15 years

Depreciations of office premises and goodwill on consolidation are included in the costs arising from acquisition and manufacturing.

Current assets

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 taxed and discounts.

Research and product development costs

The costs of research and development are expensed as incurred. The costs are included in the Income Statement as costs arising from acquisition and manufacturing.

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, scrapping and costs of business reorganisation as well as 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 estimated with sufficient accuracy.

Pension plans

The pension coverage for the Group's Finnish personnel has been provided by pension insurance.

The pension arrangements of the foreign subsidiaries are 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.

Appropriations

In the Consolidated Balance Sheet the depreciation difference of the Group companies is divided into the shareholders' equity and the deferred tax liability. Correspondingly, the change that occurred during the period has been divided in the Consolidated Income Statement between the profit/loss for the period and the change in the deferred tax liability.

Under the Companies Act, the share of appropriations included in the Group's shareholders' equity do not constitute distributable shareholders' equity.

Income taxes

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

Deferred tax liability

The deferred tax liability or receivable has been calculated for the timing differences between 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 a subsidiary's loss, is presented in the notes as the amount of the estimated probable tax benefit.

	Group 2004 1,000 euro	2003 1,000 euro	Parent Company 2004 euro	2003 euro
1. Net Sales				
Market Area				
North America	25,631.5	24,884.9	25,238,390.84	23,932,707.83
Europe	23,919.8	19,118.3	19,739,019.29	16,227,165.70
Far East	5,814.6	6,113.8	5,247,720.40	5,752,528.08
Total	55,365.9	50,117.0	50,225,130.53	45,912,401.61
2. Personnel Expenses				
Wages and Salaries	15,958.8	14,905.9	13,699,050.17	12,831,131.40
Pension Costs	2,224.8	2,116.7	2,141,069.52	2,054,009.31
Other Personnel Costs	1,747.4	1,790.0	1,158,297.25	1,169,938.04
Total	19,931.0	18,812.6	16,998,416.94	16,055,078.75
Remuneration to the Board	112.5	116.1	112,500.00	116,050.00

Accrual-based salaries include not only salaries paid for time at work but also salaries paid for holiday time, days off and sick leave as well as holiday pay and fees for years of service etc.

Separate remuneration is not paid to the President or the Executive Management Group for membership on the Boards of Subsidiary Companies or for acting as President.

The retirement age of the President of Okmetic Oyj is 65 years.

	Group 2004	2003	Parent Company 2004	2003
Number of Personnel				
White-Collar Employees	164	168	129	132
Blue-Collar Employees	282	309	261	292
Average	446	477	390	424
31 December	418	456	365	403
3. Depreciations and Write-offs				
Depreciations According to Plan				
Goodwill	1.3	17.7		
Goodwill on Consolidation	6.4	77.3		
Other Capitalised Long-term Expenditures	117.5	359.2	66,153.18	249,033.87
Buildings	1,065.0	1,391.2	226,804.67	543,856.27
Machinery and Equipment	7,759.9	11,641.4	6,288,512.61	10,059,942.35
Total	8,950.1	13,486.8	6,581,470.46	10,852,832.49
Depreciations by Function				
Cost of Sales	8,859.5	13,323.3	6,566,913.50	10,827,691.19
Sales and Marketing	0.5	0.5	489.03	489.03
Administration	90.1	163.0	14,067.94	24,652.27
Total	8,950.1	13,486.8	6,581,470.46	10,852,832.49
Write-offs				
Goodwill	6.4	-		
Goodwill on Consolidation	45.1	-		
Other Capitalised Long-term Expenditures	408.1	-	292,328.29	-
Buildings	4,380.5	-	4,380,467.37	-
Machinery and Equipment	20,161.1	-	20,161,125.20	-
Total	25,001.2	-	24,833,920.86	-

	Group		Parent Company	
	2004	**2003**	**2004**	**2003**
	1,000 euro	1,000 euro	euro	euroa
Write-offs by Function				
Cost of Sales	24,974.7	-	24,813,837.52	-
Administration	26.5	-	20,083.34	-
Total	25,001.2	-	24,833,920.86	-
4. Expenses of the Structural Change				
Personnel Expenses	302.6	-	302,600.00	-
Other Expenses	3,929.3	-	3,560,714.83	-
	4,231.9	-	3,863,314.83	-

The costs of the structural change are a result of the closing down of the Espoo plant and the reorganisation of the company. Personnel expenses include wages and salaries as well as other personnel costs. These are included in the costs of the functions. Other expenditure includes all other costs resulting from the implementation of the changes. They have been presented in connection with other costs resulting from operating activities.

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
5. Financial Income and Expenses				
Interest from Short-term Investments				
From Group Companies			178,437.38	174,325.42
From Others	46.1	41.2	44,501.08	40,283.92
	46.1	41.2	222,938.46	214,609.34
Interest Expenses				
To Others	-2,087.8	-2,155.1	-1,901,464.32	-1,916,808.27
	-2,087.8	-2,155.1	-1,901,464.32	-1,916,808.27
Other Financial Income and Expenses				
From Group Companies			-699,637.57	-
To/From Others	-342.8	506.3	-349,026.37	503,859.62
	-342.8	506.3	-1,048,663.94	503,859.62
Total	-2,384.5	-1,607.6	-2,727,189.80	-1,198,339.31
6. Changes in Untaxed Reserves				
Change in Depreciation Difference				
Buildings			-899,827.09	205,639.10
Machinery and Equipment			1,228,970.07	-2,939,453.90
Intangible Assets			-329,142.98	77,227.56
Total			0.00	-2,656,587.24
Accumulated Depreciation Reserve				
Buildings			287,613.51	1,187,440.60
Machinery and Equipment			77,343.25	-1,151,626.82
Intangible Assets			-364,956.76	-35,813.78
Total			0.00	0.00
7. Income Taxes				
Deferred Tax from Subsidiary's Result	-	-1,243.0		
Change in Deferred Tax Liability	-68.4	611.7		
Taxes for the Period	-68.4	-631.3		

8. Fixed Assets

See following page 34 - 35.

8. Fixed Assets

Group 1,000 euro	**Acquisition Cost 1.1.2004**	**Translation Differences**	**Additions**	**Disposals**
Intangible Assets				
Goodwill	107.5	-5.6	-	73.4
Goodwill on Consolidation	885.3	-0.1	-	-
Other Capitalised Long-term Expenditures	4,287.6	89.1	-	2,187.2
	5,280.4	83.4	-	2,260.6
Tangible Assets				
Land	2,180.7	-381.3	-	-
Buildings	32,230.8	-1,002.1	7.0	208.0
Machinery and Equipment *	140,507.6	-2,901.0	637.7	12,806.6
Construction in Progress	718.6	-101.9	220.4	-
	175,637.7	-4,386.3	865.1	13,014.6
Investments				
Other Shares	6.3	-	-	-
Other Receivables	238.0	-	-	-
	244.3	-	-	-
Total	181,162.4	-4,302.9	865.1	15,275.2

* Balance Sheet Value of Production Machinery and Equipment

Parent Company Euro	**Acquisition Cost 1.1.2004**	**Translation Differences**	**Additions**	**Disposals**
Intangible Assets				
Other Capitalised Long-term Expenditures	3,502,419.75		-	1,852,906.24
	3,502,419.75		-	1,852,906.24
Tangible Assets				
Land	977,081.45		-	-
Buildings	12,602,250.13		-	207,978.46
Machinery and Equipment *	122,738,984.36		321,443.92	12,534,247.73
Construction in Progress	482,513.42		189,704.60	-
	136,800,829.36		511,148.52	12,742,226.19
Investments				
Holdings in Subsidiaries	28,073,507.20		-	-
Other Shares	6,281.82		-	-
Other Receivables	130,239.30		-	-
	28,210,028.32		-	-
Total	168,513,277.43		511,148.52	14,595,132.43

* Balance Sheet Value of Production Machinery and Equipment

Transfers between Items	Accumulated Depreciations 1.1.2004	Accumulated Depreciations of Transfers and Disposals	Depreciations for Financial Year 1.1. - 31.12.2004	Write-off Depreciations 1.1. - 31.12.2004	Balance Sheet Value 31.12.2004
-	94.2	73.4	1.3	6.4	-
-	833.7	-	6.4	45.1	-
29.6	3,736.1	2,187.2	117.5	408.1	144.6
29.6	4,664.0	2,260.6	125.2	459.6	144.6
-	-	-	-	-	1,799.4
-	8,976.7	208.0	1,065.0	4,380.5	16,813.5
373.0	63,833.2	12,673.3	7,759.9	20,081.2	46,809.7
-402.6	-	-	-	79.9	354.6
-29.6	72,809.9	12,881.3	8,824.9	24,541.6	65,777.2
-	-	-	-	-	6.3
-	-	-	-	-	238.0
-	-	-	-	-	244.3
-	77,473.9	15,141.9	8,950.1	25,001.2	66,166.1
					45,405.4

Transfers between Items	Accumulated Depreciations 1.1.2004	Accumulated Depreciations of Transfers and Disposals	Depreciations for Financial Year 1.1. - 31.12.2004	Write-off Depreciations 1.1. - 31.12.2004	Balance Sheet Value 31.12.2004
29,593.25	3,028,904.88	1,852,906.24	66,153.18	292,328.29	144,626.65
29,593.25	3,028,904.88	1,852,906.24	66,153.18	292,328.29	144,626.65
-	-	-	-	-	977,081.45
-	4,240,882.81	207,978.46	226,804.67	4,380,467.37	3,754,095.28
373,020.17	58,678,089.77	12,534,247.73	6,288,512.61	20,081,225.20	38,385,620.87
-402,613.42	-	-	-	79,900.00	189,704.60
-29,593.25	62,918,972.58	12,742,226.19	6,515,317.28	24,541,592.57	43,306,502.20
-	-	-	-	-	28,073,507.20
-	-	-	-	-	6,281.82
-	-	-	-	-	130,239.30
-	-	-	-	-	28,210,028.32
-	65,947,877.46	14,595,132.43	6,581,470.46	24,833,920.86	71,661,157.17
					37,234,052.24

	Group 2004	2003	Parent Company 2004	2003
	1,000 euro	1,000 euro	euro	euro

9. Subsidiaries on 31 December 2004

Name of Company or Corporation	Registered Office	Ownership Share Parent and Group
Okmetic AB	Ekerö, Sweden	100
Okmetic Inc.	Dallas, United States	100
Okmetic Invest Oy	Vantaa, Finland	100
Kiinteistö Oy Piitalot	Vantaa, Finland	100

10. Other Long-term Equity Investments

The book value of shares in other companies owned by the Parent Company and the Group amounts to 6,281.82 euro and the market value amounts to 16,011.00 euro.

11. Prepayments and Accrued Income

Essential Items Included in the Prepayments and Accrued Income

	Group 2004	2003	Parent Company 2004	2003
Pension Accruals	95.2	216.4	95,169.24	216,386.78

12. Shareholders' Equity

	Group 2004	2003	Parent Company 2004	2003
Share Capital				
1 January	11,821.2	11,821.2	11,821,250.00	11,821,250.00
31 December	11,821.2	11,821.2	11,821,250.00	11,821,250.00
Premium Fund				
1 January	71,055.9	71,055.9	71,055,849.80	71,055,849.80
31 December	71,055.9	71,055.9	71,055,849.80	71,055,849.80
Retained Earnings				
1 January	-6,704.2	2,080.9	5,117,585.24	5,114,161.86
Translation Difference	-806.3	-2,466.6		
Profit/Loss from the Previous Period	-9,955.7	-6,318.5	-6,795,437.77	3,423.38
31 December	-17,466.2	-6,704.2	-1,677,852.53	5,117,585.24
Profit/Loss for the Period	-33,841.0	-9,955.7	-33,187,503.91	-6,795,437.77
Subordinated Loans				
1 January	6,620.0	6,597.7	6,620,024.31	6,597,684.48
Additions	18.4	22.3	18,344.15	22,339.83
31 December	6,638.4	6,620.0	6,638,368.46	6,620,024.31
Total Shareholders' Equity on 31 December	38,208.3	72,837.2	54,650,111.82	87,819,271.58

	Group 2004	2003	Parent Company 2004	2003
	1,000 euro	1,000 euro	euro	euro
13. Subordinated Loans				
Due date 31 December 2003, interest 7.0%				
The Finnish National Fund for				
Research and Development Sitra	104.5	97.6	104,495.56	97,659.40
Due date 31 December 2003, interest 7.0%				
The Finnish National Fund for				
Research and Development Sitra	175.9	164.4	175,907.83	164,399.84
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
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
	3,363.3	3,363.3	3,363,294.33	3,363,294.33
Loan Period 1999 - 2009, interest 6.0% **)				
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
	2,994.7	2,994.7	2,994,670.74	2,994,670.74
Total	6,638.4	6,620.0	6,638,368.46	6,620,024.31

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 year 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 year 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 restricted shareholders' equity by 31 March 2000. **) 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 1:8.60585. The increasing of the number of shares from 36,543 to 9,135,750 means that the number of shares that may be subscribed under convertible bonds shall increase from 2,096 to 524,000 and the subscription price shall change from 1,447.40 euro (not exact) to 5.79 euro (not exact). The number of the 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 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 2004 1,000 euro	2003 1,000 euro	Parent Company 2004 euro	2003 euro
14. Retained Earnings				
Retained Earnings / Loss	-17,466.2	-6,704.2	-1,677,852.53	5,117,585.24
Profit/Loss for the Period	-33,841.0	-9,955.7	-33,187,503.91	-6,795,437.77
Capitalisation of Founding Expenses of Subsidiary	-	-51.6		
Equity Share of Untaxed Reserves	-2,032.0	-1,580.4		
	-53,339.2	-18,291.9	-34,865,356.44	-1,677,852.53
15. Deferred Tax Liability				
Total Deferred Tax Liability on 1 January	645.5	1,257.2		
Change during the Period Presented in the Income Statement	68.4	-611.7		
Deferred Tax Liability Presented in the Balance Sheet on 31 December				
Deferred Tax Liability from Untaxed Reserves	713.9	645.5		
16. Liabilities				
Loans due in Five or More Years				
Loans from Financial Institutions	1,250.0	2,575.0	1,250,000.00	2,500,000.00
17. Accruals and Deferred Income				
Essential Items Included in Accruals and Deferred Income				
Salaries and Expenses	3,683.5	2,607.4	3,496,778.54	2,462,038.17
Accrued Interest	2,406.3	2,036.8	2,385,868.64	2,011,657.48
Others	468.4	199.2	422,535.01	200,718.06
Total	6,558.2	4,843.4	6,305,182.19	4,674,413.71
18. Receivables and Liabilities from Group Companies				
Other Receivables			10,504,594.25	10,641,447.96
Other Liabilities			2,594,677.90	1,237,913.90
19. Pledges, Contingent Liabilities and Other Commitments				
Pledges Given on 31 December				
Mortgages on Land and Buildings				
Capital of Loans from Financial Institutions	36,064.0	36,985.2	32,028,100.32	32,765,845.80
Mortgages				
Mortgages on Property	15,641.5	16,314.2	5,550,201.36	6,222,953.01
Mortgages on Business	28,928.3	28,087.4	28,928,323.35	28,087,383.72
Book Value of Pledged Shares	8,908.1	8,908.1	8,908,125.47	8,908,125.47
Total	53,477.9	53,309.7	43,386,650.18	43,218,462.20

The lease rights for the site are also pledged as security for loans in the Group.

	Group 2004	2003	Parent Company 2004	2003
	1,000 euro	1,000 euro	euro	euro
Commitments to Current Rental and Leasing Agreements on 31 December				
To Be Paid in the Following Year	640.1	771.1	458,839.15	575,671.16
To Be Paid Subsequently	1,258.8	1,660.2	760,623.07	764,229.37
Total	1,898.9	2,431.3	1,219,462.22	1,339,900.53

The leasing agreements are mainly five-year agreements with no redemption clauses.

	Group 2004	2003	Parent Company 2004	2003
Derivatives on 31 December				
Currency Forward Agreements				
Contract Value	-	4,086.7	-	4,086,669.82
Market Value	-	3,167.1	-	3,167,062.55
Hedging Position on 31 December (+ Profit, - Loss)	-	919.6	-	919,607.27
Currency Options				
Put:				
Contract Value	1,481.5	1,678.9	1,481,481.48	1,678,912.33
Market Value	13.2	95.4	13,160.50	95,381.06
Call:				
Contract Value	1,544.4	1,818.2	1,544,402.47	1,818,181.82
Market Value	-	-	-	-

The given market value of the option is the value of the contract calculated with the closing quotation of the financial year.

	Group 2004	2003	Parent Company 2004	2003
Interest Rate Swap Contracts				
Contract Value	20,106.0	23,190.9	17,749,154.41	19,338,530.32
Market Value	-135.2	-283.0	-114,041.73	-215,018.98

The market value of interest rate swap contracts is calculated as the difference in interest flow of undiscounted interest rate swaps by using the floating interest market rate on 31.12.2004. The value of the underlying commodity is shown as the amount of the loan capital under the interest rate swap.

	Group 2004	2003	Parent Company 2004	2003
Electricity Derivatives				
Contract Value	1,241.2	1,022.4	1,241,211.74	1,022,367.01
Market Value	1,194.6	1,053.1	1,194,571.91	1,053,052.55
Hedging Position at the End of the Financial Year (+ Profit, - Loss)	-46.6	30.7	-46,639.83	30,685.54

The underlying asset value of the electricity derivatives is calculated based on the contract price and the market value is based on the closing market value of the period.

Sales of electricity derivatives are carried out for hedging purposes.

KEY FIGURES SHOWING FINANCIAL PERFORMANCE 1)

(1,000 euro, Financial Period 1 January - 31 December)	2004	2003	2002	2001	2000
Net Sales	55,366	50,117	57,738	57,305	68,561
Net Sales, Change, %	10.5	-13.2	0.8	-16.4	49.6
Export and Foreign Operations					
Share of Net Sales, %	96.9	95.9	95.5	96.3	96.8
Operating Profit/Loss	-31,388	-7,717	-6,151	-784	10,873
% of Net Sales	-56.7	-15.4	-10.7	-1.4	15.9
Profit/Loss before Extraordinary Items	-33,773	-9,324	-8,121	-2,063	7,444
% of Net Sales	-61.0	-18.6	-14.1	-3.6	10.9
Profit/Loss before Taxes	-33,773	-9,324	-8,121	-2,063	6,164
% of Net Sales	-61.0	-18.6	-14.1	-3.6	9.0
Return on Equity (ROE), %	-69.2	-13.7	-7.3	-1.8	8.2
Return on Investment (ROI), %	-34.0	-6.1	-4.9	-3.6	10.7
Non-interest Bearing Liabilities	12,627	9,850	10,630	15,638	15,875
Gearing, %	119.3	60.1	54.8	24.2	5.4
Equity Ratio, %	36.3	54.9	57.9	68.3	65.5
Capital Expenditure	787	1,880	24,742	43,748	16,059
% of Net Sales	1.4	3.8	42.9	76.3	23.4
Depreciations 2)	8,950	13,487	13,432	9,758	8,500
Research and Development Expenses 3)	3,758	3,355	4,060	3,627	2,702
% of Net Sales	6.8	6.7	7.0	6.3	3.9
Average Personnel during the Period	446	477	569	550	516
Personnel at the End of the Period	418	456	515	510	534

KEY FIGURES OF THE GROUP PER SHARE

(Euro, Financial Period 1 January - 31 December)	2004	2003	2002	2001	2000
Earnings per Share Undiluted	-2.00	-0.59	-0.37	-0.10	0.40
Earnings per Share Diluted	-2.03				
Shareholders' Equity per Share	1.87	3.92	4.66	5.20	4.98
Dividend per Share	0.00	0.00	0.00	0.00	0.00
Dividend per Earnings, %	-	-	-	-	-
Price per Earnings (P/E)	-1.2	-5.6	-6.1	-49.9	13.2
Development of Share Price					
Average Trading Price	2.88	2.43	3.71	5.43	6.63
Lowest Trading Price	2.15	1.45	1.90	2.80	4.82
Highest Trading Price	4.50	3.77	5.99	7.38	8.20
Trading Price at the End of the Period	2.44	3.30	2.30	4.80	5.16
Market Capitalisation at the End of the Period, 1,000 euro	41,206	55,729	38,841	81,060	82,461
Development in Trading Volume					
Trading Volume, transactions	5,519,895	3,630,769	4,097,207	5,480,099	3,486,339
In Relation to Weighted Average Number of Shares, %	32.7	21.5	24.3	32.8	27.7
Trading Volume	15,898,813	8,819,587	15,202,025	29,756,672	23,097,345

(Euro, Financial Period 1 January - 31 December)	2004	2003	2002	2001	2000
The Weighted Average Number of Shares during the Period Adjusted by the Share Issue 4)	16,887,500	16,887,500	16,887,500	16,718,947	12,580,476
Adjusted Number of Shares at the End of the Period 4)	16,887,500	16,887,500	16,887,500	16,887,500	15,980,750
Adjusted Average Number of Shares during the Period Including the Dilution Due to Convertible Loans and Options	16,611,206	16,360,784	16,099,136	16,741,199	13,356,274
Adjusted Average Number of Shares at the End of the Period Including the Dilution Due to Convertible Loans and Options	16,611,206	16,360,784	16,099,136	16,909,752	16,738,716

INFORMATION ON THE OPTIONS OF THE PARENT COMPANY 5)

(Euro, Financial Period 1 January - 31 December)	2004	2003	2002	2001
Warrants - Option A/B, pcs	554,800	554,800	554,800	554,800
Development in Option Prices				
Average Trading Price	0.32	0.59	2.08	1.32
Lowest Trading Price	0.20	0.55	0.65	1.20
Highest Trading Price	0.35	0.65	2.60	1.55
Trading Price at the End of the Period	0.20	0.65	0.65	1.55
Development in Trading of Options				
Trading Volume, transactions	27,500	10,400	20,500	2,300
Share of the Weighted Mean Value of Options, %	5.0	1.9	3.7	0.4
Trading Volume, euro	8,726	6,112	42,556	3,026

1) Other financial data of the Company and the Group are presented on pages 23 - 29.
2) In addition, a 25.0 million euro write-off from fixed assets has been made during 1 January - 31 December, 2004.
3) Research and development expenditure has been presented in gross figures and only long-term projects based on research program have been taken into account.
4) Per share figures have been adjusted in accordance with the guidelines issued by the Finnish Accounting Board (KILA) on 29 October, 2002 and have been adjusted to correspond to the current number of shares in the Company.
5) Option A has become subject to public trading in the Helsinki Stock Exchange on 3 December 2001 and option B on 2 May 2003. The option classes have been combined on 2 May 2003.

CALCULATION OF KEY FIGURES

Return on Equity % (ROE) = $\dfrac{\text{Profit/Loss before Extraordinary Items - Taxes x 100}}{\text{Shareholders' Equity - Subordinated Loans + Minority Interest (Average for the Year)}}$

Return on Investment % (ROI) = $\dfrac{\text{Profit/Loss before Extraordinary Items + Interest and Other Financial Expenditure x 100}}{\text{Balance Sheet Total - Non-interest Bearing Liabilities (Average for the Year)}}$

Equity Ratio (%) = $\dfrac{\text{Shareholders' Equity - Subordinated Loans + Minority Interest x 100}}{\text{Balance Sheet Total - Advance Payments Received}}$

Gearing (%) = $\dfrac{\text{Interest Bearing Liabilities - Cash and Cash Equivalents x 100}}{\text{Shareholders' Equity - Subordinated Loans + Minority Interest}}$

Earnings per Share = $\dfrac{\text{Earnings before Extraordinary Items - Taxes +/- Minority Interest}}{\text{Adjusted Average Number of Shares}}$

Shareholders' Equity per Share = $\dfrac{\text{Shareholders' Equity - Subordinated Loans}}{\text{Adjusted Average Number of Shares at the End of the Financial Year}}$

Price/Earnings Ratio (P/E) = $\dfrac{\text{Adjusted Trading Price at the End of the Financial Year}}{\text{Earnings per Share}}$

Shares and share capital

Okmetic Oyj has issued a total of 16,887,500 shares. The equivalent book value of each share is 0.7 euro. According to the Articles of Association, Okmetic Oyj's minimum share capital is 6,000,000 euro and the maximum share capital is 24,000,000 euro, within which limits the share capital can be increased or decreased without amending the Articles of Association. The Company's registered share capital is 11,821,250 euro. 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 Stock Exchange since 3 July 2000, under the trading code OKM1V.

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

The Annual General Meeting held on 27 March 2003 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 for a period commencing on the 27 March 2003 and ending on the date of the next Annual General Meeting, however, not exceeding 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 to a maximum of 2,000,000 new shares. Under this authorisation, it was possible to increase the share capital by a maximum of 1,400,000 euro. The authorisation included the right to deviate from the shareholders' pre-emptive subscription rights, if the deviation is justified by an important financial reason for the Company.

This authorisation was not utilised.

The Annual General Meeting held on 25 March 2004 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 for a period commencing on 25 March 2004 and ending on the date of the next Annual General Meeting, however, not exceeding 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 3,377,500 new shares. Pursuant to this authorisation, the share capital of the Company may be increased by a maximum of 2,364,250 euro. The authorisation includes the right to deviate from the shareholders' pre-emptive subscription rights, if the deviation is justified by an important financial reason for the Company.

This authorisation was not utilised by 31 December 2004.

In its meeting held on 15 February 2005 the Board of Directors decided to propose to the Annual General Meeting to be held on 24 March 2005 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 for a period commencing on 24 March 2005 and ending on the date of the next Annual General Meeting, however, not exceeding 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 3,377,500 new shares. Pursuant to this authorisation, the share capital of the Company may be increased by a maximum of 2,364,250 euro. The authorisation shall include the right to deviate from the shareholders' pre-emptive subscription rights, if the deviation is justified by an important financial reason for the Company.

Convertible bonds

The Company's Extraordinary General Meeting held on 28 June 1999 decided to issue a convertible subordinated bond of 3,363,757.76 euro (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 at 3,033,750.54 euro (then FIM 18,037,861.60). The conversion ratio is 1:8.60585 whereupon a maximum of 2,096 shares can be subscribed 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 euro 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 to 9,135,750 means that the number of shares that may be subscribed under the bonds shall increase from 2,096 shares to 524,000 shares and the subscription price shall change from 1,447.40 euro (not exact) to 5.79 euro (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 euro, which represents approximately 3.28 percent 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 and 8.4.2006 - 30.6.2006.

One of the shareholders used their right of conversion on 30 June 2001. The amount of the converted bond was 39,079.80 euro 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 Henki-Sampo Life Insurance Company Limited), 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 euro (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 104,495.56 euro and 175,907.83 euro. The due date for both subordinated loans is 31 December 2003. The Company has not been able to make the repayments of the loans as a result of the limitations of the non-restricted shareholder's equity indicated in the Financial Statements.

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

Option programme for the 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.

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, engaged by the Company's US Subsidiary and to the employees of the US Subsidiary. A total of 42,800 option rights were subscribed for.

The subscription period for these option rights was 14 August - 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 Programme 2000". The option rights were recorded under the book-entry securities system.

Each option right entitles the holder to subscribe for one (1) share in 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 on 2 May 2003.

On 2 May 2003, option classes were combined into one option series of the A/B options of 2000. Each option right entitles the holder to subscribe for one share in the Company with an equivalent book value of 0.7 euro. In consequence of subscriptions, the Company's share capital may increase by a maximum of 554,800 new shares i.e. by no more than 388,360 euro. Shares would then contribute 3.2 percent of the entire share capital. The subscription period for shares under option rights shall end on 31 May 2007. Option rights are freely transferable.

The subscription price for the shares is 7.00 euro 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. No dividends were paid by 31 December 2003. 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 shareholder rights start when the increase in 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 and the B options have been quoted together with the A options since 2 May 2003.

No options were exchanged for shares by 31 December 2004.

The management's share ownership

On 31 December 2004 the members of the Board of Directors and the President of Okmetic Oyj possessed a total of 10,500 shares i.e. 0.06 percent of the Company's share capital and voting rights. In addition, the President was entitled to 30,000 shares under the personnel option programme. If this option right were to be fully utilised, the President's share of the Company's share capital and voting rights would be 0.2 percent. Option rights correspond to 5.4 percent of the total amount of warrants issued by the Company.

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 Stock Exchange and the recommendations given by the Finnish Association of Securities Dealers.

Share price developments and trading

The trading volume of the Company's shares between 1 January and 31 December 2004 amounted to 5.5 million shares, which corresponds to 32.7 percent of the total number of 16.9 million shares. The lowest quotation during the period under review was 2.15 euro and the highest was 4.50 euro per share, with the average price being 2.88. The closing quotation at the end of the year was 2.44 euro. The market value of the entire share capital was 41.2 million euro.

The development of the share and the A/B option price and trading, and the share-specific key figures over five years are shown on page 40 - 41.

Shares and shareholders on 31 December 2004

Shareholders	Shares, pcs	Share, %
Outokumpu Oyj	5,410,000	32.0
The Finnish National Fund for Research and Development Sitra	1,291,500	7.6
Oras Oy	1,066,500	6.3
Insurance Company Sampo Life	872,250	5.2
Etra-Invest Oy	850,000	5.0
Finnish Industrial Investment Ltd.	639,750	3.8
Mutual Fund Pohjola Finland Value	550,000	3.3
Nordea Capital Oy	533,250	3.2
Ilmarinen Mutual Pension Insurance Company	449,300	2.7
Mutual Insurance Company Pension-Fennia	376,800	2.2
Nominee accounts held by custodian banks	143,797	0.8
Other shareholders	4,704,353	27.9
Total number of shares	16,887,500	100.0

Shareholders by group on 31 December 2004

Shareholder groups	Shares, pcs	Share, %
Private companies	9,499,688	56.2
Public companies	33,800	0.2
Financial and insurance institutions	2,204,576	13.1
Public organisations	848,700	5.0
Non-profit organisations	1,354,356	8.0
Households/private persons	2,764,803	16.4
International shareholders	181,577	1.1
Total	16,887,500	100.0

Distribution of shareholdings on 31 December 2004

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1 - 100	290	10.4	25,761	0.2	89
101 - 500	1,287	46.1	394,956	2.3	307
501 - 1,000	561	20.1	464,333	2.6	828
1,001 - 10,000	591	21.2	1,701,003	10.1	2,878
10,001 - 100,000	48	1.7	1,344,100	8.0	28,002
100,001 - 1,000,000	12	0.4	5,045,550	29.9	420,463
more than 1,000,001	3	0.1	7,768,000	46.0	2,589,333
	2,792	100.0	16,743,703	99.1	5,997
Nominee accounts held by custodian banks			143,797	0.9	
Total			16,887,500	100.0	

Increase in share capital 1996 - 2004 by date of registration

	Number of shares	Share capital, euro
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 2004	16,887,500	11,821,250.00

The proposal of the Board of Directors for measures concerning the retained earnings

The proposals of the Board of Directors to be presented at the Annual General Meeting on 24 March:

According to the financial statements of 31 December 2004 neither the Parent Company nor the Group has dividable assets.

The Board of Directors proposes to the Annual General Meeting that a dividend of shares should not be paid and that the losses amounting to -33,187,503.91 euro from the financial year be recorded as retained earnings.

Vantaa, 15 February 2005

Mikko J. Aro
Chairman

Juho Mäkinen
Vice Chairman

Heikki Huomo
Board Member

Esa Lager
Board Member

Pekka Paasikivi
Board Member

Pekka Salmi
Board Member

Antti Rasilo
President

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. - 31.12.2004. 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 President. 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 President 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 President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

Vantaa, 4th March 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Marjomaa
Authorised Public Accountant

Board of Directors

Mikko J. Aro
Chairman

Heikki Huomo

Juho Mäkinen
Vice Chairman

Esa Lager

Pekka Paasikivi

Pekka Salmi

Mikko J. Aro, 1945, B.Sc. (Econ.)
- Chairman of the Board of Directors since 2001
- Member of the Board of Directors since 1999
- Member of the Finnish Association of Professional Board Members
- Owns 1,500 shares in the Company

Heikki Huomo, 1958, M.Sc. (Tech.)
- Member of the Board of Directors since 2001
- Director of the Corporate Strategy Organisation of Nokia
- Owns 2,200 shares in the Company

Esa Lager, 1959, M.Sc. (Econ.), LL.M.
- Member of the Board of Directors in 1996-2000 and since 2003
- Chief Financial Officer of Outokumpu Oyj, and member of the Group's Executive Committee

Juho Mäkinen, 1945, D.Sc. (Tech.)
- Vice Chairman of the Board of Directors and member of the Board since 2001
- Executive Vice President, EHS and Technologies, of Outokumpu Oyj, and member of the Group's Executive Committee
- Owns 2,000 shares in the Company

Pekka Paasikivi, 1944, B.Sc. (Eng.)
- Member of the Board of Directors since 1996
- Chairman of the Board of Directors of Oras Oy

Pekka Salmi, 1961, Lic.Sc. (Tech.)
- Member of the Board of Directors in 1999-2000 and since 2002
- Sector Director of The Finnish National Fund for Research and Development Sitra

Shares owned by the Board of Directors and the President

At the end of the year, the members of the Board of Directors and the President of Okmetic Oyj governed a total of 10,500 shares, which corresponds to 0.06 percent of the share capital and votes of the Company.

From left: Antti Rasilo, Markku Tilli and Timo Koljonen.
Back row: Markus Virtanen, Jaakko Montonen, Esko Sipilä and Mikko Montonen.

Management

Antti Rasilo, 1950, M.Sc. (Tech.)
President
- Joined the Company in 2003

Timo Koljonen, 1966, Lic.Sc. (Tech.)
Senior Vice President, Production
- Joined the Company in 1994
- Area of Responsibility: the Order-Delivery process

Jaakko Montonen, 1969, M.Sc. (Tech.)
Senior Vice President, Development
- Joined the Company in 1994
- Area of Responsibility: the Product Engineering process

Mikko Montonen, 1965, M.Sc. (Tech.)
Senior Vice President, Sales and Marketing
- Joined the Company in 1991
- Area of Responsibility: the Sales & Marketing process

Esko Sipilä, 1948, M.Sc. (Econ.)
Senior Vice President, Finance
- Joined the Company in 1996
- Area of Responsibility: Finance, IT and Communications

Markku Tilli, 1950, M.Sc. (Tech.)
Senior Vice President, Research
- Joined the Company in 1985
- Area of Responsibility: Strategic Research Projects

Markus Virtanen, 1962, M.Sc. (Tech.)
Senior Vice President, Human Resources
- Joined the Company in 1999
- Area of Responsibility: Human Resources.

Separate operational management groups, which also include personnel representation, are used to help implement the operational activities of the Executive Management Group in relation to sales, production and development. A member of the Executive Management Group acts as the head of these management groups.

Corporate Governance

General

Okmetic Oyj, the parent company of Okmetic Group, is a Finnish public limited company. The registered office is situated in Vantaa, Finland.

Corporate governance at Okmetic Oyj adheres to the Finnish Companies Act, other relevant legislation and the Articles of Association. The recommendations issued by HEX Plc, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers on the corporate governance of listed companies are followed in the implementation of corporate governance at Okmetic.

The administrative bodies of Okmetic Oyj are responsible for the governance and operations of the Okmetic Group. These bodies are the Annual General Meeting, the Board of Directors and the President. The Executive Management Group supports the President throughout his duty.

Annual General Meeting

The Annual General Meeting has the ultimate discretionary authority in the Company and the tasks of the meeting have been defined in the Finnish Companies Act and the Articles of Association.

The Annual General Meeting usually convenes once a year. The Annual General Meeting decides on confirming the financial statements, the payment of dividends or the measures resulting from the confirmed profit or loss, increasing or decreasing share capital, amending the Articles of Association and the appointment and remuneration of the Board of Directors and the auditors, in accordance with the Finnish Companies Act.

The Board of Directors calls the Annual General Meeting. The Annual General Meeting will be held no later than the 30th June. The Board of Directors has the responsibility of calling the Annual General Meeting, if the auditor or shareholders whose total ownership of the Company exceeds 10 percent submit a request for a meeting in writing, for addressing a disclosed issue. Shareholders have the right to address an issue to the Annual General Meeting, if such a request is made to the Board of Directors in writing and early enough for the issues to be included in the notice of the Annual General Meeting.

The right to participate in the Annual General Meeting applies to shareholders who, at least 10 days prior to the Annual General Meeting, are included as a shareholder in the list of shareholders maintained by the Finnish Central Securities Depository Ltd. Shareholders can use their right to participate either personally or by proxy.

The President and the members of the Board of Directors will take part in the Annual General Meeting.

Persons, who are nominated as members of the Board of Directors for the first time, must participate in the Annual General Meeting where their appointments are decided unless a considerable reason exists to justify their absence.

The Company is not aware of any shareholders' agreements.

Board of Directors

The Board of Directors is responsible for the administration of the Company and the appropriate arrangement of operations.

The Annual General Meeting appoints the members of the Board of Directors of the Company. The term of office of the Board of Directors terminates at the end of the Annual General Meeting following its appointment. The Board of Directors comprises at least three members and no more than eight members. In addition, a maximum of eight deputy members may be appointed to the Board of Directors. The Board of Directors appoints a chairman and a deputy chairman from its members. The Board of Directors has quorum when at least half of its members are present.

The Board of Directors is responsible for managing the Group together with the President. The Board of Directors has general authority in all matters that have not been appointed as responsibility of another body.

Six members were appointed to the Board of Directors in the Annual General Meeting of 2004. The President of Okmetic is not a member of the Board of Directors.

Essential tasks of the Board of Directors include:

- the administration of the Group and the appropriate arrangement of the operations, accounting and financial management
- deciding on the strategy of the Group and supervising its implementation.
- approving of the annual plans of the Group and any revisions
- deciding on investments and sales of assets that have strategic significance or that are extensive in scope
- deciding on significant financial arrangements and risk management
- preparing the issues to be addressed in the Annual General Meeting and ensuring the implementation of the decisions of the Annual General Meeting

- the appointing and dismissal of the President and Vice President of the Company and deciding on the conditions of their terms of office
- deciding on the incentive schemes of the Group
- ensuring the implementation of the Company values
- assessing its own activities.

The Board of Directors produces an annual written agenda for its activities and assesses its own activities and operational methods.

The Company must inform the Board of Directors of the nominated member applicants if the nomination is supported by shareholders, whose votes amount to at least 10 percent of the shares, and if the nominee has accepted the appointment.

The most significant shareholders of the Company have confirmed to the Company that they support a principle whereby the members of the Board of Directors should primarily comprise independent experts.

The members of the Board of Directors as of 25th March 2004:

Mikko J. Aro, 1945, B.Sc. (Econ.)
- Chairman of the Board of Directors since 2001
- Member of the Board of Directors since 1999
- Member of the Finnish Association of Professional Board Members
- Owns 1,500 shares in the Company

Heikki Huomo, 1958, M.Sc. (Tech.)
- Member of the Board of Directors since 2001
- Director of the Corporate Strategy Organisation of Nokia
- Owns 2,200 shares in the Company

Esa Lager, 1959, M.Sc. (Econ.), LL.M.
- Member of the Board of Directors in 1996-2000 and since 2003
- Chief Financial Officer of Outokumpu Oyj, and member of the Group's Executive Committee

Juho Mäkinen, 1945, D.Sc. (Tech.)
- Vice Chairman of the Board of Directors and member of the Board since 2001
- Executive Vice President, EHS and Technologies, of Outokumpu Oyj, and member of the Group's Executive Committee
- Owns 2,000 shares in the Company

Pekka Paasikivi, 1944, B.Sc. (Eng.)
- Member of the Board of Directors since 1996
- Chairman of the Board of Directors of Oras Oy

Pekka Salmi, 1961, Lic.Sc. (Tech.)
- Member of the Board of Directors in 1999-2000 and since 2002
- Sector Director of The Finnish National Fund for Research and Development Sitra.

The Board of Directors declares that all members of the Board are independent of the Company. In addition, as members of the Board of Directors, Mikko J. Aro, Heikki Huomo, Pekka Paasikivi and Pekka Salmi are independent of major shareholders.

The Board of Directors convenes when necessary. In 2004 a total of thirteen meetings were held. The participation rate of the members of the Board of Directors in the meetings of the Board has amounted to 96.2 percent.

When deemed necessary by its members, the Board of Directors forms committees amongst its members to prepare issues. The committees convene when necessary and the prepared issues are addressed and decided upon in the meetings of the Board of Directors. The Board of Directors has formed committees for appointing the President, for assessing the conditions for industrialising silicon carbide and for making arrangements for the financing of the Group, for example.

President and Vice President

The Board of Directors appoints and dismisses the President and Vice President of the Company and decides on the conditions of their terms of office.

The President is responsible for ensuring that the operation and fluent administration of the Group are arranged in adherence with existing laws and regulations in addition to the guidelines and decisions of the Board of Directors. In addition, the President is responsible for ensuring that the decisions of the Board of Directors are implemented appropriately. The President is responsible for the legality of the Group's accounting and the reliable implementation of financial management.

The Vice President takes over the responsibilities of the President in the event that the President is unable to attend to his duties.

Antti Rasilo, M.Sc. (Tech.) has been acting as the President of the Company since 2003. He owns 4,800 shares in the Company. In addition, the President is entitled to a total of 30,000 shares on the basis of the personnel option scheme. Should the option right be fully allocated, the President's portion of share capital and votes will amount to 0.2 percent.

Executive Management Group

Okmetic Group's Executive Management Group comprises the President, the Vice President and other operational directors appointed by the President.

The President acts as the head of the Executive Management Group. The objective of the Executive Management Group is to assist the President in managing the Group. The Executive Management Group addresses strategic issues, annual and long-term plans, revisions of such plans and other issues that have significance in terms of managing the Group. In addition, the Executive Management Group is responsible for controlling and supervising the Group activities. Furthermore, the Executive Management Group prepares issues to be addressed by the Board of Directors.

The Executive Management Group comprises seven members and convenes when necessary, but at least once a month.

The Executive Management Group comprises:

Antti Rasilo, 1950, M.Sc. (Tech.)
President
- Joined the Company in 2003

Timo Koljonen, 1966, Lic.Sc. (Tech.)
Senior Vice President, Production
- Joined the Company in 1994
- Area of Responsibility: the Order-Delivery process

Jaakko Montonen, 1969, M.Sc. (Tech.)
Senior Vice President, Development
- Joined the Company in 1994
- Area of Responsibility: the Product Engineering process

Mikko Montonen, 1965, M.Sc. (Tech.)
Senior Vice President, Sales and Marketing
- Joined the Company in 1991
- Area of Responsibility: the Sales & Marketing process

Esko Sipilä, 1948, M.Sc. (Econ.)
Senior Vice President, Finance
- Joined the Company in 1996
- Area of Responsibility: Finance, IT and Communications

Markku Tilli, 1950, M.Sc. (Tech.)
Senior Vice President, Research
- Joined the Company in 1985
- Area of Responsibility: Strategic Research Projects

Markus Virtanen, 1962, M.Sc. (Tech.)
Senior Vice President, Human Resources
- Joined the Company in 1999
- Area of Responsibility: Human Resources.

Separate operational management groups are used to help implement the operational activities of the Executive Management Group in relation to sales, production and development. A member of the Executive Management Group will act as the head of these management groups.

Remuneration and Other Benefits of the Members of the Board of Directors, the President and Members of the Executive Management Group

The Annual General Meeting, which was held on 25th March 2004, decided on the following annual remuneration for the members of the Board of Directors: Chairman of the Board of Directors 30,000 euro, Deputy Chairman 22,500 euro and members 15,000 euro each. The members of the Board of Directors will not be paid an attendance fee on top of the aforementioned remuneration.

The annual remuneration and perks awarded to the President amounted to approximately 166,700 euro in 2004.

Local legislation and practices are adhered to in relation to the remuneration of management. When deciding on the remuneration, the generally applicable job descriptions used in the industry and the personal development assessment are taken into consideration. The incentive scheme applies to all personnel. Personal objectives are included in the incentive scheme from the managerial level onwards.

The annual award paid to the President and the members of the Executive Management Group in addition to their salary and benefits is based on the incentive scheme enforced within the Group. In 2004 the maximum award amount was set at 25 - 30 percent.

The President and the members of the Executive Management Group are not remunerated specifically for their membership in the Executive Management Group or for acting in the administrative bodies of subsidiaries.

The pension benefits of the President and the members of the Executive Management Group are determined on the basis of the Finnish Employee's Pensions Act.

The notice period for the dismissal of the President for a justified reason is 12 months for the Company and six months for the President.

The Company has not provided guarantees or other such commitments in relation to the members of the Board of Directors or the Executive Management Group. Furthermore, the members and close relatives of the members are not permitted to have business links with the Company.

Internal Supervision, Risk Management, Auditing of Financial Statements and Internal Auditing

The administration and supervision of the Group's business activities is carried out in accordance with the aforementioned corporate governance system. The Group has reporting systems required for the efficient monitoring of business activities.

The ultimate responsibility for the appropriate arranging of accounting and supervision of financial management falls on the Board of Directors. The President is responsible for ensuring that the accounts comply with the law and that financial management is arranged in a reliable manner.

The achieving of set targets is monitored on a monthly basis with the help of a planning and monitoring system that covers the operational activities of all functions of the Group. The system includes actualised data and estimates for the following period up to a maximum of 12 months.

The risks to property, risks of interrupted operation and the risks relating to indemnity resulting from the operation of the Company are covered by appropriate insurance.

Financial risks and risks relating to the price of electricity are covered in accordance with a hedging policy separately approved by the Board of Directors.

The President and the members of the Executive Management Group are responsible for ensuring that the operations of the Company are carried out in accordance with existing laws as well as other regulations, decisions of the Board of Directors and the operational principles of the Company.

The auditor is appointed in the Annual General Meeting. The nominated auditor is disclosed in the notice of the Annual General Meeting or via a separate release, should the nominee not be known to the Board of Directors at the time of issuing the notice.

In accordance with the Articles of Association the Company has one auditor. The auditor must be an individual auditor or an audit firm approved by the Central Chamber of Commerce.

The term of office of the auditor terminates at the end of the Annual General Meeting following the appointment of the auditor.

The PricewaterhouseCoopers audit organisation is responsible for the global auditing of the companies included in the Group. PricewaterhouseCoopers Oyj is responsible for auditing the Parent Company Okmetic Oyj and the principal auditor is Markku Marjomaa. The principal auditor is responsible for providing guidance and coordination for the auditing of the Group. The audit programme, which is produced by the auditor and the management of the Company on an annual basis, takes into consideration the fact that the Group does not have its own organisation for internal auditing. The auditors provide the shareholders of the Company with the legally required auditor's report in connection with the annual financial statements. In addition, the auditors must report to the Board of Directors of the Parent Company on a regular basis.

The remuneration of the auditor amounted to approximately 84,600 euro in 2004 and 20,700 euro of this originated from services unrelated to auditing.

Insiders

The Board of Directors of Okmetic has confirmed the Company's insider guidelines that are based on the recommendation of the Helsinki Stock Exchange.

In accordance with the Finnish Securities Markets Act, the permanent insiders of the Company include, on the basis of their positions, the members of the Board of Directors, the President and the Vice President as well as auditors. In addition to these persons, insiders include specifically named managers of Group administration and persons responsible for handling Group issues as per a separate decision of the Company. If necessary, the management can appoint a person as an insider on a temporary basis in relation to specific projects.

In relation to Group level management, the Senior Vice President, Finance is responsible for the coordination and supervision of insider issues.

Communications

The objective of the external communications of the Group is to supply the market with a sufficient amount of reliable and up-to-date information concerning the development of the Group's markets and business activities and the Group's financial position in order to promote the accurate price determination of the Group's securities.

The Company website is: www.okmetic.com. The site provides all information that has been published on the basis of the disclosure requirements set for listed companies.

➔ The insider rules and Articles of Association of Okmetic can be found on the Company's website at www.okmetic.com → Investor Information → Corporate Governance →

Information for Shareholders

Annual General Meeting

The shareholders of Okmetic Oyj are invited to the Annual General Meeting, which is to be held on Thursday, 24 March 2005 at 2.00 p.m. in the auditorium of the Finnish Aviation Museum at Helsinki-Vantaa Airport, Tietotie 3, Vantaa. Registration of participants and the circulation of voting tickets will begin at 1.00 p.m.

All shareholders, who have by no later than 14 March 2005 been recorded as shareholders in the list of owners kept by the Finnish Central Securities Depository, have the right to attend the meeting. Shareholders who wish to attend the meeting should inform the head office of Okmetic Oyj thereof by 17 March 2005 at Piitie 2, Vantaa, room 5.1.32/1, during office hours from Monday to Friday between 8.00 a.m. and 4.00 p.m. Registration is also possible via email at osakkaat@okmetic.com, by telephone on +358 9 5028 0406 or by post to Okmetic Oyj, Share Register, P.O. Box 44, FI-01301 Vantaa, Finland. Registration by post requires that the letter arrive before the end of the registration period.

Should the participant be a legal representative whom a shareholder has given the right to vote by proxy, this should be disclosed in connection with registration and the proxy statement should be left or supplied to the same place within the duration of the registration period.

Proposal for the composition of Board of Directors

Okmetic Oyj's largest shareholders Outokumpu Oyj, Finnish National Fund for Research and Development Sitra and Oras Oy who together hold 46 percent of the votes in the Company, have informed the Company that they will propose to the Annual General Meeting of Shareholders that the Board of Directors should have six members. The above-mentioned companies also propose that the following existing members of the Board of Directors be re-elected for the period expiring at the close of the next Annual General Meeting: Mr. Mikko J. Aro; Mr. Heikki Huomo, Director, Corporate Strategy of Nokia Oyj; Mr. Esa Lager, Chief Financial Officer of Outokumpu Oyj; Mr Pekka Paasikivi, Chairman of the Board of Directors of Oras Oy; and Mr. Pekka Salmi, Sector Director of the Finnish National Fund for Research and Development Sitra. In addition the companies propose one new member to the Board of Directors: Mr. Karri Kaitue, Deputy CEO of Outokumpu Oyj. All candidates have given their consent to be elected.

Payment of Dividends

The Board of Directors has decided to propose to the Annual General Meeting that no dividends shall be paid for the year 2004.

Shares

The Company has issued a total of 16,887,500 shares. The equivalent book value of each share is 0.70 euro. Okmetic Oyj's shares have been quoted on the main list of the Helsinki Stock Exchange since 3 July 2000 under the trading code OKM1V.

Financial Data

Okmetic's financial reviews are published in Finnish and in English. They can be ordered from Okmetic Oyj, Communications, Piitie 2, 01510 Vantaa, Finland, by telephone +358 9 502 800 or fax +358 9 5028 0500 or via email communications@okmetic.com.

➔ The most essential investor information on the Okmetic website (www.okmetic.com) can be found under the section "Investor Information". Stock Exchange Releases, Interim Reports, Annual Reports and the Financial Statements are updated on the site in real-time. The pages also contain a company introduction, which is updated in connection with the publication of financial reports. On the website, under the section Investor Information there is an information service, where you can register to subscribe to electronic bulletins. The bulletins are sent via email as soon as they are issued.

Okmetic's Financial Reviews in 2005

Tuesday 15 February
Financial Statements for 2004

Week 10
Financial Statements for 2004
(Annual Report)

Okmetic will also publish its Annual Report on the Internet. The printed version of the Company's Annual Report for 2004 will be posted to all registered shareholders on week 10.

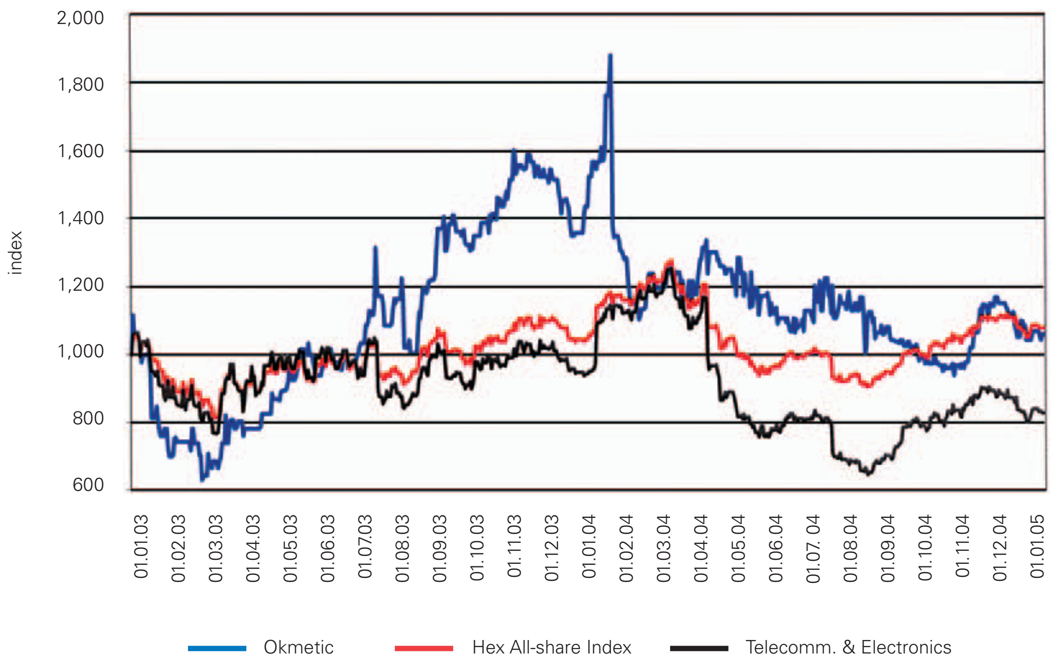
Tuesday 10 May
Interim Report January - March

Tuesday 9 August
Interim Report April - June

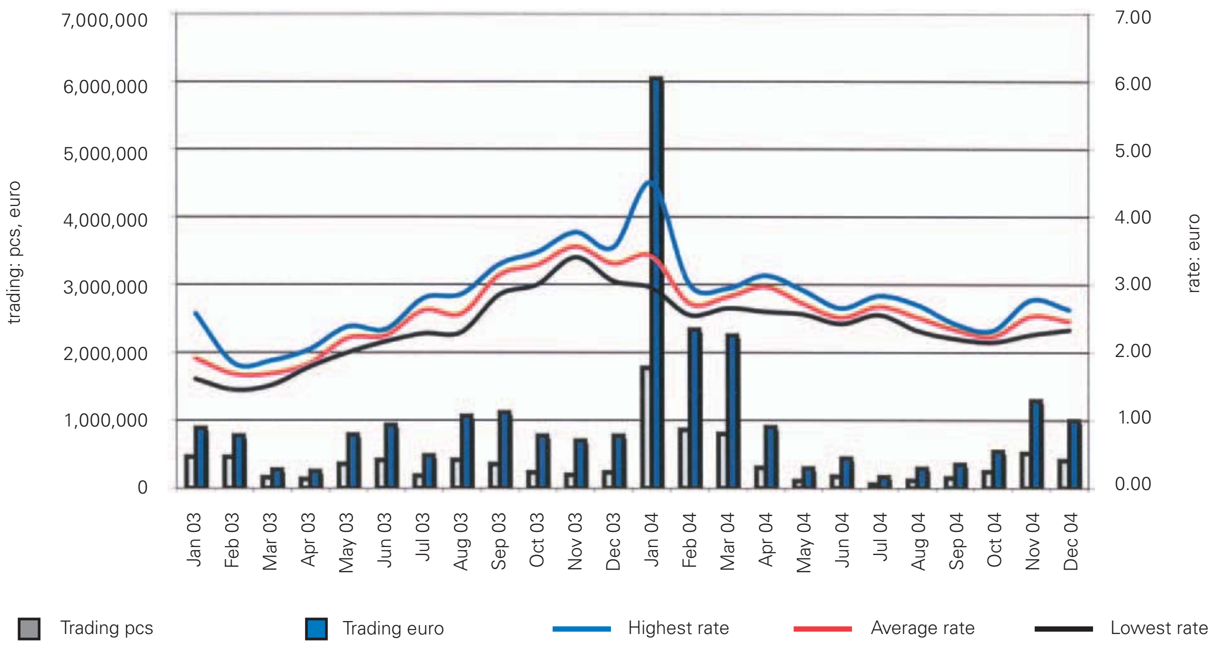
Tuesday 8 November
Interim Report July - September.

Share Price Development and Trading

Share price development



Trading and rates



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Okmetic Oyj
Domicile Vantaa, Finland
Business ID 0596885-4

Analysts

The following analysts assess Okmetic as an investment. Okmetic is not responsible for the contents of the analyses nor the forecasts or recommendations presented in them.
➔ An up-to-date list of analysts can be found on the Investor Information page of Okmetic's website: www.okmetic.com → Investor Information → Analysts.

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Glossary

Actuator
A micromechanical device used in automatic medication dosage that activates the dosage and controls it

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

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

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 (EPI)
A silicon wafer with a thin epitaxial layer of silicon grown on the surface

Gartner Dataquest
An international consultancy company that monitors the electronics industry

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

ICprime
An application specific silicon wafer for IC manufacturing

IFRS
International Financial Reporting Standards that all public companies in the European Union must follow starting from the year 2005

IGBT circuit
Isolated Gate Bipolar Transistor, a power transistor

Inertia sensor
A term commonly used in the industry for all motion sensors

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 9001:2000
An international standard for the management of the quality system used in the Company

LED
Light Emitting Diode, a light emitting semiconductor component

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, polycrystalline silicon

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

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

SARA
Risk analysis for random emissions, risk analysis method created by the Technical Research Centre of Finland for assessing environmental and safety risks at plants that use chemicals in their operations

SEMI
Semiconductor Equipment and Materials International, an international umbrella organisation of the semiconductor material and equipment industry

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, which is 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.

SIRE
Insider Register System operated by the Finnish Central Securities Depository

SiWEDS
Silicon Wafer Engineering and Defect Simulation, an international partnership for researchers and enterprises of the semiconductor field

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

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

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

Wafer yield
Indicates the number of approved wafers in relation to the number of sliced wafers in the manufacturing process